



GLOBAL CAPABILITY CENTRES

A STEP-BY-STEP GUIDE FOR MULTINATIONALS IN INDIA

JULY 2025



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FROM OUR CEO

India's GCC story is not merely about scale. It is a deeper narrative of how global enterprises are finding intellectual symmetry with India's knowledge economy. From hosting transactional back offices two decades ago to becoming digital and development centres for Fortune 500 companies, India's GCC ecosystem represents a transformative force at the intersection of talent, technology, and trust.

As someone who has had the privilege of witnessing India's evolving position in the global economic order, I view the rise of GCCs as a significant business opportunity for which India is uniquely placed. GCCs are more than operational extensions. They are carriers of corporate culture, accelerators of transformation, and custodians of long-term enterprise resilience.

Today, with over 1,700 GCCs operating in India, we are witnessing a considerable shift, transitioning from cost arbitrage to capability arbitrage. The advancement of India's service delivery in areas like embedded AI, regulatory compliance, cloud-native platforms, and ESG-linked analytics now matches, and often exceeds, global standards. What distinguishes this evolution is the transition from support to strategy, from delivery to design, and compliance to co-creation. This publication aims to summarise the collective insights gained from this journey.

This publication combines the essential steps for establishing a GCC, from entity formation and infrastructure development to capital structure planning and workforce organisation, extending beyond mere checklists. It places decisions within the context of India's regulatory environment, delves into the intricacies of tax models, interprets treaty frameworks, and pinpoints alignment of planning and policy.

The various sections covering entry, setting up studies, transfer pricing, permanent establishment risk, profit repatriation, and exit strategy address the genuine challenges our clients face. These are real and serious

concerns; they are crucial factors affecting enterprise value and business sustainability. This publication illustrates that a thoughtfully designed GCC strategy in India involves not just a choice between operational efficiency and compliance, but rather harmonising both with strategic foresight.

We take pride in advising various global organisations across sectors such as banking, technology, engineering, and healthcare, with respect to the tax and regulatory matters for their GCCs in India. Our comprehensive approach, spanning entity setup, regulatory approvals, transfer pricing strategies, dispute resolution, including litigation, APA-driven pricing certainty, regulatory structuring, and transition execution, consistently empowers our clients to navigate India's elaborate tax and regulatory landscape with clarity.

As we look ahead, the future of GCCs in India will be defined not by volume but by value. Generative AI, decarbonisation technologies, global tax digitisation, and regulatory harmonisation will create new expectations from capability centres. India's response, anchored in its demographic dividend, policy momentum, and digital-first posture, is well underway.

To the global enterprises evaluating or expanding their GCC footprint in India, I offer this publication as both a roadmap and a reflection. More than a practitioner's guide, it is a window into the architecture of long-term success. India is not just ready to host your capabilities; it is prepared to co-create them.

We hope you find the publication insightful and thought-provoking. As always, we welcome your suggestions and feedback.

Warm regards,

Dinesh Kanabar
CEO

A. Executive Summary

Introduction

India has swiftly emerged as a global powerhouse for GCCs, transitioning from a destination for back-office processing to a strategic node driving innovation, digital transformation, and enterprise value. As of FY2024, over 1,700 GCCs operate in the country, generating USD 64.6 billion in revenue and employing 1.9 million professionals. With the sector expected to nearly double by 2030, India continues to solidify its status as a critical location in global operating models.

This evolution from BPO units to GICs and now evolving to being “Digital Twins” of parent organisations has expanded the scope of GCCs across diverse industries, including IT, banking and financial services, healthcare,

engineering, and emerging technologies. While Bengaluru, Hyderabad, and Pune remain key hubs, tier-2 cities are increasingly becoming attractive due to competitive costs and deepening talent pools.

Several enabling factors have fuelled this growth: India’s expansive and tech-savvy talent base, cost efficiencies, maturing infrastructure, and supportive government policies. However, as GCCs expand their mandates into core digital and strategic functions, it becomes imperative to align tax structures, legal entity models, and operating frameworks to sustain this growth while ensuring regulatory compliance.

Setting Up a GCC in India

Establishing a GCC in India requires a carefully structured, multi-phase approach that blends commercial foresight with legal, tax, and operational planning. The journey typically begins with choosing the optimal investment route, whether a direct investment or through an intermediate holding company, taking into account cross-border tax efficiency and treaty benefits in **Section C1**.

The next key consideration is location strategy, covered in **Section C2**. GCCs must evaluate state-level incentives, proximity to talent, infrastructure readiness, and the comparative benefits offered by special economic frameworks such as SEZs, STPIs, EOUs, or GIFT City. Once the location is finalised, the legal formation of the entity, as per **Section C3**, typically involves a choice between a private limited company or an LLP, followed by attention to incorporation procedures, regulatory registrations, and sectoral approvals where applicable.

Capital structuring in **Section C4** is another critical step, involving a choice between equity, debt, or hybrid instruments, each carrying its own tax and compliance consequences. Parallely, physical and digital infrastructure planning, such as office leasing, ERP integration, and IT enablement, must be initiated, as explained in **Section C5**. Effective financial planning is showcased in **Section C6** for GCCs, which involves aligning capital, operational spending, and robust transfer pricing policies to ensure tax compliance, efficient resource use, and scalable long-term growth.

Workforce planning is central to a successful setup. Strategies for talent acquisition, ranging from local hiring to deploying expatriates, must be balanced with compliance with Indian labour laws and immigration requirements, which are covered in **Section C7**. Finally, the initial setup phase must not overlook risk management covered in **Section C8**. Building strong internal controls, operational safeguards, and business continuity frameworks from day one helps ensure a stable and compliant foundation for the GCC’s future growth.

Operating GCCs in India

Once operational, GCCs must select the right engagement model to suit their strategic and operational needs. Options include outsourced or managed service models, self-reliant wholly owned subsidiaries, BOT arrangements such as managed services, operational undertakings, legal entity set-ups, and hybrid setups involving third-party providers or EOR structures. Each model brings distinct considerations around control, cost, compliance obligations, and scalability covered in **Section D1**.

Given the complexity and frequency of transfer pricing disputes, particularly in determining mark-ups by selecting appropriate comparables, GCCs must carefully evaluate the most suitable resolution pathway. While litigation remains the primary recourse for defending reasonable transfer pricing positions, especially in cases involving routine IT/ITeS functions, it can be time-

consuming and resource-intensive. Accordingly, choosing between traditional litigation, APAs, or MAPs should be a strategic decision, taking into consideration the multiple parameters surrounding such an international transaction. Moreover, the tax implications of cross-border secondments, PE risks, and expatriate payrolls must be addressed thoughtfully to prevent future disputes. It is further discussed in depth in **Section D2**.

Operational success also hinges on the efficient repatriation of profits and the structuring of cross-border ESOPs explained in **Section D3**. Equally important are the ongoing compliance requirements in **Section D4** covering Indian tax filings, adherence to labour laws, intellectual property protection, environmental regulations, cybersecurity, and data privacy mandates. Together, these elements form the backbone of a resilient, compliant, and scalable GCC operation.



Transitioning Under BOT Structures

Many GCCs in India begin their journey under BOT models, wherein third-party service providers handle initial setup and operations before transitioning ownership to the foreign parent. This transition phase requires detailed planning and execution to manage knowledge transfer, employee migration, and regulatory handover smoothly.

The section highlights how businesses can manage this transition with minimal disruption, maintaining business continuity, ensuring workforce stability, and meeting compliance milestones. A well-managed BOT transition enables companies to move from outsourced support to in-house capability with strategic control intact.

Exit Considerations – Strategic Closure, Monetisation, and Regulatory Wrap-up

While the focus is often on setting up and scaling GCCs, some entities may eventually need to evaluate exit strategies triggered by global restructuring, strategic realignment, or M&A activity. This section outlines possible exit routes such as a share sale, asset sale, merger, or voluntary liquidation, each carrying distinct tax and legal implications.

Planning an exit demands careful consideration of regulatory procedures, contract terminations, employee separation protocols, and tax obligations. A proactive and compliant approach ensures the GCC can wind down operations efficiently while preserving brand equity and stakeholder trust.

Select Industry Exemplars

To contextualise the preceding discussions, the report profiles select examples of GCCs across key sectors, including banking, engineering, healthcare, and technology. These industry exemplars showcase how leading multinational enterprises have strategically leveraged India for critical global functions, tailoring

their GCC setups in response to operational, regulatory, and talent considerations.

These examples also highlight how companies navigate India's complex legal and tax environment while building resilient, value-creating operations.

GCC in Practice – Navigating Complexity Through Experience

Drawing on recent client engagements, this final section presents our recent experience shedding light on how companies have set up and managed tax structuring, TP litigation, APA filings, secondment design, and operational handovers. These practical insights underscore the value of early planning, deep regulatory

expertise, and an agile approach to managing India-specific complexities.

Ultimately, these experiences reinforce that while India offers tremendous opportunity, success in the GCC space depends on thoughtful execution, proactive compliance, and adaptability.



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are reflected in each other, creating a complex geometric pattern. The sky is a clear, pale blue. A red banner with a blue diagonal stripe is positioned at the bottom left.

B. Introduction

B1. India's Growing Role in the Global GCC Ecosystem¹

India's emergence as a leading destination for GCCs is no longer a story of back-office efficiency, but one of strategic value, innovation, and global integration. Over the last two decades, the country has transformed itself into a worldwide GCC powerhouse, supporting MNEs across a wide array of functions, ranging from IT services, finance, and analytics to R&D, digital transformation, and contributing to product innovation. As of FY2024, India is home to over 1,700 GCCs, collectively generating USD 64.6 billion in revenue and employing more than 1.9 million professionals. With an expected market size of USD 120 billion by 2030, India is on a growth trajectory that underscores its central role in shaping the future of global operations. GCCs can drive sustainable growth and contribute to India's goal of becoming a US\$ 5 trillion economy through continued innovation, collaboration, and investment in talent and infrastructure.

The foundation of India's GCC success lies in several key advantages: a vast and digitally skilled talent pool, a supportive policy environment, significant cost

competitiveness, and a robust digital infrastructure. This mix has helped India not only attract new investments but also evolve existing centres from being transactional service providers to strategic business enablers. Today's GCCs are multifunctional units that often lead enterprise-wide transformation programs, incubate digital solutions, and drive core business innovation.

What began as a cost-optimisation initiative has now become a strategic imperative. Earlier, GCCs primarily offered low-cost, labour-intensive support services such as data entry, customer service, and basic finance functions. Over time, however, the narrative shifted. With rising demand for digital skills and proximity to an extensive technical talent base, GCCs began to move up the value chain. By 2020, many centres had already started delivering important functions such as engineering design, AI, ML, and business analytics. As of today, over 50% of India's GCCs are supporting group innovation-led, delivering integrated services that touch core business strategy.



1. <https://finshots.in/archive/is-india-the-perfect-home-for-global-capability-centres/>
<https://www.india-briefing.com/news/india-working-on-new-gcc-policy-to-tap-sector-growth-with-fresh-incentives-35447.html/>
<https://zinno.com/centers-of-excellence/why-the-world-should-invest-in-india-global-capability-centers-gccs-blog/>
<https://analyticsindiamag.com/gcc/ansr-launches-1-wrk-to-set-up-gccs-effortlessly/>

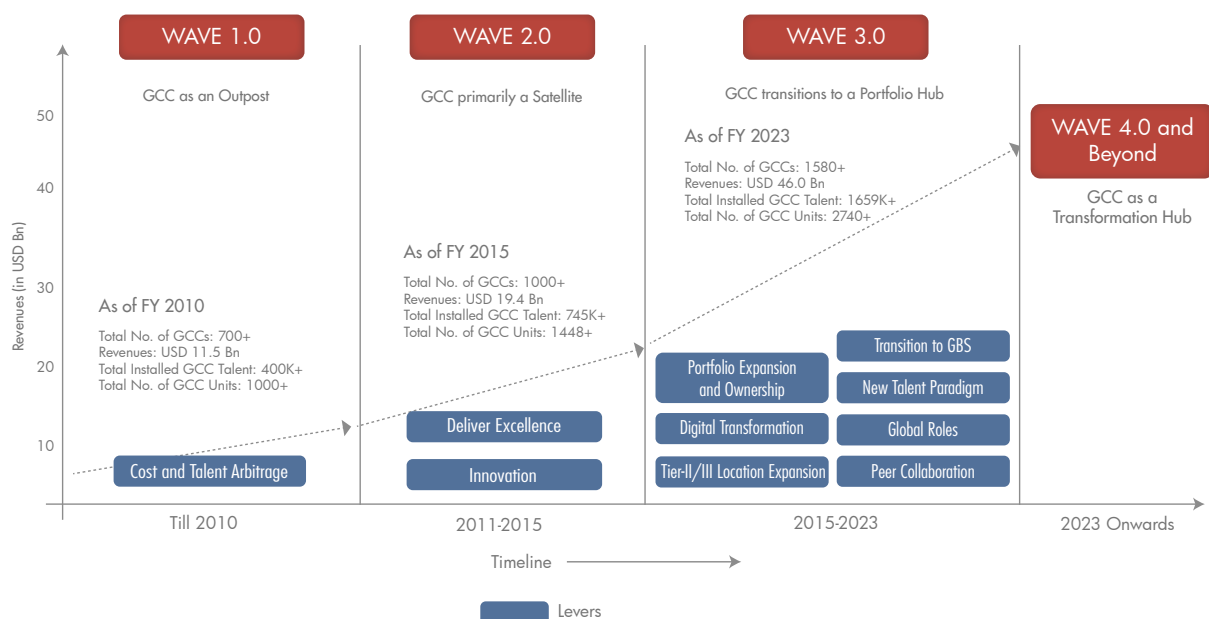
B2. Timeline of GCC Evolution in India²

The story of GCCs in India began as early as 1985, when Texas Instruments established a small offshore office in Bengaluru, laying the groundwork for future foreign investment in captive centres. This was followed by a wave of technology and airline companies entering the Indian market in the 1990s, attracted by India's English-speaking workforce and improving telecom infrastructure. These early entrants, known as captive centres, focused on customer support and IT helpdesk functions, behaving as an outpost for the parent company.

By the early 2000s, global firms began setting up BPO centres in Indian metros, such as Bengaluru, Mumbai, and Delhi NCR, taking advantage of significant labour arbitrage. These were the formative years of India's offshoring journey, when cost was the primary motivator. However, around 2005, a transition was underway. GICs, a precursor to the modern GCC, began diversifying their portfolios. R&D, product development, and engineering services gradually entered the mix, enabling these centres to support businesses throughout the product lifecycle.

Between 2010 and 2016, the GCC footprint doubled to over 1,000 by 2016. With accelerated transformation, driven by the convergence of digital innovation and government-led infrastructure development, GCCs developed into sophisticated portfolio hubs, rendering a variety of services. Bengaluru and Hyderabad have emerged as prominent hubs for digital and engineering talent, with companies such as Microsoft, AMD, and Accenture establishing R&D facilities. Over 150 new multinationals have set up their GCCs in India in the last two years alone.

Since 2023, the Indian GCC landscape has transformed into a 'Digital Twin' of the parent company, marked by an ambition to become a transformation hub. While the shift is still nascent, early movers are reimagining enterprise roles, focusing on global leadership, platform thinking, and innovation-driven business ownership. However, much of the sector is still catching up to this emerging paradigm.



Source: Zinnov Article titled "8 Reasons Why Global Companies set up Global Capability Centres in India" dated 21st March 2025³

2. <https://www.ibef.org/blogs/global-capability-centres-are-transforming-india-s-corporate-landscape>

3. <https://zinnov.com/centers-of-excellence/8-reasons-why-global-companies-set-up-global-capability-centers-gccs-in-india-blog>

B3. Sectoral Spread and Geographic Distribution⁴

The diversity of India's GCC landscape is reflected in both its industry focus and regional presence. GCCs span across various sectors, including IT, financial services, automotive and engineering, life sciences, and emerging technologies.

IT and Digital Services



Bengaluru, Hyderabad, and Pune continue to lead as IT powerhouses. Bengaluru, often referred to as India's "Silicon Valley," is home to major players such as Google, IBM, and Accenture. Hyderabad, meanwhile, is a growing centre for cloud computing and AI-led services. The depth of India's IT expertise, coupled with robust infrastructure, makes these cities ideal for digital transformation centres. A 2024 Inductus report suggests that by 2026, over 70% of Indian GCCs will integrate AI into their workflows, including use cases such as automated customer support, ML-based forecasting, and cybersecurity.

Financial Services and Fintech



Mumbai remains the financial nerve centre of India and attracts leading banks, insurance firms, and fintech startups to establish their GCCs. NCR and Pune are cities that also play important supporting roles, hosting particularly companies in analytics, compliance, and risk management. Bengaluru is becoming a preferred destination for hiring in financial technologies, including defence-grade fintech innovation.

Automotive and Engineering



Pune, Chennai, and Bengaluru anchor the automotive and engineering sector. Pune, with its established automotive manufacturing belt and major OEMs, and Chennai, often dubbed the "Detroit of Asia," host GCCs focused on testing, engineering design, and product innovation. These cities are increasingly central to global supply chain resilience and engineering-led growth.

Healthcare and Life Sciences



Hyderabad has become a hub for healthcare-focused GCCs, particularly in pharmaceutical R&D, clinical trials, and diagnostics. A combination of research institutions, regulatory clarity, and a pool of qualified scientists makes it ideal for global healthcare firms looking to offshore knowledge-intensive work.

Emerging Technologies

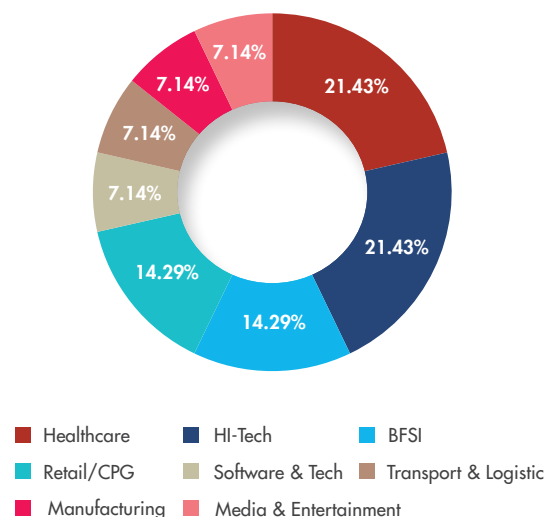


Bengaluru and Hyderabad are leading the charge in new-age tech like blockchain, generative AI, and quantum computing. Multifunctional GCCs here are pushing the envelope of what is possible in the global innovation landscape.

4. <https://nasscom.in/knowledge-center/publications/gcc-40-india-redefining-globalization-blueprint>
<https://www.businessgo.hsbc.com/en/article/what-are-global-capability-centres-gccs-in-india>

The sectoral composition of GCCs in India reflects the strategic evolution of the country's service delivery model, increasingly aligned with innovation-driven functions. Healthcare and Hi-Tech each account for 21.4% of the GCC footprint, underlining India's growing role in enabling digital transformation, R&D, and next-gen product development for global firms. BFSI and Manufacturing follow at 14.3% each, leveraging India's analytical capabilities and domain-specific expertise to support risk, compliance, operations, and supply chain functions. The equal 7.1% share held by Software & Tech, Retail/ CPG, and Transport & Logistics suggests a broadening scope of GCC operations into consumer-centric and logistics-intensive industries. This balanced distribution indicates a shift from traditional low-end back-office roles to more integrated, enterprise support functions, affirming India's position as a multi-domain global capability hub.

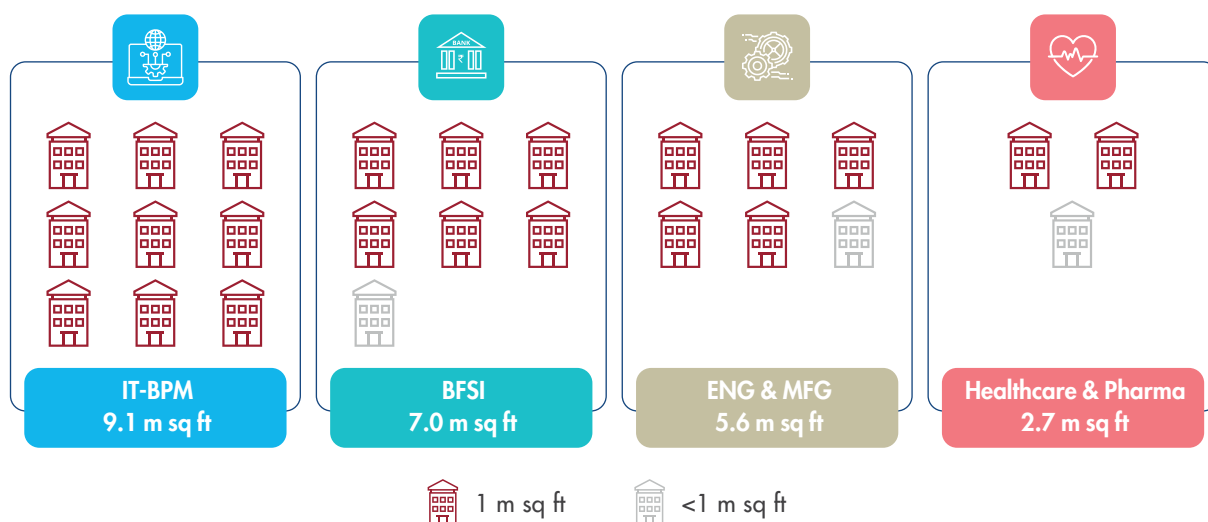
Sectoral Distribution of GCCs in India



Source: ANSR Global Report dated March 2024 on GCC Quarterly Landscape Q4'23

Office leasing patterns in 2024 also offer a clear lens into the dominant sectors shaping India's GCC landscape. IT-BPM and BFSI, with leasing volumes of 9.1 million sq. ft and 7.0 million sq. ft respectively, emerge as the leading occupiers, signalling their strong operational footprint and sustained infrastructure expansion. Engineering & Manufacturing (5.6 million sq. ft) and Healthcare & Pharma (1.3 million sq. ft) also exhibit notable space absorption, aligning with global trends in industrial reinvention and life sciences growth. Collectively, these patterns reflect a maturing and sectoral diversity in GCCs ecosystem in India, with deepening capabilities across domains.

Leasing of GCCs by Sector in 2024



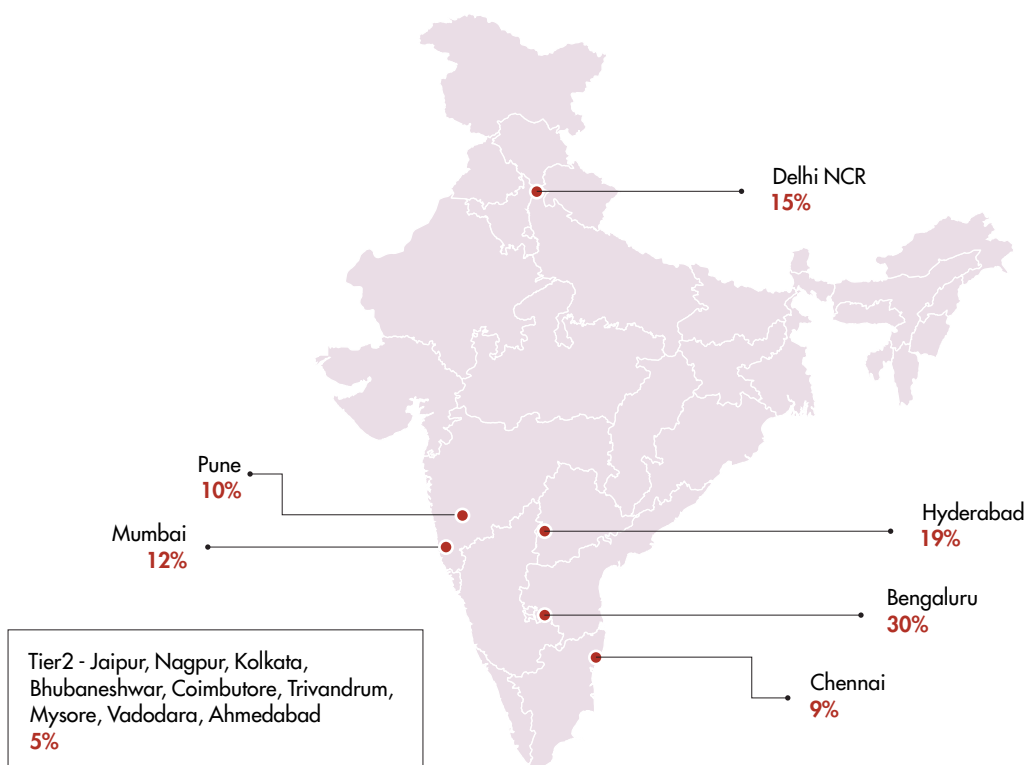
Source: The Economic Times dated 26th May 2025

B4. Geographical Concentration and Tier-2 Potential

The geographical distribution of GCCs shows a high concentration in Tier-1 cities, with Bengaluru accounting for nearly 30% of the market. The city alone generates more than USD 43.6 billion in GCC exports and hosts over two dozen centres with revenues exceeding USD 1 billion annually. Hyderabad follows with 19%, driven by state incentives and lower operating costs. Delhi NCR and Mumbai maintain their strategic importance, while Pune and Chennai have gained traction for their engineering talent and strong industry-academia links.

Tier-2 cities, currently accounting for just 5% of the GCC footprint, present a significant opportunity. Rising real estate costs and talent saturation in metros are prompting companies to explore locations like Jaipur, Nagpur, Ahmedabad, Coimbatore, etc., which offer cost savings, reduced attrition, and quality of life advantages. However, the comparatively lower leasing activity in these cities reinforces their nascent position in the GCC landscape. The next wave of GCC growth will likely come from these emerging hubs.

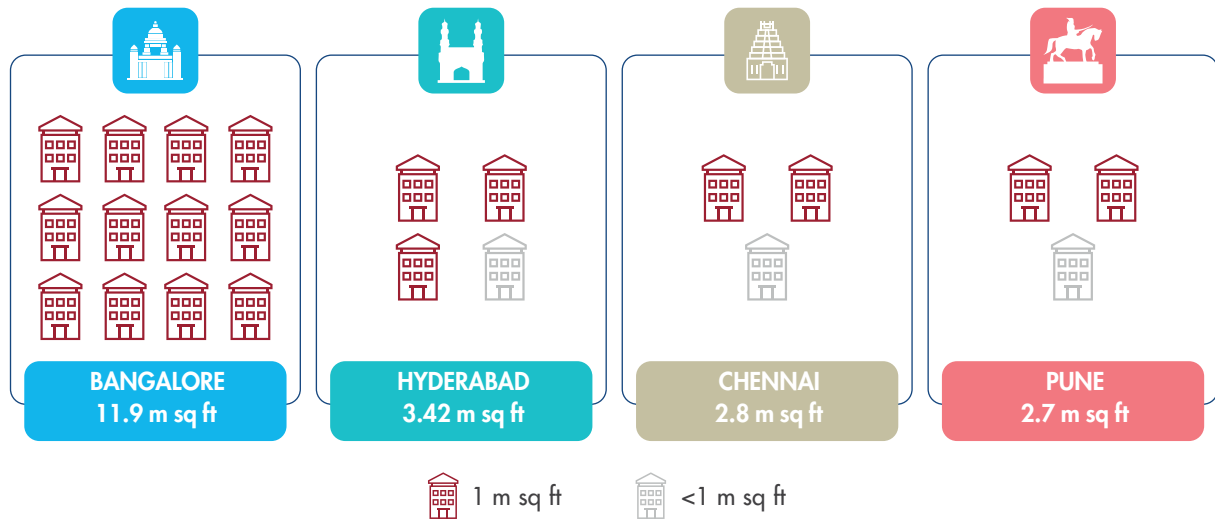
GCCs Distribution in India



Source: The Economic Times dated 26th May 2025

The concentration of different types of GCCs in various cities is also reflected in office space leasing patterns. Bengaluru led city-wise leasing activity in 2024 with 11.9 million sq. ft, far ahead of peers. Hyderabad (3.4 million sq. ft), Chennai (2.8 million sq. ft), and Pune (2.7 million sq. ft) followed, indicating a clear spatial correlation with GCC expansion.

Leasing of GCCs by City in 2024



Source: The Economic Times dated 26th May 2025



B5. Key Drivers Powering the GCC Boom⁵

Several structural and policy-driven enablers are sustaining India's leadership in the GCC space:

Talent and Workforce Development:

With over two million professionals already engaged in GCCs and an annual addition of 1.5 million engineering graduates, India's talent pipeline is unparalleled. Institutions, complemented by government efforts to foster Centres of Excellence in AI and other future-focused disciplines. According to industry estimates, nearly 78% of GCCs have been set up with the explicit objective of tapping into India's high-quality workforce. The demand-supply gap for tech talent in India is among the lowest globally, just 21.1% compared to 29.3% in China and over 45% in the U.S.

Government Support:

Indian states are competing to attract GCC investments through tailored policy interventions. Karnataka's 2024–2029 GCC policy targets 500 new centres and offers benefits such as state tax exemptions, innovation lab funding, and skilling reimbursements. Uttar Pradesh is aiming even higher, seeking to establish 1,000 GCCs with employment potential of 500,000 jobs. Maharashtra is supporting development through SEZs and digital smart parks, while Gujarat's GIFT City has attracted global players such as Infineon Technologies and Bank of America. Other government initiatives spanning both Central and State include building a strong talent pipeline through programmes like Skill India Digital, partnerships with AICTE and industry-led platforms like FutureSkills Prime, as well as integrating AI education into mainstream curricula. To support emerging technologies, initiatives such as the India AI Stack, National Programme on AI, and MAFI promote R&D and application development.

Digital and Physical Infrastructure:

India's digital infrastructure, including 5G rollouts, smart grids, and cloud ecosystems, is expanding into Tier-2 and Tier-3 cities. These regions are currently experiencing growth in GCC demand of 15–20% and are projected to accelerate to 25–30% beyond. Leveraging this growing digital infrastructure, deep technology talent and

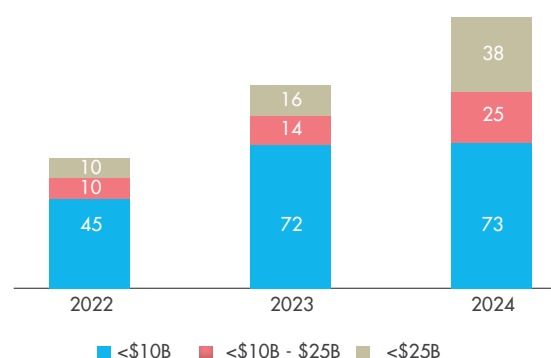
regulatory sandbox environment, fintech has expanded considerably in India. This led to rise of embedded finance, blockchain-based platforms, digital lending, and real-time payment ecosystems, which has prompted banks, insurers, and fintech disruptors to establish specialized GCCs focused on product innovation, cybersecurity, risk analytics, and compliance automation.

Cost Efficiency and Innovation Readiness:

India's operational costs are up to 40% lower than those in Eastern Europe. This, along with a strong focus on building AI, cybersecurity, and cloud capabilities, ensures that India is not only a destination for shared services but also a driver of global innovation. Around 90% of GCCs now operate as multifunctional hubs, often blending operational roles with R&D, analytics, and support in product development.

The expansion of GCCs in India has witnessed a robust upward trajectory over the past three years, with new setups rising from 65 in 2022 to 136 in 2024, more than doubling in this period. Notably, the increase is not only quantitative but also qualitative, with a visible surge in GCCs backed by parent companies with revenues exceeding USD 25 billion. The proportion of such large-scale entrants rose significantly in 2024, accounting for 38 of the total establishments, compared to just 10 in 2022. This trend reflects the strong confidence of MNEs in the country's talent, infrastructure, and policy environment.

GCCs Expansion in India



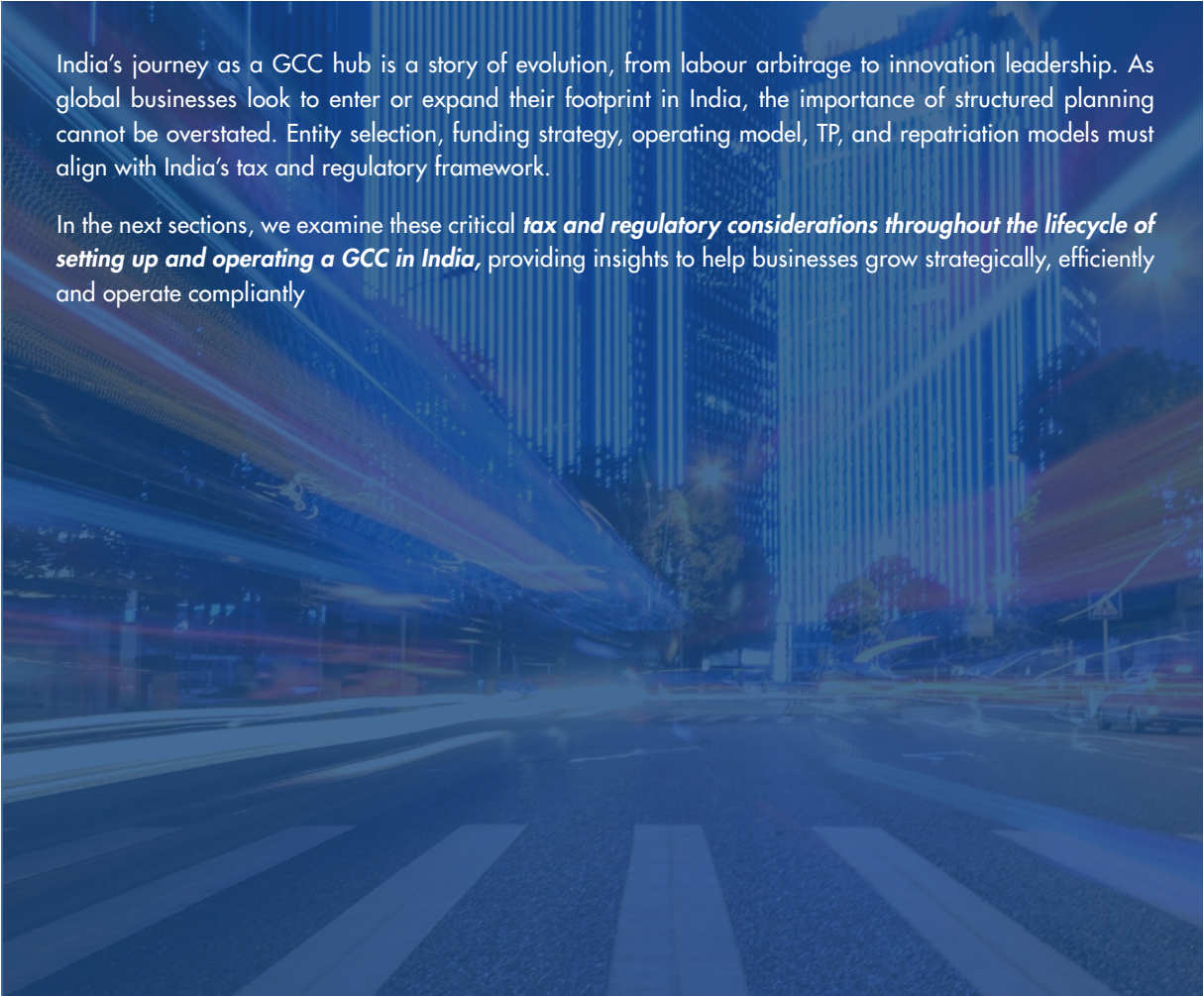
Source: The Economic Times dated 26th May 2025

5. <https://economictimes.indiatimes.com/tech/information-tech/indian-global-capability-centers-to-create-3-64-lakh-jobs-in-2023-report/articleshow/102398099.cms?from=mdr>
<https://www.businessgo.hsbc.com/en/article/what-are-global-capability-centres-gccs-in-india>
<https://www.torryharris.com/knowledge-zone/global-capability-center>

B6. What Lies Ahead

The future of GCCs in India is poised to be shaped by rapid digital transformation, a shift towards hybrid operational models, and an emphasis on sustainability. GCCs will continue to lead global digital initiatives, leveraging advancements in AI, automation, and analytics to drive innovation and efficiency. The Indian government's active support through skill development programs, especially in tech and AI, will ensure a robust talent pipeline, reinforcing India's position as a strategic digital hub for global businesses.

Additionally, the adoption of hybrid models, blending in-house capabilities with outsourced services, will allow companies to optimise operations while maintaining strategic control. GCCs will also play a crucial role in advancing ESG goals by harnessing India's digital strengths to support sustainability initiatives. With growing regional competition, cities beyond traditional IT hubs like Bengaluru and Mumbai are emerging as attractive GCC destinations, supported by improved infrastructure and favourable policies. This geographical diversification, coupled with strategic investments, will drive the next phase of GCC expansion in India.



India's journey as a GCC hub is a story of evolution, from labour arbitrage to innovation leadership. As global businesses look to enter or expand their footprint in India, the importance of structured planning cannot be overstated. Entity selection, funding strategy, operating model, TP, and repatriation models must align with India's tax and regulatory framework.

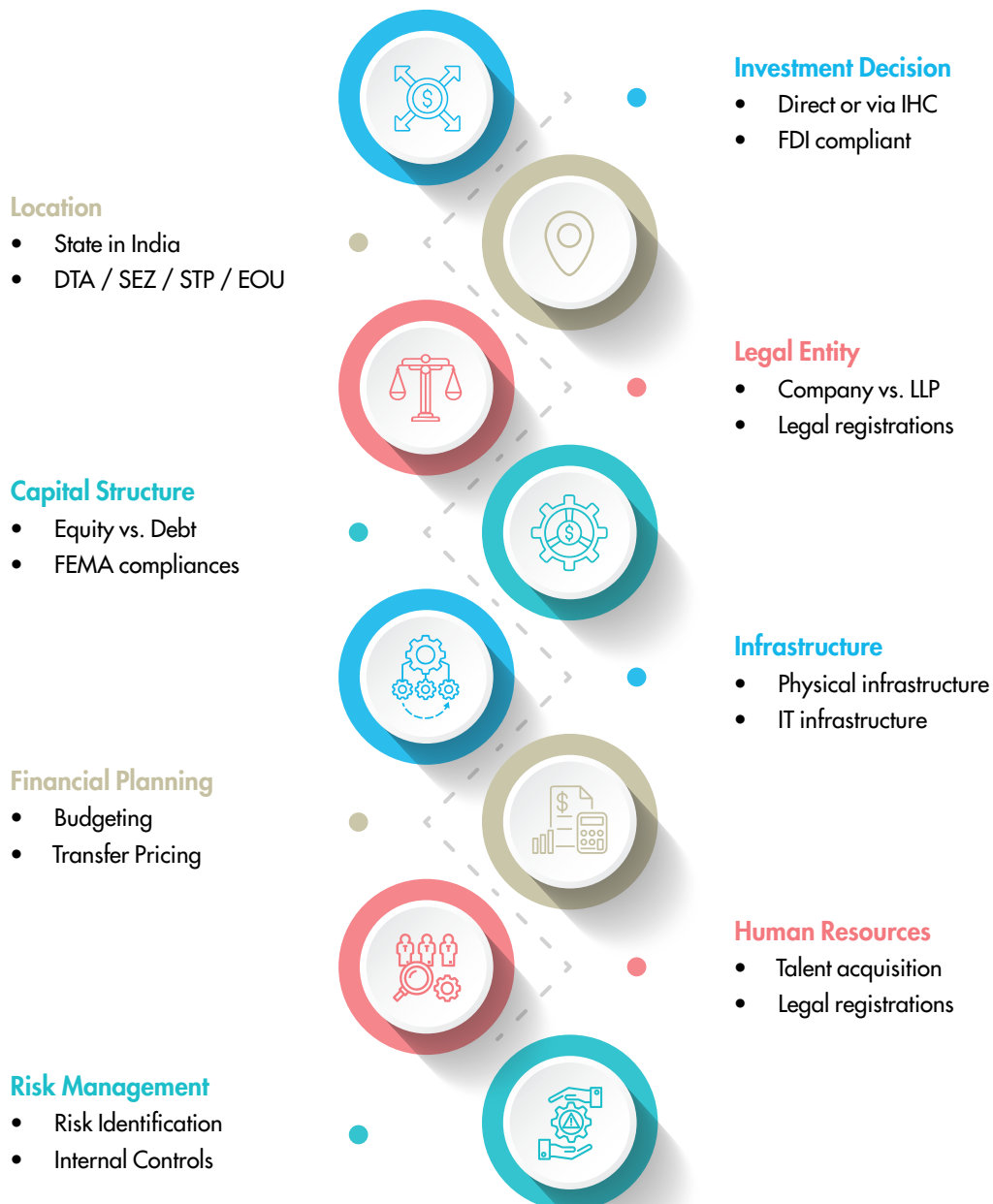
In the next sections, we examine these critical **tax and regulatory considerations throughout the lifecycle of setting up and operating a GCC in India**, providing insights to help businesses grow strategically, efficiently and operate compliantly

The background of the slide is a dark blue world map. The map is overlaid with a white grid of lines. The landmasses are filled with a pattern of small white dots. Several small white squares, each containing a small circle, are placed at various locations on the map. A prominent red banner with a blue diagonal stripe is located at the bottom of the slide.

C. Setting up a GCC in India

Overview

Setting up a GCC in India is a multi-step process that requires planning and consideration across several key areas, including investment decisions, location selection, legal entity formation, and financial planning. While the process may vary depending on the business model and specific objectives of the GCC, a typical set-up takes between 6 and 9 months. The following sections provide a detailed overview of the primary considerations during each stage of the setup.



C1. Investment Decision

The first step in setting up a GCC in India is determining the appropriate investment structure- whether to invest directly from the parent company or through an IHC. This decision plays a critical role in achieving long-term tax efficiency, operational flexibility, and regulatory alignment.

For various strategic, operational, tax and regulatory reasons, multinational enterprises may have established IHCs and investments in entities located in a particular country or region may have been routed through such IHC. Such IHCs can be in a favourable treaty jurisdiction and, in addition to operational and strategic advantages, can also offer significant tax advantages, particularly in terms of reducing WHT exposure on future dividend repatriation, taxes on capital gains, and enabling ease of restructuring. However, given the global focus on aggressive tax planning, the benefits under the treaty are subject to satisfaction of anti-abuse provisions, such as the PPT, LOB, or specific tests prescribed under each applicable tax treaty.

Although investments in most GCC-relevant sectors are permitted under the automatic route as per the FDI policy, compliance with the FEMA, 1999, remains essential, particularly with respect to post-investment reporting and adherence to sector-specific conditions, if any. The FDI policy permits up to 100% foreign investment under the automatic route in key sectors where GCCs typically operate, including ITeS, Engineering design and BPM. However, it is important to note that for investments from countries that share land borders with India, such as China (including Hong Kong and Macau), Pakistan, Bangladesh, Nepal, Bhutan, Myanmar, and Afghanistan are subject to approval from the Government⁶. This condition applies irrespective of the sector and therefore must be carefully considered while planning FDI in a GCC setup from such jurisdictions.

The choice of investment jurisdiction directly affects WHT implications on dividend repatriation, making it an important tax planning lever. The implications vary and thereby have an impact on returns to an investor.

The following table summarises the dividend WHT rates under key treaties:

Table 1: Dividend WHT Rates in Various Jurisdictions

Jurisdiction	WHT (≥ Threshold Holding)	WHT (< Threshold Holding)	Remarks
Non-treaty	20	20	Additional surcharge and cess ETR – 21.84%
USA	15	25	≥10% of voting stock
UK ⁷	10	10	No difference
Germany	10	10	No difference
Japan	10	10	No difference
Mauritius	5	15	≥10% of capital
Singapore	10	15	≥25% of capital
Netherlands	10	10	No difference
UAE	10	10	No difference

Note: The beneficial treaty rates are subject to the recipient being the beneficial owner of the dividend under the relevant DTAA. This is particularly relevant in the case of IHCs, where treaty benefits may be denied due to a lack of economic substance.

A carefully considered investment structure, oriented with treaty benefits and commercial rationale, forms the cornerstone of a compliant and tax-efficient GCC setup in India. It ensures smoother regulatory navigation and more effective capital deployment and repatriation flexibility in the long run.

6. Press Note 3 (2020 Series), issued on April 17, 2020

7. 15% WHT applies on gross amount of dividend in case such dividend is paid out of income derived from immovable property by an investment vehicle which distributes most of this income annually and whose income from such immovable property is exempt from tax and 10% in all other cases.

C2. Location Selection

Choosing the right location for a GCC in India is a strategic decision that influences long-term operational efficiency, scalability, cost-effectiveness, and regulatory ease. India offers a mix of conventional business locations and specialised zones such as DTAs, SEZs, STPIs, and the International Financial Services Centre at GIFT City. While each option has distinct advantages, the choice must follow with the GCC's functional focus, industry sector, and long-term expansion plans.

Key Zone-Based Options

Special Economic Zones

SEZs remain a preferred location for export-focused GCCs due to their operational and fiscal advantages. These include:

- Duty exemptions on imported capital goods
- Zero-rated GST on export supplies and procurements
- Streamlined customs procedures and single-window clearances

GCCs in SEZs must maintain a positive NFE position to continue availing these benefits. Apart from "Gift City"

in Gujarat, the erstwhile income-tax holidays have been phased out from SEZs. That said, SEZs still offer meaningful cost and compliance efficiencies. Companies must also factor in the upfront effort and compliance required to obtain approvals and adhere to zone-specific regulations.

Software Technology Parks of India

STPIs are particularly suitable for IT and software service GCCs. Though the tax holidays under the STPI scheme are no longer available, these units still benefit from:

- Zero-rating benefit under GST for exports
- Upfront exemption for import of goods
- Refunds of input GST on other procurements, improving working capital efficiency
- Simplified regulatory and operational procedures

STPIs are present in many Tier-1 and Tier-2 cities and often act as incubators for innovation, entrepreneurship, and scale-up support, especially for companies seeking flexibility without the constraints of designated economic zones.



Table 2: Comparing DTA v SEZ v STPI

Particulars	DTA	SEZ	STPI
Location	No specified regions	Specified regions	No specified regions
Investment	No minimum investment	No minimum investment	Minimum investment requirement of approx. USD 0.12 million in plant & machinery
Import duty on goods	Applicable form part of the cost	Not payable	Not payable
GST on inputs and services procured domestically	Applicable, however, being a 100% export unit, full refund will be available on application	Not applicable → no need to claim a refund	Applicable, depending upon arrangement between supplier & buyer. However, where GST is paid to vendor, then full refund will be available
GST on service import (Reverse charge mechanism)	Applicable, however, being a 100% export unit, a full refund will be available on application	Not applicable	Applicable, however being a 100% export unit full refund will be available
Tax cost (GST only)	Import duty plus working capital stuck in taking the refund of GST	No tax cost	No tax cost, working capital stuck in taking the refund of GST
Net Foreign Exchange	Not required	Achieve a positive NFE cumulatively in a block of 5 years from commencement	Achieve a positive NFE cumulatively in a block of 5 years from commencement
License and renewal	Not Applicable	License required and valid for 5 years, post which renewal is required	Not Applicable
Comparative compliances	Least	Moderate	Highest

GIFT City (IFSC)

Gujarat International Finance Tec-City, or GIFT City, spread across 886 acres, consists of a multi-service SEZ, which has been notified as India's first IFSC, and an exclusive DTA. The GIFT City is located between the business capital (Ahmedabad) and the political capital (Gandhinagar) of Gujarat. The GIFT IFSC represents India's most advanced international financial services ecosystem, which offers the following benefits:

- Ease of Doing Business and Light-touch Regulations.
- Proactive regulator willing to facilitate business in real time.
- 100% profit-linked Income tax exemption for 10 years out of the initial 15 years.
- 0% MAT for companies opting for the New Regime and a concessional MAT rate of 9% for companies opting for the Old Regime.
- Other direct and indirect tax incentives.
- Unified Regulator along with Single Window Clearance.
- Strategic location and connectivity, along with state-of-the-art infrastructure facilities.
- Seamless access to international financial markets.

The GIFT IFSC is highly attractive for GCCs, which are engaged in the financial services sector. GCC in the GIFT IFSC are known as GIC. The IFSCA has issued the International Financial Services Centres Authority (Global In-House Centres) Regulations, 2020, governing GICs. The key considerations for setting up a GIC in the GIFT IFSC are outlined below:

1. Eligibility Criteria:

Only FS groups are permitted to establish a GIC in GIFT IFSC. In this regard, FS groups encompass banks, non-banking financial companies, financial intermediaries, investment banks, insurance companies, re-insurance companies, actuaries, brokerage firms, funds, stock exchanges, clearing houses, depositories, and custodians. A financial services regulator should regulate the FS group.

2. Scope of Services:

GIC shall exclusively provide support services directly or indirectly to entities within its FS group. The support services offered to the FS group should be directly linked to the delivery of financial services related to a financial product by the FS group.

3. Service recipient:

GIC is permitted to provide support services exclusively to non-resident entities, forming part of its FS group. These entities must be in FATF-compliant jurisdictions.

4. Legal Form

GIC is permitted to be set up in the form of a Company, LLP, or a Branch.

5. Relocation of employees:

Only supervisory personnel, a maximum of 20% of the total strength, can be relocated from the existing entity in India to GIC, with prior approval from IFSCA.

6. Pillar Two-GloBE Rules:

In-scope MNE groups looking to establish operations in GIFT City should assess the impact of the initial 10-year tax holiday on their ETR under the Pillar Two-GloBE Rules. Standalone GIFT City operations may fall short of the 15% minimum ETR threshold and may be subject to top-up taxes under IIR or UTPR, as India is yet to legislate the GloBE Rules. However, where the MNE group also has taxable operations elsewhere in India, the benefit of jurisdictional blending may help achieve the required ETR threshold, thereby mitigating potential top-up tax exposure.

Specific State Incentives

Several Indian states offer targeted incentives to attract GCCs, including land subsidies, electricity concessions, and capital or employment-linked subsidies. These fiscal incentives, along with simplified regulatory support, can tilt the balance in favour of non-metro locations for certain types of operations. A summary of key state-level incentives, as outlined in **Annexure 1**, is provided below in table 3:

Table 3: Snapshot of State GCCs Policy

State	Policy period	Key goals	Special features
Andhra Pradesh	2024–2029	Leverage hybrid/remote work, encourage large-scale employment and foster the creation of Fortune 500 companies	<ul style="list-style-type: none"> 3-pronged infra-model: Co-working, Neighbourhood workspaces & IT Campus Developers ESG/Social inclusion focus with tailor-made incentives for mega projects, fast-track approvals and land facilitation
Gujarat	2025–2030	250 new GCCs, 50,000+ jobs and 10,000 Cr investment	<ul style="list-style-type: none"> Two-tier policy (Regular & mega projects) OpEx heavy support with a focus on gender inclusivity
Karnataka	2024–2029	500 new GCCs with 3.5 lakh jobs and \$50B output	<ul style="list-style-type: none"> Beyond Bengaluru focus (with option for customised incentives) Establishment of Global Innovation Districts and CoEs for AI 4-pillar scheme (Talent, Local Ecosystem, Infrastructure, Regulatory Easing)
Madhya Pradesh	2025 Onwards (5 years)	Attract GCCs in the State to complement the emerging IT/ ITeS sector Develop focus sectors (IT-ITeS, ESDM, Manufacturing, Automobile and Pharmaceutical)	<ul style="list-style-type: none"> Tiered incentive zones (Level 1 GCC and Advanced GCC)
Tamil Nadu	2024-2027	Attract Forbes Global 2000/ Fortune 1000 firms - Direct job creation	<ul style="list-style-type: none"> Selective eligibility - Focus on high-value employment
Uttar Pradesh	2025 Onwards (5 years)	Attract more than 1000 new GCCs with more than 5 lakh opportunities	<ul style="list-style-type: none"> Tiered incentive zones (Level 1 GCC and Advanced GCC) Strong regional (district) focused

Considerations

Beyond zone-specific incentives, companies must assess broader ecosystem factors when selecting a GCC location. These include:

Talent Availability

Metropolitan cities like Bengaluru, Hyderabad, Pune, Chennai, Mumbai, and Delhi NCR offer a large talent pool in sectors such as IT, engineering, finance, life sciences, and analytics. These cities also benefit from proximity to premier educational institutions and established industry-academia linkages.

Cost of Operations

Significant variation exists across cities in terms of rental costs, compensation benchmarks, and utility expenses. Tier-1 cities offer mature ecosystems and proximity to clients but come at a premium. Tier-2 locations, such as Coimbatore, Bhubaneswar, Ahmedabad, and Jaipur, are gaining momentum due to lower costs, rising infrastructure quality, and active government promotion.

Infrastructure Reliability

Dependable infrastructure is essential for maintaining day-to-day continuity and long-term sustainability. Key factors include power stability, high-speed internet, business-grade real estate, and connectivity to airports and public transport. For sensitive industries, secure IT parks and disaster recovery-ready premises are critical.

Operational Ecosystem

The presence of a reliable Service Provider in legal, tax, technology, staffing, and facilities management enables a smoother setup and scaling process. Cities with mature ecosystems support faster mobilisation and ongoing compliance across the GCC lifecycle.

Ultimately, selecting the right location for a GCC requires a balance between financial prudence and operational effectiveness. While fiscal incentives and regulatory concessions may offer upfront benefits, long-term success depends on talent availability, infrastructure readiness, and ecosystem maturity. A location feasibility study, incorporating inputs from commercial, tax, legal, and operational advisors, is necessary to evaluate and conclude on the location for the set-up.



C3. Legal Entity Formation – Type and Name of the Entity

Considerations on the Type of Entity

Once the investment decision and location are finalised, the next step is to select a legal structure and form it. Typically, MNEs setting up GCCs choose between establishing a Private Limited Company or an LLP. While other structure types, such as a Branch Office, are also available, considering that GCCs in India would be set up with a long-term objective and the MNE Group would want to ring-fence its management at the Head Office in an international jurisdiction from an Indian regulatory exposure, it is typically less preferred.

Suppose any MNE group is testing the waters for India as a jurisdiction to set up a GCC (with a quicker option of a roll back), it may explore the branch setup option during its smaller size of operations, which simply requires RBI

approval and is subject to certain conditions, such as past profitability and net worth. Worthwhile to note that Branch offices are subject to a 35% tax rate and are not subject to any remittance tax.

Historically, the corporate structure (Private Limited Company) has been the preferred vehicle due to familiarity, clearly defined governance structures, and ease of regulatory acceptance. However, due to certain operational flexibilities, tax efficiency, and lower compliance burdens, LLPs are also being considered a viable alternative by MNEs setting up GCCs in India. The following table broadly compares key aspects of setting up as a Private Limited Company versus an LLP in India, assuming the scenario of a US Parent establishing a GCC:

Private Limited Company



Effective Tax Rate – 36.39%

- Corp Tax @ 25.17%
- WHT on dividend @ 15% (India -US DTAA)

Corporate Social Responsibility

- Mandatory spend @ 2% of PBT

Governing Statute

- The companies Act, 2013
- More regulated (mandatory board meeting audit rotation, resolution filing)

Raising funds /valuation / structuring

- Can raise funds through multiple instruments
- Eligible to receive ECB
- Multiple options possible for corporate restructuring (say sale, conversion, merger, demerger, buy-back, share split etc.)

Limited Liability Partnership



Effective Tax Rate – 34.94%

- Corp Tax @ 34.94%
- WHT on profit repatriation @ Nil

Corporate Social Responsibility

- No such requirement

Governing Statute

- The Limited Liability Partnership Act, 2008
- Less regulated compared to company

Raising funds/ valuation / structuring

- Limited options of hybrid instruments
- Not eligible to receive ECB
- Limited options for restructuring of LLP (say sale and conversion)

Although LLPs offer reduced compliance complexity and tax implications, the company structure still dominates in India, primarily due to its familiarity and flexibility around hybrid instruments and restructuring. Both structures require a minimum of two shareholders/partners. In case GCC is set up as a company, the usual structure consists of two shareholders, 99.99% of which are held by promoter/ investors, and one share by the nominee shareholders.

To set up a company in India, the following are the broad steps and registrations that are primarily required:

- Filing for name reservation of the entity, along with the proposed objects.
- Identifying the local/resident Director: A minimum of two directors are required, and at least one director must be resident in India, i.e. has stayed in India for at least 182 days during the preceding financial year.
- Applying for DIN and DSCs for all the directors.
- Finalisation of the registered office and identification of a local bank for account opening and other banking activities.
- Drafting and filing of the MoA and AoA.
- Filing of incorporation forms with the ROC.
- Opening a Bank account.
- Receipt of the Certificate of Incorporation, along with PAN and TAN.
- Undertaking post-incorporation registrations such as—
 - GST registration
 - IEC
 - Trade License (as required by local authorities)
 - P. Tax registration
 - PF and ESI registration
 - Other registrations, as may be applicable, are based on the nature of business activities

The Government has introduced an integrated electronic form which aims to simplify and expedite the company

incorporation process. The overall timeline for completing the incorporation and initial registrations is approximately three to four months, which is also influenced by the time required for notarisation and validating foreign documents. Effective coordination with multiple stakeholders (e.g., global legal teams, nominee shareholders, banks) may require additional time to ensure thorough alignment and smoother execution.

In order to reduce the timeline to set up the entity in India to undertake GCC operations, foreign investors may explore partnering with or investing in an early-stage Indian startup to accelerate the launch. This allows foreign investors to have a legal entity within a month's time, which helps them fast-track the process of setting up a GCC in India.

Considerations on Naming the Entity

When multinational corporations establish GCCs in India, they typically follow these naming conventions:

- **Parent-Brand Based:** Clearly linking the entity to the global brand
- **Function-Based:** Reflecting specific activities or functional areas
- **Generic Captive Names:** Broad, flexible naming allowing future functional diversification

Preliminary checks with the MCA indicate that the proposed names are usually currently available. However, final approval is subject to a formal reservation process with MCA, and availability can change depending on pending applications from other entities.

While the entity's official registered name is required on all legal contracts, filings, tax, and regulatory submissions, adopting a separate branding name for marketing, social media, and external communications is generally allowed. For instance, an entity legally named ABC India Private Limited could use branding such as ABC Innovation Centre, ABC Global Hub, or ABC Centre of Excellence.

These branding terms, such as “Innovation Centre,” “Capability Centre,” or “Centre of Excellence,” do not require separate registration but should be carefully assessed to avoid trademark infringement.

Trademark and Branding Considerations

Though not mandatory under Indian law, registering the corporate name and logo under the Trademark Act,

1999, is advisable. Trademark registration provides essential legal protection against infringement and ensures exclusive rights over the name and associated IP.

Before finalising a corporate or branding name, a detailed trademark search with the Controller General of Patents, Designs and Trademarks is recommended to avoid the risk of future disputes.



C4. Capital Structure

Determining an appropriate capital structure is crucial for establishing and operating a GCC effectively in India. When designing a capital structure, it is important to consider various financing options available, such as equity capital, debt instruments, and hybrid instruments, each of which carries distinct tax, regulatory, and operational implications.

Equity Financing

It is straightforward and provides stability since it does not create any fixed repayment obligations. However, dividends distributed to shareholders are not deductible for tax purposes in India, resulting in limited tax efficiency. Table 1 under **Section C1** presents the various dividend WHT Rates in multiple jurisdictions.

Furthermore, the issuance of equity shares to non-residents is subject to pricing guidelines under the FEMA, which require that the issue price be at or above the fair value as determined by a registered valuer using internationally accepted valuation methodologies.

Debt Financing

Debt financing offers potential tax advantages, as interest payments are generally tax-deductible under the Act. Further, the principal amount of debt is also freely repatriable as compared to funding via equity capital. These characteristics make debt an attractive option for managing capital costs. Nonetheless, companies must carefully navigate specific regulatory considerations to maintain compliance:

ECB Regulations

India's exchange control rules limit the maximum permissible debt-to-equity ratio of 7:1 for ECBs raised from direct foreign equity holder⁸. Entities must structure external borrowings accordingly to avoid compliance risks.

Interest Deductibility Limitations

Under the Act, interest expenses on borrowings from related parties, or those guaranteed by related parties, are capped at **30%** of EBITDA. Interest exceeding this

threshold may be carried forward and claimed as a deduction for up to eight subsequent financial years.

Given these regulations, many GCCs strategically employ initial equity funding to facilitate smooth entity formation and ease regulatory compliance. Subsequently, debt funding is introduced on an incremental basis, primarily to fund expansions, infrastructure investments, or working capital needs, carefully calibrated to stay within permissible limits.

Hybrid Financing

When structuring debt, critical choices must be made regarding the use of secured versus unsecured instruments, inter-company loans versus third-party financing, and the strategic introduction of hybrid financial instruments, such as **CCDs, NCD or RPS**. These hybrid instruments may offer balanced benefits of equity and debt, provide operational flexibility while ensuring regulatory compliance and optimised tax outcomes. Determining the right capital structure should reflect the specific business model, projected cash flows, risk appetite, and the parent company's global treasury strategy.

Among hybrid and debt-linked instruments, **CCDs** are a preferred instrument in GCC structuring due to their dual nature, treated as debt until conversion, allowing interest deductibility (subject to interest limitations norms), with WHT at 21.84% under domestic law, which may be lower under applicable tax treaty. The conversion ratio must be fixed at issuance, and the conversion itself is not a taxable event. Further, the cost and holding period of the CCDs are carried over to the resultant equity shares. Accordingly, if CCDs were held for more than 24 months prior to conversion, the shares will qualify as long-term capital assets, attracting tax at an effective rate of 13.65%

NCDs, on the other hand, are pure debt instruments. It allows for interest deductibility, with withholding on interest as that applicable for CCDs. Additionally, they allow defined redemption terms. Under the Act, redemption premium is deemed a short-term capital asset and taxed at **38.22%**; however, under the tax treaty, it is likely to be taxed as interest.

From a regulatory perspective, typically, the subscription to unlisted NCD by foreign parties (other than FPIs) is considered an ECB and requires compliance with applicable regulations. The foreign party may register itself with SEBI as an FPI before investing in NCDs. In such a case, ECB regulations will not apply, and these shall be governed under a separate set of regulations which have relaxed conditions when compared with ECB regulations. Also, in order to subscribe to the entire tranche of the NCD issuance by the GCC entity in India, the same would be possible, subject to conditions.

RPS offer a middle ground by prioritising dividend distribution and capital repayment, which can enhance investor comfort in structured capital stacks. However, RPS are treated as debt, and ECB regulations shall need to be adhered to by the Indian company when issuing RPS. Further, similar to equity, return on RPS is considered as dividends which are not tax-deductible and attracts WHT

at 21.84% under domestic law or lower rates under tax treaties, as mentioned in **Section C1** above. Importantly, dividends on RPS can only be paid out of distributable profits, which limits their effectiveness for repatriating returns during early stages. Unlike equity, the amount of investment in RPS can be repatriated to the investor with or without a premium only out of accumulated profits.

Ultimately, GCCs must weigh instrument-level characteristics such as tenure flexibility, voting rights, deductibility, valuation requirements, and repatriation mechanisms against overarching goals such as minimising tax leakage, positioning with parent capital policy, tax treatment of returns at parent level, and ensuring long-term funding certainty. Often starting with equity and transitioning to debt or hybrid instruments, a layered capital structure remains the preferred approach to strike a balance of flexibility, control, and fiscal prudence.



8. This ratio will not be applicable if the outstanding amount of all ECB, including the proposed one, is up to USD 5 million.

C5. Infrastructure Set-up

Establishing appropriate physical and IT infrastructure is a pivotal phase in setting up a GCC in India. Strategic planning of these aspects influences the GCC's cost structure, operational efficiency, scalability, and overall readiness.

Physical Infrastructure

Selecting the appropriate physical infrastructure directly impacts initial CapEx, ongoing OpEx, and overall timeline to operationalisation. Companies typically face strategic choices between owning real estate assets or leasing commercial premises, with leasing generally being the preferred approach to maintain flexibility and manage cash flows effectively. However, leased office spaces often come with substantial upfront costs, which primarily include the security deposits typically ranging from six to ten months of rent. Thus, while leasing reduces immediate CapEx burdens compared to owning assets, it still requires careful financial planning.

Office spaces are commonly available as either bare-shell premises or fully managed spaces. Bare-shell offices offer greater customizability but involve higher upfront investment in terms of building the office interiors, extended setup timelines, and project management responsibilities. Managed or plug-and-play spaces offer quicker operational readiness, reduced initial CapEx, and ease of setup, making them particularly attractive for GCCs seeking faster market entry and minimal administrative overhead.

Similar considerations apply to the procurement of IT assets such as laptops, servers, and networking equipment. Leasing IT hardware can significantly shift costs from CapEx to OpEx, offering financial flexibility and improved cash flow management. Conversely, outright ownership involves higher initial CapEx but may reduce longer-term operational costs.



ERP Integration & IT Infrastructure

Setting up robust, secure, and reliable IT infrastructure is critical for GCCs, especially given their role in supporting global operations. A core aspect of IT infrastructure planning is the timely integration of ERP systems tailored to India-specific regulatory and operational requirements. ERP integration causes delays in the entire process of commencing operations due to incompatibilities between legacy ERP systems and specific customisation for tax, compliance, and reporting frameworks.

Certain ERP systems used internationally may not readily accommodate INR currency for financial reporting purposes, GST compliance, WHT computations, or mandatory country-specific statutory reporting formats. Delays in addressing these integration issues can result

in operational disruptions, inaccuracies in financial reporting, and potential regulatory non-compliance. Therefore, early identification and resolution of ERP integration challenges through customisation, implementation of dedicated local modules, or adoption of India-compliant solutions is essential. Investments in ERP readiness should be made well ahead of the planned operational go-live date.

Alongside ERP considerations, GCCs must ensure robust cybersecurity measures, including encryption, endpoint security, multi-factor authentication, and secure remote access capabilities. Reliable internet connectivity with sufficient bandwidth, cloud infrastructure choices, and disaster recovery capabilities must also be strategically planned from inception to mitigate business continuity risks.



C6. Financial Planning

Financial planning for a GCC extends beyond initial capital structuring and infrastructure investments; it is a comprehensive process that integrates initial setup costs, ongoing operational expenditures, and strategic alignment of inter-company pricing arrangements. As GCCs typically operate as captive SPs for their parent companies, this stage is critical where the establishment of a robust TP policy is required for compliance, operational clarity, and long-term tax efficiency.

In continuation of capital and infrastructure decisions, financial planning must precisely budget upfront CapEx (e.g., real estate deposits, IT assets procurement or leasing) and recurring OpEx (such as lease payments, salaries, utilities, and maintenance costs). Clear forecasting of these expenditures ensures optimal allocation of resources, adequate liquidity management, and informed decision-making regarding funding instruments, whether equity, debt, or hybrid financing.

Careful structuring of sound TP arrangements in inter-company transactions is one of the important aspects of financial management. Given the captive nature of

GCCs, clearly defining and documenting the pricing mechanism for inter-company transactions is essential to achieving regulatory compliance and reducing tax risks. A comprehensive FAR analysis forms the basis of this TP exercise, accurately capturing the GCC's operational profile and its value contribution within the larger group framework.

Establishing robust TP documentation at the outset, including clear definitions of the cost base, markup percentages, allocation keys, and benchmarking methodologies, helps mitigate future disputes with tax authorities, reducing litigation risk and administrative burdens. Moreover, a clearly defined TP policy facilitates smoother and compliant profit repatriation.

Furthermore, integrating the TP framework with the GCC's broader tax strategy, cash flow forecasting, and risk management practices enhances overall financial control and operational efficiency. Effective financial planning, centred around a sound TP strategy, thus ensures regulatory compliance, optimises capital utilisation, and establishes a solid foundation for scalable growth.



C7. Human Capital and Talent Acquisition

Human capital remains a defining pillar of success for GCCs established in India. The country's extensive, cost-effective, and highly skilled talent pool has consistently been a key driver for global organisations expanding their captive operations here. With a robust pipeline of professionals in technology, finance, analytics, engineering, and support functions, India provides substantial talent availability not only in metropolitan hubs but increasingly within emerging Tier-II cities. To leverage this resource effectively, GCCs require a structured talent acquisition strategy closely linked with their functional needs, operational model, and growth objectives.

An integral part of this strategy is ensuring strict adherence to statutory labour regulations, including mandatory registrations under PF, ESI, and P. Tax, alongside compliance with state-specific requirements regarding minimum wages, working hours, leave policies, and termination procedures. For specialised skill sets or senior roles, hiring expatriates can be a strategic option, offering access to global expertise. In such cases, the deputation or secondment of employees should be structured carefully to mitigate PE risks for the company. Additionally, proactive management of visa regulations, tax equalisation, and social security agreements is essential to ensure compliance and operational efficiency.

Expatriate Deployment: Tax Equalisation and Social Security Considerations

In certain cases, GCCs may need to deploy expatriate personnel for leadership roles, capability building, or project oversight during the initial setup phase. A key consideration in such deployments is the tax equalization policy, which ensures that expatriates do not suffer additional tax burdens solely due to the host country's tax regime. Typically, the Indian entity bears the differential tax cost (if any) above what the individual would have paid in their home country, thus maintaining tax neutrality for the employee.

In parallel, social security compliance under Indian law must be carefully navigated. While expatriates often continue to contribute to their home country's social security system, they are also required to contribute to Indian schemes such as EPF. When the expatriate leaves India permanently and their Indian assignment comes to an end, the EPF balance can be withdrawn by filing the

prescribed forms. The withdrawals are subject to tax in India depending on the duration of the EPF contribution. Where a bilateral Social Security Agreement exists between India and the resident country of the foreign employees, they may avoid double social security contributions. A few countries with which India has Social Security Agreements include Germany, France, Australia, and Japan.

A particularly sensitive issue during the setup phase often arises when GCCs transition employees from external vendor partners to their own subsidiaries. Under Indian law, benefits such as gratuity become payable upon completion of approximately 4.5 years (specifically 4 years and 190/240 days, as the case may be) of continuous employment with the same legal entity. When personnel move from a vendor-managed entity to a newly established GCC, their accrued service tenure typically resets due to the formal change in legal employers. This transition can significantly impact employees' accrued retirement benefits, particularly gratuity, creating risks related to employee dissatisfaction, attrition, and organisational instability.

To proactively manage this challenge, GCCs increasingly adopt consent-based or contractual approaches to preserve the continuity of benefits. Common solutions include structured one-time retention bonuses equivalent to accrued gratuity amounts, implementing internal policies explicitly recognising combined tenure from prior entities, or maintaining separate internal records to track service periods accurately. Such approaches provide assurance and financial security to transitioning employees, mitigating risks of attrition and reputational damage, and supporting a smooth onboarding experience.

In parallel, GCCs must focus on competitive employer branding, structured onboarding, and progressive policies supporting diversity, inclusion, and employee well-being. Strategic partnerships with academic institutions, staffing agencies, and RPO providers further strengthen talent acquisition capabilities, especially during periods of rapid growth or specialised skill demand.

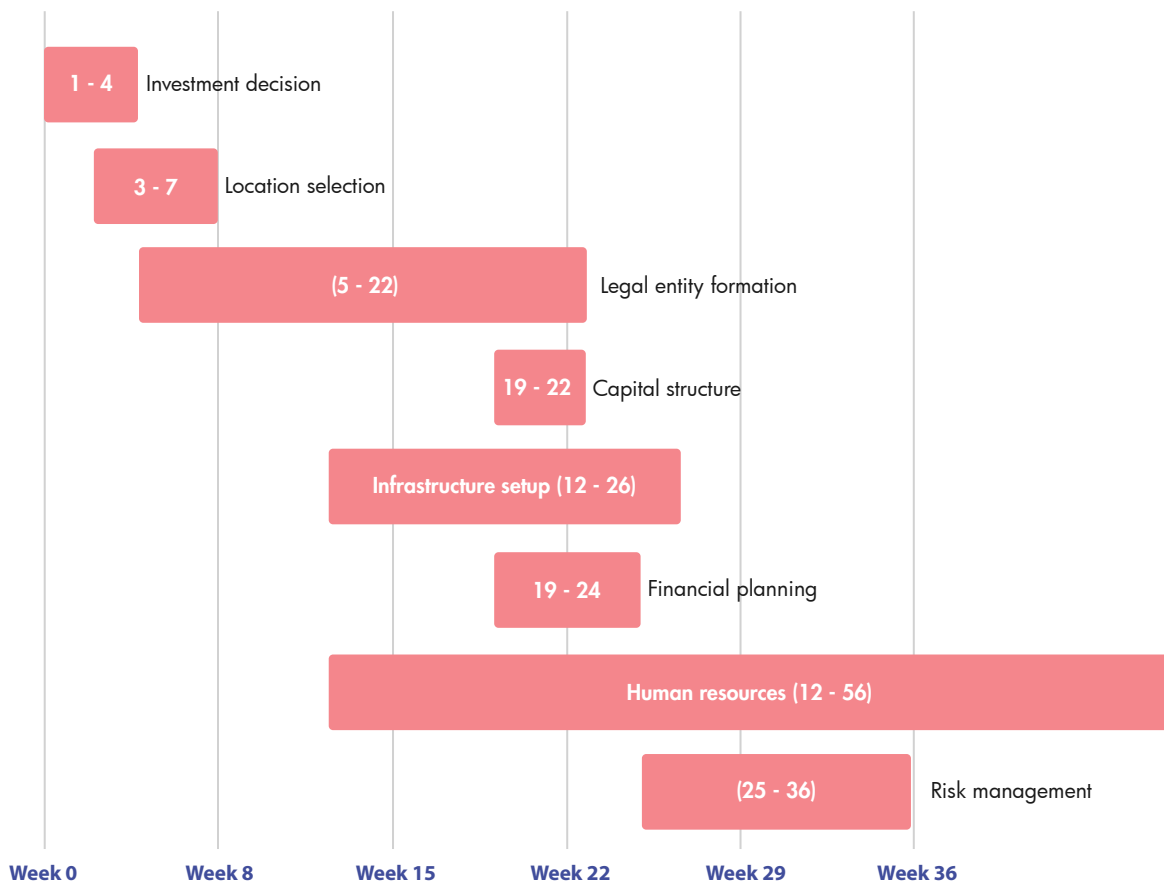
Ultimately, a robust and agile human capital strategy, integrating compliance excellence, proactive benefit continuity management, and global workforce alignment, lays the foundation for sustained employee engagement and long-term operational success in India's dynamic GCC landscape.

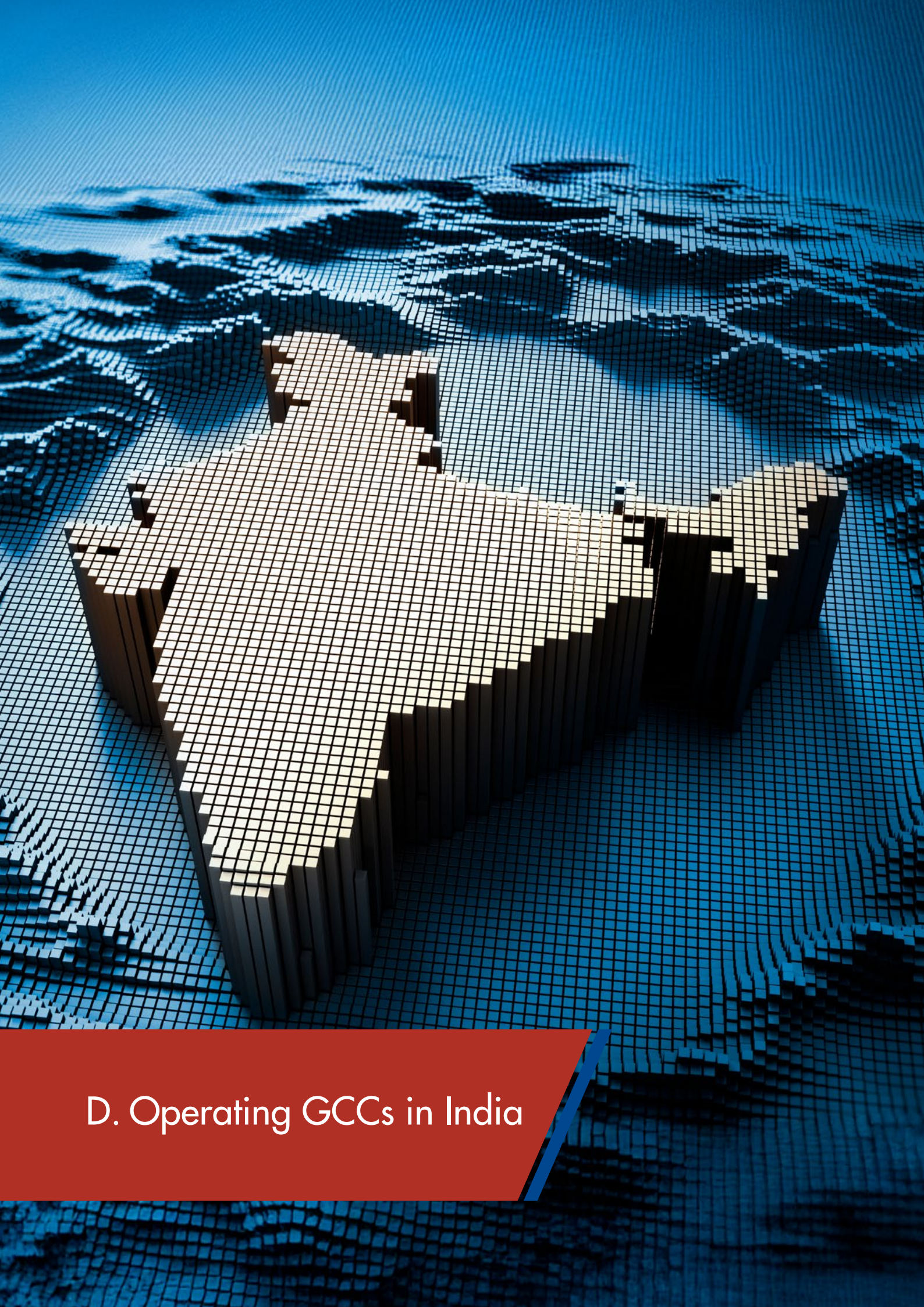
C8. Risk Management

Establishing a comprehensive risk management framework is essential to ensure the long-term success and stability of a GCC. Companies must proactively identify regulatory, operational, financial, and IT-related risks and implement internal controls across financial reporting, compliance monitoring, and systems management. A well-structured business continuity plan should address potential disruptions arising from infrastructure failures, cyber threats, or geopolitical events, particularly for centres engaged in critical service delivery or global operations.

Periodic governance reviews involving senior leadership and functional heads are crucial for evaluating the effectiveness of risk controls and responding to emerging threats. Insurance coverage for business assets, employee health and safety, and professional liabilities should be tailored to the GCC's risk profile. Additionally, regular internal audits, security assessments, and scenario planning exercises help foster a culture of compliance, resilience, and operational excellence from the outset.

The following Gantt chart illustrates indicative timelines for each phase of the setup journey, offering a visual representation of overlapping workstreams and sequential dependencies that typically shape the establishment of a GCC in India.



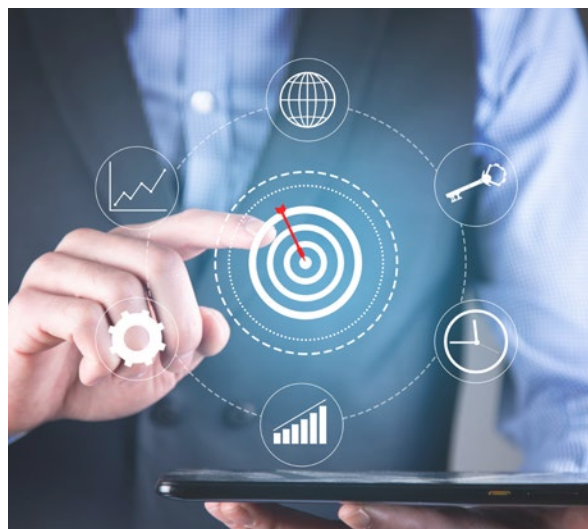


D. Operating GCCs in India

D1. Operating Models of GCCs in India

GCCs in India can be established and operated through multiple models, depending on an organisation's strategic priorities, risk appetite, speed to market, and long-term scalability plans. While some companies prefer to maintain full control by setting up their legal entities, others choose to engage a third-party SP to manage operations, either temporarily or permanently. Increasingly, hybrid models are emerging that offer flexibility, phased ownership, and operational agility.

Outlined below are six common operating models which we came across in our interactions, each with its own structure, benefits, and challenges. These models are represented via charts to aid comprehension and comparison.



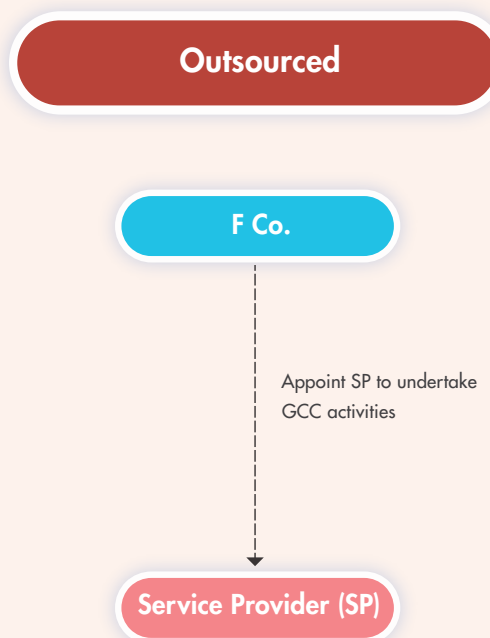
Model 1: Outsourced/ Managed Services Model

In this structure, the overseas parent company (e.g., F Co.) engages a third-party SP in India to meet specific operational needs. The foreign enterprise in India establishes no legal entity or captive presence.

The SP provides the infrastructure, workforce, technology, and managerial expertise, delivering services governed by contractual SLAs. The relationship is commercial i.e. P2P, with the foreign company focusing on deliverables rather than day-to-day operational control.

Best suited for: Companies with clearly defined, non-core functions looking to minimise capital investment and access Indian capabilities quickly.

Key features: Zero upfront investment, rapid deployment, and low compliance risk. However, the downsides include limited operational control, potential data/IP concerns, and weaker cultural integration.



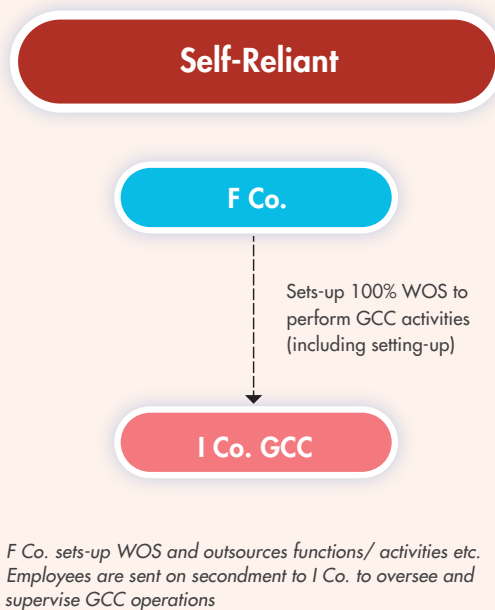
- F Co. simply outsources certain functions to an SP in India
- SP may also act as an Employer on Record or Professional Employer Organisation as part of providing GCC services

Model 2: Self-Reliant: Wholly Owned Subsidiary

This is the traditional operating model, where the foreign parent (F Co.) establishes a WOS (I Co.) in India. The subsidiary is fully controlled and managed by the parent company, and functions as a delivery centre to the MNE.

Best suited for: Enterprises with long-term strategic investment in India, IP-intensive functions, and a desire for cultural and operational alignment.

Key features: This model offers maximum control, long-term cost efficiency, and seamless integration; however, it requires a high upfront investment, deeper regulatory engagement, and local operational expertise.



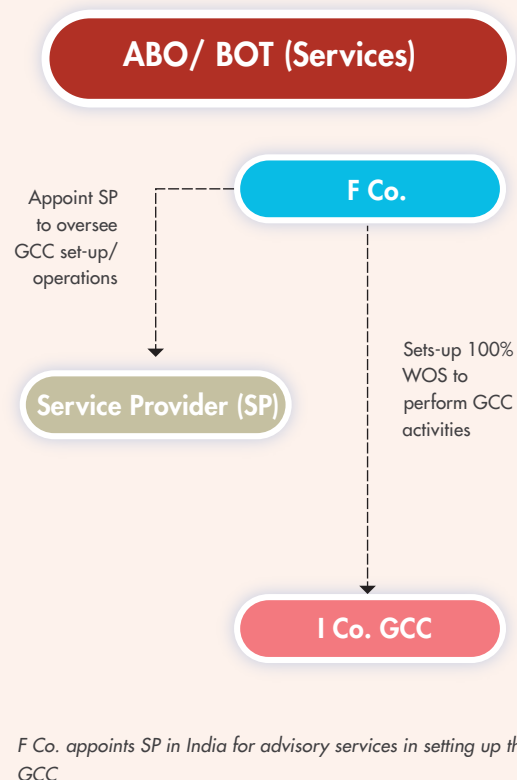
Model 3: ABO/ BOT (Services)

Under this dual structure, the F Co. appoints an SP to immediately launch a GCC and, parallelly, establish its own subsidiary, I Co., for strategic functions, while also contracting an SP for ancillary or specialised operations. The two channels operate independently.

The captive focuses on core value-generating activities such as engineering, analytics, or platform development, whereas the SP supports IT infrastructure, testing, helpdesks, or other modular tasks.

Best suited for: Companies aiming for immediate launch but also controlling while leveraging third-party flexibility and expertise.

Key features: This hybrid model enables resource allocation, risk diversification, and talent access across both models, though it also introduces complex governance, coordination overheads, and potential duplication of functions.



Model 4: BOT: Operational Undertaking

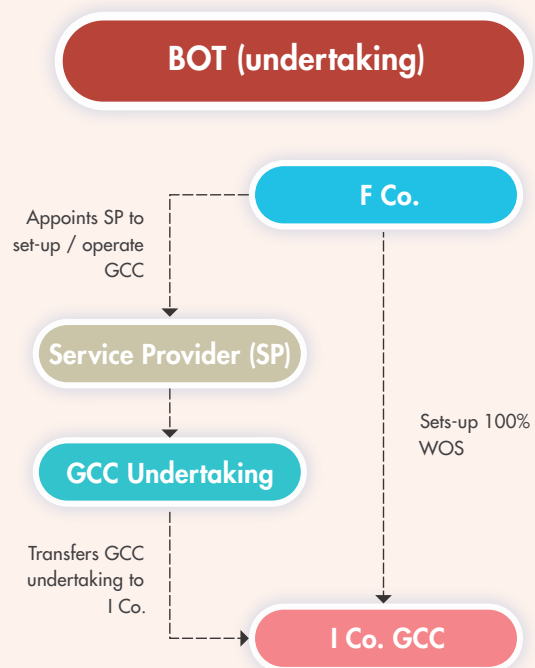
In this phased model, the foreign company partners with an SP who builds and operates a GCC-like setup (termed a "GCC undertaking") in India. Once the setup achieves operational maturity, it is transferred to the F Co.'s newly established I Co.

During the Build and Operate phases, the SP handles recruitment, infrastructure, and daily operations, while the F Co. provides inputs. Once conditions are met, such as performance milestones or headcount scale, the transfer phase formalises the transition of people, processes, and, in some cases, assets to the parent-owned entity, as discussed in detail in **Section E**.

Best suited for: Companies seeking a low-risk, phased entry into India with plans for eventual captive ownership, especially those that want to validate the India model before committing long-term capital, or need to meet aggressive timelines for talent scale-up

Key features: This model allows for rapid scale-up with lower initial risk, though costs may be higher, and dependence on the SP in early phases may impact cultural and operational continuity. It offers

flexibility to test and fine-tune the operating model before taking full ownership. The phased transition helps manage risk and ensures knowledge transfer.



- F Co. appoints SP to build and operate GCC operations as separate undertaking.
- F Co. sets-up I Co. to take over GCC operations.
- After a certain period > SP transfer GCC undertaking to I Co.



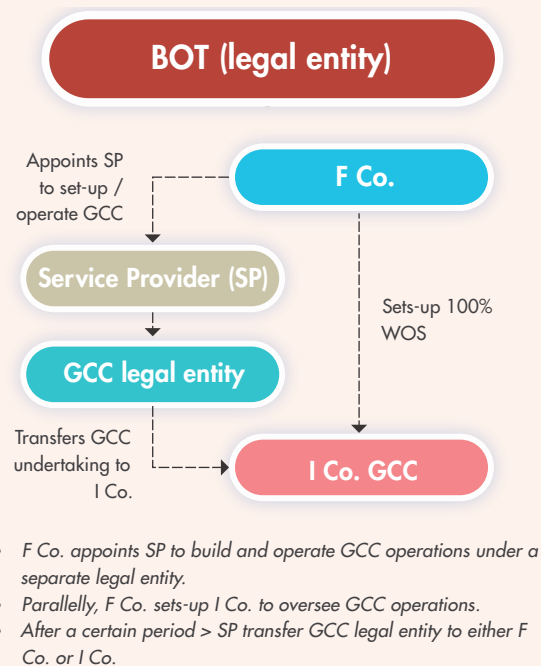
Model 5: BOT: Facilitate Legal Entity Setup

This BOT model variation involves the SP assisting with the legal entity (I Co.) setup from day one, either temporarily holding or managing it until it's formally transferred to the foreign parent.

Legal, regulatory, and operational groundwork is laid during the Build phase, with operations stabilised during Operate, followed by a transfer of control or shares to F Co. The early focus on entity formation enables a smoother and faster transfer, as detailed in **Section E**.

Best suited for: Companies seeking early legal structuring while outsourcing initial operations.

Key features: Offers legal readiness, compliance assurance, and smoother transfer, though with limited initial control and potentially higher structuring costs.



Model 6: BOT (Hybrid)

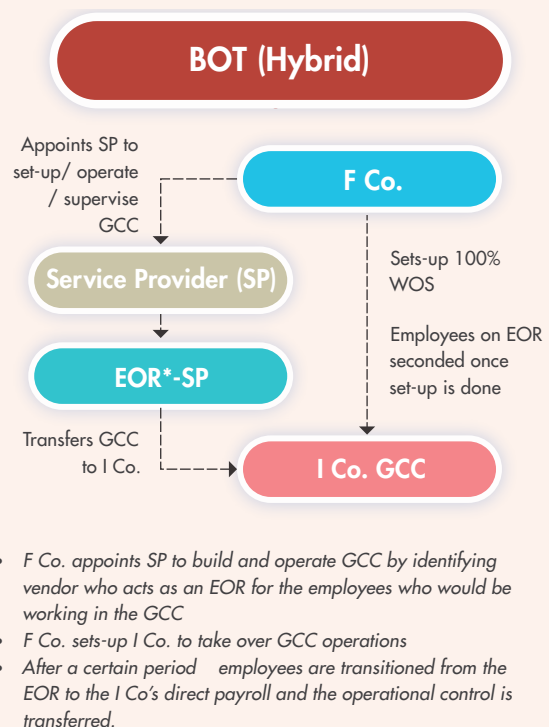
In this structure, the F Co. sets up its own I Co. but engages an EOR to handle the employment of certain professionals, either temporarily or permanently, outside the direct payroll of the captive.

The EOR, typically a third-party SP, manages HR, payroll, tax compliance, and employment contracts for designated resources, while those individuals operate under the day-to-day direction of the I Co.

Common use cases include pilot teams, short-term hiring, flexible resourcing, or contractor management, especially in early phases of the GCC or for niche roles.

Best suited for: Companies needing speed, flexibility, and lower HR overhead during ramp-up or in managing certain workforce segments.

Key features: The model offers faster onboarding and a reduced compliance burden, supporting variable workforce models and can be scaled up or down with minimal disruption.



Below is a comparative summary of above operating models on different parameters:

Table 4: Comparative Summary of Operating GCC Models

Parameter	Model 1: Outsourced / Managed Services	Model 2: Self-Reliant (WOS)	Model 3: ABO/ BOT (Services)	Model 4: BOT (Operational Undertaking)	Model 5: BOT (Legal Entity Setup)	Model 6: BOT (Hybrid)
Ownership	No Indian entity	Fully owned subsidiary	Partial (captive + SP)	Transferred to the post-BOT phase	Transferred legal entity post BOT phase	Captive with SP handling select employment
Upfront Investment	Minimal	High	Moderate	Moderate (via SP)	Moderate (via SP)	Moderate – EOR fee-based
Go-Live	Fastest	Longest	Moderate	Fast	Fast	Faster than the others
Cost Efficiency (Long-Term)	Moderate	High	High (strategically optimised)	Moderate (higher SP cost in early phase)	Moderate (SP fee + transfer costs)	Depends on EOR usage %
Strategic Control	Low	High	High to Moderate	Moderate (until transfer)	Moderate (until transfer)	High to Moderate
Operational Risk	On SP	On Parent Entity	Shared	Initially on SP → then on the parent	Initially on SP → then on the parent	Shared – EOR assumes HR/admin risk
Compliance Responsibility	SP-led	Full responsibility	Split	SP manages the early phase compliance	SP manages the early phase compliance	EOR manages designated workforce compliance
Talent Access	Via SP	Direct hire	Mixed (direct + SP)	SP-recruited initially	SP-recruited initially	Direct + via EOR platform
Cultural Integration	Lowest	Highest	Moderate	Moderate (gradually transitions)	Moderate (early culture development needed)	High for captive; moderate for EOR staff

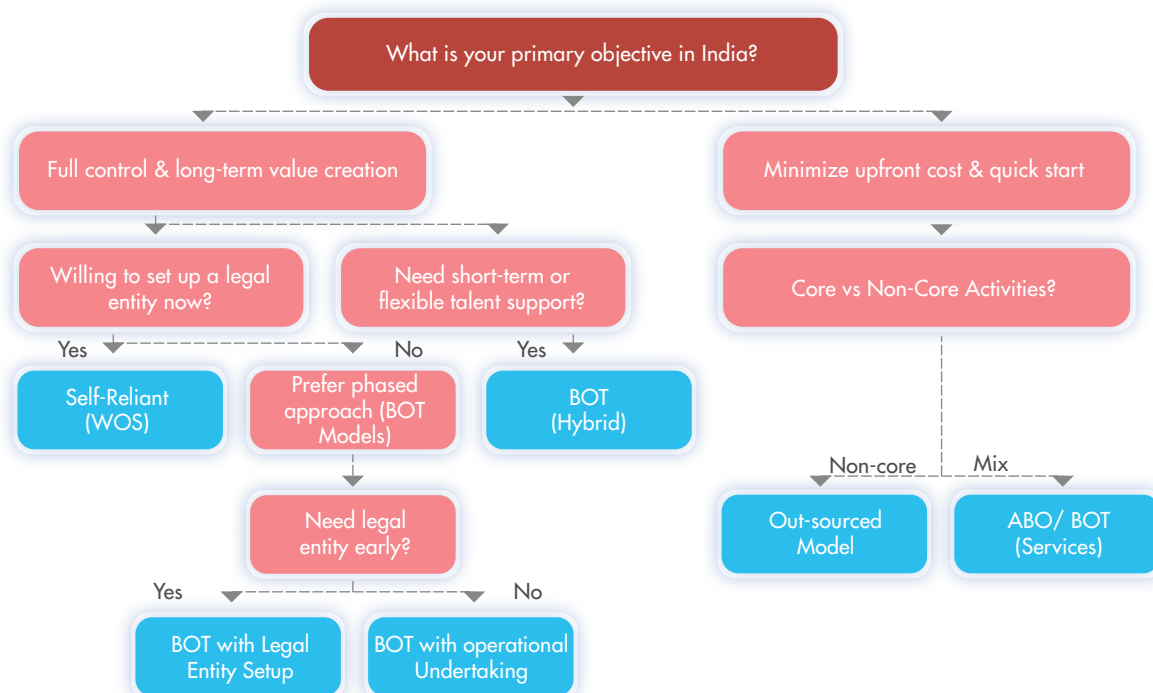
Parameter	Model 1: Outsourced / Managed Service	Model 2: Self-Reliant (WOS)	Model 3: ABO/ BOT (Services)	Model 4: BOT (Operational Undertaking)	Model 5: BOT (Legal Entity Setup)	Model 6: BOT (Hybrid)
Scalability	High (SP-driven)	Moderate	High to Moderate	High (via SP, post-transfer challenges)	High (entity already functional)	High– Moderate (flexible staffing via EOR)
Use Case Suitability	Non-core, transactional	Core, strategic functions	Balanced split	Phased entry with long-term view	Legally robust phased entry	Short-term pilots, flexible staffing

Each of these models offers a unique blend of control, risk, scalability, and investment intensity. Selecting the appropriate structure requires a holistic evaluation of operational objectives, time horizons, regulatory comfort, and cost implications. Many companies evolve through multiple models over time, beginning with outsourcing, transitioning through BOT, and eventually maturing into a full-scale captive operation.

While the above models are in place, establishing a GCC in GIFT IFSC (i.e., a GIC), an evaluation of the proposed business model vis-à-vis the eligibility criteria and other

conditions set by the IFSCA is critical. For example, Model 2 is a permissible business model for setting up a GIC, while Models 3 and 6 would require further analysis to assess their eligibility. Models 1, 4, and 5 may not align with the conditions specified in the relevant IFSC Regulations.

Below is the flowchart, which would be helpful for stakeholders to identify the most suitable GCC model based on key decision criteria like control, investment appetite, and talent flexibility:



D2. Key Considerations for Operating GCCs in India

Transfer Pricing Aspects and Dispute Resolution

TP remains a core operational and tax consideration for GCCs in India. Given the intra-group nature of transactions, typically involving the provision of IT services, business process outsourcing, R&D, analytics, and other support services, GCCs are usually characterised as 'limited-risk captive service providers', remunerated on a cost-plus mark-up basis. Hence, after validating that a cost-plus model is indeed the correct pricing approach through a deeper understanding of the GCC's role in the group's overall value chain, determining the appropriate markup percentage is critical, considering the comparability of the comparables in terms of functionality and nature of service. A thorough VCA is necessary to determine whether the entity merely provides routine support services and should command routine markup or contributes to higher-intensity functions, which may warrant higher markup.

In practice, one of the most frequently contested TP issues for Indian GCCs is identifying appropriate comparable companies and determining the arm's length mark-up. For six or more comparable companies, the law provides for an arm's length range of the 35th percentile to the 65th percentile. For less than five companies, the arm's length price is the arithmetic mean, with a tolerance range of $\pm 3\%$ from the arithmetic mean. The taxpayers normally generally consider the median price as the arm's length cost-plus mark-up as the pricing policy.

Dispute Resolution - Litigation

If a taxpayer disagrees with the transfer pricing adjustment as determined in the assessment proceedings, they can prefer an appeal to higher appellate authorities. The first appeal authority is the Commissioner of Income Tax (Appeals) (CIT(A)) or the Dispute Resolution Panel. Appeals to CIT(A) are common but often time-consuming, as there is no prescribed timeline by which the appeal needs to be disposed of. An alternative to the standard Commissioner (Appeals) route, the DRP provides a faster resolution route for eligible taxpayers (such as foreign companies or cases involving TP adjustments), as they

have a definitive period of nine months to dispose of matters. However, the definitive period for disposal by the DRP can be counterproductive at times, as it may not leave adequate time for issues that require more extensive work, submissions, deliberation, representation, and interactions. Further, unlike the CIT(A) order, the Revenue cannot appeal against the DRP directions, making it a last battleground for the Revenue in cases which are in favour of the taxpayer. However, taxpayers can prefer appeals against both the Commissioner (Appeals) order and the DRP directions to the ITAT. Further, both taxpayers and the Revenue can file an appeal against the ITAT's order before the High Court and then the Supreme Court, where matters involve a substantial question of law.

The ITAT is the final fact-finding authority in TP cases. As comparability analysis is a fact-intensive exercise, the ITAT's decision is generally final on this point. The ITAT has delivered hundreds of rulings shaping India's TP jurisprudence, often correcting aggressive positions taken by tax officers. Historically, High Courts have not interfered with comparability analysis unless it involves the misapplication of law. However, the Supreme Court⁹ in a recent case, the High Court reversed several High Court rulings and clarified that there is no absolute proposition of law that the ALP determined by the Tribunal is final, and High Courts may examine whether the correct legal framework has been followed.

Litigation continues to be the primary recourse for taxpayers disputing TP adjustments in India as ITATs act fairly to decide the matter on merits and correct the act of lower authorities by ruling out the non-comparable companies from the comparable set. For GCCs operating at the lower end of the arm's length range, litigation may still be the most viable strategy to defend reasonable mark-ups, provided it is supported by robust functional and comparability analysis. However, companies must be prepared for a multi-year resolution process as tax litigation in India is generally a time-consuming process.

To address some of the challenges and make the business environment in India more taxpayer-friendly, the Government has introduced alternative mechanisms, such as the SHR, APA, and MAP, to resolve transfer pricing disputes.

9. SAP Labs India (P.) Ltd. v. ITO [2023] 454 ITR 121 (SC)

Safe Harbour Rules

The CBDT introduced the SHR, offering taxpayers the ability to elect a pre-approved mark-up to be accepted as arm's length, provided certain conditions are met. The

SHR regime applies on an annual basis, requiring a fresh application each year. For instance, under the current SHR, prescribed mark-ups for a few of the international transactions which are relevant for GCCs are as follows:

Table 5: Mark-ups for International Transactions under SHR

Eligible International Transactions	Circumstances	Mark-up%
Software development services / Information technology-enabled services	Transaction value is less than USD 0.12 million	17%
	Transaction value is between USD 0.12 million and USD 0.36 million	18%
Knowledge process outsourcing services (for transaction value less than USD 0.36 million)	Employee cost to Operating ratio is at least 60%	24%
	Employee cost to Operating ratio is between 40%-60%	21%
	Employee cost to Operating ratio is less than 40%	18%
Contract R&D relating to software development (with insignificant risks)	Transaction value of up to USD 0.36 million	24%
Contract R&D relating to generic pharmaceuticals (with insignificant risks)	Transaction value of up to USD 0.36 million	24%

Eligibility conditions include the absence of economically significant functions, assets and risks. The mark-up provided under SHR is at the higher end of the arm's length range and may be considered for GCCs in the initial years, where the size of the operation is relatively small. Although SHR offers certainty and audit protection for that financial year, it lacks providing certainty over a long-term period.

Advance Pricing Agreement

To address this gap and to avail long-term certainty, many GCCs opt for APA, which offers multi-year certainty in the moderate zone of the arm's length range. An APA is a formal agreement between the taxpayer and the tax authority on the applicable TP methodology and arm's length mark-up for specified international transactions. A standard APA covers five prospective years, and with the rollback provision, four prior years can also be included. Thus, providing certainty for up to nine years in a single engagement. Compared to SHR, APAs involve longer

timelines, typically around three years for captive service providers, but they provide much deeper risk mitigation.

APA authorities undertake a rigorous analysis, including a detailed review of the FAR profile, value contribution, and cost base of the Indian entity. The APA application process typically involves comprehensive questionnaires, document reviews, site visits, and in-depth discussions to determine the most suitable TP method and arm's length price. **[Refer to Annexure 2,]** which provides an indicative list of questions frequently raised by APA authorities.] As per the CBDT press release on 31 March 2025, 815 APAs have been signed, including 615 unilateral and 199 bilateral APAs and one multilateral APA. During FY 2024-25, a record 174 APAs were signed. The highest number of APAs is signed with the United States, followed by the UK and Japan.

It is essential to note that, prior to the introduction of the APA programme, the majority of TP litigation involved captive services companies engaged in IT and IT-enabled

services. Today, the highest number of APAs signed pertains to the IT industry, banking and insurance, and engineering services. The success of the APA programme and the increased number of signed APAs in recent years have boosted the confidence of multinational groups in making new investments in India. APAs are generally forward-looking, providing certainty for five prospective fiscal years starting from the end of the fiscal year in which it is filed. The Taxpayer has the option to include four prior years as well under the rollback APA mechanism, thereby providing certainty for nine years. As mentioned, the APA exercise is a complex process that requires significant time for closure, as it intends to provide arm's-length price certainty for multiple fiscal years. In our practical experience, we have assisted taxpayers in negotiating and closing APAs within 2-3 years when transactions involve the application of TNMM as the most appropriate method, and within 3-4 years when transactions involve the application of PSM as the most appropriate method.

Mutual Agreement Procedure

For disputes already under examination by tax authorities, the MAP offers an alternative to the routine litigation process under India's DTAA's. MAP allows the competent authorities of two jurisdictions to resolve

instances of economic or jurisdictional double taxation. It is particularly relevant in cases where adjustments made by the Indian tax authorities on TP are not accepted in the counterparty jurisdiction. MAP is generally invoked separately for each financial year, but may be clubbed during the process for resolution, depending upon the facts and circumstances of the case. In our practical experience, we were able to club the MAP applications for multiple years to obtain a resolution on disputes of a similar nature. Once initiated, the competent authorities negotiate to achieve a corresponding adjustment or agree on alternative resolution terms. India has made significant progress in resolving MAP cases, with 92 TP-related cases closed in 2023, and no instance of access denial reported. In summary, GCCs in India must navigate the TP landscape by selecting the most appropriate model based on their operating structure, value contribution, and appetite for compliance complexity. Whether through SHR for short-term simplicity, APA for long-term certainty, or MAP as a post-dispute remedy, each option has its own trade-offs in terms of timelines, scope, and coverage. A proactive TP strategy, grounded in thorough functional analysis and long-term visibility, is essential for mitigating risk and sustaining tax certainty in India's evolving regulatory environment.



Secondment, PE Exposure and Taxability

One of the most recurring operational features of GCCs in India is the deployment of secondees, employees temporarily transferred from the overseas parent entity to the Indian entity to support capability building, transfer of expertise, or leadership supervision. While secondment structures are critical to the early-stage functioning and long-term integration of GCCs within global operations, they also give rise to complex tax implications, particularly concerning PE exposure under Indian tax law and tax treaties.

Nature of Secondment Structures in GCCs

Secondees in GCCs can be broadly classified into:

- **Short-term secondments:** Lasting less than six months, typically for overseeing transition, conducting training, or facilitating process migration.
- **Long-term secondments:** Ranging from six months to three years, often involving hands-on operational roles, leadership support, or capability building.

The roles and responsibilities performed by secondees can vary widely, from technical and functional guidance, project oversight, compliance monitoring, and internal coordination, to input at the leadership level. A key aspect in determining the tax implications of these arrangements lies in assessing the true nature of their functions, including:

- Whether the activities qualify as **stewardship services** or are **preparatory or auxiliary activities**: Indian courts have clarified that stewardship services refer to activities performed by a foreign company to protect its investment and monitor compliance with group policies, without engaging in the Indian entity's day-to-day operations. Typical functions include quality checks, supervisory reviews, and policy oversight, and are generally considered shareholder activities. For an activity to qualify as stewardship, the Indian entity must maintain logs and documentation showing that secondees are not involved in operational or revenue-generating tasks.

Separately, while Indian tax laws and treaties do not define preparatory or auxiliary services, the OECD guidance helps interpret them. An activity is preparatory if it precedes and supports the core business functions, and auxiliary if it supports the enterprise without being integral to its primary operations. These classifications are relevant in PE analysis, as such activities are typically excluded from PE exposure under tax treaties.

- **Whether a genuine employer–employee relationship exists between the seconded employees and the Indian GCC:** From a tax standpoint, establishing that the secondees are effectively employed by the Indian GCC is one of the most effective ways to mitigate PE exposure. Indian courts have recognised that the substance of the relationship extends beyond contractual language. determines whether the Indian entity is the “economic employer.” Factors supporting this include:
 - The Indian company exercises control and supervision over the secondees’ work.
 - Operational authority, work rules, performance appraisals, and termination rights lie with the Indian entity.
 - Salary and social security contributions are borne by the Indian company, even if the foreign parent initially pays a portion for administrative convenience.
 - The secondees work under Indian employment visas, use the Indian company’s systems and credentials (email, ID badges), and hold no lien on their prior employment contracts.

PE Implications in the Context of Secondments

In case of secondment, PE risk remains a key area of focus for tax authorities, particularly where control, direction, or benefit resides with the foreign parent, especially where the services are not of a preparatory, auxiliary or stewardship in nature. The key forms of PE relevant to secondment arrangements include:

- **Service PE:** Under several tax treaties of India with countries like Singapore, UK, US, Japan, Australia,

UAE, etc. A Service PE may arise if services are rendered in India by employees of the foreign entity. In most of the Indian tax treaties the condition to trigger a Service PE in India with respect to period of stay by employees of foreign company varies between 90 days to 270 days, it should be noted that no minimum duration threshold exists under the India-US treaty for services rendered to an AE, meaning even a single day of service by foreign personnel could trigger a Service PE unless exclusions apply. However, secondment arrangements could come out of Service PE exposure if:

- The Indian entity is recognised as the effective employer, and the foreign parent is not rendering services through its personnel in India.
- The activities fall under stewardship, preparatory, or auxiliary functions and are not income-generating in nature.

One more way to look at the secondment arrangement is whether the secondees' activities only qualify as FTS or FIS and meet the "make available" test i.e., the Indian entity gains the capability to perform the function in the future independently. If that be the case, the secondment arrangement can still be considered to be outside the purview of PE. One needs to be mindful that, **if the "effective employer" test is not satisfied**, that is, if the secondees continue to be seen as employees of the foreign parent, **Service PE exposure cannot be ruled out**, unless the services qualify as FTS/FIS. Whether the services performed constitute FTS depends on the functions discharged by the seconded personnel and the specific definition of FTS/FIS under the relevant tax treaty. In case the "make available" test, particularly under the India-US tax treaty, is not met, and the Indian entity continues to rely on the secondees, Service PE exposure cannot be ruled out, even in a cost-reimbursement arrangement.

In judgments such as Morgan Stanley & Co. Inc.¹⁰ The Supreme Court has held that for seconded employees to establish a PE, they must work under the control

and supervision of the foreign entity rather than the Indian enterprise. However, a contrary view was held by the Delhi High Court in the case of Centrica India Offshore Pvt Ltd¹¹ where activities performed by the expatriates for a foreign company in India were found to have a PE in India, as their activities were found to be substantial and integral to the group's business operations in India. Therefore, it's crucial for MNEs to structure agreements carefully to ensure that they reflect a clear allocation of control, supervision, risks, and responsibilities between the foreign enterprise and the domestic employer, thereby mitigating the risk of inadvertently creating a PE.

- **Fixed Place PE:** This arises when the foreign entity is considered to have a fixed place of business in India. This could be inferred if foreign personnel routinely work from Indian premises, particularly if they exercise control, have dedicated office space, or perform business functions not limited to oversight. To mitigate this, documentation should demonstrate the temporary nature of the stay, the absence of exclusive office use, and a clear delineation of roles that support only the Indian entity's business.
- **Dependent Agent PE:** Where secondees in India habitually negotiate or play a principal role in concluding contracts or conclude contracts on behalf of the foreign parent or regularly engage with customers in a way that functionally substitutes for the parent's business presence, DAPE risks may arise. This is particularly relevant in cases where employees support sales enablement, pre-sales discussions, or key account interactions. GCCs must ensure that commercial and contractual control remains with the foreign principal, and Indian staff play only a supportive role.

Withholding Considerations

Even where no PE is established, the classification of payments made by the Indian GCC to the foreign parent for seconded salaries must be evaluated in the context of withholding under the relevant Article of the Double

10. (2007) 292 ITR 416

11. TS-237-HC-2014(DEL)

Tax Treaty. For example, under Article 12 of the India-US treaty, if the services are classified as FIS, they may attract 15% WHT.

If the arrangement is deemed to involve the import of services (where control remains with the foreign employer), it may trigger GST under the reverse charge mechanism.

Appropriate structuring and documentation, such as intercompany agreements, assignment letters, and work protocols, are critical to support the intended tax position and avoid challenges during assessments.

Taxability of Seconded Employees: Navigating DPS and Residency Nuances

As mentioned in the earlier paragraphs, the duration of the secondees can be broadly classified into short-term and long-term secondments. The taxability of such secondees depends on tax treaty-based provisions ("Dependent Personal Services") and domestic taxation and residency rules under the Act.

- **Taxability of short-term secondees:**

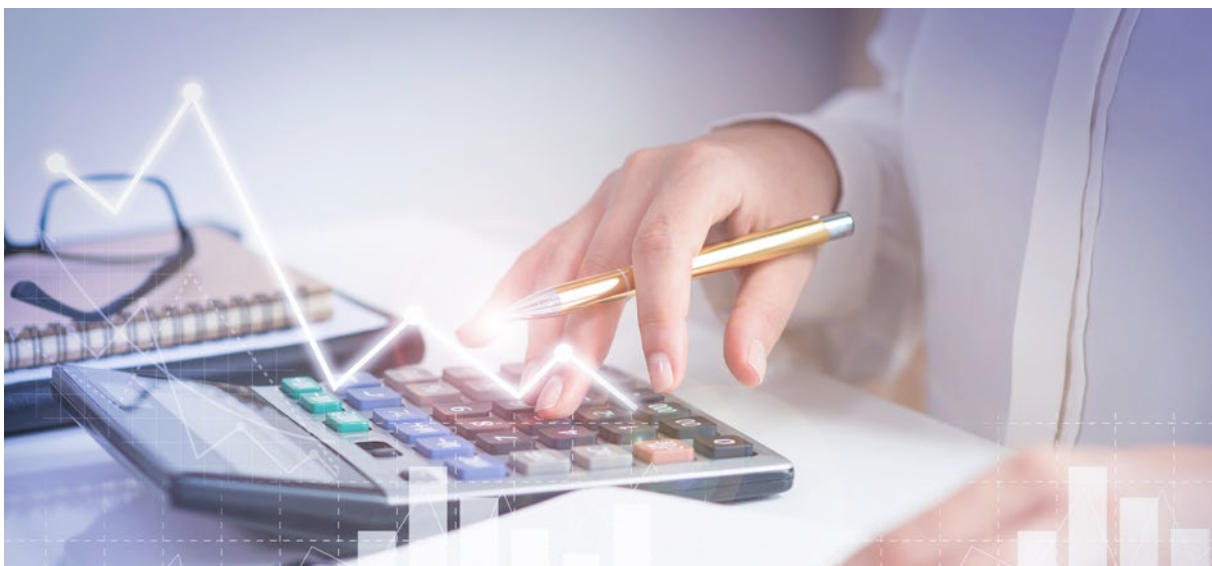
There is a short-stay exemption under the Act as well as the tax treaties. Short-term secondments (typically less than six months) may benefit from short-stay

exemption provisions under the applicable tax treaty (relating to article DPS). These provisions are tested to determine the taxability of salary earned during secondment. Under most tax treaties, employment income is taxable in India unless all of the following conditions are cumulatively satisfied:

- The seconded's stay in India does not exceed 183 days in 12 months relevant to the financial year (April to March);
- The remuneration is paid by or on behalf of the Foreign Employer
- The remuneration is not borne by a PE or a fixed base of the foreign employer in India.

If any of these conditions are not satisfied, India is entitled to tax the employment income of that seconded employee attributable to services rendered in India. This leads to a requirement for withholding tax compliance on the payment of salaries to the extent that the salary is earned from services rendered in India, as well as income tax return filing obligations in India for the secondees.

It is worth noting that the above is an illustrative tax treaty criterion, and it will need to be tested depending on the relevant tax treaty country in which the employee is a tax resident. In a nutshell,



careful analysis of whether the short-stay exemption conditions are being fulfilled is critical for short term secondees.

- **Taxability of long-term secondees:**

For long-term secondees, the salary earned for services rendered in India is typically taxable. However, given their long-term presence in India, these secondees would have to factor in domestic residency rules under the Act to determine the taxability of other income (earned in India and abroad). The taxability of income depends on their residential status during the relevant financial year, which may be classified as follows:

- Resident (and ordinarily resident) (“ROR” or “resident”): **Taxed on global income**
- Resident but not Ordinarily Resident (“RNOR”): **Taxed on Indian income and foreign income from business/profession controlled from India**
- Non-resident (“NR”): **Taxed only on Indian-sourced income.**

- **Repatriation of salary earned in India:** Apart from the taxation rules, the secondees (especially the long-term secondees) would also have to factor in the FEMA regulations for receiving/repatriating monies outside India. Suppose an individual is regarded as a resident for FEMA purposes. In that case, such an individual is subject to FEMA regulations regarding the receipt and repatriation of income earned in India, as well as opening a bank account in India, among other matters. However, there are certain relaxations under the FEMA provisions for employees on deputation and the same are briefly captured below:

- I. **Foreign citizen or an Indian citizen employed by a foreign company but on deputation to an Indian group entity:**

A foreign citizen resident in India, employed by a foreign company, or an Indian citizen employed by a foreign company outside India and deputed to its Indian office/branch/subsidiary/joint venture/group company, is permitted to open,

hold, and maintain a foreign currency account with a bank outside India. Subject to payment of applicable Indian taxes, the entire salary payable for services rendered in India may be credited directly to such foreign currency account.

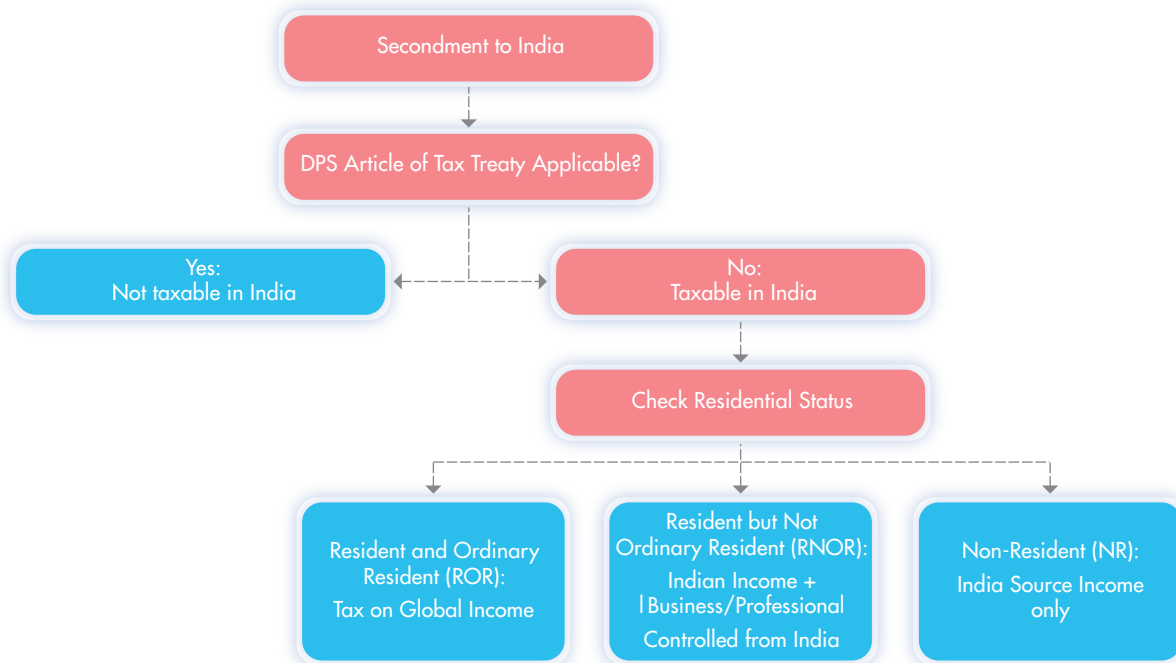
Additionally, in the above cases where a local bank account is maintained in India by a person who qualifies as a resident but not a permanent resident (i.e., an individual whose stay in India does not exceed three years), then such an individual is permitted to remit their entire net salary abroad without any monetary limit. Such remittance is allowed after deduction of applicable Indian taxes, provident fund contributions, and other statutory deductions.

- II. **Foreign citizen employed by an Indian company:**

Additionally, a foreign citizen who is resident in India and employed by an Indian company / LLP is also permitted to open, hold, and maintain a foreign currency account with a bank outside India. In such cases, the individual may remit the entire salary received in India (in Indian Rupees) to the foreign account, subject to payment of applicable Indian taxes.

Secondment arrangements involve a complex interplay between domestic tax laws, treaty provisions, and exchange control regulations. A holistic assessment factoring in duration of stay, nature of employment, source of payment, and residency status is essential to determine the correct tax and regulatory treatment for secondees and to ensure seamless compliance for the individual, the foreign entity, as well as the Indian host entity.

Taxability of Seconddees



Cross-border Employee Stock Option Plans

OGCCs operating in India are increasingly adopting cross-border ESOPs as part of their talent retention and reward strategies. In such structures, employees of the Indian GCC are granted options or rights in the parent or group entities, often listed overseas. These plans, ranging from Employee Stock Options and Restricted Stock Units to Stock Appreciation Rights, are subject to India's regulatory framework, including foreign exchange, corporate, and securities laws. While cross-border ESOPs are permitted, they require strict adherence to FEMA regulations, particularly in areas like remittance of exercise price, receipt of sale proceeds, and requisite filings with the RBI.

From a tax and compliance standpoint, ESOPs trigger income tax in the hands of the employee at the time of exercise, with corresponding obligations on the employer to deduct taxes, with further implications upon

the sale of shares. Determining the appropriate taxing jurisdiction can be complex when employees render services in multiple countries during the vesting period. Moreover, employers may claim deductions for ESOP-related expenses, based on certain judicial precedents, while also complying with TDS obligations. Transfer pricing and GST considerations may also arise where ESOP costs are shared across group entities or where the Indian company reimburses the foreign parent. Whether share-based compensation costs in such ESOP plan are an operating expense and the taxability of associated mark-up needs consideration, as tax authorities may insist on recognition of only the markup on share-based compensation costs irrespective of whether share-based compensation costs is recorded in the books of the Indian entity. In this context, well-structured documentation, appropriate inter-company agreements, and consistent policy application are critical for tax and regulatory alignment. Thoughtfully designed ESOP frameworks not only incentivise performance but also help align Indian talent with global enterprise goals.

GST Considerations

GST on “Intermediary services”

The concept of “intermediary” was first introduced under the erstwhile service tax regime under the Place of Provision of Service Rules, 2012. These Rules provided that when services are arranged or facilitated by an intermediary, defined as a broker/ agent/ any other person who arranges or facilitates supplies, between two or more persons, the place of supply would be deemed to be the location of the intermediary, i.e., India. Initially, this provision applied only to the facilitation of services. However, in 2014, the scope was broadened to include the facilitation of supplies of goods as well, which significantly expanded the tax net.

This legacy provision has been carried forward into the GST regime, which adopts a similar definition of an intermediary as under the pre-GST era. While export of services is generally treated as a zero-rated supply, enabling refund of unutilised ITC, intermediary services are treated as taxable since the place of supply is deemed to be in India. As a result, suppliers are liable to pay 18% GST, which is a cost in the supply chain.

This concept has led to widespread litigation, particularly in the case of cross-border contracts involving BPO/ KPO services, sub-contracting, marketing, and sales support, etc. The dispute, especially around whether the service provider is acting on a ‘principal-to-principal’ basis or merely arranging or facilitating, has been a recurring one.

Apart from the guidance provided in the Service Tax Education Guide, to address ongoing disputes and refund rejections under GST, particularly around misclassification of export services as “intermediary services,” Circular No. 159/15/2021-GST dated September 20, 2021, was issued. It clarified that for a service to qualify as “intermediary services”, the following pre-requisites are required to be met:

- a. Minimum of three parties: An intermediary arrangement requires a minimum of three parties, two of them transacting in the supply of goods or services or securities (the main supply) and one arranging or facilitating (the ancillary supply) the said main supply.

- b. Two distinct supplies: There must be 2 distinct supplies, i.e. the main supply and the ancillary supply (which is the service of facilitating or arranging).
- c. Act as agent/ broker/ any other person: Intermediary service provider to have the character of an agent, broker or any other similar person.
- d. Services should not be provided on ‘own account’: Intermediary services do not include services provided on a principal-to-principal basis, i.e. where the services are supplied on own account.

The Circular also contained detailed illustrations to clarify the treatment of various types of services. However, disputes on the ground continue.

In fact, the Supreme Court in 2 recent judgements, i.e., **Commissioner of Central Tax and Central Excise, Navi Mumbai v Chevron Phillips Chemicals India Pvt. Ltd.**¹² and **SNQS International Socks Private Limited (Trading Division) v Commissioner of G.S.T and Central Excise Coimbatore Commissionerate**¹³ has classified services provided on “own account” as not qualifying as “intermediary services”.

Similarly, the Karnataka High Court, in a recent decision in the case of **Amazon Development Centre India Private Limited v Additional Commissioner of Central Tax GST Appeals-II, Bangalore Assistant Commissioner of Central Tax, Bangalore**¹⁴ The crucial aspect of “negotiating contracts” was examined. The Court took into account that the agreement clearly excluded services involving negotiation of contracts, leading to the conclusion that the services do not qualify as “intermediary services”.

Some of the other key decisions which have held that services in the nature of back-office support should not qualify as “intermediary services” are as follows:

- Genpact India (P) Ltd. v. Union of India¹⁵;
- Genpact India (P) Ltd., vs. Prl. Commissioner (GST)¹⁶;

12. 2024 (2) TMI 21 - SC ORDER

13. 2023 (11) TMI 898 - CESTAT CHENNAI

14. 2025 (5) TMI 150 - KARNATAKA HIGH COURT

15. 2023 G.S.T.L.3 (P&H)

16. 2023 SCC OnLine P & H 7161

- Blackberry India Pvt. Ltd v. Pr. Commissioner, Central Excise & CGST-Delhi South ¹⁷;
- Vodafone Idea Ltd. v. Union of India ¹⁸;
- Boks Business Services Pvt Ltd., v. Commissioner of Central Goods and Services Tax Delhi South and Anr.¹⁹;
- Xilinx India Technology Services Pvt. Ltd., v. The Special Commissioner Zone VII & Anr.²⁰;
- M/s.Ernst and Young Limited vs. Additional Commissioner, CGST, Appeals-II, Delhi and Anr ²¹;
- Ohmi Industries Asia Pvt. Ltd., v. Asst. Commissioner of GST²²;
- Commissioner of GST, Gurgaon II vs. Orange Business Solutions Pvt.Ltd.²³
- Evalueserve.com Pvt. Ltd. Vs. CST, Gurgaon²⁴;
- Macquarie Global Services Pvt. Ltd v. CCE & ST, Gurgaon²⁵

Thus, while there has been historically considerable litigation, including for BPOs/ KPOs, a recent News report²⁶ suggests that the GST Council is evaluating reclassifying intermediaries, thus providing an export status to such service providers.

Refunds

Under the GST framework, an exporter has two options:

- Undertake exports without payment under a Letter of Undertaking (LUT); or
- Undertake exports on payment of IGST.

Where exports are made under a LUT, an exporter of services is entitled to claim a refund of input tax credit in respect of goods and services or both used for such supplies. However, the following restrictions apply:

- No refund is admissible on input tax credit relating to capital goods;
- Blocked credits under S. 17(5) of the CGST Act are not eligible for refund.

Under Option 2, a refund is claimed on the IGST paid on export of services.

To facilitate working capital, the GST law provides for the grant of a provisional refund of 90% of the total refund claim within 7 days of acknowledgement. Further, refund claims are also required to be processed within 60 days from the date of acknowledgement

Despite the statutory timelines and safeguards, exporters often experience significant delays in obtaining refunds. This is primarily due to the extensive documentation requirements and system validations embedded in the refund process. Key practical issues include:

- Mismatch in GSTR-1/ GSTR-3B returns vis-a-vis the statement of export invoices (in Statement 1) on which refund is claimed;
- Verification of export invoices vis-à-vis underlying agreements or contracts;
- Scrutiny of the export status, including eligibility to claim the refund under LUT or IGST payment route;
- Requirement of realisation of export proceeds in foreign currency including obtaining the Bank Realisation Certificates (BRCs);
- Verification of input tax eligibility including nexus with services exported on which refund is being sought.

Thus, GCCs in India claiming a refund in respect of export of services ought to revalidate the position on export status, maintain robust documentation and ensure proper reconciliation to avoid delays and/ or denial of claims at the time of processing.

17. 2022 VIL-921-CESTAT-DEL-ST affirmed in 2023-VIL-441-DEL-ST

18. 2022 (66) G.S.T.L. 63(Bom)

19. 2023-VIL-579-DEL

20. 2023-VIL-190-DEL

21. 2023-VIL-190-DEL

22. 2023-VIL-224-DEL

23. 2019 (27) G.S.T.L. 523 (Tri-Chan.)

24. 2019(365) E.L.T. 546 (Tri- Chan)

25. 2021-TIOL-790-CESTAT-CHD

26. https://www.business-standard.com/economy/news/gst-council-may-reclassify-key-intermediaries-as-exporters-in-next-meeting-125060200947_1.html

D3. Efficient Repatriation of Accumulated Profits from Captive GCCs

As GCCs in India mature, particularly those operating under cost-plus models, a common challenge which emerges is the accumulation of substantial retained earnings. These profits, built steadily over time due to predictable mark-ups and disciplined cost structures, often sit idle in Indian balance sheets, particularly in captive structures where reinvestment opportunities may be limited. However, repatriating these profits to the foreign parent by way of dividend payout results in additional tax leakage, and therefore, it is not the preferred mode. As also mentioned in **Section C1**, under the domestic tax law, dividends are taxed in the hands of the non-resident shareholders at a base rate of 20%, plus applicable surcharge and cess. However, this rate

may be reduced under a relevant tax treaty, typically to 5% to 15%, subject to satisfaction of conditions such as beneficial ownership and anti-abuse provisions. Dividends can be freely repatriated without prior RBI approval.

An efficient alternative to dividend payout is interest payments, another mode of repatriation, especially where the foreign parent has extended loans or subscribed to debt instruments such as CCDs.

The interest payments are subject to WHT at 20% under domestic law but may benefit from lower treaty rates. The table below summarises the WHT rates on interest under select treaties:

Table 6: Interest WHT Rates in Various Jurisdictions

Jurisdiction	WHT% on interest	Remarks
Non-treaty*	20	ETR - 21.84% under domestic law
US	15	10% if received by a financial/bank institution
UK	15	10% if received by a financial/bank institution
Germany	10	
Japan	10	
Mauritius	7.5	
Singapore	15	10% if received by a financial/bank institution
Netherlands	10	
UAE	12.5	5% if received by a financial/bank institution

*Tax treaties may offer a lower rate, subject to conditions such as beneficial ownership and anti-abuse provisions like the LOB or PPT, where these are incorporated into the treaty.

For loans, Indian entities must comply with the ECB framework, which governs eligibility, end-use conditions, and interest rate ceilings. Notably, interest on CCDs, while exempt from ECB restrictions, is subject to interest limitation rules, like other debt instruments, which restrict the deduction of interest expenses if debt from an associated enterprise exceeds the 30% of EBITDA threshold.

Furthermore, where the Indian GCC either utilises, intellectual property owned by the overseas parent or

avails specialised technical, IT, or R&D support to its group companies abroad, the Indian GCC could make royalty or FTS payments. Under Indian tax law, such cross-border payments are subject to a 20% withholding tax on gross basis i.e. without deduction of expenses, which is typically reduced based on provisions of the relevant tax treaty to 10-15% in most cases, subject to payments meeting the tests of services being rendered and supported by appropriate documentation such as service contracts and invoices. The table below summarises the WHT rates on FTS under select treaties:

Table 7: FTS WHT Rates in Various Jurisdictions

Jurisdiction	WHT% on FTS	Remarks
Non-treaty	20	ETR - 21.84% under domestic law
US	15	10% - If FIS are ancillary and subsidiary to the enjoyment of the property for which payment is received
UK	15	10% - If FIS are ancillary and subsidiary to the enjoyment of the property for which payment is received
Germany	10	
Japan	10	No specific FTS article
Mauritius	10	
Singapore	10	
Netherlands	10	
UAE	-	No specific FTS article

However, it may be counter-productive to levy royalties or FTS on GCCs which are remunerated on a cost-plus basis, as the royalty or FTS charge would form part of the operating cost base for the purpose of applying the arm's length mark-up and hence a cost-benefit analysis should be undertaken before adopting any such inter-company policy.

While dividends, interest, royalties and FTS are typical options of repatriating accumulated profits, below we have discussed certain operational and corporate restructuring avenues as well.

Operational transactions

Rather than focusing solely on mechanisms to repatriate accumulated cash, companies can proactively manage profit accumulation itself through thoughtful pricing policies and cost evaluation under transfer pricing arrangements. A widely adopted pricing model for GCCs is the cost-plus mark-up arrangement. In this context, companies may explore the feasibility of operating at the lower band of the arm's length mark-up range, thereby reducing the quantum of taxable profits and surplus cash in India in the first place. Lower range arm's length mark-ups may lead to litigation at the lower levels, but can be effectively argued at the higher forums, and pricing policy may eventually be sustained. Alternatively, to

mitigate litigation, the corporates can opt for APA and agree to a moderate zone of the arm's length range.

Another important aspect involves assessing and classifying costs incurred by the GCC. Optimising the cost base used for mark-up application is critical. This requires careful differentiation among:

- **Pass-through costs**, which are typically reimbursed without any mark-up;
- **Principal's operating costs vs. vendor's operating costs**, to determine which costs are legitimately allocable to the GCC.
- **Operating vs. non-operating costs**, where only the former are included in the cost base.

By strategically identifying costs that may qualify as pass-through (e.g., third-party charges incurred on behalf of the parent) or non-operating in nature (e.g., penalties, donations), companies can reduce the base on which the mark-up is applied, further limiting cash accumulation in India.

These operational strategies, when coupled with robust documentation and transfer pricing support, can offer a sustainable approach to managing both tax exposures and cash repatriation needs within the broader group framework.

Corporate Restructuring

For companies with significant cash reserves but inadequate distributable profits, capital reduction may be considered. This court-approved process enables a return of capital to shareholders by extinguishing paid-up share capital as well as reserves. The tax treatment bifurcates the amount received; the distribution up to the level of accumulated profits is treated as a dividend, while any excess is taxed as capital gains. While time-intensive, capital reduction can be beneficial where dividend distribution is constrained by accounting profits or reserve availability.

Buyback of shares has historically been another approach to repatriate surplus cash. However, under amendments introduced by the Finance (No. 2) Act, 2024 (effective from October 1, 2024), tax treatment of buybacks has undergone a shift. Proceeds from a buyback are now taxed as dividends in the hands of the shareholder, while any capital loss from the acquisition cost is treated separately. Under the tax treaties, one can explore limiting the taxation on receipts from buy-backs as dividends up

to the amount of accumulated profits, and any amount received over and above will be taxed as capital gains. Regulatory approvals under the Companies Act and the FEMA continue to be necessary.

A less conventional but structurally impactful option is to opt for an LLP structure. While LLPs are taxed at a higher rate of 34.94%, repatriation of post-tax profits to foreign partners is tax-free in India. Moreover, there is no dividend distribution tax or withholding on repatriated profits. However, cross-border tax credit availability and entity classification rules in the parent jurisdiction must be evaluated before opting for this route.

These must be evaluated against the company's long-term objectives, group treasury considerations, treaty eligibility, and regulatory obligations. Proper documentation, tax clearance, and pricing regulatory compliance remain critical for all repatriation methods, particularly given the layered oversight of tax and foreign exchange regulators in India. With proper foresight and structuring, GCCs can deploy a mix of these options to unlock accumulated capital and align profit flows with broader group strategy.



D4. Key Compliance Requirements for Operating GCCs in India

Once a GCC is established in India, maintaining timely and accurate compliance becomes essential to ensure regulatory alignment and avoid penalties or reputational risk. Indian law requires adherence to a range of periodic compliances across multiple regulatory domains, including income tax, indirect tax (GST and SEZ regulations), labour laws, corporate law, and foreign exchange regulations under FEMA. The nature

and frequency of these obligations depend on the scale of operations, the entity's legal structure, and the specific functions performed within the GCC.

The table below summarises illustratively compliance requirements from tax, companies act and exchange control perspectives that must be monitored and fulfilled throughout the lifecycle of the GCC's operations in India:

Real-time	Monthly	Quarterly	Yearly
Income Tax <ul style="list-style-type: none"> Certificate for foreign remittances 	Income Tax <ul style="list-style-type: none"> TDS / TCS 	Income Tax <ul style="list-style-type: none"> TDS / TCS returns Advance Tax deposit 	Income Tax <ul style="list-style-type: none"> Tax Audit ITR and related filings TP audit & return
Indirect Taxes <ul style="list-style-type: none"> Bill of entry for import E-way bills for goods movement Generation of E-invoices 	Indirect Taxes <ul style="list-style-type: none"> GST returns SEZ Returns 	Indirect Taxes <ul style="list-style-type: none"> Progress reports for SEZ 	Indirect Taxes <ul style="list-style-type: none"> GST Annual Return GST Reconciliation statement Annual SEZ Return
Others <ul style="list-style-type: none"> Intimation filing to RBI for capital account transactions 	Labour Laws <ul style="list-style-type: none"> Social Security contributions & return filing 	Companies Act <ul style="list-style-type: none"> Mandatory Board meetings 	Companies Act <ul style="list-style-type: none"> Statutory Audit Annual Return AGM
			Others <ul style="list-style-type: none"> FEMA annual return

In addition to adhering to the above compliance requirements, maintaining records and documentation is also essential for any entity operating in India, especially in the context of an evolving tax and regulatory landscape. From a tax perspective, entities are expected to maintain records that support pricing policies, cross-border transactions, positions taken in filings, etc. Regulatory authorities such as the RBI, SEZ authorities, and sectoral regulators also mandate the retention of records to substantiate compliance with foreign exchange laws and

licensing conditions. Additionally, under the Companies Act, 2013, companies are required to maintain statutory registers, board resolutions, and financial records for specified periods. Inadequate or poorly maintained documentation can lead to regulatory scrutiny, monetary penalties, and disallowances. To aid entities in fulfilling these obligations, an indicative list of key documentation and statutory records to be maintained is provided in **Annexure 3**.

Labour Law Compliance

GCCs are inherently people-centric operations, relying heavily on a skilled and scalable workforce to deliver a wide range of global services. As such, compliance with Indian labour laws is not just a statutory requirement but a core component of operational stability and workforce management. These regulations govern key aspects, including employment terms, working conditions, social security contributions, employee benefits, and workplace conduct. Given the scale at which GCCs operate, and the diversity of roles involved, it is important to keep track of HR policies and employment documentation with both central and state-specific labour law requirements. The rollout of the four consolidated Labour Codes has been passed by the parliament, but is yet to be centrally notified for full implementation. GCCs must also be prepared to adapt to a unified compliance landscape that aims to simplify existing laws. In addition, evolving workforce models, such as remote work, hybrid structures, and increased focus on workplace rights, require GCCs to implement tailored compliance frameworks. A detailed overview of the centrally applicable laws and the upcoming four Labour Code consolidating 29 different labour laws is provided in **Annexure 4**.

Labour law compliance also requires robust documentation practices, with specific mandates regarding the maintenance of registers and records related to wages, attendance, leave, maternity benefits, training, and grievance redressal. These requirements vary by state, with differences in register formats, reporting timelines, and retention periods. This creates an added layer of compliance burden for GCCs operating across multiple jurisdictions. Maintaining proper and timely records is critical for audit readiness, dispute resolution, and demonstrating compliance during inspections. The upcoming Labour Codes aim to simplify this process by standardising documentation formats, introducing digital registers, and harmonising retention norms across states. **Annexure 5** provides a summary of the current record-keeping requirements generally accepted across various states with varied retention norms.

IP Regulations

GCCs engaged in research, development, technology services, or creative functions must consider the legal framework governing IP rights in India. Ensuring the appropriate registration, protection, and use of IP (whether developed locally or transferred from the foreign parent) is critical from both a legal and a tax perspective. Proper IP management also has implications for transfer pricing and ownership structuring. Key considerations relating to IP laws and their relevance to GCC operations are outlined in **Annexure 6**.

Environmental Law Regulations

As environmentally responsible business practices become a core expectation globally, GCCs operating in India must align with the country's environmental regulatory framework to mitigate risk and support sustainable operations. While GCCs may not be involved in manufacturing or industrial processes, their operations can generate regulated waste, particularly in the form of electronic, battery, and plastic waste. Non-compliance may lead to financial penalties, regulatory scrutiny, and reputational harm to both the GCC and its parent entity. Conversely, proactive compliance supports ESG commitments, enhances investor confidence, and contributes to long-term operational credibility.

GCCs are expected to manage the collection, recycling, and safe disposal of electronic waste generated during operations, with appropriate documentation and timely reporting to regulatory authorities²⁷. In addition, where batteries are introduced or used in equipment or devices, GCCs must ensure that waste batteries are collected, treated, and recycled responsibly, with appropriate measures in place to prevent environmental damage²⁸.

Where plastic packaging or consumables are used, companies must implement source-level segregation and ensure that waste is processed through recognised channels, alongside efforts to minimise single-use plastic and adopt eco-friendly alternatives²⁹. For GCCs' offices that handle regulated materials such as used

27. As per the E-waste (Management) Rules, 2022

28. As per the Battery Waste Management Rules, 2022

29. As per the Plastic Waste Management Rules, 2016

solvents, printer waste, or lab consumables, prescribed authorisations, storage norms, and disposal methods must be followed, especially where hazardous waste thresholds are crossed³⁰.

Though the environmental footprint of a GCC may be relatively low, regulatory expectations remain firm. It is advisable for GCCs to incorporate environmental compliance protocols into their internal policies, employee onboarding, and vendor contracts to ensure holistic adherence.

Cybersecurity and Data Protection

As GCCs in India continue to deliver technology-driven services, ensuring strong cybersecurity and data protection frameworks is paramount. With increasing reliance on digital infrastructure and cross-border data flows, any breach of data security can have significant legal and reputational repercussions. GCCs must implement industry-aligned standards such as ISO/IEC 27001, establish internal protocols to prevent unauthorised access or misuse of data, and maintain adequate incident response mechanisms. These safeguards are essential not only for business continuity but also for complying with India's evolving regulatory landscape.

Presently, the Information Technology Act, 2000 and its associated rules regulate the collection and processing of SPDI. Under these provisions, entities must adopt explicit consent mechanisms, limit data usage to lawful and necessary purposes, and provide individuals the ability to review, correct, or withdraw their data. A transparent privacy policy must be made accessible to users, and organisations must not retain data beyond its intended use. Additionally, SPDI cannot be transferred, either within or outside India, without the user's consent and assurances of equivalent protection by the transferee. The appointment of a grievance officer, the implementation of recognised security standards, and the maintenance of documented data protection policies are critical elements of compliance.

Looking ahead, India is poised to transition to a more comprehensive data protection regime. The DPDPA, enacted in August 2023, will supersede the existing SPDI Rules once notified for enforcement. In January 2025, the Indian Government released draft implementation rules for public consultation, indicating an imminent rollout of the new law. The DPDPA is expected to impose sharper obligations on data fiduciaries and processors, redefine consent requirements, and introduce stricter accountability mechanisms. GCCs should proactively evaluate their data handling practices to align with this upcoming framework and ensure long-term compliance readiness.



30. As per the Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016



E. Transfer Phase: Transitioning in BOT Structures

E1. Knowledge Transfer

For GCCs set up under the BOT model, the “Transfer Phase” marks the culmination of the engagement, wherein operational control, personnel, and intellectual capital are transitioned from the service provider or build partner to the parent MNE. This phase is crucial for ensuring business continuity, safeguarding institutional knowledge, and achieving the long-term objectives that underpin the GCC’s formation.

The transfer may take several forms depending on the commercial arrangement: it may involve the transfer of (i) the GCC entity itself, (ii) the GCC undertaking including contracts, assets and liabilities, or (iii) only the operational control and associated functions. The selected structure has significant regulatory and tax implications and therefore requires early planning.

A seamless knowledge transfer is the cornerstone of a successful transition during the Transfer Phase in BOT arrangements. As the operational responsibility of a GCC transitions from the third-party service provider to the multinational parent, safeguarding institutional knowledge, functional continuity, and regulatory integrity becomes paramount.

Knowledge transfer is not a one-time activity but a structured, multi-month exercise spanning functional verticals such as taxation, regulatory compliance, and legal affairs. It requires coordinated planning, dedicated ownership, and disciplined execution to mitigate transition risks and ensure operational readiness under the parent company’s control.

Taxation Function



The knowledge transition in taxation typically focuses on handing over the full tax compliance ecosystem, which includes the tax return filing framework, TP documentation, legacy filings, pending disputes, and the use of tax-related software systems.

Key Milestones:

- **6 months before handover:** Detailed walkthroughs of the existing tax compliance framework, including structure of statutory filings, litigation timelines, and audit preparedness protocols.
- **3 months before handover:** Interactive sessions on using tax software, documentation of TP policies, and knowledge transfer on past positions taken in tax assessments.

- **Month of handover:** Final data handover and confirmation of access rights to tax portals and systems.

Key Considerations:

- Whether to retain the tax software deployed by the SP or migrate to the client’s global tax platform.
- Handling of ongoing assessments and litigation, including continuity of legal representation and documentation repositories.
- Summary of key tax positions taken historically and rationale for opinions obtained.

Involved Stakeholders: Head of Tax, in-house compliance team, and external advisors or tax consultants.

Regulatory Compliance



The regulatory handover centres on ensuring uninterrupted statutory compliance and accurate mapping of all periodic reporting requirements under corporate, labour, foreign exchange, and sector-specific laws.

Key Milestones:

- **6 months before handover:** Mapping of all regulatory filings, licences, and registrations, along with roles and responsibilities.
- **3 months before handover:** Workshops to familiarise the incoming team with compliance tools, escalation protocols, and remediation mechanisms.
- **Month of handover:** Shadow review of reporting workflows and transition of all filing obligations.

Key Considerations:

- Whether to retain existing compliance partners or onboard new vendors aligned with the parent company's global framework.
- Reviewing positions/opinions obtained on grey areas or ambiguous provisions to ensure alignment post-transfer.
- Preparation of an updated compliance calendar with responsibilities clearly demarcated.

Involved Stakeholders: Chief Compliance Officer, internal compliance leads, external compliance SP.

Legal Affairs



The legal knowledge transfer is critical for protecting the GCC's contractual obligations, dispute histories, and legal compliance posture. It requires consolidating documentation on all legal matters, including contracts, disputes, IP rights, and governance frameworks.

Key Milestones:

- **6 months before handover:** Compilation and transfer of executed contracts, ongoing dispute dossiers, and policy documentation.
- **3 months before handover:** Training sessions on the status of key contracts, renewal cycles, arbitration clauses, and significant legal risks.
- **Month of handover:** Final handover of control over contract databases, legal case management systems, and IP repositories.

Key Considerations:

- Contractual renegotiations that may be necessary due to a change of control or operational transition.
- Transfer of rights or obligations under ongoing or long-term contracts, especially those with material termination clauses.
- Ensuring continuity in managing active disputes or regulatory actions.

Involved Stakeholders: Head of Legal, internal legal/compliance teams, and external legal counsel.

E2. Human Resource Function and Employees' Transfer

Employees are the nucleus of any GCC, and transitioning the workforce from the SP to the parent company must be handled with sensitivity and legal precision. Two predominant models are employed: (1) workforce transfer or (2) resignation and rehire. In a workforce transfer, individuals are moved from the service provider to the new GCC entity without a break in employment, preserving continuity for social security entitlements. However, one must carefully navigate this as the assembled workforce may be considered as valuable intangible for the transferor and may have tax implications. In the resignation and rehire model, employees voluntarily resign and are subsequently re-

employed by the GCC, which may reset the tenure count for certain benefits, unless these benefits are explicitly protected. Each model has implications for employment liability, employee morale, and compliance with Indian labour laws.

Structured communication, consent-driven execution, and legal documentation (including retention bonuses or continuity letters) are essential to minimise disruption and ensure a smooth human capital transition. Early engagement with the workforce, clarity on benefit continuity, and coordination with legal and payroll teams are critical success factors in this domain.



E3. Ownership Transfer

As discussed in the Operating Model in Section D1 of this publication, several structural pathways exist for establishing a GCC in India. Among these, the BOT (Undertaking) and BOT (Entity) models are uniquely characterised by a structured transition of ownership from a third-party service provider to the foreign parent. It is in these two models that ownership transfer considerations become most relevant, as they mark the formal shift of ownership upon completion of the operating phase.

In the BOT (Undertaking) model, the service provider typically runs the GCC as part of its own legal entity. At the time of transfer, the business undertaking, including employees, assets, contracts, and operational processes, is transferred to a newly incorporated Indian subsidiary of the foreign parent. This transfer is typically structured as a slump sale and involves regulatory considerations

regarding valuation, stamp duty, GST applicability, and the novation of contracts and employment arrangements. It is important to note that the direct acquisition of Indian assets or business undertakings by a foreign entity is generally restricted under Indian exchange control laws. Therefore, the foreign parent must incorporate a wholly owned subsidiary in India through which the acquisition would be undertaken.

The BOT (Entity) model involves the service provider establishing a separate legal entity from the outset to house the GCC operations. This approach facilitates a relatively seamless ownership transfer at the end of the term, effected through a share transfer of the entire entity to the foreign entity or Indian vehicle of the foreign entity. In such cases, the transfer would need to adhere to exchange control regulations.





F. Exit Considerations: Strategic Closure, Monetisation, and Regulatory Wrap-up

F1. Triggers for Exit

Establishing a GCC in India is a long-term decision. However, as business priorities evolve, whether through global restructuring, monetisation, or market exits, an eventual need to repurpose, divest, or close the GCC may arise. For inbound investors, a

well-thought-out exit strategy is just as critical as the initial entry decision. Understanding the legal, tax, and operational implications of exit helps protect enterprise value, mitigate regulatory friction, and ensure seamless business continuity or closure.

Common scenarios that trigger exit decisions include:

- Strategic monetisation of a mature GCC via sale to a third-party service provider (e.g., Citibank's divestment of its India captive to BPO division).
- Realignment of global delivery models, where certain functions are consolidated elsewhere.
- Cessation of business operations due to changes in market dynamics or regulatory environments.

- Closure of dormant entities that no longer serve a business purpose.

Each exit path must be aligned with the entity's structure, financial position, and future objectives. The primary options available include share sale, merger, voluntary liquidation, or strike-off.



F2. Key Exit Mechanisms and Considerations

Sale of Indian Entity to a Third Party

A sale to a third-party buyer is often the most direct and commercially flexible exit route. This option requires the presence of a willing acquirer and is generally not constrained by regulatory conditions, unless sector-specific approvals are applicable.

The process can typically be completed within one to two months, subject to buyer readiness, due diligence, and compliance with applicable rules. From a tax standpoint, capital gains arising on the sale of shares are chargeable in India, long-term gains (on shares held for more than 24 months) are taxed at 13.65%, and short-term gains are taxed at 38.22%. India's tax treaties with countries like the Netherlands may offer relief, depending on treaty eligibility and anti-abuse provisions such as the PPT.

An emerging strategy includes issuing bonus preference shares or debentures to the foreign parent, which can later be sold to third parties. With appropriate approvals and valuation compliance under FEMA, this structure facilitates tax-efficient exit and monetization of accumulated surpluses. The tax treatment on sale would depend on the holding period and applicable treaty relief, with PPT or LOB clauses playing a role in treaty eligibility.

Additionally, the FEMA regulations mandate adherence to valuation guidelines when shares are transferred to a resident buyer, and the transaction must be reported through Form FC-TRS. Applicable stamp duties on the transfer of shares would also need to be duly factored in.

Merger with Another Entity

A merger with another company presents an alternative exit strategy, particularly when business consolidation or internal restructuring is involved. This route requires approval from the NCLT and, where applicable, sectoral regulators.

The typical timeline for implementing a merger ranges from eight to ten months, depending on the complexity of the transaction and approval process. Mergers can be tax-neutral if the prescribed conditions under the Act are satisfied. However, stamp duty implications and indirect tax exposures need to be carefully assessed.

A detailed valuation report and justification of the commercial rationale are generally expected to support the merger scheme. Strategic alignment and synergy evaluation also form part of regulatory scrutiny during the approval process.

Voluntary Liquidation under the Insolvency and Bankruptcy Code

For solvent entities seeking a structured closure, voluntary liquidation under the IBC offers a legally robust route. This option is available if the company has no debts or can pay all its debts in full. It begins with a declaration of solvency by the Board of Directors, followed by shareholder approval.

If creditors are involved, consent from two-thirds of the creditors (by value) is also required. A registered insolvency professional is appointed to conduct the liquidation, and NCLT confirmation is mandatory for final dissolution.

The process typically spans 12 months, assuming all NOCs from regulatory authorities, such as the Income Tax Department and labour regulators, are obtained in a timely manner. Distributions made to shareholders are taxed as dividends to the extent of accumulated profits, with any excess being treated as capital gains.

One key consideration is the presence of ongoing litigation. In such cases, obtaining statutory approvals, especially from tax authorities, may be delayed, affecting the overall timeline of exit.

Strike-Off under Section 248 of the Companies Act, 2013

Strike-off is an administrative mechanism suitable for companies that have remained inactive. To be eligible, the company must not have carried on any business for two consecutive financial years and must not have applied for dormant company status during that period.

Prior to filing the application, all liabilities must be extinguished, and the company must obtain shareholder approval, either through a special resolution or the consent of 75% of the shareholders by paid-up capital.

Although the strike-off process itself takes around six months, the overall timeline is approximately two-and-a-half years due to the inactivity condition.

Sale of assets prior to strike-off may trigger capital gains taxation. While there is no explicit provision under the Act for claiming loss on the extinguishment of shares, it may be allowed if it can be demonstrated that the shares are extinguished. Directors are also required to issue an indemnity bond, acknowledging that liabilities may arise post-strike-off and agreeing to bear such responsibilities if they do.

The choice of exit strategy must be evaluated in light of the entity's legal form, operational scale, asset base, compliance history, and future repatriation needs.

While sale or merger transactions offer avenues for monetisation and continuity, liquidation and strike-off serve as practical options for the closure of inactive entities.

For GCCs that have created significant value over time, monetisation through divestiture can serve as a planned outcome. Conversely, dormant or non-core units may find strike-off or liquidation more efficient.

As seen across successful exits, timely planning, robust documentation, and regulatory compliance are key enablers. Coupled with professional advice, these measures ensure that MNEs can achieve a tax-efficient and legally sound exit from their operations in India.





G. GCCs in India: Select Industry Exemplars

Exemplar 1: Goldman Sachs – India as a Strategic Growth Engine for GCCs³¹

Goldman Sachs' trajectory in India exemplifies the nation's progression into a powerhouse for the GCCs. Commencing with a modest establishment of 300 professionals in Bengaluru in 2004, the firm currently operates two extensive centres, Bengaluru and Hyderabad, employing over 8000 to 9,000 professionals. Initially focused on providing IT and back-office operations, the Bengaluru centre swiftly evolved to support core banking operations, encompassing investment banking, asset management, consumer banking, liquidity management, and transaction banking. This transformation was propelled by India's abundant and highly skilled talent pool, particularly in the fields of STEM, as well as its capability to integrate technology with internal business priorities.

Following success in Bengaluru, Goldman Sachs opened its Hyderabad GCC in 2021 and is focusing on supporting the development of advanced technologies such as AI, ML, and cloud computing, apart from facilitating its core global functions in engineering, finance, and human capital administration. Hyderabad's expanding tech corridor and government support further enhance India's importance.

Now, Goldman Sachs' Indian centres are one of the important centres in global operations, processing one-third of its transaction banking and half of its consumer banking business. Moreover, these centres had a central role in some of the largest global projects, such as the introduction of the Apple co-branded credit card. Their adaptability during the pandemic also showcased India's unparalleled capability to offer resilience, innovation, and business continuity.

Exemplar 2: Accenture – Advancing Digital Transformation Through Indian GCCs³²

India's rise as a transformation hub is underscored by Accenture's huge investment in its GCCs, particularly its hub in Bengaluru, with Accenture co-creating cutting-edge digital solutions to address business problems.

With a focus on high-impact technologies like artificial intelligence, blockchain, cybersecurity, and cloud computing, the Bengaluru hub combines India's wealth of engineering talent with Accenture's worldwide network of innovation. It helps clients across a wide range of industries, from financial services, healthcare, manufacturing, to retail, by helping them to reimagine their business models and accelerate their digital transformation.

One of the defining strengths of the hub is that it can prototype, validate, and support the delivery of scalable technology solutions of high business value. This is achieved by fusing domain expertise with engineering excellence, thus enabling faster time-to-market and enhanced client interaction.

Accenture is a testament to its ongoing commitment to creating a technology-driven hub. From its operations in Bengaluru, the company continues to tap into the country's large talent pool and creative capabilities and makes India one of the important components of its global delivery and innovation strategy.

31. <https://ansr.com/case-study/how-goldman-sachs-india-gcc-evolved-into-the-2nd-headquarters/#:~:text=While%20the%20company%20has%20been,consumer%20banking%20and%20transaction%20bankin>

32. <https://www.entrepreneur.com/en-in/news-and-trends/ai-and-automation-set-to-redefine-the-gcc-landscape-in-india/485005#:~:text=There%20are%20numerous%20examples%20of%20the%20critical,critical%20hub%20for%20the%20company's%20global%20operations>

Exemplar 3: HSBC – Building a Digital Banking Backbone from India³³

With one of the world's largest banking and financial services organisations, HSBC has leveraged India's pool of talented manpower to build one of its most important technology and operations centres. With operations in Hyderabad, Pune, and Bengaluru, HSBC's India-based GCCs play a key role in the bank's digital banking transformation, supporting more than 50 markets globally.

Hyderabad Technology Centre, in fact, is one of the key contributors to software development, data analytics, and cybersecurity. HSBC has invested significantly in its engineering footprint in India with over 15,000 professionals on the team, several of whom are engaged in creating next-generation banking platforms, automating compliance, and constructing the bank's

digital channels. The India centres, over the last two years, have made contributions in mobile banking, customer engagement through artificial intelligence, and anti-money laundering platforms. The GCCs have also been at the heart of HSBC's sustainability agenda, creating tools to monitor ESG metrics and enabling green financing activity.

India's IT regulatory transparency, a maturing fintech ecosystem, and access to talent from familiar domains have positioned India as an efficient platform for HSBC's digital-first business strategy. HSBC's sustained commitment to its Indian GCCs is a testament to how international banking groups are looking towards India not only for cost efficiency, but also for technical capabilities and global delivery excellence.

Exemplar 4: Intel – Engineering the Future from India³⁴

Intel's India Development Center in Bengaluru is the biggest R&D centre outside the US, and it will have a significant role to play in defining the future of computing. With a workforce of more than 14,000, the centre contributes across the technology stack from chip architecture and hardware design to software optimisation, AI, and 5G innovation.

Intel India engineers have spearheaded Intel's core processor families' design and validation, power efficiency optimizations in mobile chipsets, and the foundational pieces of Intel's AI and cloud computing

platforms. In 2022, Intel invested heavily in growing its R&D footprint in India, a new state-of-the-art Bengaluru design and engineering centre included, solidifying its long-term growth commitment.

In addition to foundation engineering, Intel's Indian base is at the core of defining its diversity and inclusion programs, community-driven education initiatives, and semiconductor research partnerships with leading Indian institutions. Banking on India's STEM pool of talent and vibrant technology ecosystem, Intel reasserts its global innovation leadership from its Indian base.

33. <https://www.srkay.com/the-evolution-of-global-capability-centres-in-india-a-journey-of-two-decades/#:~:text=It%20develops%20innovative%20solutions%20in,data%20analytics%2C%20and%20semiconductor%20technology>
<https://www.about.hsbc.co.in/our-entities>

33. <https://www.newindianexpress.com/business/2022/Jun/25/intel-unveils-new-design-and-engineering-centre-in-bengaluru-can-house-2000-employees-2469639.html>
<https://www.srkay.com/the-evolution-of-global-capability-centres-in-india-a-journey-of-two-decades/#:~:text=It%20develops%20innovative%20solutions%20in,data%20analytics%2C%20and%20semiconductor%20technology>
<https://cxotoday.com/press-release/intel-india-opens-a-new-state-of-the-art-design-engineering-center-in-bengaluru/>

Exemplar 5: General Electric – Driving Global Engineering Excellence from India³⁵

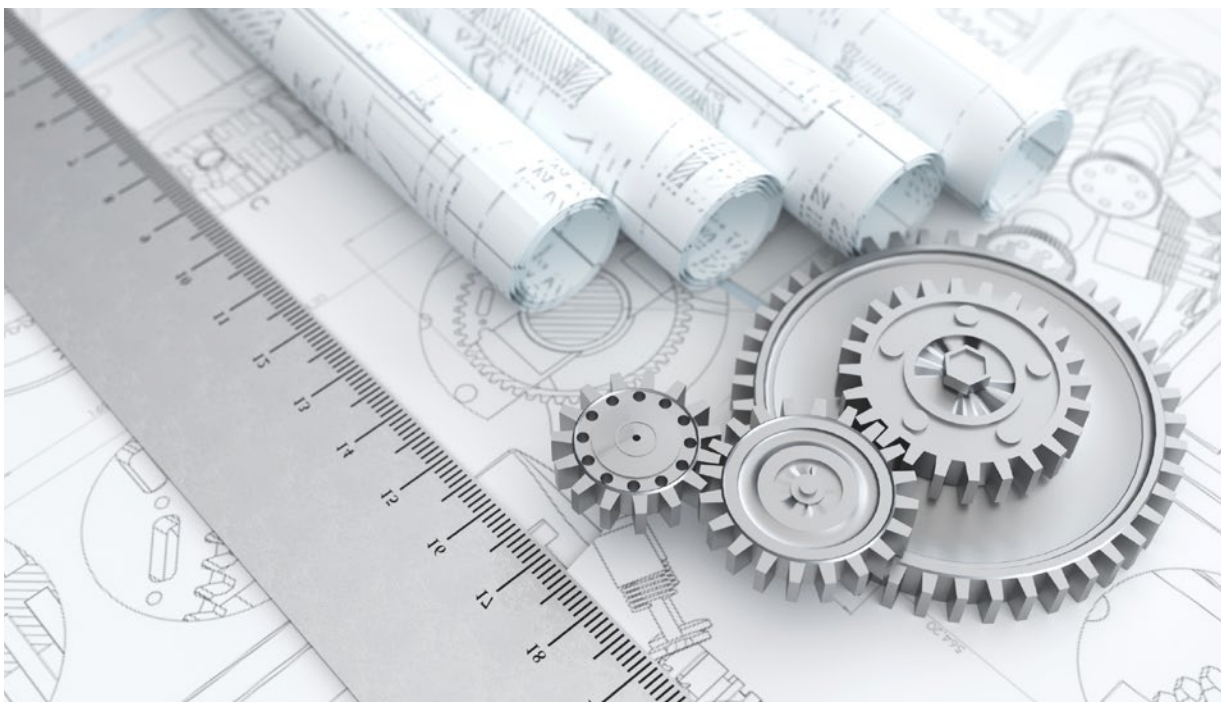
Established in 2000, the John F. Welch Technology Centre in Bengaluru is General Electric's biggest multi-disciplinary research and development facility outside the US. As part of its international strategy for innovation, the centre has over 5,000 scientists, engineers, and technologists working in different fields, such as healthcare, aviation, renewable energy, and industrial automation.

The centre plays a critical role in creating next-generation solutions that address international markets and satisfy domestic requirements. Its most notable accomplishments are contributions to low-cost medical imaging hardware

for emerging markets, ground-breaking wind turbine technology that maximises the scalability of renewable power, and predictive maintenance technology using AI for industrial automation.

JFWTC's success is based on India's huge talent pool and its proximity to the world's leading engineering institutions. The sustained investment in talent development, along with its partnerships with IITs and IISc, and its capability to match global business objectives with local innovation, have made the centre a gold standard for high-value GCCs.

35. <https://www.srkay.com/the-evolution-of-global-capability-centres-in-india-a-journey-of-two-decades/#:~:text=It%20develops%20innovative%20solutions%20in,data%20analytics%2C%20and%20semiconductor%20technology>
<https://www.manufacturingtodayindia.com/6475-the-mammoth-ecosystem-created-by-ges-john-f-welch-technology-centre>





H. GCCs in Practice: Our Recent Experience in Navigating Tax, Regulatory, and Operational Complexities

This section highlights select experiences from our work with multinational clients across the banking, technology, and insurance sectors in shaping their GCC in India. The case studies reflect the practical realities of navigating regulatory frameworks, resolving legacy tax exposures, and designing operating models aligned with global objectives.

From structuring new GCCs to stabilising existing ones through transfer pricing certainty and dispute resolution, the examples illustrate the breadth of considerations involved, ranging from permanent establishment risks and profit repatriation to employment transitions and exit readiness.

Case Study 1: A Scalable GCC Launch in India

One of the top 15 U.S. banks has engaged us to establish its first offshore technology hub through a GCC in Hyderabad. Our engagement commenced with advising on the suitable legal entity structure, investment framework, and capital flow mechanisms to ensure regulatory alignment and enable efficient profit repatriation to the US parent.

We developed a transfer pricing model aligned with arm's length standards and reviewed expatriate arrangements to manage PE risk, thereby mitigating potential tax exposure for the parent entity in India.

The GCC targeted over 1,000 technology professionals over the next few years. By connecting the client with key vendors and local ecosystem partners, we helped reduce time-to-operational readiness. The Hyderabad centre will support core technology, digital banking, and cloud functions, becoming a critical driver of the bank's global transformation agenda.

With our end-to-end support, the client moved from entity setup to full operational launch in under nine months, demonstrating how BFSI institutions can efficiently and compliantly leverage India's deep talent pool for scalable innovation hubs.

Case Study 2: IT Back Office of a U.S. MNC in Network Equipment

A global networking and cybersecurity leader faced prolonged uncertainty in its Indian operations due to transfer pricing disputes stemming from its early low-cost-plus model. These challenges risked derailing the long-term scalability of its India centre.

We intervened to resolve legacy issues through the MAP, facilitating an amicable settlement with tax authorities. We also advised on a sustainable pricing model and successfully obtained an APA, ensuring tax certainty for five years with potential rollback provisions for an additional four years.

Beyond dispute resolution, we unlocked financial efficiency by securing tax deductions for ESOP costs borne by the US parent, optimising mark-up calculations, and mitigating exposure to interest on overdue intercompany receivables.

With our support, India's GCC transitioned from a compliance-heavy to a future-ready approach, empowered to scale innovation, talent, and technology with confidence in a stable tax framework.

Case Study 3: Strategic Realignment of India Operations

A top 10 global insurer by market capitalisation, undertook a transformation of its Indian back-office operations. We supported the transition from an entrepreneurial model to a captive cost-plus structure from a tax and regulatory perspective. To reinforce this new model, we secured an APA, ensuring long-term regulatory certainty.

At a critical juncture, the company divested its India operations to a large Indian BPO player. The successful exit and transition positioned the company to focus on core markets while ensuring its India legacy operations remained value-generating under a trusted partner. This showcased the flexibility of a well-structured GCC.

Case Study 4: IT Outsourcing Operations of a UK-Based Insurer

We assisted in restructuring the business model in India, transitioning from an entrepreneurial model to a captive cost-plus model.

Our transfer pricing advisory services were crucial during this transition, ensuring compliance and optimal tax efficiency. To solidify the new cost-plus arrangement, we approached the APA authorities, securing a blessing on the transfer pricing model.

Later, we provided comprehensive tax and regulatory support during the transfer of the Indian back-office operations to a leading Indian MNC in the BPO sector. Our expertise facilitated a seamless transaction, helping the insurer optimize its tax position and secure capital during a period of financial challenge.

This engagement demonstrated how insurers can successfully realign outsourcing into value-generating GCCs by leveraging India's regulatory frameworks with precision and foresight.



Case Study 5: Multiple Captive Indian Operations of Foreign MNCs

Multiple multinational clients with captive design and R&D hubs across India engaged us to strengthen their tax and regulatory compliance frameworks. These clients sought end-to-end support across direct and indirect tax functions to ensure risk mitigation, operational efficiency, and sustained regulatory alignment amidst a dynamic and evolving tax landscape.

Our engagement includes managing recurring compliance obligations, including monthly, quarterly, and annual filings across income tax, WHT, GST, and transfer pricing. By standardising processes and deploying controls across touchpoints, we enabled seamless coordination between the India finance team and global headquarters, ensuring timely and accurate submissions.

On the transfer pricing front, we guided the client through local file preparation and master file coordination while assisting in benchmarking their intra-group service charges. This not only ensured arm's length compliance but also improved cost allocation transparency across global operations.

We played a pivotal role during direct tax assessments and ongoing litigation by drafting responses, representing the client before tax authorities, and shaping robust legal arguments. Our proactive approach ensured the client remained prepared at every stage of the audit and dispute cycle, reducing exposure to adverse outcomes.

From an indirect tax perspective, we conducted a comprehensive review of cross-border transactions to identify areas for tax optimisation. We facilitated the availing of export-linked benefits under GST and customs laws and advised on strategies to reduce import duty impact through advance authorisations and correct classification. In parallel, we improved GST refund turnaround timelines by addressing procedural gaps and enhancing documentation standards.

Through our integrated approach, the client transitioned from a reactive tax posture to a managed compliance function, unlocking both financial savings and regulatory peace of mind. This case underlines how a unified advisory model can empower global entities to navigate India's complex tax environment with confidence and foresight.



A man in a dark suit stands in profile, looking out a large window at a tall, modern skyscraper with a curved glass facade. The building's reflection is visible on the window. The scene is brightly lit, suggesting daytime. A red banner with a blue diagonal stripe is at the bottom left.

I. Conclusion: Charting the Way Forward

Conclusion

India's ascent as a destination for GCCs is no longer a tactical choice. The outcome of this choice is imperative for global businesses seeking innovation, resilience, and scalability. Through this publication, we have outlined the key dimensions that shape a successful GCC journey: understanding India's operating landscape, choosing the right setup model, managing regulatory obligations, mitigating tax exposures, and aligning employment structures for long-term sustainability.

Whether entering through a wholly owned subsidiary, a hybrid construct, or a phased BOT approach, each model carries distinct implications across control, cost, compliance, and cultural alignment. As seen through our case experiences, the ability to anticipate regulatory challenges, such as PE risks, transfer pricing disputes,

and workforce transitions, can define the speed and success of operational scale-up.

Establishing a GCC is not a one-time event but a continuous process of integration, risk management, and capability development. Early-stage planning, combined with disciplined execution and local insight, enables organisations to embed their GCCs as value-generating engines within the global enterprise.

As multinational companies shift towards decentralized and agile operating models, India stands out as a hub for developing future-ready teams. By aligning legal, tax, and operational strategies effectively, organisations can maximise the value of their India presence while ensuring long-term compliance and sustainable growth.





Annexures

Annexure 1: List of GCC Incentives Offered by Different State Governments

Karnataka	
Capital/ Infra incentives	<ul style="list-style-type: none"> 40% capex (max. INR 5 Cr (USD 0.59 Mn)) for labs/ CoEs 75 % for Beyond Bengaluru (max. INR 3 Cr (USD 0.35 Mn)) Up to 40% grants (for land, building or financial assistance) (max. INR 50 Cr (USD 5.88 Mn))
OpEx/ Rental incentives	<ul style="list-style-type: none"> 50% rent up to INR 50L (USD 0.06 Mn) (100+ employees) – INR 2 Cr (USD 0.24 Mn) (500+ employees) Reimbursement for setting-up of co-working spaces (Y1 – Y3 max. 75% - 25% of vacant seat costs) (max. INR 6K per seat (~ USD 71 per seat) (Additional incentives for 200+ seats, on a case-to-case basis)
HR incentives	<ul style="list-style-type: none"> 10 to 50% of recruitment costs with capping, for Beyond Bengaluru area set-ups (based on employment generation) (Customised package for 1,000+) EPF contribution reimbursement of INR 3,000/ month/ employee (~ USD 35) (for 2 years for 250 employees for 25 GCCs) 20% up to INR 36K/graduate (~USD 424) and INR 18K/diploma holder (~ USD 212) (for the lower of 100 or 15% of the total workforce) to GCCs for skilling initiatives Partial funding or matching grants for the growth of high-potential employees 50% of internship stipend (3 months, up to INR 5K/ month/ intern (~ USD 59) (for the lower of 100 or 15% of the total workforce)
R&D/ Innovation incentives	<ul style="list-style-type: none"> Funding of 50% for Applied Research in Academic Programs (max. INR 1 Cr (USD 0.12 Mn), for 5 projects annually) Reimbursement of 100% costs to start-ups for using the GCC Lab facilities (max. INR 40L (USD 0.05 Mn) each to 5 GCCs, supporting at least 4 start-ups) 50% of the total cost (up to INR 1 Cr (USD 0.12 Mn)) for setting up GCC immersive hubs
Other Incentives	<ul style="list-style-type: none"> Matchmaking for GCCs (local connections, academia etc.) INR 10K/student (~ USD 118) for training/certification and INR 20K (~ USD 235) for each master faculty trained (max. INR 1 Cr (USD 0.12 Mn)) to Institutions 100% electricity duty for 5 years 30% property tax for 3 years 50% (80% for Beyond Bengaluru) IP & quality certification reimbursement 1/3rd cost up to INR 25L (USD 0.03 Mn) (up to 2 per year) for events/ conferences Funding for 5 innovation challenges/ year (max. INR 1.5 Cr (USD 0.18 Mn))

Andhra Pradesh

Capital/ Infra incentives	<ul style="list-style-type: none"> 50% capex subsidy up to INR 2,000/sq. ft. (~USD 24) to infrastructure developers
OpEx/ Rental incentives	<ul style="list-style-type: none"> Rental lease subsidy to infrastructure developers for INR 2K/seat (~USD 24) for 6 months for co-working spaces (1K/ seat (~USD 12) for neighbourhood working spaces) (INR 2K /seat, for 24 months for IT/ GCC firms)
HR incentives	<ul style="list-style-type: none"> 6 months CTC (max INR 1.5L-3L per hire (~USD 1.7K to 3.5K) HRA/education allowance (up to INR 1L) (~USD 1.1K)
Other Incentives	<ul style="list-style-type: none"> Industrial tariff power with power at the doorstep, 100 feet of road System to fast-track approvals Tailor-made incentive for creation of more than 2,000 workstations or setting up 1 Mn sq. ft. Power discount INR 1/unit for 5 years, 18 approvals fast-tracked Specific early bird incentives

Uttar Pradesh

Capital/ Infra incentives	<ul style="list-style-type: none"> Front-end land subsidy up to 50% (location-based) 25% capex subsidy (INR 10 Cr (USD 1.18 Mn) for Level 1 GCC and INR 50 Cr (USD 5.88 Mn) for Advanced GCC)
OpEx/ Rental incentives	<ul style="list-style-type: none"> 20% OpEx support (covering lease rentals, bandwidth expenses, data centre/ cloud service cost and power charges) (INR 40 Cr/ annum (USD 4.71 Mn) for Level 1 GCC and INR 80 Cr/ annum (USD 9.41 Mn) for Advanced GCC)
HR incentives	<ul style="list-style-type: none"> Payroll reimbursement of INR 1.2–1.8L/year (~USD 1.4K to 2.1 K) for employees (INR 20K for fresher) (max. INR 20 Cr (USD 2.35 Mn) EPF contribution reimbursement (INR 2K/ employee (~USD 24), capped at INR 1 Cr) (USD 0.12 Mn) INR 50K/employee (~USD 588), (max. of 500 employees, up to INR 50L/year (USD 0.06 Mn) for skill development trainings Internship stipend of INR 5K/month (~ USD 59) (max of 50 interns, for a period of 3 years)
R&D/ Innovation incentives	<ul style="list-style-type: none"> 50% of R&D costs (up to INR 2 Cr/ annum (USD 0.24 Mn))
Other Incentives	<ul style="list-style-type: none"> 100% Stamp duty reimbursement Interest subsidy (5% per annum, capped at INR 1 Cr (USD 0.12 Mn))

Gujarat

Capital/ Infra incentives	<ul style="list-style-type: none"> 20–30% capex subsidy (max. INR 50 Cr (USD 5.88 Mn) for investments < INR 250 Cr (USD 29.41 Mn) (max. INR 200 Cr (USD 23.53 Mn) for investments > INR 250 Cr/ 500+ employment)
OpEx/ Rental incentives	<ul style="list-style-type: none"> 15-35% OpEx support (max. INR 20 Cr (USD 2.35 Mn) for investments < INR 250 Cr) (max. INR 40 Cr (USD 4.71 Mn) for investments > INR 250 Cr/ 500+ employment)
HR incentives	<ul style="list-style-type: none"> Reimbursement of 50% of one month's CTC up to INR 50K (~USD 588) (male)/60K (~USD 706) (female) per employee 100% EPF for female employees, 75% for male employees for 5 years (max. 12% of basic + DA) INR 50K/course (~USD 588) (50% working professionals / 75% students) provided through Direct Benefit Transfer (DBT) to beneficiaries
Other Incentives	<ul style="list-style-type: none"> 100% Stamp Duty reimbursement Interest subsidies (7% per annum, capped at INR 1 Cr) 100% Electricity duty reimbursement Up to INR 10 L (~ USD 11.7 K) for quality certifications

Tamil Nadu

HR incentives	<ul style="list-style-type: none"> 30–10% payroll subsidy (above INR 1L salary (~ USD 1.1K)) over 3 years
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Madhya Pradesh	
Capital/ Infra incentives	<ul style="list-style-type: none"> • 75% Rebate on land • 40% capex reimbursement (max. INR 1.5 Cr (USD 1.76 Mn) for Level I GCC/ INR 30 Cr (USD 3.53 Mn) for Advanced GCC)
OpEx/ Rental incentives	<ul style="list-style-type: none"> • Rent reimbursement (up to INR 3 Cr (USD 0.35 Mn)) and co-working rental reimbursement (up to INR 10 Cr (USD 1.18 Mn))
HR incentives	<ul style="list-style-type: none"> • Graded payroll subsidy (50/30/20%) over 3 years for 50/100 employees (Level I GCC/Advanced GCC) • INR 50K/employee (~ USD 588) (50% of fee); max 25–50 employees for upskilling/ reskilling initiatives • Internship support of INR 10K/month (~ USD 118) to interns
R&D/ Innovation incentives	<ul style="list-style-type: none"> • 50% of R&D costs (max. INR 1 Cr (USD 0.12 Mn))
Other Incentives	<ul style="list-style-type: none"> • Interest subsidies (6% per annum, capped at INR 5 Cr (USD 0.59 Mn)) • 100% stamp duty and registration charges reimbursement • Up to INR 6L (~ USD 7K) for quality certifications • Patent cost reimbursement for INR 5L (~ USD 5.8K) for domestic and INR 10L (~ USD 11.8K) for international) • 50% subsidy for attending National and International events (up to INR 2L (~ USD 2.3K)) • 1/3rd cost of hosting/ co-hosting events up to INR 25L (USD 0.03 Mn)

Note: The above table only captures a summary of the incentives under GCC specific schemes of certain States. A gist of other schemes that could be evaluated in the absence of specific GCC policies in some other key States include:

- West Bengal Industrial and Economic Corridor Policy, 2023;
- Rajasthan Export Promotion Policy, 2024;
- Telangana (Information and Communication Technology (ICT)) Policy;

The State of Maharashtra is currently in the process of developing a dedicated GCC Policy.

Annexure 2: In-Depth APA Due Diligence Areas Typically Examined by Indian Authorities

The APA process in India involves a comprehensive and multi-dimensional inquiry that goes beyond functional classification. Authorities often require granular details covering legal, operational, financial, and human capital aspects. This annexure outlines the key thematic categories and illustrative lines of inquiry that applicants can expect during bilateral or unilateral APA negotiations:

Group Structure and Transaction Landscape

- Global and Indian ownership structures, business hierarchy, and control mechanisms.
- Functional organisation charts and reporting relationships within the group for the covered transactions.
- Nature of covered transactions, their scope, frequency, and projected/actual volumes.
- Identification of low-tax jurisdictions involved and corresponding AE relationships.
- Historical audit positions or pricing disputes involving AEs on similar transactions.
- Transfer pricing documentation and contemporaneous economic analysis supporting proposed margins.

Functional Analysis and Value Chain Attribution

- Detailed breakdown of the FAR assumed by the Indian entity and relevant AEs.
- Mapping of India's contribution to the global product/service lifecycle, including new product initiatives.
- Listing of Standard Operating Procedures, technical documents, and value-enabling steps performed by the Indian entity.
- Segmental profitability, allocation basis for shared costs, and actual mark-ups earned over BAPA years.
- Documentation of cost allocations and intra-group services not cross-charged.
- Note on business restructuring, process centralization, or capability realignment over the APA period.

Intercompany Agreements and Transactional Support

- Full set of intercompany agreements with summary of scope, responsibilities, pricing, and duration.
- Treatment of forex gains/losses in pricing and accounting; hedging policies and accounting changes.
- Copies of invoices, debit/credit notes, and supporting documentation for transaction values.
- Alignment in pricing terms with other global AEs for similar service delivery.
- IGS received or rendered, along with policies and exceptions.

Human Capital Mapping and Interactions

- Division-wise employee data: headcount, roles, qualifications, compensation, ESOP / Restricted Stock Unit plans.
 - Secondments and deputations (inbound/outbound) – purpose, reporting lines, tenure.
 - Cross-border functional reporting and supervisory chains between the Indian entity and AEs.
 - Training records, onboarding practices, performance appraisal systems, and compensation drivers.
 - Business travel logs exceeding materiality thresholds (e.g., 90 days/year).
-

Technology Infrastructure and Asset Deployment

- Usage of IT platforms, proprietary tools, or licenses – location, access rights, and capitalisation.
- Treatment of “free of cost” or notional value assets used in service delivery.
- Interconnectivity with AE systems and bearing of communication or IT overhead costs.
- SOPs or platforms developed collaboratively – ownership, control, and role division.

Segmental Financials and Transfer Pricing Methodology

- Segment-wise cost identification, allocation basis, and adjustments (e.g., working capital, forex).
- Proposed ALP margins and rationale; historical vs proposed mark-up comparison.
- Role of location savings, risk differentials, and IP/non-IP factors in benchmarking.

Tax Treatment, Incentives, and Reporting Framework

- Withholding tax positions on payments and receipts, and treaty reliefs claimed.
- Applicability of domestic or indirect tax exemptions.
- Disclosure of accounting/tax adjustments made during the APA period or rollback years.
- Statutory reporting practices – segmental disclosures, tax audit notes, or public financials of AEs.

Oversight, Governance, and Performance Measurement

- Internal documentation used to monitor service quality, delivery benchmarks, or SLA compliance.
- Group-level governance structures, including the role of the Indian entity in global performance metrics.
- Review of patents, process contributions, and attribution of innovation-related value.

These lines of inquiry underscore the level of preparation and operational transparency required in APA applications. Applicants are advised to ensure complete alignment between intercompany arrangements, cost records, human capital mapping, and financial disclosures to mitigate information asymmetries during the APA evaluation.



Annexure 3: Indicative List for Maintenance of Statutory Compliances and Documentation

Compliance Area	Trigger/Frequency	Relevant Law/Rule	Remarks
Commencement of Business	One-time post-incorporation	Companies Act, 2013	Must be filed within 180 days of incorporation before starting operations.
Tax Audit	Annually (Based on turnover)	Income Tax Act, 1961	Mandatory if turnover exceeds USD 1.17 million (with cash transaction limits); important for GCCs engaged in high-volume intercompany services.
TP Report (3CEB) and TP documentation	By 31 Oct	Income Tax Act, 1961	Applies to intercompany transactions between GCC and parent/AE; file with tax audit report.
Master File (3CEAA)	By 30 Nov	Income Tax Act, 1961	Mandatory for large multinational GCCs meeting global turnover/transaction thresholds.
Income Tax Return	By 30 Nov	Income Tax Act, 1961	File ITR for corporate entity; TP disclosures for cross-border GCCs.
Advance Tax Payment	Quarterly	Income Tax Act, 1961	It must be estimated and paid on time to avoid interest.
TDS Returns	Quarterly	Income Tax Act, 1961	Regular deductions and filings are required for salaries, contracts, rent, and other similar expenses.
Board Meetings	Quarterly	Companies Act, 2013	For Indian-incorporated GCCs, four meetings per year are mandatory.
AGM & Annual Filings with ROC	Annually	Companies Act, 2013	Ensures transparency and continuity; mandatory for Indian legal entities.
Deposit Return Filing	Annually	Companies Act, 2013	Applicable if any deposits are taken from members/directors.
MSME Return	Half-Yearly	Companies Act, 2013	Required if payments to MSME vendors are delayed beyond 45 days.
FLA Return	Annually	FEMA, 1999	Mandatory for GCCs receiving equity from a foreign parent; file with the RBI via an online portal.
IEC Update	Annually	Foreign Trade Policy	Applies to exporting GCCs (e.g. IT/ITeS units in SEZ); mandatory KYC update.
GST Returns (GSTR-1, GSTR-3B)	Monthly/Quarterly	GST Act, 2017	Applies if registered; export of services by GCCs is often zero-rated with refund eligibility.

Compliance Area	Trigger/Frequency	Relevant Law/Rule	Remarks
GST Annual Return	31 Dec	GST Act, 2017	Annual reconciliation and reporting for GST-registered GCCs.
EPF Return Filing	Monthly by the 15th	EPF Act, 1952	Mandatory if employee count > 20; typical for medium/large GCCs.
ESI Return Filing	Half-Yearly	ESI Act, 1948	Applicable for GCCs with employee wages ≤ USD 247/month.
Professional Tax Returns	Monthly/ Annually (State-based)	State Laws	Must comply with state-specific PT laws in the location of GCC.



Annexure 4: Labour Laws

The following is a list of key labour legislations that are centrally applicable in India-

1. Shops and Establishments Act, 1953
2. Payment of Wages Act, 1936
3. Factories Act, 1948
4. Apprentices Act, 1961
5. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
6. Employees' Provident Funds and Miscellaneous Provisions Act, 1952
7. Employees' State Insurance Act, 1948
8. Maternity Benefit Act, 1961
9. Labour Welfare Fund Acts
10. Indian Contract Act, 1872 (general law)
11. Industrial Employment (Standing Orders) Act, 1946
12. Trade Unions Act, 1926
13. Payment of Gratuity Act, 1972
14. Industrial Disputes Act, 1947
15. Minimum Wages Act, 1948
16. Equal Remuneration Act, 1976
17. Child and Adolescent Labour (Prohibition and Regulation) Act, 1986
18. Contract Labour (Regulation and Abolition) Act, 1970
19. Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979

The four new Labour Codes were introduced in 2019, which is yet to be centrally notified:

1. Code on Wages, 2019, merges the following four legislations:
 - Minimum Wages Act, 1948
 - Payment of Wages Act, 1936
 - Equal Remuneration Act, 1976
 - Payment of Bonus Act, 1965
 2. Industrial Relations Code, 2020, merges the following three legislations:
 - Industrial Disputes Act, 1947
 - Trade Unions Act, 1926
 - Industrial Employment (Standing Orders) Act, 1946
 3. Code on Social Security, 2020, merges nine legislations, a few of which are mentioned below:
 - EPF Act, ESI Act, Maternity Benefit Act, Gratuity Act, etc.
 4. Occupational Safety, Health and Working Conditions Code, 2020 merges thirteen legislations, a few of which are mentioned below:
 - Factories Act, Contract Labour Act, Inter-State Migrant Workmen Act, etc.
-

Annexure 5: Record Maintenance for Labour Law Compliance

The following is a list of Registers and records that are expected to be maintained thoroughly across various states to ensure compliance with the existing labour regulations applicable at both the central and state levels for GCCs in India. The period for which records ought to be maintained is different for the nature of the record and the state in which GCC operates:

- Register / Record
- Register of Employment
- Register of Wages
- Register of Attendance
- Register of Fines
- Register of Advances
- Register of Deductions for Loss or Damage
- Register of Leave
- Register of National and Festival Holidays
- Register of Overtime Workers
- Register of Apprentices
- Register of Complaints (POSH Act)
- Provident Fund Contribution Records
- Accident Register
- Register of Maternity Benefits
- Register of Unclaimed Wages and Fines
- Employment Agreements and Contracts
- Register of Standing Orders
- Register of Trade Unions
- Register of Gratuity Payments
- Register of Industrial Disputes
- Register of Minimum Wages
- Register of Payment of Wages
- Register of Overtime Compensation
- Payroll Records (including Tax Deductions)

Annexure 6: Intellectual Property Regulations

Aspect	Key Points for GCCs
IP Role	<ul style="list-style-type: none"> GCCs develop/manage tech and processes; IP is crucial for innovation, control, and value creation within the group.
Copyright	<ul style="list-style-type: none"> Protects software and creative works under the Indian Copyright Act, 1957. Works by employees belong to the employer; assignments from the GCC entity to the foreign parent must be in writing with a defined duration and territory. Registration is optional but helpful.
Trademark	<ul style="list-style-type: none"> Protects marks identifying goods/services, including words, logos, packaging, and sounds under the Trademarks Act, 1999. Registered trademarks provide exclusive rights in India for 10 years (renewable). GCCs using their parent company's trademarks in India must ensure appropriate licensing arrangements are in place to avoid disputes or third-party challenges.
Patent	<ul style="list-style-type: none"> Protects novel, industrially applicable inventions under the Patent Act, 1970 and Patent Rules. Registration mandatory; valid for 20 years. Indian GCCs show rising patent activity, esp. in biotech and automation. Assignments/licenses must be in writing and registered. Patents are on a first-to-file basis.
IP Assignments	<ul style="list-style-type: none"> IP transfers from GCC to the parent require clear written contracts specifying scope, duration, and territory. Assignments from vendors/consultants require written agreements to ensure legal ownership by either GCC or the parent. IP created by GCC is often assigned/licensed to the parent entity, and its outflows are critical to group valuation and operational control.
Data Protection & Cybersecurity	<ul style="list-style-type: none"> GCCs must comply with the Indian IT regulations and data protection rules for sensitive personal data. The New DPDPA will soon regulate digital personal data. GCCs acting as data fiduciaries have statutory obligations. Cybersecurity compliance includes timely incident reporting and log maintenance.



Glossary

Abbreviation	Description
ABO	Assisted Build Operate
AE	Associated Enterprise
AGM	Annual General Meeting
AI	Artificial Intelligence
AICTE	All India Council for Technical Education
AoA	Articles Of Association
ALP	Arm's Length Price
APA	Advance Pricing Agreements
BAPA	Bilateral Advance Pricing Agreements
BFSI	Banking, Financial Services, And Insurance
BOT	Build-Operate-Transfer
BPM	Business Process Management
BPO	Business Process Outsourcing
CapEx	Capital Expenditure
CBDT	Central Board of Direct Taxes
CCD	Compulsorily Convertible Debentures
CoEs	Centers of Excellence
CPG	Consumer Packaged Goods
DAPE	Dependent Agent Permanent Establishment
DIN	Director Identification Number
DPDPA	Digital Personal Data Protection Act
DSCs	Digital Signature Certificates
DTA	Domestic Tariff Areas
DTAA	Double Tax Avoidance Agreement
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
ECB	External Commercial Borrowing
EOR	Employer On Record
EOUs	Export Oriented Units

Abbreviation	Description
EPF	Employees' Provident Fund
ERP	Enterprise Resource Planning
ESDM	Electronics System Design and Manufacturing
ESG	Environmental, Social, And Governance
ESI	Employees' State Insurance
ESOP	Employee Stock Ownership Plan
ETR	Effective Tax Rate
FAR	Functions, Assets, and Risks
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FIS	Fees for Included Services
FLA	Foreign Liabilities and Assets
FS	Financial Services
FTS	Fee For Technical Services
FY	Financial Year
GCC	Global Capability Center
GICs	Global In-House Centres
GIFT	Gujarat International Finance Tec-City
GST	Goods And Services Tax
HR	Human Resources
IBC	Insolvency and Bankruptcy Code
IEC	Import Export Code
IFSC	International Financial Services Centers
IFSCA	International Financial Services Centres Authority
IGS	Intra-Group Services
IHC	Intermediate Holding Company
IP	Intellectual Property

Abbreviation	Description
IIR	Income Inclusion Rule
IT	Information Technology
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITeS	Information Technology Enabled Services
KPO	Knowledge Process Outsourcing
LOB	Limitation of Benefits
LLP	Limited Liability Partnership
M&A	Mergers and Acquisitions
MAFI	Major Adverse Financial Impact
MAP	Mutual Agreement Procedure
MAT	Minimum Alternate Tax
MCA	Ministry Of Corporate Affairs
ML	Machine Learning
MNEs	Multinational Enterprises
MoA	Memorandum Of Association
MSME	Micro, Small, and Medium Enterprises
NCD	Non-convertible Debentures
NCR	National Capital Region.
NCLT	National Company Law Tribunal
NFE	Net Foreign Exchange
NOCs	No-objection Certificates
OEM	Original Equipment Manufacturer
OpEx	Operational Expenditure
P. Tax	Professional Tax
PAN	Permanent Account Number
PE	Permanent Establishment
PF	Provident Fund

Abbreviation	Description
PPT	Principal Purpose Test
R&D	Research And Development
RBI	Reserve Bank of India
ROC	Registrar Of Companies
RPO	Recruitment Process Outsourcing
RPS	Redeemable Preference Shares
SEBI	Securities and Exchange Board of India
SEZs	Special Economic Zones
SHR	Safe Harbour Rules
SLA	Service Level Agreements
SOP	Standard Operating Procedure
SP	Service Provider
SPDI	Sensitive Personal Data or Information
STEM	Science, Technology, Engineering, And Mathematics
STPIs	Software Technology Parks of India
TAN	Tax Deduction and Collection Account Number
the Act	The Income Tax Act, 1961
TDS	Tax Deducted at Source
TP	Transfer Pricing
UAE	United Arab Emirates
UAPA	Unilateral Advance Pricing Agreements
UK	United Kingdom
US	United States of America
UTPR	Undertaxed Payments Rule
VCA	Value Chain Analysis
WHT	Withholding Tax
WOS	Wholly Owned Subsidiary

Ravi Garg and Ashna Tibrewal have been a key contributor in the preparation of this publication.

Reach Out for Workshops

In case any of the sections covered in this publication requires a deeper discussion or a workshop, please feel free to get in touch with us.

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