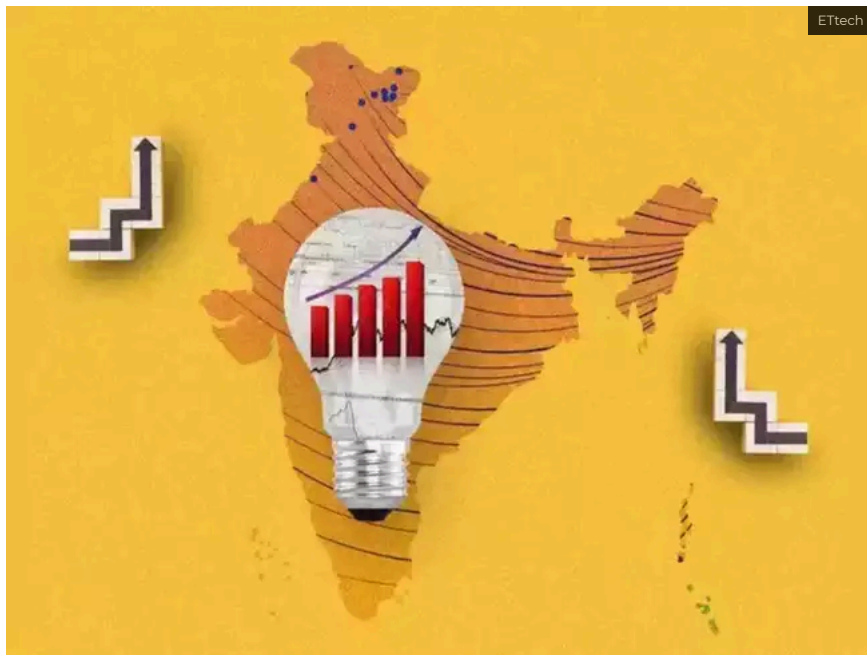


Safe harbour regime is a big hurdle in GCC growth path, say experts

By Annapurna Roy, ETtech • Last Updated: Mar 13, 2025, 06:00:00 AM IST

Synopsis

Experts urge reforms in India's transfer pricing laws to boost Global Capability Centres (GCCs). They recommend a flexible safe harbour regime, tax incentives, single-window clearances, and talent development to enhance India's competitiveness and attract more GCC investments.



The safe harbour regime under Indian transfer pricing laws is a significant hindrance for [Global Capability Centres](#) (GCCs) and India should look at achieving transfer pricing parity with some of the margin-optimised countries to be an attractive and competitive GCC destination, industry bodies and experts have said.

The industry has put forward their recommendations to the government that is drafting a national framework for GCCs announced in the union budget.

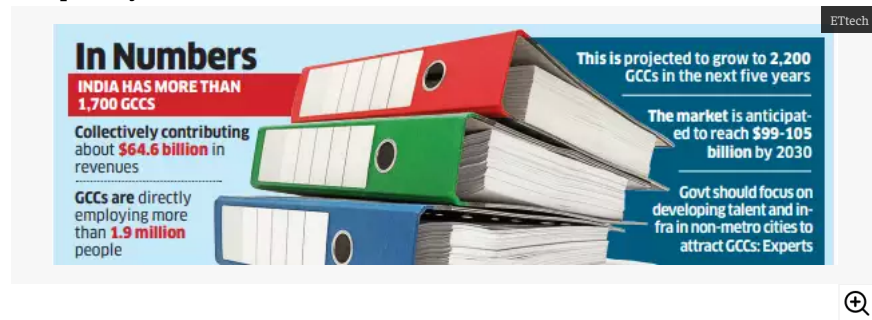
[Nasscom](#) said there is a need to examine existing regulations applicable to the GCCs to identify and eliminate outdated or redundant requirements.

“The study should cover corporate laws, taxation, labour and local state level laws, amongst others,” said Nasscom in a submission to the government, adding that this should be done in a time-bound manner and with an understanding of their unique context, operational models and requirements.

The government should take insights on incentive structures from the IFSC GIFT city model and foster greater collaboration between government and

industry on priorities and suggestions.

Safe harbour rules enable pre-set rates of profit margins for taxation to be accepted by the revenue authorities.



“The high margins mandated by the safe harbour provisions can lead to uncertainties and potential litigation risks. A more flexible, industry-aligned safe harbour framework—with clear, predictable margins—would help mitigate these concerns,” said [Lalit Ahuja](#), CEO, [ANSR](#), which has also made submissions to the government.

India has more than 1,700 GCCs, collectively contributing about \$64.6 billion in revenues and directly employing more than 1.9 million people, as per industry estimates. This is projected to grow to 2,200 GCCs in the next five years. The market is anticipated to reach \$99-105 billion by 2030.

Also Read: [India’s GCCs soar to 1,700, set to hit 2,200 by 2029: Nasscom president](#)

While various states are now providing [incentives for GCCs](#), to capitalise on the opportunity, the national framework could make sure that those who are setting up in here have single-window clearances for approvals, said Karthik Padmanabhan, managing partner, Zinnov. The framework could also offer clarity on pathways if a GCC wishes to exit.

Given their growing GDP contribution, a special legal entity type for GCCs should be created, simplifying entry and exit, tailoring compliance requirements to the actual scope of work performed, and clearly delineating the application of permanent establishment rules, said Ahuja.

The government can also offer tax holidays or reduced tax rates for GCCs establishing operations in non-metro areas, said Aaron Kamath, leader—commercial & tech practice, Nishith Desai Associates. He said that India’s complex taxation policy increases regulatory overheads and could deter GCCs from operating in India, as can the frequent use of lawfare rather than alternative dispute resolution mechanisms by tax authorities.

“There has been a focus on simplification and ease of doing business, but reform of the transfer pricing regime is still awaited,” he said. Further, adopting global practices such as threshold for presumptive taxations to ensure uniformity with other jurisdictions is needed.

Experts said the government should focus on developing talent and infrastructure for power, connectivity, transportation, office spaces, and ease

of living in non-metro locations to make them attractive for GCCs to set up.

They also urged GCC-academia collaboration to promote co-creation of solutions, industry-relevant training and curricula, and internship and apprenticeship programmes.

Also Read: [GCC measures, framework to ease expansion for foreign companies](#)