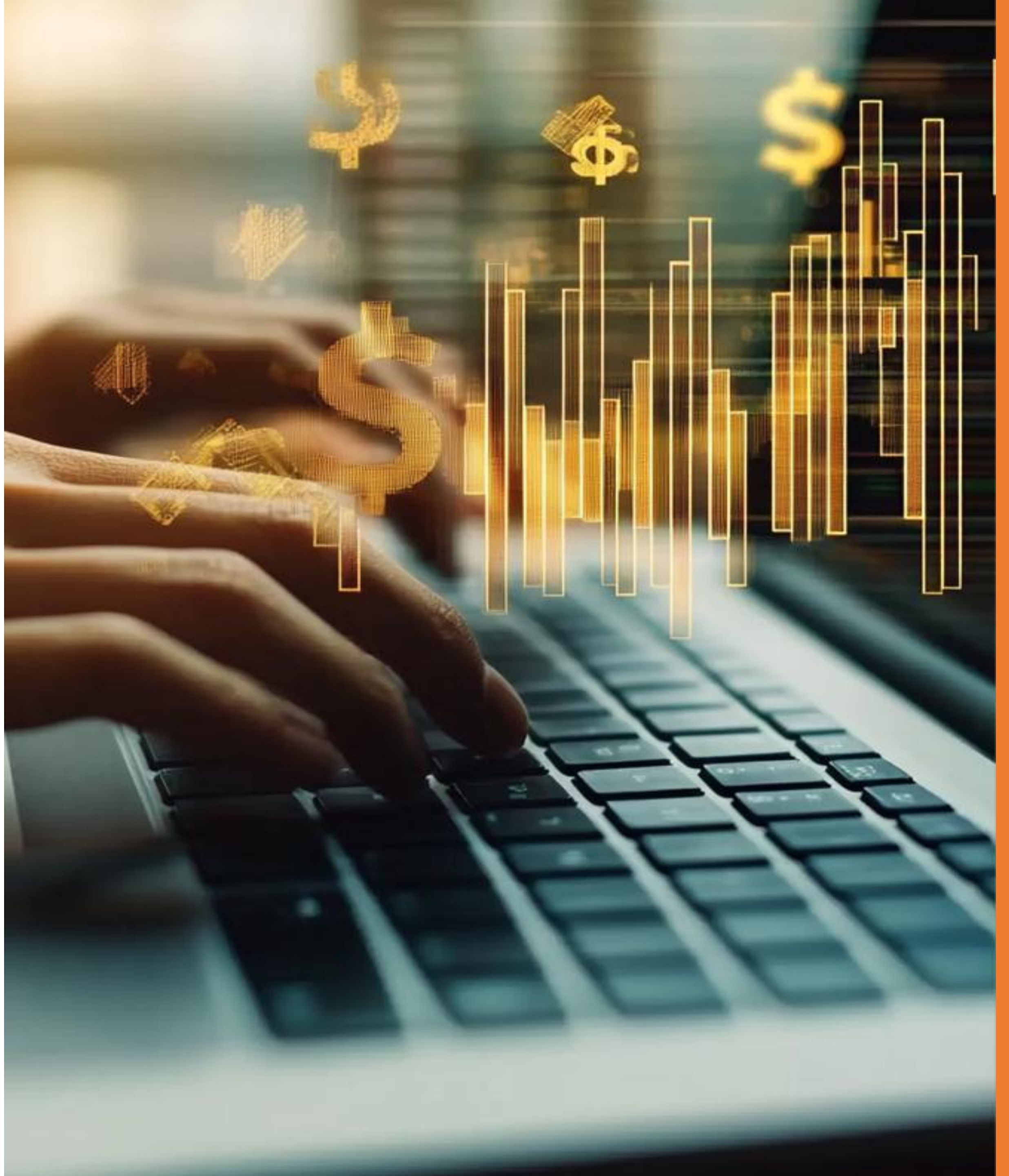
Information Technology Services/ Global Capability Centre

India Budget Changes



Transfer Pricing Margin

Margin for IT Services has been a subject matter of tax litigation.

Indian tax department contended very higher margin; leading to double tax risk group

Safe Harbor of 15.5% for IT Services

Eligibility Threshold

Eligibility threshold for applying for safe harbor increased to INR20 billion Most of the companies (GCC) becomes eligible for this benefit.

Single (lower) Margin

Software development, IT-enabled Services (ITeS), Knowledge Process Outsourcing (KPO), and contract software R&D services qualify as IT Services.

Automated; for 5 year

The process does not require manual review and will go an online automatic process. Safe harbor can be applied for five years.

Next Steps

Review current pricing; prepare segmental for non-IT and IT

Preparation of application and apply for Safe Harbor

Apply remuneration model; check application for 5 years

Safe harbour margin of 15.5% is reasonable and much lower than even some past concluded Advance Pricing Agreements for IT Services. Considering this, it is highly effective way to avoid tax litigation

Please feel free to write to us for clarifications

Gaurav Makhijani
Managing Partner and Head of Tax
gaurav.makhijani@mgallp.in
+91-9873189500

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