

Tax Hotline

September 17, 2003

TASK FORCE EXAMINES THE ISSUE OF TAXING FOREIGN CLIENTS OF INDIAN BPO SERVICE PROVIDERS

The Indian Government has recently set up a task force for examining whether a foreign company, that has outsourced some of its business operations to a BPO service provider in India, would be subject to tax in India. Incidentally, the Indian BPO service provider itself is generally eligible for a tax holiday benefit up to March 31, 2009.

The issue of whether the foreign company would be subject to tax has become relevant in view of the recent amendment to the meaning of the term 'business connection' in the Finance Act, 2003, wherein the relationship between an Indian agent and a foreign entity can be termed as a business connection, thereby making it possible under certain circumstances to subject the foreign company to tax in India.

For BPO service providers that provide services to a large number of clients, there does not seem to be any cause for worry as such providers are unlikely to constitute 'dependent agents' of their clients. However, the task force is examining whether clients of captive BPO service providers could be brought within the Indian tax net. It is likely that transfer-pricing norms may also be examined and rules for transactions between the captive BPO service provider in India and the foreign parent may be tightened.

Industry representatives, in their meeting with the task force, have strongly suggested a cautious approach to any amendment in the tax regime to ensure that the Indian BPO sector does not lose out to competitors in other jurisdictions.

For more information, please [Click here](#) to refer to the article that was recently published in Express Computer, a leading publication catering to the IT segment. The views of Shefali Goradia, (Head - International tax practice) and Vaibhav Parikh, (Head - Technology law practice) of our firm have been reflected in this report.

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Compendium of Research Papers

January 11, 2025

FAQs on Setting Up of Offices in India

December 13, 2024

FAQs on Downstream Investment

December 13, 2024

Research Articles

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

The Revolution Realized: Bitcoin's Triumph

December 05, 2024

Audio

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI18 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper

on Simplification of registration for
FPIs

September 26, 2024

**Scope of judicial interference and
inquiry in an application for
appointment of arbitrator under the
(Indian) Arbitration and Conciliation
Act, 1996**

September 22, 2024