



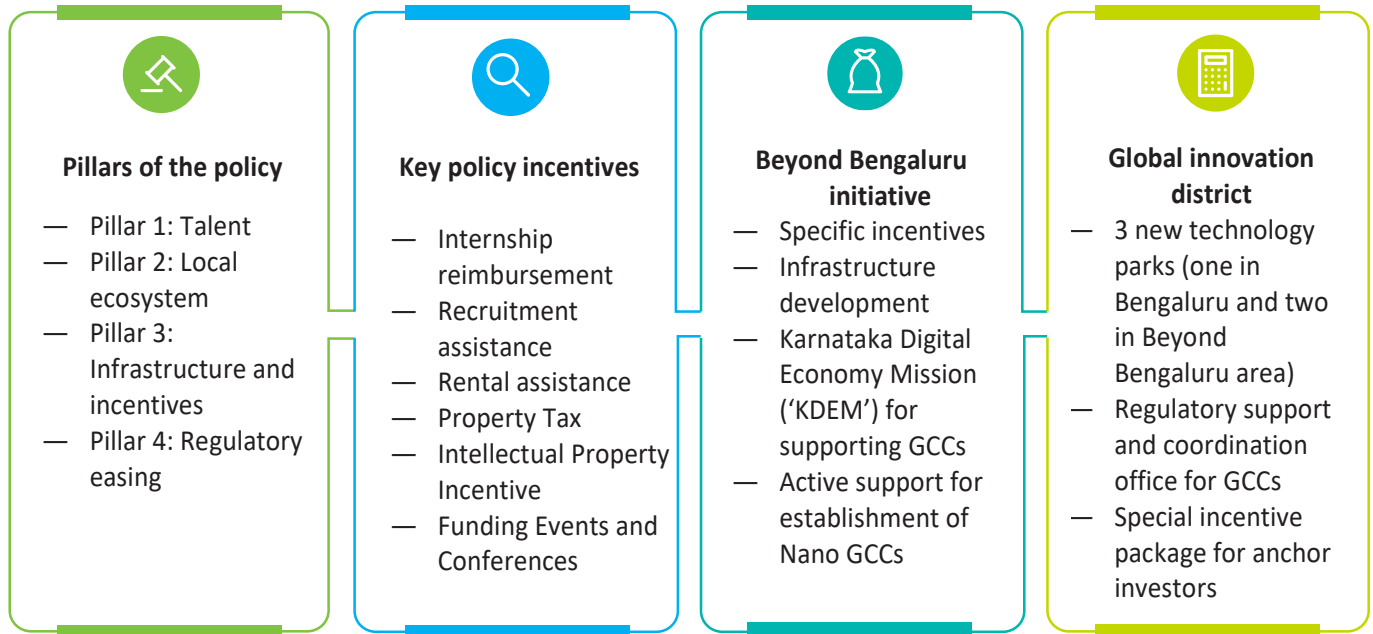
## Tax alert: Karnataka GCC Policy (2024-2029) New chapter for GCC sector: Paving way for growth, jobs, statewide prosperity

23 December 2024

The Government of Karnataka ('GoK') through the recently unveiled Global Capability Centre ('GCC') policy has outlined its vision to cultivate a thriving ecosystem that supports seamless GCC operations across Karnataka.

### In a nutshell

With an aim to boost growth in the state and unlock opportunities, the GoK's GCC policy has laid down the following framework:



Scroll down to read the detailed alert

## GCC landscape in India

GCCs have become strategic entities within multi-national corporations ('MNCs') by driving cost efficiencies and fostering collaboration between parent companies and other offshore entities.

India has solidified its position as the global hub for GCCs for setting up innovative and capability centres, leveraging its robust talent pool and cost benefits.

As per the GCC policy<sup>1</sup>, growth within the GCC sector has driven following outcomes up to March 2024:



Furthermore, the increasing presence of GCCs in India emphasizes their role in the global supply chain, with projections as per GCC policy indicating the following by 2030:



## Karnataka story so far

Bengaluru currently houses over 30% of GCCs and accounts for 35% of the GCC workforce.

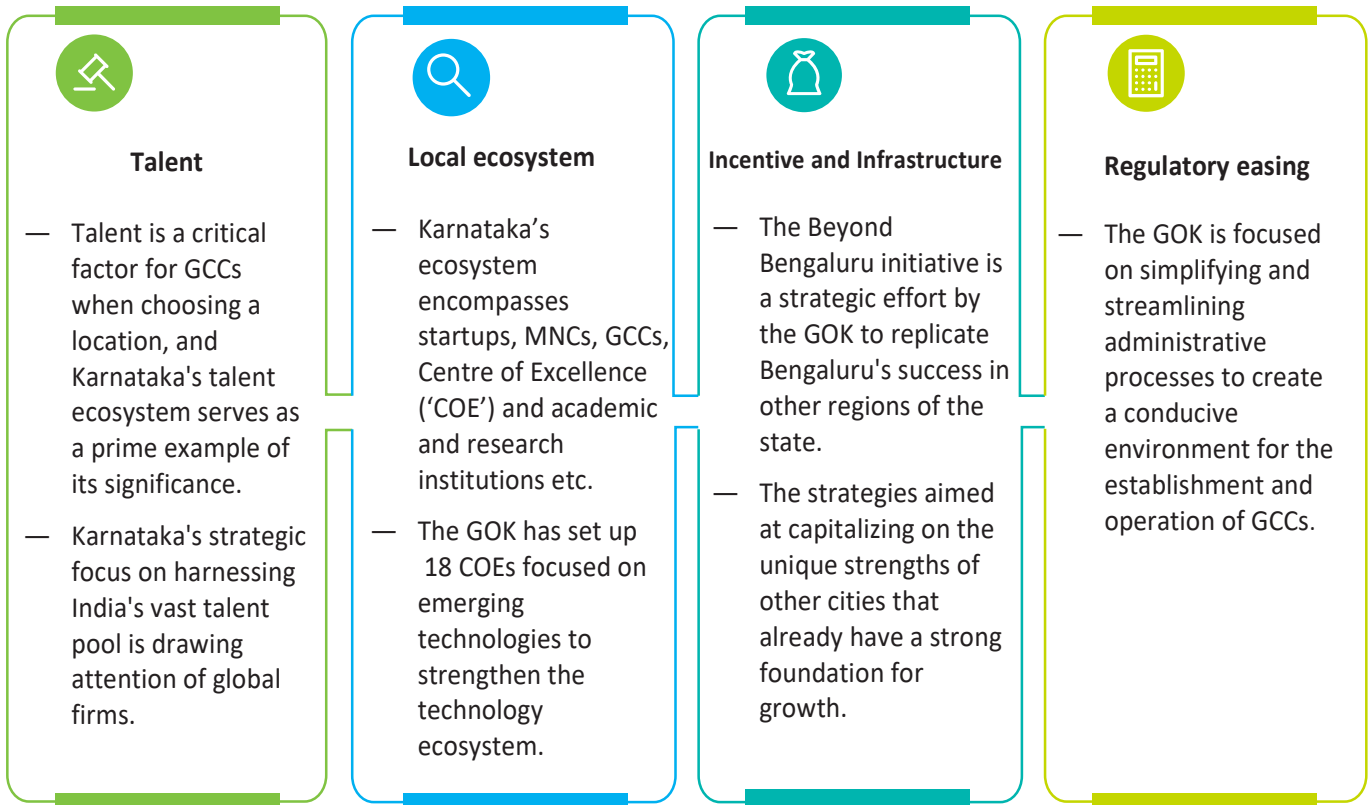
As per the GCC policy, Karnataka is home to over 875 GCC units leading to the following outcomes upto March 2024:



Karnataka has earned numerous accolades (Ranked #1 in the India Innovation Index 2021 by Niti Aayog). It is also the first state to implement sector specific policies across various industries including IT, biotechnology, start-ups, data centre and cyber security etc.

<sup>1</sup> [https://eitbt.karnataka.gov.in/uploads/media\\_to\\_upload1732030878.pdf](https://eitbt.karnataka.gov.in/uploads/media_to_upload1732030878.pdf)

## Key pillars of the policy



## Key policy announcements

### 1. Global Innovation Districts:

- The GOK to establish three new technology parks one in Bengaluru and two in Beyond Bengaluru region (geographic areas are defined in the policy).
- Special package of incentives to be offered to companies establishing their GCCs as anchor investors in Beyond Bengaluru regions.
- The GOK to consider customized package of incentives for mega projects.

### 2. Prioritizing the Artificial Intelligence ('AI') Ecosystem:

- CoE to be set up in Bengaluru to promote research and development in AI through GCCs.
- The GOK to allocate INR 100 Crore to innovation fund to support joint research between GCCs and academies.

### 3. Beyond Bengaluru expansion:

- The GOK to provide infrastructural support and special incentives for setting up GCCs in Beyond Bengaluru regions.
- Active support to be provided for establishment of Nano GCCs (employing 5-50 employees) in the Beyond Bengaluru region.

### 4. Dedicated GCC Support unit

- A dedicated SPOC to be allocated to each GCC for managing all interactions.
- GCC set-up to be fast tracked and processed within 45 days with single window clearance.

### 5. Focus on Engineering R&D ('ER&D'):

- The policy to facilitate ER&D entities to adopt leading practises and gain marketing opportunities.
- Promote development of ER&D products, services and solutions by creating strong connection between industry and academia.

## 6. GCC Acceleration and Investment Council

- The council to provide advice on policy formulation aligned with international best practices and work on attracting foreign investment.
- Focus to promote adoption of cutting-edge technologies to drive digital transformation.

### Key policy Incentives\*

#### 1. Key incentives for new or existing GCC units in the state (including Bangalore)

- **Skilling of local talent-** Reimbursement of 20% of skilling charges (capped at INR 36,000 for graduate and INR 18,000 for diploma holder) for up to 100 employees or 15% of workforce whichever is less.
- **Internship-** Reimbursement of 50% of stipend for maximum 3 months, capped at INR 5,000 per month for 15% of total workforce or 100 interns whichever is less.
- **Host event & conferences-** 1/3<sup>rd</sup> of hosting charges, capped at INR 25 Lakh (for up to two events/ year).
- **Power incentive-** 100% reimbursement of electricity duty and option to switch to industrial power rates.
- **Intellectual property-** 50% reimbursement of domestic patent filing fee, capped at INR 2 Lakh.

#### 2. Key incentives for new or existing GCC units in Beyond Bengaluru area

- **Intellectual Property-** 50% reimbursement of patent filing fee, capped at INR 3 Lakh.
- **Innovation lab-** Funding up to 75% of capital expenditure up to INR 3 Crore.

#### 3. Key incentives for new or existing GCC units in Beyond Bengaluru area with minimum 100 employees

- **Recruitment assistance-** Reimbursement of recruitment cost based on the number of new hires, capped at 50% of total expense, up to a maximum of INR 7 Crore.

#### 4. Key incentives for new GCC units in Beyond Bengaluru area with minimum 100 employees

- **Employer Provident Fund ('EPF') contribution-** Reimbursement of EPF contribution of new employees up to INR 3,000 per employee / month.
- **Telecom infrastructure-** Reimbursement of 25% of internet charges up to INR 12 Lakh.
- **Power incentive-** 100% reimbursement of electricity duty and option to switch to industrial power rates.
- **Rental Assistance-** Reimbursement based on number of employees, capped at 50% up to INR 2 Crore.
- **Property tax-** Reimbursement of 30% tax for a period of 3 years.

\* Illustrative list of incentives under the policy for both Bengaluru and Beyond Bengaluru Area

### Way forward:

The introduction of a state-specific GCC policy marks a significant step for the sector, highlighting the crucial role of GCCs in India's overall growth story. While the policy outlines incentives for Beyond Bengaluru areas, it would be interesting to understand the implementation process, particularly regarding grants which are only applicable for limited GCCs during the policy period such as R&D grant which can only be provided to three GCCs.

By being the first state to unveil this policy, Karnataka has firmly established itself as a leading contender in the race for GCC space in India. It is likely that other states may counter this by developing a suite of competing benefits. Investors are advised to evaluate the same.

# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see <http://www.deloitte.com/about> to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.