The boost Budget 2025 can give India's growing GCCs & data centres

Synopsis
India is becoming a global hub for data centres and Global Capability Centres due to its skilled workforce and digital growth. The sector is expanding, with projections of US$ 100 billion in revenue and 2.8 million jobs by the end of the decade. Government support through policies and incentives is key to sustaining this growth.

India has emerged as a global hub for data centres and **Global Capability Centres** (GCCs), driven by its vast skilled talent pool and rapid digital adoption. As businesses increasingly rely on robust digital infrastructure and advanced capabilities, India's data centres and GCCs play a pivotal role in stepping up and supporting global operations, innovation, and economic growth. With strategic policy support and infrastructure development, this sector has the potential to further strengthen India's position as a leader in the global economy.

GCCs currently employ 1.6 million professionals and generate revenue of US$ 64.6 billion. This sector is on track for significant expansion, with projections of generating US$ 100 billion in revenue and creating 2.8 million jobs by end of the decade, contributing approximately 2% to India's GDP.

While GCCs continuously fuel economic growth, incentives and policy initiatives provide the necessary tailwind to propel this sector. Though it is encouraging to see states such as Karnataka, introduce **GCC** specific incentive policies, it is imperative that policies at the national level are introduced to streamline the regulatory and fiscal framework. This is crucial in a highly competitive global landscape, where countries such as Poland, Philippines, Vietnam etc., have been making significant inroads to draw GCC investments to their shores. The government can foster economic growth through targeted tax benefits and procedural simplifications to supplement this. Some potential measures could include:

- Tax holiday or a concessional tax rate (say 15% like that of the manufacturing sector)
- Investment allowance for setting up or expanding operations in tier II cities – This would also ease up the infrastructural and other operational burden on tier I cities while contributing to the prosperity of tier II cities
- Enhanced weighted deduction in respect of newly added workforce
- Introduction of incentives for R&D expenses where IP resides outside India
- Restoring weighted deductions for research and development expenditure
- Simplification of framework for refunding input tax credit on capital goods (currently, refunds are processed after taxes on exported services are paid using input credits).

Another catalyst for GCC growth in India has been the SEZ policy which generated overall revenue of US$ 163 billion by employing approx. 3 million people in year 2023-24. Given the sunset on income tax holiday, it is imperative to inject fresh impetus by simplifying procedures and introducing targeted fiscal incentives. The government could also consider reintroducing export-linked incentives, akin to the former Services Exported from India Scheme, to offer enhanced support to GCCs.