

## NASSCOM SHARES RECOMMENDATIONS FROM THE IT-ITES INDUSTRY FOR THE UNION BUDGET 2019-20

New Delhi, 28<sup>th</sup> January 2019: The National Association of Software and Services Companies (NASSCOM) has shared its recommendations for the upcoming Union Budget 2019-20. With just a few days to go for the Union Budget, these suggestions are aimed at addressing the needs of the IT-ITeS industry. The recommendations have also been shared with the Ministry of Electronics and Information Technology (MeitY) and have highlighted the requirements that will be beneficial for the IT industry for FY 2020.

NASSCOM has identified certain key areas that need to be addressed. Firstly, there is a need to sustain the competitiveness of India as a key business destination. NASSCOM has laid emphasis for internationally aligned and significant economic presence parameters stating that the foreign tax credit provisions to be in line with business trends and supportive of global Indian industries. With the recent decrease in CEO confidence in several countries including US, UK and China, India can emerge as the prime destination for foreign investments. To facilitate this, India must be showcased as an open economy and the laws must ensure that they are aligned to the standards required by global stakeholders to make investments in the country. Secondly, this sector is critical for India's economy and NASSCOM recommendations for the Union Budget are focused on incentivizing investments, enabling ease of doing business and promoting growth of the sector. This is important for India to harness the opportunities offered by the digital economy.

With the exponential pace of technology disruption in 2018, technologies such as artificial intelligence (AI), Internet of things (IoT), augmented reality, big data analytics and 3D Printing are increasingly becoming mainstream, cutting across industries. The Union government has been acknowledging the importance of the sector and has identified information technology (IT) as one of the champion services sectors and initiated an action plan to promote the sector. Skilling of employees is a crucial aspect that requires utmost focus at present. With these new technologies driving the focus of the industry in the months ahead, it is vital that several more skilling and reskilling initiatives are established and given the investment they deserve in the budget.

The evolved business models operating remotely through the use of technology, are able to establish an economic allegiance in a country with negligible or no physical presence at all. This necessitates that **Significant Economic Presence (SEP) and Place of Effective Management (POEM) provisions do not create tax uncertainty and instead promote a competitive market place while providing India its just share of taxes.**

NASSCOM has reiterated its request for **reduction in rates of Tax Deducted at Source (TDS) for payment to call centers from 10% to 2%**. This is particularly important for small and medium sized software product companies. Further, due to tax authorities construing **service Permanent Establishment (PE) of foreign company in India by mere secondment of employees of foreign company to India**, foreign companies are not willing to send their employees to India on deputation, thereby impacting business activity. Hence, it has been proposed to review income tax provisions relating to secondment of employees to India.

It has been more than a year since GST was implemented in India. While a series of clarifications has helped the industry, there are still operational and legal complexities which need to be addressed to

ensure ease of doing business, growth and sustenance of the sector's export competitiveness. NASSCOM has raised specific concerns pertaining to determination of place of supply, blockage in working capital due to self-supplies, treatment of Head Office Branch office transactions, SEZ procurements etc. **which require an urgent resolution.**

Expressing her thoughts on the recommendations, **Debjani Ghosh, President, NASSCOM**, said, *“At NASSCOM, it is our responsibility to promote development and growth of the IT-ITeS industry. With the Union Budget around the corner, we have been asking the government to continue providing its support towards the industry and I am sure it will consider our recommendations. The Indian IT industry is growing at an exponential pace and needs the right guidance and conducive policy environment. We have taken into account each sector within the industry so as to ensure their voices are heard and they are able to leverage the new developments in the upcoming financial year.”*

## **About NASSCOM**

NASSCOM® is the premier trade body and the chamber of commerce of the IT-BPM industries in India. NASSCOM is a global trade body with more than 2100 members, which include both Indian and multinational companies that have a presence in India. NASSCOM's member and associate member companies are broadly in the business of software development, software services, software products, consulting services, BPO services, e-commerce & web services, engineering services and animation and gaming. NASSCOM's membership base constitutes over 95% of the industry revenues in India and employs over 3.5 million professionals.

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