

The BDO logo is positioned in the top left corner. It consists of the letters 'BDO' in a bold, white, sans-serif font, with a horizontal line underneath the letters. The logo is partially enclosed by two overlapping, glowing green circular lines that curve around it from the top and left.

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The main title 'IT/ITES AND GCC SECTOR' is centered in the lower half of the page. The text is in a large, bold, white, sans-serif font. Below the title is a thin red horizontal line. The background features a glowing blue globe with a network of white lines and dots, and a circuit board pattern in the bottom right corner.

# **IT/ITES AND GCC SECTOR**

**AN INDIA UNION BUDGET UPDATE 2026**  
**BDO INDIA**

## SECTOR OVERVIEW

In FY25, the information technology and IT-enabled services (IT-ITeS) sector further strengthened India’s position as a global technology and innovation hub, supported by sustained revenue growth, the expanding role of Global Capability Centres (GCCs), and deeper engagement in higher-value, complex technology services. Another key trend in the IT-ITeS sector is a shift towards capability-driven growth. India’s technology startup ecosystem, the world’s third largest, now comprises about 32,000-35,000 startups, with over 2,000 added in CY25, including over 900 funded startups in CY25.

A defining structural trend shaping the IT-ITeS sector in recent years has been the sustained growth of GCCs. These centres, established by multinational enterprises as offshore hubs, support a wide range of global functions, including advanced technology development, engineering, analytics, and business operations for their global activities.

As of FY24, India had emerged as the largest global destination for captive centres, hosting over 1,700 GCCs and employing more than 19 lakh professionals. GCCs now represent a significant source of employment within the IT sector and have played an increasingly important role in driving incremental hiring in recent years. Over time, GCCs have transitioned from primarily support-oriented roles to becoming integral to multinational enterprises’ global operating models. They now undertake core, high-value activities such as product development, engineering, advanced analytics, cybersecurity operations, and AI-enabled digital functions, thereby deepening India’s integration into global value chains and reinforcing its position as a resilient source of growth. In parallel, the geographic expansion of GCCs into Tier 2 and Tier 3 cities has fostered more regionally dispersed employment and strengthened linkages with local innovation and startup ecosystems.

## TAX PROPOSALS

### FOR INDIVIDUALS

SR. NO.	PARTICULARS	PROPOSED AMENDMENT
1	Annual value of property held as stock-in-trade	The annual value of property held as stock-in-trade is to be taken as ‘Nil’ up to 2 years from the end of FY in which the certificate of completion of the construction of the property is obtained from the competent authority.
2	Interest on borrowed capital	Aggregate amount (i.e., INR 2 lakh) of deduction for interest on borrowed capital shall be inclusive of prior period interest payable for the acquisition or construction of property.
3	Sovereign gold bonds (“SGB”)	Exemption from capital gains tax in respect of income arising from redemption of SGB shall be available only where the SGB is subscribed to by a subscriber at the time of original issue and is held continuously until redemption on maturity.
4	Taxability of employer’s contribution to provident fund (“PF”)	Under the existing provisions, the employer PF contributions are taxable in the hands of the employee if: <ul style="list-style-type: none"> <li>Such employer contribution exceeds 12% of the employee’s salary; or</li> <li>Such employer contributions to PF, along with National Pension Scheme and Superannuation Fund, exceed INR 0.75mn. It is proposed to rationalise the above provisions with an indication to remove the limit of 12%.</li> </ul>
5	Foreign Assets of Small Taxpayers Disclosure Scheme, 2026	This time-bound scheme is proposed to be introduced for the declaration of foreign assets and/or foreign-sourced income to facilitate voluntary disclosure by small taxpayers. The scheme shall prescribe the rules to compute the value of assets, income, taxes, penalties and the procedures for payment, order, etc.
6	Relaxation from the requirement to obtain tax deduction and collection account number (“TAN”) by a resident individual where the seller of the immovable property is a non-resident	Presently, if a person buys an immovable property from a resident seller, the person is not required to obtain TAN to deduct tax at source. However, where the seller of the immovable property is a non-resident, the buyer is required to obtain TAN to deduct tax at source.  In order to reduce compliance burden for the resident individual, it is not required to obtain TAN to deduct tax at source in respect of any consideration on transfer of any immovable property.

**FOR CORPORATES**

SR. NO.	PARTICULARS	PROPOSED AMENDMENT
1	Rationalisation of the due date to credit employee's contribution by the employer to claim such contribution as deduction	To provide relief to taxpayers and to align the due date for employee's contribution with the due date for employer's contribution, it is proposed to amend the due date for employee's contribution as the due date for filing the return of income. Thus, employee's contribution deposited after the respective statute's due date but before the due dates for filing return of income shall now be allowable.
2	Rationalisation of Minimum Alternate Tax ("MAT") provisions	Tax paid under provisions of MAT to be made as final tax in the old regime and no new MAT credit may be allowed. However, the tax rate of MAT has been reduced to 14% of book profit from the existing 15%. Further, set-off of MAT credit may be allowed only in the new tax regime for domestic companies to the extent of 25% of the tax liability. In the case of foreign companies, set off is proposed to be allowed to the extent of the difference between the tax on the total income and the MAT, for the tax year in which normal tax is more than MAT.
3	Taxation of buyback of shares	Consideration received on buy-back shall be chargeable to tax under the head "Capital gains" instead of being treated as dividend income. Further, having regard to the distinct position and influence of promoters in corporate decision-making, particularly in relation to buy-back transactions, it is proposed that, in the case of promoters, the effective tax liability on gains arising from buy-back shall be 30%, comprising tax payable at the applicable rates together with an additional tax. In case of promoter companies, the effective tax liability will be 22%.
4	Income of a foreign company in India by way of procuring data centre services from a specified data centre	Exemption to a foreign company, on any income accruing or arising in India or deemed to accrue or arise in India by way of procuring data centre services from a specified data centre, for a period up to tax year ending on 31 March 2047.
5	Re-evaluation of Safe Harbour Rules	<ul style="list-style-type: none"> <li>▶ Turnover threshold for Safe Harbour has been raised from INR 3bn to INR 20bn for Information Technology (IT) services.</li> <li>▶ Uniform Safe Harbour margin of 15.50% proposed for the IT services category.</li> <li>▶ Safe Harbour regime moves to a rule-based process.</li> </ul>
6	Advance Pricing Agreements ("APA")	<ul style="list-style-type: none"> <li>▶ Proposal towards finalising unilateral APAs for IT services within 2 years.</li> <li>▶ To enable associated enterprises ("AE") claim refund of any additional taxes paid or withheld, such AEs would now be allowed to furnish their modified tax return. This would be applicable for APAs entered on or after 1 April 2026, in respect of FY beginning 1 April 2026 and subsequent years.</li> </ul>



## INDIRECT TAX

### Goods And Services Tax

SR. NO.	PARTICULARS	PROPOSED AMENDMENT
1	Rationalisation of GST provisions on Post-Sale Discounts	Remove the condition for linking post-sale discount credit notes to a pre-existing agreement. Post-sale discounts, along with corresponding GST adjustment, may be passed on through credit notes, subject to reversal of the proportionate input tax credit by the recipient.
2	Removal of 'Intermediary Services' from Place of Supply provision	<p>The special rule for deciding the place of supply of intermediary services shall be omitted.</p> <p>IT/ ITES exporters have faced prolonged litigation due to their services being classified as 'intermediary services', resulting in the place of supply being deemed as India and denying zero-rating benefits. The proposed amendment seeks to align the place of supply with the recipient's location, thereby qualifying such services as exports and restoring zero-rating. Conversely, the amendment will also attract GST on imported IT/ITES services, payable by the Indian recipient under reverse charge.</p>

### Customs Duty

SR. NO.	PARTICULARS	PROPOSED AMENDMENT
1	Automation of Customs processes	<p>The enhanced automation in customs procedures is expected to significantly benefit the IT/ ITES sector by enabling faster and more predictable clearance of imported equipment such as servers, networking hardware, and other critical technology infrastructure, which includes:</p> <ul style="list-style-type: none"> <li>▶ Auto goods registration to replace web-based registration for eligible importers (AEO T2/T3, approved manufacturers, DPD users, established supply chains).</li> <li>▶ Auto Out-of-Charge (OOC) facility to be extended to all importers, subject to conditions.</li> <li>▶ Online registration for e-sealed cargo, removing manual customs intervention.</li> <li>▶ Auto Let Export Order (LEO) for eligible exporters.</li> <li>▶ System-based e-scheduling with mandatory body-worn cameras during import cargo examination.</li> </ul>

## BDO's Take

The IT-ITeS Sector has been India's mainstay for growth and exports since the beginning of this millennium. As the IT-ITeS sector creates new opportunities for productivity gains and movement up the value chain, it is at an inflexion point, with the key challenge lying in timely reskilling and the adaptation of firms and the workforce to evolving business models. The Union Budget 2026-27 aims to address some long-standing issues faced by the industry while also adapting to newer models that will become the mainstay. Looking ahead, the IT-ITeS sector is well-positioned to play a larger role in India's medium-term growth and productivity. Realising this potential will require strengthening the foundations for innovation-led, capability-intensive growth through a skilled and adaptable workforce, wider diffusion of digital technologies, and a policy environment that supports innovation and scaling.

## ABOUT BDO

### ABOUT BDO GLOBAL

BDO is a leading professional services organisation with a presence in 169 countries and territories, and +94,900 people working out of 860+ offices. We endeavour to deliver an exceptional client experience through a tailored solutions approach, while partnering with our employees and clients globally.

### ABOUT BDO INDIA

BDO India offers Assurance, Tax, Advisory, Managed Services, Technology Products & Solutions, and Digital Services for both domestic and international clients across industries. The team at BDO India consists of over 11,000\* professionals led by more than 350 partners and directors operating out of 19 offices, across 14 key cities.



\*Includes employees from BDO RISE and BDO EDGE

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