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OPPORTUNITIES & KEY LEGAL REGULATORY FOR GCCS IN INDIA

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INTRODUCTION

India has become the world's leading destination for Global Capability Centers (GCCs), with more than 1,800 centers in the country generating \$64.6 billion of revenue each year and employing around 2 million professionals.² India offers a unique chance to create strategic offshore operations that extend well beyond the usual cost arbitrage into centers of innovation that accelerate digital transformation and competitive success. India's GCC ecosystem has experienced remarkable growth, with the sector contributing significantly to the country's economic development. The ecosystem is projected to expand to between 2,100-2,200 GCCs by 2030, with employment potentially reaching 2.5-2.8 million professionals and market value approaching \$110 billion.³ Given that 65% of India's GCCs are operated by US firms, American business has already begun to appreciate India's strategic significance in their international operations.⁴ Nevertheless, establishing and running a GCC successfully in India needs to overcome a complicated framework of regulations involving corporate law, labor regulation, data protection, and foreign investment regulatory obligations.

LEGAL AND REGULATORY FRAMEWORK

CORPORATE STRUCTURE OPTIONS

Foreign firms setting up GCCs in India need to choose suitable legal structures, each with its own regulatory requirements, tax implications, and operational considerations. The structure determines essentially ownership rights, liability exposure, compliance requirements, and exit options.

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² Top US Companies That Successfully Expanded to India via GCCs, INDUCTUS GCC, <https://inductusgcc.com/top-us-companies-that-successfully-expanded-to-india-via-gccs/> (last visited Oct. 15, 2025).

³ GCCs Projected to Create Up to 28 Lakh Jobs in India by 2030, ECON. TIMES, <https://hr.economictimes.indiatimes.com/news/trends/gccs-projected-to-create-up-to-28-lakh-jobs-in-india-by-2030/113340679> (last visited Oct. 15, 2025).

Private Limited Company is the most preferred option for GCC establishments, providing 100% foreign ownership through the automatic FDI route, limited liability protection, and full control over operations. This corporate form allows complete protection of intellectual property, direct contracting ability, and tax benefit eligibility. Nevertheless, private limited companies have heavy compliance requirements under the Companies Act 2013, such as annual filing, board governance, and audit requirements.⁵

The GCC may be established as a Branch Office, Limited Liability Partnership, Joint Venture (JV), or Wholly Owned Subsidiary (WOS). Multinational firms looking to establish a GCC in India are more interested in the framework of a WOS, even though joint ventures are the favoured option for restricted sectors.⁶

FOREIGN DIRECT INVESTMENT FRAMEWORK (FDI)

India's FDI policy regime allows for 100% investment through the automatic route in the majority of sectors that have GCCs, such as IT/ITeS, research and development, and out-sourcing activities. Such regulatory ease obviates government approvals in the majority of cases, easing the setting-up process considerably.⁷

KEY COMPLIANCE AREAS AND REGULATORY OBLIGATIONS

CORPORATE GOVERNANCE AND ANNUAL COMPLIANCE

⁵ Foreign Direct Investment Policy, MAKE IN INDIA, <https://www.makeinindia.com/policy/foreign-direct-investment> (last visited Oct. 15, 2025).

⁶ Setting up a GCC in India: A Legal and Strategic Guide for Multinational Corporations, LEGAL 500, <https://www.legal500.com/developments/thought-leadership/setting-up-a-gcc-in-india-a-legal-and-strategic-guide-for-multinational-corporations/> (last visited Oct. 15, 2025).

⁷ FDI Policy Circular, DEPT. FOR PROMOTION OF INDUSTRY & INTERNAL TRADE, https://dpiit.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020_0.pdf (last visited Oct. 15, 2025).

Companies Act 2013 places stringent governance and compliance requirements on Indian companies. Central to the above are DIN and DSC, annual returns and financial statements, board meetings with the minimum quorum, and upkeep of statutory books and records. Default may attract hefty penalties, disqualifications of directors, and even prosecution.⁸

Foreign firms are required to have at least one Indian resident director on the board, presenting practical issues in selecting directors and monitoring ongoing compliance.⁹ The firms are also required to comply with related party transactions, disclosure, and audit requirements under the Companies Act.

EMPLOYMENT AND LABOR LAW COMPLIANCE

India's regulatory landscape in labor laws poses complicated compliance issues for GCC business operations. The regulatory environment consists of several central as well as state-level legislations, such as the Employees' Provident Fund Act, Employee State Insurance Act, Payment of Gratuity Act, and state-specific Shops and Establishments Acts.

Sex Harassment Prevention (POSH) Act 2013 requires setting up Internal Complaints Committees (ICC) for companies having 10 or more employees. Companies shall have extensive policies, regular training programs, and detailed records of complaints and investigations.

TAX AND TRANSFER PRICING OBLIGATIONS

Corporate Taxation encompasses several streams of compliance, such as advance tax payments, tax deduction at source (TDS), goods and services tax (GST), and yearly income tax filing. Firms need to deal with intricate provisions regarding business income calculation, eligible deductions, and depreciation computation.

⁸ Compliance Under Companies Act 2013, CLEAR TAX, <https://cleartax.in/s/compliance-under-companies-act-2013> (last visited Oct. 15, 2025).

⁹ Resident Director: Mandatory Compliance of Companies Act 2013, KNM INDIA, <https://knmindia.com/cases/resident-director-mandatory-compliance-of-companies-act-2013/> (last visited Oct. 15, 2025).

Transfer Pricing Compliance is a key area for GCCs considering their related-party dealings with parent groups. The majority of GCCs use cost-plus billing, where detailed documentation has to be maintained to justify arm's length pricing. The regulatory environment requires the maintenance of detailed transfer pricing documentation for transactions of over INR 1 crore per annum, with penalties from 2% of the transaction value to 300% of the tax on adjustments.¹⁰

Advance Pricing Agreements (APAs) give transfer pricing certainty but entail extensive documentation and negotiation efforts. Parent company jurisdiction bilateral APAs can minimize litigation risks but will take 2-3 years to settle.

DATA PROTECTION AND PRIVACY COMPLIANCE

The Digital Personal Data Protection (DPDP) Act 2023 introduces comprehensive data protection obligations for GCCs handling personal data. The legislation applies to any processing of digital personal data, creating broad compliance obligations for most GCC operations.

Key compliance requirements include obtaining valid consent for data processing, implementing appropriate technical and organizational security measures, appointing Data Protection Officers for Significant Data Fiduciaries, conducting Data Protection Impact Assessments, and maintaining detailed processing records. Penalties under the Act can reach INR 250 crores for data breaches, making compliance critical for GCC operations.¹¹

Cross-border data transfer provisions allow transfers subject to government notifications and restrictions. Companies must implement adequate safeguards and may need to process certain sensitive data categories within India based on government specifications.

¹⁰ TP Review India, KPMG, <https://assets.kpmg.com/content/dam/kpmg/pdf/2015/10/tp-review-india-v3.pdf> (last visited Oct. 15, 2025)

¹¹ The Digital Personal Data Protection Act India 2023, PWC, <https://www.pwc.in/assets/pdfs/consulting/risk-consulting/the-digital-personal-data-protection-act-india-2023.pdf> (last visited Oct. 15, 2025).

Significant Data Fiduciaries face additional obligations including independent data auditor appointments, periodic audits, and enhanced security measures. The classification criteria consider data volume, sensitivity, and impact on sovereignty and security.

The Digital Personal Data Protection (DPDP) Act 2023 brings in overarching data protection duties for GCCs processing personal data. The DPDP Act covers any processing of digital personal data, imposing wide compliance duties for the majority of GCC activities.

Major compliance obligations involve securing valid consent to process data, taking proper technical and organizational security measures, the appointment of Data Protection Officers in case of Significant Data Fiduciaries, Data Protection Impact Assessments, and keeping comprehensive processing records. The DPDP Act's penalties can be as high as INR 250 crores for data breaches, hence compliance becomes essential for GCC activities.

Cross-border data transfer terms enable transfers subject to government notice and limitations. Companies are required to have proper safeguards in place and could be required to process some categories of sensitive data within India according to government requirements.¹²

Major Data Fiduciaries have additional requirements such as independent appointment of data auditors, periodic audit, and higher security steps. The criteria for classification take into account the volume, sensitivity, and effect on sovereignty and security of data.¹³

INTELLECTUAL PROPERTY PROTECTION

GCCs management of proprietary technology, research and development, and innovative solutions necessitates strong intellectual property protection measures. India's IP regime includes patents,

¹² *Id.* at 10.

¹³ The Importance of Being Significant: Significant Data Fiduciaries Under India's Proposed Data Protection Regime, SNR LAW, <https://www.snrlaw.in/the-importance-of-being-significant-significant-data-fiduciaries-under-indias-proposed-data-protection-regime/> (last visited Oct. 15, 2025).

trademarks, copyrights, designs and trade secrets and has special provisions for technology transfer and licensing.¹⁴

Patent Protection adheres to global norms with examination and opposition processes. GCCs involved in research and development operations need to introduce invention disclosure procedures and patent filings for qualification innovations. The Patents Act 1970 contains special provisions for compulsory licensing and government use, which are especially applicable in the case of essential technologies.¹⁵

Technology Transfer Agreements between parent companies and GCCs require careful structuring to comply with foreign exchange regulations and tax provisions. Cross-border licensing arrangements must satisfy arm's length pricing requirements and may require government approvals in certain sectors.¹⁶

STRATEGIC INCENTIVE FRAMEWORKS

SPECIAL ECONOMIC ZONE BENEFITS

Special Economic Zones (SEZs) provide the most integrated tax incentive framework for GCC operations. SEZ units have 100% exemption from income tax on export earnings for the initial five years, 50% for the next five years, and further 50% exemption on reinvested export earnings. These incentives can lead to considerable tax savings, making SEZ locations economically lucrative for export-focused GCC operations.¹⁷

EMERGING TIER-2 CITY OPPORTUNITIES

¹⁴ Key Intellectual Property Protection Measures for Indian GCC, WISE MONK, <https://www.wisemonk.io/faqs/what-are-the-key-intellectual-property-protection-measures-we-need-to-implement-in-our-indian-gcc> (last visited Oct. 15, 2025).

¹⁵ *Id.* at 13.

¹⁶ Technology Transfer Regulations in India, KS&K, <https://ksandk.com/information-technology/technology-transfer-regulations-in-india/> (last visited Oct. 15, 2025).

¹⁷ Guide to India's Special Economic Zones, INDIA BRIEFING, <https://www.india-briefing.com/news/guide-indias-special-economic-zones-9162.html/> (last visited Oct. 15, 2025).

India's GCC landscape is seeing major growth to Tier-2 cities, backed by cost benefits, talent pools, and the support of government incentives. Pune, Indore, Coimbatore, Ahmedabad, Kochi, and Bhubaneswar are showing themselves to be feasible substitutes to conventional metro destinations. Infrastructure Development in Tier-2 cities has become much better with most cities having Grade-A tech parks, SEZs, and increased connectivity through Smart Cities and PM Gati Shakti programs. Government policies favorably induce GCC expansion in Tier-2 cities through incentives and streamlined approval processes.¹⁸ Talent Pool Access is assisted by the reality that more than 60% of India's graduates come from non-metros, a large proportion skilled in AI, automation, and digital engineering.

POLICY DEVELOPMENTS AND RECENT UPDATES

Union Budget 2025-26 has announced the preparation of a National Framework to direct states towards facilitating GCC growth in new Tier-II cities. The framework is expected to ensure regulatory simplicity, compliance simplification, and infrastructure investment facilitation to drive GCC growth beyond conventional metro hubs.¹⁹

The Confederation of Indian Industry (CII) has suggested a holistic framework for a National GCC Policy involving Digital Economic Zones, industry-academia collaboration, and a GCC Council for inter-ministerial coordination. The proposed framework envisions the potential to double India's GCC footprint by 2030, creating 20-25 million jobs and adding \$470-600 billion to economic output.²⁰

CONCLUSION & WAY AHEAD

India's GCC ecosystem offers unprecedented opportunities to set up strategic offshore businesses that facilitate innovation, efficiency, and competitiveness. India's journey from a cost-arbitrage

¹⁸ India's GCC Growth Holds at 12% in 2025, Tier-2 Cities and Freshers Drive Momentum, PTI NEWS, <https://www.ptinews.com/press-release/indias-gcc-growth-holds-at-12-in-2025,-tier-2-cities-and-freshers-drive-momentum-foundit-insights-tracker/2796990c> (last visited Oct. 15, 2025).

¹⁹ Union Budget 2025: GCC National Framework to Get Talent and Infra Boost, ECON. TIMES, <https://economictimes.indiatimes.com/tech/technology/union-budget-2025-gcc-national-framework-to-get-talent-and-infra-boost/articleshow/117823460.cms?from=mdr> (last visited Oct. 15, 2025).

²⁰ CII Suggests National Framework to Position India as Global Headquarters for Innovation-Driven GCCs, ECON. TIMES, <https://economictimes.indiatimes.com/news/economy/policy/cii-suggests-national-framework-to-position-india-as-global-headquarters-for-innovation-driven-gccs/articleshow/123880470.cms?from=mdr> (last visited Oct. 15, 2025).

destination to an innovation hub, along with its strong talent pool, favorable government policies, and strong infrastructure, offers a strong value proposition.

For firms exploring GCC establishment in India, the success mantra is in meticulous planning, strong compliance frameworks, and astute risk management. Through harnessing available incentives, structuring optimality, and instituting proactive compliance measures, businesses can realise India's GCC ecosystem to its full potential while mitigating regulatory risks successfully.

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