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What are the critical tax-related milestones that GCCs must navigate from setup to maturity, and how do they shape business outcomes?

From inception through expansion, every stage of a GCC's journey is shaped by various considerations, both strategic and operational, such as choosing the right operating model and entity type, capital and operational structure, mode of transfer of knowledge and resources from the parent, appropriate secondment policies, transfer pricing policies among others. The decision around each aspect must ensure compliance with the relevant tax laws while laying the foundation for efficiency and resilience. These early decisions carry lasting implications, from regulatory exposure to cost competitiveness and investment repatriation. As the GCC grows and strives to mirror the head office, aligning transfer pricing value creation, managing expatriate taxation, managing permanent establishment risks, handling cross-border payments, and ensuring various statutory compliances becomes essential for sustainable operations.

When tax is a key consideration from inception itself, scaling size become relatively smooth, especially in the context of cost optimisation, reporting consistency, and compliance readiness. Tax and related compliances go from being bottlenecks to being a source of confidence, stability, and growth.

What is one of the most prominent tax challenges for a GCC operating in India, and what can be done to navigate it effectively?

Transfer pricing alignment is the key consideration for any GCC in India, especially as its role evolves from a cost centre to a value creator. The key is to define the GCC's role clearly, align contracts with substance, and proactively manage risks, thereby transforming potential disputes into opportunities for long-term stability and strategic growth.

Indian tax authorities closely examine whether the GCC is compensated appropriately for its functions, assets, and risks. To navigate this, GCCs should adopt structured mechanisms such as Advance Pricing Agreements, Safe Harbour Rules, and Mutual Agreement Procedures. By integrating dispute management into governance, GCCs can ensure greater compliant and future-ready operations.

Captive GCCs, typically operating on a cost-plus model, often find themselves with significant profit accumulation in India over time. What strategic avenues are available to repatriate these funds efficiently, while balancing tax, regulatory, and long-term business considerations?

GCCs have a range of options to manage and repatriate accumulated profits, like dividend or interest on debt. At an operational level, it is critical to ensure optimisation of cost-plus mark-ups and accurate cost classification to mitigate profit accumulation. At a later stage, various corporate restructuring possibilities can be evaluated to further enhance flexibility. Choosing the right option would be governed by treaty benefits, regulatory approvals, and long-term goals. No matter the option chosen, robust documentation and strict compliance are essential, not just to secure tax efficiency, but to enable smooth, sustainable repatriation that stands up to regulatory and stakeholder scrutiny.

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