



A closer look at the factors fanning the potentials of IT outsourcing in India.

1. India's human resources

Being the world's second highly populated country, human resources are a boon by itself. Just as the Gulf is renowned for its natural resource of crude oil, and South Africa for its diamonds, India is proud of the abundance and easy availability of its highly qualified and technically skilled English speaking computer professionals; who are key to success in the field of IT outsourcing to India.

2. Cost efficiency of IT outsourcing in India

Significant cost saving can be achieved by IT outsourcing to India, owing to the wide gap between the personal costs in India and that of the developed countries. Offshore outsourcing to India offers considerable economical benefits for those who are prepared to exploit the advantages of outsourcing.

3. Standard quality that firms doing IT outsourcing in India guarantee

The Indian companies involved in IT outsourcing in India provide high quality work, meeting international standards and complying with the ISO & SEI-CMM standards. Three out of every four SEI-CMM 5 companies worldwide is located in India. Thus India promises quality - IT outsourcing in India as it has the potential to furnish these services perfectly.

4. The reliable communication facilities

Excellent telecom, ISP, and cellular networks are available in all cities & towns in the country. India prides in the reliable satellite and submarine communication links that facilitate good band connectivity with the rest of the world. Thus companies engaged in IT outsourcing to India, can be in touch with the vendors without any connection hurdles. This plays a significant role in determining the success of offshore IT outsourcing to India.

5. Technologically advanced outsourcing firms in India

India's technologies offer excellent software solutions. The applications include E-commerce, Business Process re-engineering, System Migration, Maintaining Legacy system, System integration etc. India prides in outsourcing facilities that are required to compete with others; which is yet another reason as to why the world prefers It outsourcing to India.

6. Galloping growth in Indian economy

The service sector in India contributes 51% of the GDP. Computer software export was prominent with a growth rate of 40%-50% per year during the 90's. India being the second largest software exporter in the world its large business houses and public sector units are growing steadfastly towards raising economic growth..

7. Stable government facilitating IT growth

India has a stable pro - IT government whose policies, economy, GDP growth, taxation, power, telecom, industrial parks & special zones have been helpful in improving the infrastructure as well as communication. The government proves to be a great support for software firms by further providing all the basic facilities required for an outsourcing company to flourish thus playing a major role in contributing to the success and well-being of IT outsourcing to India.

8. Indian government policies

- IT is regarded as one of the top 5 priority industries in India. IT is a part of the national agenda, and policies are framed so as to obtain maximum benefit out of IT outsourcing to India.
- The liberalization and deregulation initiatives taken by the government are aimed at supporting growth & integration with the global economy. These reforms have enabled the entry of foreign companies to the Indian market. FDI investment from NRI's including Overseas Corporate Bodies (OCB's); owned by the NRI's are warmly welcomed in India.
- The new National Telecom Policy has invited private participants to the Indian telecom sector.
- The IT bill passed in 2000, gives a legal framework for the recognition of electronic contracts, prevention of computer crime and electronic filing of documents. NASSCOM along with the government is playing a notable role in protecting the interests of the IT sector. Thus with all these help, IT outsourcing to India has reached a point of no turning back.

9. Tax system in India

The well structured tax system in India, with the authority to levy taxes is divided between the Central & State Governments. Direct taxes, like personal income tax, corporate tax and indirect

taxes like customs duty are collected by the Central Government while State Government levies local and state sales tax. Tax revenue as a percent of GDP has been constantly on the rise.

Taxes

A domestic company having entire management and control in India is bound to pay 35.7% tax to the Central Government. The nonresident Corporation has to pay 48% of the income derived in India from Indian operation; income that is accounted to arise in India and income that is received in India. Minimum Alienate Tax (MAT) is at the rate of 7.65% of book profit of the companies.

Tax Incentives

The tax incentives offered to the investors by the Government of India are a boon for firms involved in IT outsourcing to India. The incentives that facilitate economic growth and development are:

1. Infrastructure:

A 10 years tax holiday to ventures engaged in developing and / or maintaining and operating an infrastructure facility.

2. Power:

10 years tax holiday to undertakings, which generate and / or distribute power.

3. Telecom:

5 years tax holiday for companies providing telecom services including Internet services and broadband services. Also 30 % deduction from profits for the next 5 years in any 10 continuous years out of first 10 years is also offered.

4. Industrial Parks and Special Economic Zones

10 years tax holiday is applicable to ventures that develop and /or operate or maintain in notified IT parks and special economic zones.

5. Other Industries:

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5-year tax holiday is available for new industrial units to be set up in backward states and districts.

6. Incentives for Exports:

Tax is deducted on exporter's profits for unit set up on EPZ's, STP's, EHTP's, FTZ and SEZ's.

7. Other Incentives:

Tax concessions are allowed for FTI and a weighted deduction of 150% for scientific research and development expenditure have been offered. 10 years tax holiday is available for R&D companies engaged in scientific and industrial research.

A few steps more for IT Outsourcing in India.

Firms equipped in IT outsourcing to India have their own unique strengths and capabilities. Indian outsourcing firms look at their businesses differently, behave differently, and do different things from that of the past. Maximise on the benefits of outsourcing with IT Outsourcing India, the team prepared to confront challenges from any part of the globe.