

**GOVERNMENT OF INDIA  
COMMUNICATIONS AND INFORMATION TECHNOLOGY  
LOK SABHA**

UNSTARRED QUESTION NO:2769

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PROSPECTS OF BPO SECTOR

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**Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:**

(a) whether any assessment has been made of the adverse implications of the American Administration's repeated move to deny tax concessions and otherwise disincentivise companies that outsource jobs on the employment scenario in India and its overall impact on the Indian economy in the short and medium term.

(b) if so, whether the Government is contemplating any measures to help the Information Technology driven Business Processes Outsourcing (BPO) sector which generates revenues of 40 billion USD annually and has recorded a 35 per cent annual growth in the past five years ;

(c) if so, whether the Government is considering to take up the said issue with the World Trade Organisation (WTO) on the promise that the US Government is protectionist in its executive and legislative intent;

(d) if so, the details thereof and if not, the reasons therefor;

(e) whether the Government has engaged in any discussions with the stake holders of this sector to prepare a future road map to contain if not combat this eventuality; and

(f) if so, the details thereof and if not, the reasons therefor?

**Answer**

MINISTER OF STATE FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY(SHRI SACHIN PILOT)

(a) to (f): As per the Ministry of External Affairs (MEA), Government of India, no details on how the US administration plans to give effect to the move to deny tax concessions and disincentivise companies that outsource jobs overseas have been made public. The present moves by the US Administration and the Congress are not directly against outsourcing but are primarily directed towards reforming the domestic tax code aimed at encouraging US companies based abroad to repatriate their earnings. The US companies are primarily attracted by the many advantages that India offers today, e.g. highly skilled and cost-effective labour cost, the robust Indian consumer market etc. Hence, the negative impact of these tax related measures are likely to be only marginal.

Further, National Association of Software and Services Companies (NASSCOM) has stated that some official comments in the US on cutting tax breaks on the US companies who send jobs overseas are indicator of a domestic taxation policy shift that have no direct impact on the Indian IT industry. In view of this position, Ministry of Commerce & Industry has intimated that it is not considering taking up the said issue with the World Trade Organization (WTO).

As per Ministry of Commerce & Industry, the US President's proposal to tax US companies outsourcing jobs to other countries including India came up at the stakeholder consultation organized by FICCI, UNCTAD and Centre for WTO Studies on WTO issues. The likely adverse impact of various US Legislation proposals in the IT and BPO industry in India was also discussed. Among the other issues which were discussed in respect of services sector included India's Modes 4 (Movement of Natural Persons) and 1 (Cross Border Supply) interest and lack of visible progress shown by developed countries in addressing the same.