



## Article

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### India's GCC Approach: How States Are Competing for Global Capability Centres

In our earlier discussion on the various models of Global Capability Centers in India (“GCCs”) [available [Here](#)] we examined the structural choices available to multinational group companies setting up GCCs in India, ranging from captive centers to managed services, with hybrid models offering a middle path. While these models help determine the degree of control, risk allocation, and operational flexibility, an equally critical consideration is the choice of jurisdiction within India.

Traditionally, GCCs have been concentrated in established technology hubs. However, as Viksit Bharat @ 2047 gains traction, state governments are increasingly competing to attract investment through tailored policy frameworks. These frameworks offer a mix of financial and non-financial incentives. These frameworks should be distinguished from state level legislation, which have the force of law. They operate as optional incentive regimes that companies may avail of upon satisfying prescribed eligibility conditions.

For these advantages, GCCs must either apply for recognition of the fact that they meet the relevant criteria (usually in the case of exemptions, such as stamp duty, labor law exemptions) or apply for approval to receive benefits (such as monetary assistance).

#### **I. Capital and Operational Support (*Gujarat, Rajasthan and Odisha*)**

State level frameworks have recognized that the growth of GCCs is impacted because of the cost of (i) establishment, and (ii) operation of a GCC that has to be borne by the multinational company.

**Gujarat** offers capital expenditure subsidies with a ceiling of INR 200 crores for eligible units. Rajasthan, to reduce the cost of operation, has provided an exemption from payment of 75% stamp duty and a reimbursement of 25% stamp duty while providing a 100% exemption of electricity duty for a period of seven years. Interestingly, **Rajasthan** offers a 25% subsidy on the cost of establishing environmental projects, with a maximum of INR 1 crore to promote “*green initiatives*”. **Odisha** approaches capital subsidies in a different manner, by providing a relocation reimbursement of 50% of the cost of relocation, limited to INR 10 crore for domestic relocation and INR 20 crore for international relocation.

States such as **Karnataka** and **Uttar Pradesh** also provide capital and operational subsidies, with greater benefits for specified areas as discussed below.

## 1. **Infrastructure beyond the metros** (*Karnataka and Uttar Pradesh*)

The policies of certain states recognize that GCC growth is often limited to Tier-I cities, with resources in other tiers remaining underutilized and they therefore try to incentivize the establishment of GCCs in other areas.

**Karnataka's** "*Beyond Bengaluru*" package is a prime example, offering targeted incentives to decentralize development into six key cities: Mysuru, Mangaluru, Hubballi, Kalaburagi, Shivamogga and Tumakuru. For each incentive provided to GCCs in Karnataka, a special package has been set out for the aforementioned six cities. For example, while the government will fund up to 40% of the total capital expenditure up to a maximum limit of INR 5 crore for the Bengaluru urban area for establishment of Centers of Excellence, this limit is 75% up to INR 3 crore for GCCs in the Beyond Bengaluru cities. This differential structure aims to replicate Bengaluru's GCC ecosystem across the state.

In **Uttar Pradesh**, Ghaziabad and Gautam Budha Nagar have been distinguished from other regions, that is, a higher incentive pool is provided for Tier-II and Tier-III cities. For example, a land subsidy of 30% is provided to the GCCs set up in Ghaziabad and Gautam Budha Nagar, while a higher subsidy of 40% is provided to the Paschimanchal and Madhyanchal region, increasing to 50% to the Poorvanchal & Bundelkhand region.

## 2. **Recognition of distributed offices/Better Infrastructure** (*Andhra Pradesh and Kerala*)

Given the increase of remote working, state frameworks have devised schemes that better facilitate remote working. These schemes have a dual benefit, (i) employees are able to work from a convenient location which results in happier, more efficient employees, and (ii) Tier-II and Tier-III are able to develop local human capital. This will also help reduce the infrastructure burden on already overpopulated cities. An example of a state encouraging remote work is of **Andhra Pradesh**. Andhra Pradesh has sought to develop Tier-II and Tier-III cities by providing incentives to developers who develop co-working spaces, neighborhood workspaces, and information technology campuses. For example, a neighborhood working space may be set up in smaller government buildings, apartment complexes, schools or houses. These spaces house working spaces for as few as ten people and are eligible for a subsidy of 50% of the capital expenditure cost for the development of a neighborhood working space.

In **Kerala**, the government has provided access to high-speed internet to the GCC infrastructure through KFON, a government project which provides free/subsidized high speed internet connectivity to the state.

## II. **Creation of Value vs. Delivery of Services** (*Karnataka, Uttar Pradesh and Madhya Pradesh*)

Typically, GCCs are employed for the purpose of providing routine services to the multinational group company at a lower labor cost. State frameworks seek to move away from GCCs established in the country, from delivery of services to the creation of value, that is, services which require high-level expertise and judgment.

For this reason, **Karnataka** has launched the "*Nipuna Karnataka*" initiative, a ₹100 crore program dedicated to upskilling 1 lakh individuals in deep-tech domains such as blockchain, artificial intelligence, and machine learning.

The states of **Uttar Pradesh** and **Madhya Pradesh** are similarly incentivizing the establishment of Centers of Excellence for increased research and development for upskilling labor in India. In Madhya Pradesh, the state government bears 50% of the project cost involved in establishing Centers of Excellence for artificial intelligence and cybersecurity up to a maximum of INR 10 crore. In Uttar Pradesh, specific GCCs are encouraged to set up Centers of Excellence by being provided a grant of 50% of the project up to an overall ceiling of INR 10 crores per project.

## 1. **Personnel Development** (*Rajasthan and Odisha*)

To support India's transformation from a destination for back-end services to the creation of product in India, several states have provided for internship subsidiaries and training incentives. Rajasthan provides a reimbursement of 50% of the cost incurred for employee training for the first three years up to INR 2.5 crore, and INR 30,000 per employee per annum. However, this is subject to the GCC setting up in-house training centers in Rajasthan. Similarly, in the case of Odisha, the government subsidizes the cost of talent discovery by reimbursing 50% of the internship stipend working in GCCs for a period of 6 months, up to a maximum of INR 10,000 per month per intern. This subsidy is applicable in the domain of emerging technologies, including but not limited to artificial intelligence, machine learning and blockchain and the government will collaborate with industry associations to facilitate these internships between academia and industry.

## 2. **Labor Compliance** (*Karnataka and Uttar Pradesh*)

In the state of Kerala, a single window clearance system is proposed to be set up, to provide regulatory support to GCCs. This includes interactions with state and central labor departments, provident fund department and district employment exchanges. In the state of Uttar Pradesh, GCCs have relief from inspections under certain labor laws by inspections arising out of specific complaints being barred. However, units must undergo inspection once in five years to ensure that employees are not getting a raw deal. The labor laws under which the GCCs are exempted from routine inspections include but are not limited to the Maternity Benefit Act, 1961, the Factories Act, 1948 and the relevant Shops and Establishment Act, except in cases of inspections arising out of specific complaints to any eligible GCC units in the State. It is important to note that some of these labor laws have now been subsumed by the new labor codes which have been made effective from 21 November 2025.

## **Conclusion**

State policies for GCCs in India are becoming more differentiated, with a focus on cost, talent, infrastructure, and ease of doing business. For multinational companies, the choice of jurisdiction is therefore not only a cost decision but also one that depends on access to talent, quality of infrastructure, and long-term scalability. A careful assessment of these factors will be important in determining the most suitable location for setting up a GCC in India.

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