

वस्तु एवं सेवा कर आसूचना महानिदेशालय प्रधान अपर महा-निदेशक का कार्यालय, बेंगलूरु आंचलिक इकाई, नं. 112, एस.पि. एन्क्लेव, कर्नाटक बैंक के बाजू, के. एच. रोड, बेंगलूरु 560027		DIRECTORATE GENERAL OF GST INTELLIGENCE BENGALURU ZONAL UNIT O/O. THE PR. ADDITIONAL DIRECTOR GENERAL NO. 112, S.P. ENCLAVE, ADJACENT TO KARNATAKA BANK, K.H. ROAD, BENGALURU 560027
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DGGI F.No. DGGI/INT/INTL/404/2020-Gr D-01
Date: 30-07-2024

INCIDENT REPORT NO. 69/2024-25

To: The Pr. Director General, DGGI, HQ, New Delhi

CC: The Director General, DGGI, SNU, South, Chennai

From: The Additional Director General, DGGI, Zonal Unit, Bengaluru

Name and address of the Taxpayer	M/s INFOSYS LIMITED #44, HOSUR ROAD, ELECTRONICS CITY, BENGALURU-560100 GSTIN: 29AAACI4798LIZU
Nature of Evasion	Non-payment of IGST on import of services as recipient of services
Amount of tax not paid/evaded	IGST of Rs.32403.46 Crores
Goods & Service Tax voluntarily paid	Nil
Source of Intelligence	Intelligence gathered by departmental officers.
DIGIT Entry	20240730195317-291

M/s INFOSYS LIMITED, headquartered at Bengaluru is engaged in the design, development & programming of information technology software and IT-enabled services. The company is engaged in export of the said services. M/s INFOSYS LIMITED (hereinafter referred to as "Company") has established overseas branches outside India. The branch is a distinct person under the provisions of IGST Act, 2017 i.e. explanation 1 to section 8 of IGST Act 2017. Intelligence gathered and developed by the officers of DGGI, Bangalore Zonal Unit, Bengaluru indicated that the company has received services from overseas branches and has not paid IGST under RCM on import of services.

2. The Company gets into a Global Master Services Agreement with the client located outside India where the entire gamut of services that the Company has to offer to a client is set out. Once the Company is awarded a project, the Company puts together a team of engineers/personnel having the requisite skill sets for the implementation of the project. The Company executes the projects from Development Centres located in India and also located outside India. Branches are set up outside India in the places where the Company has undertaken projects as it is a requirement of the local laws.

3. The overseas branches are in place to ensure efficient running of the Company's businesses in the countries where they are located with a view to ensuring better delivery of the Company's services and by ensuring that there is better co-ordination between the customers, *vis-à-vis* their requirements, and the Company's head office in India. All the sales & marketing offices are located in the branches and form an integral part of the branches in addition to the delivery teams. Branches located abroad are

engaged in the implementation of the projects. The company has established overseas branches in various foreign countries. The overseas branches have been supplying various services to the company:

- engaged in the implementation of the projects being executed by Infosys India
- ensure efficient running of the Company's businesses in the various foreign countries
- ensuring better delivery of the Company's services
- ensuring better co-ordination between the customers, *vis-à-vis* their requirements, and the Company's head office in India
- to sell Company's services to *international clients*
- consultancy and legal services required for the business operations of the Company in various foreign countries
- Managing the Company employees located outside India who are working in onsite projects

4. To implement the on-site project related work, the Company has set up branch offices outside India for the purpose of carrying out business. In view of Explanation 1 to Section 8 of IGST Act, 2017, branch offices shall be treated as an establishment in such foreign countries. Hence the Company and overseas branches would be treated as distinct persons.

5. Further, the company was including the expenses incurred towards overseas branches as part of their export invoice from India and basis the said export values, was computing the eligible refund. The receipt of export proceeds and export invoice related to project was being raised by the Company.

6. In the instant case, all the expenses incurred by the overseas branches are met by the Company. Overseas branches have supplied the said services to the Company and same shall be treated as import of services by the Company as per section 2(11) of IGST Act, 2017 which is defined as:

(11) "import of services" means the supply of any service, where-
(i) the supplier of service is located outside India;
(ii) the recipient of service is located in India; and
(iii) the place of supply of service is in India;

7. Thus, in lieu of receipt of supplies from overseas branch offices, the Company has paid consideration to the branch offices in the form of overseas branch expense. Hence, M/s Infosys Ltd, Bengaluru is liable to pay IGST under reverse charge mechanism on supplies received from branches located outside India to the tune of Rs. 32403.46 Crores for the period 2017-18 (July 2017 onwards) to 2021-22.

Further investigation is under progress.

(SUCHETA SREEJESH)
ADDITIONAL DIRECTOR GENERAL

Copy forwarded for information to:

1. The Director General, DGGI (East, West, North)
2. The Principal Chief Commissioner of Central Tax, Bengaluru Zone
3. The Commissioner of Central Tax, Bengaluru South Commissionerate
4. The Deputy/ Assistant Director CEIB, New Delhi
5. The Pr. Addl. Director/Addl. Director General, DGGI, All Zonal Units
6. Guard File.