WNS gets Rs 557-cr tax notice

After Vodafone, Nokia and Shell, WNS is the latest multi-national company that has come under the tax scanner on transfer pricing issue. The outsourcing major has received demands of additional tax of about Rs 557 crore on income with regard to acquisition of UK-based Aviva's BPO services.

The company, however, has challenged the income-tax notices in courts of law.

The tax demands, which include taxes on income and services, are for financial years 2003 to 2010, WNS had said in its annual report for 2012-13 given to the US Securities Exchange Commission.

Among India's leading pure-play BPO providers, WNS had a headcount of 25,520 as of March 2013. It has delivery centres across nine countries - Costa Rica, India, the Philippines, Poland, Romania, South Africa, Sri Lanka, the UK and the US.

"We may be required to pay additional taxes in connection with audits by the Indian tax authorities," WNS said in its annual report. "These orders assess additional taxable income that could in the aggregate give rise to an estimated Rs 282.73 crore ($52.1 million based on exchange rate on March 31, 2013) in additional taxes, including interest of Rs 102.94 crore ($19.0 million). From time to time, we receive orders of assessment from Indian tax authorities assessing additional taxable income on us and/or our subsidiaries in connection with their review of our tax returns. We currently have orders of assessment for fiscal 2003 through fiscal 2010 pending before various appellate authorities."

The company follows April-March financial year.

The assessment orders allege that transfer prices applied by WNS to certain global transactions between WNS Global, one of its Indian subsidiaries, and other wholly-owned subsidiaries were not on "arm's length terms, disallow a tax holiday benefit claimed by us, deny the set-off of brought forward business losses and unabsorbed depreciation and disallow certain expenses claimed as tax deductible by WNS Global," it added.

Transfer pricing deals with a technique where parent companies sell goods and services to subsidiary entities at an inflated price to deliberately reduce profits and tax liability.

(Business Standard)