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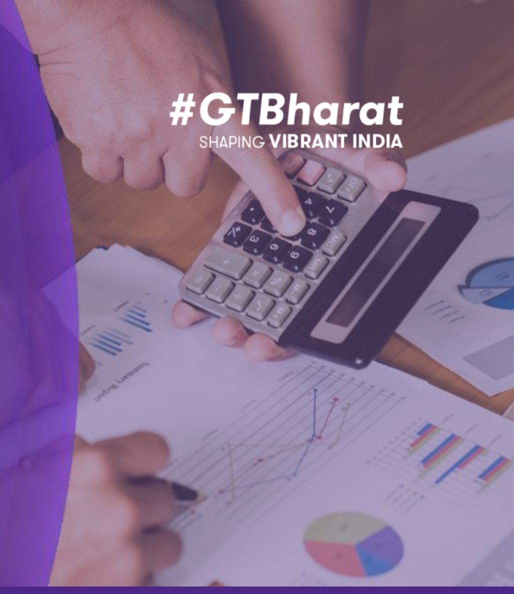

Decoding the HIRE Bill: Potential implications for Indian GCCs and ITeS Ecosystem

On 5 September 2025, Senator Bernie Moreno introduced the Halting International Relocation of Employment (HIRE) Bill — a bold legislative proposal aimed to curb the outsourcing of American jobs. At its core is a proposal to impose a 25% excise tax on payments made by US entities to foreign service providers. This marks a potential inflection point for India's global capability centres (GCCs), IT and ITeS sector, as well as freelancers — all of which have thrived on strategic alignment with US enterprises for a significant period.

The Bill primarily aims to safeguard American workers by discouraging US companies from relocating employment opportunities overseas. By levying a substantial tax on cross-border service payments, the legislation seeks to create a financial disincentive for outsourcing, thereby promoting domestic job retention and economic resilience.

India, currently houses more than 1,800 GCCs, employing nearly 2 million professionals, and is deeply embedded in global operations. The HIRE Bill could reshape the contours of cross-border service delivery and force a recalibration of the country's global services strategy.

Background

The HIRE Bill 2025 aims at discouraging American companies from outsourcing jobs overseas by imposing a substantial new tax and changing deduction rules for outsourcing payments. This Bill is rooted in economic, technological, and demographic pressures facing the US workforce, as well as rising protectionist sentiments in American policy circles. It emerged from long-standing political debates about job security, with previous US administrations attempting tariffs, penalties, or incentives intended to keep jobs within America, especially during phases of high unemployment or technological disruption. The growing economic dependence of countries such as India and China on US outsourcing contracts made the issue increasingly central to global trade relations. The HIRE Bill imposes a 25% excise tax on outsourcing payments, ends tax deductions for offshoring, funds US workforce development, and targets sectors such as IT, R&D, and customer support.

The US faces a "demographic cliff," with a reduced number of young people entering the workforce and heightened anxiety about the loss of domestic jobs to other countries. The Bill targets modern outsourcing trends, including remote work and consulting, recognising that complex multinational corporate structures could facilitate tax avoidance; hence, the Bill also contains anti-avoidance provisions. In the proposed Bill, lawmakers, aim to close loopholes exploited under previous regulatory attempts.

In summary, the HIRE Bill 2025 is formulated as a sweeping legislative answer to America's concerns over offshore job migration, underpinned by economic self-preservation and national workforce priorities.

Overview: What is the HIRE Bill?

Key provisions

- Outsourcing tax: A 25% excise tax is imposed on outsourcing payments made by US persons to foreign persons for services rendered to US consumers. A foreign person is anyone who is not a US person, except for companies or partnerships established under US laws.
- Scope: Outsourcing payments refer to fees, royalties, service charges, and similar payments.
- No tax deductibility: Outsourcing payments and excise tax are non-deductible under Federal income tax rules.
- Mixed-use payments are prorated based on the US consumer benefit, i.e., the Bill apportions the payment by the US vs non-US consumer share.
- Reporting requirements: The US taxpayers must report outsourcing payments, and corporate officers must certify the nature of the payment under penalty of perjury. Failure to comply with the outsourcing tax under the HIRE Bill may result in steep penalties.
- Effective date: Provisions apply to payments made after 31 December 2025.

Domestic workforce fund

- The US Department of Treasury will establish a dedicated fund sourced from the collections of outsourcing tax revenues and penalties.
- This fund supports initiatives such as workforce development, retraining, apprenticeships, and state-level grants targeted at regions experiencing significant job displacement due to outsourcing.

Legislative process and potential impact

The Bill must be passed by both the Senate and the House of Representatives, since it introduces a new tax, before the President can sign it into law. If the Bill is enacted, US companies may face increased pressure to relocate operations onshore to mitigate the additional tax burden. The double whammy of a 25% excise tax and absence of tax deductibility could significantly raise offshoring costs — potentially forcing US firms to reconsider or reduce their reliance on overseas service providers.

Applicability of Base Erosion and Anti-Abuse Tax (BEAT): A compounded tax challenge for multinationals

The HIRE Bill 2025, while positioned as a safeguard for American jobs, introduces a 25% excise tax on outsourcing payments, adding a significant layer of cost and compliance burden for US multinationals — especially those already subject to BEAT provision under US tax law. For companies operating GCCs, this results in a compounded federal tax exposure for multinationals, challenging the viability of offshore service models. The denial of outsourcing tax payments and inclusion of BEAT tax will further restrict operational flexibility, prompting a strategic reassessment of global workforce structures and vendor ecosystems.

Strategic impact on India's services ecosystem

GCCs: Strategic centres under pressure

- India's GCCs have become deeply embedded in global operations, known for their resilience, scale and depth of talent. However, the HIRE Bill introduces significant strategic challenges:
- Offshore delivery costs could rise by more than 60%, disrupting cost structures.
- Compliance burdens will increase, with scrutiny around transfer pricing, inter-company contracts, and reporting obligations.
- Parent firms may explore hybrid delivery structures, retaining some US-linked activities onshore while leveraging India for global or multi-market support.

ITeS providers: Cost arbitrage at risk

- India's ITeS sector, including BPOs, KPOs, and third-party service providers, heavily rely on US clients.
- Leading IT firms generate significant revenue from the North America market.
- The proposed tax could erode the cost advantage that has traditionally made Indian services attractive.
- Pricing renegotiations may put pressure on profitability.
- Operational challenges could include hiring slowdowns, layoffs, and deprioritisation of upskilling initiatives.

Business model recalibration: From cost to capability

In the short term, US companies may reassess offshore models, balancing India's talent depth against higher tax-adjusted costs. GCCs and ITeS firms must strengthen compliance, restructure contracts, and evaluate hybrid delivery models.

In the long term, the industry must move towards high-value functions such as R&D, product innovation, data science, analytics, and cybersecurity. Hybrid structures will become more common, with US-linked activities retained onshore and India leveraged for global or multi-market support.

Strategic imperatives for Indian enterprises

To sustain relevance and competitiveness, Indian enterprises must embrace a strategic reset:

- **Reposition GCCs and ITeS firms from cost centres to capability-led innovation hubs:** Move towards R&D, product innovation, digital transformation, analytics-driven decision support, and knowledge process outsourcing —functions that are less exposed to cost-based disruption and more aligned with strategic client priorities
- **Accelerate automation and AI adoption:** Leverage AI and intelligent automation to offset rising delivery costs, enhance productivity, and build scalable, cross-functional solutions across operations
- **Invest in platform-led delivery models:** Build proprietary platforms and IP-driven solutions to reduce reliance on labour arbitrage and deliver differentiated, scalable value propositions to clients
- **Strengthen transfer pricing frameworks and tax compliance:** Reinforce inter-company pricing structures and documentation to align with evolving global tax norms
- **Strengthen policy advocacy:** Collaborate with industry bodies and government to engage US policymakers, advocating for carve-outs that distinguish GCCs from third-party outsourcing
- **Explore nearshoring and local delivery models:** Strengthen regional delivery capabilities and evaluate nearshoring options to maintain agility and responsiveness
- **Diversify market exposure:** Reduce exposure to US legislative risk by expanding client bases across Europe, APAC, and other regions

The HIRE Bill is not merely a tax proposal but a strategic reset. It compels Indian enterprises to reimagine global delivery models, strengthen strategic capabilities, and engage in proactive policy dialogue.

India's scale, talent, and digital maturity remain unmatched. However, to thrive in this new policy landscape, the industry must embrace agility, foresight, and continuous repositioning up the value chain

Looking ahead

The overall impact of the HIRE Bill will depend on its legislative journey, enforcement clarity, and evolving definitions, particularly around “consumer benefit” and anti-avoidance. Regardless of its final form, the Bill underscores the importance of resilience, adaptability, and proactive planning in today’s global business environment.

Our team of experts at Grant Thornton Bharat will continue to monitor developments and support clients in evaluating potential implications, preparing for future scenarios, and designing compliant, resilient, and future-ready delivery models.

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