



Safe Harbour Rules (SHR), 2017

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Introduction of safe harbour rates on loans advanced in foreign currency

The revised SHRs have prescribed safe harbour rates based on London Inter-Bank Offer Rate (LIBOR) for loans advanced to AEs denominated in foreign currency. The revised SHRs have also prescribed staggered rates (spread over the applicable base rates) depending upon the credit rating of the overseas borrower, subject to such credit ratings being approved by CRISIL.

Below table shows a comparison of threshold limits and applicable margins under Safe Harbour Rules 2013 and 2017 -

Sl. No.	Eligible International transaction	SHR 2013		SHR 2017		
		Threshold	Safe Harbour Margin	Threshold	Safe Harbour Margin	
1	Software development services	Up to INR 500 crore	$\geq 20\%$ on Operating Costs ("OC")	Up to INR 100 crores	$\geq 17\%$ on OC	
		Above INR 500 crore	$\geq 22\%$ on OC	Above INR 100 crore & up to 200 crores	$\geq 18\%$ on OC	
2	IT enabled services	Up to INR 500 crore	$\geq 20\%$ on OC	Up to INR 100 crores	$\geq 17\%$ on OC	
		Above INR 500 crore	$\geq 22\%$ on OC	Above INR 100 crore & up to 200 crores	$\geq 18\%$ on OC	
3	Knowledge Process Outsourcing ("KPO")	None	$\geq 25\%$ on OC	Up to INR 200 crores	Employee cost to OC	Margin
					<40%	18%
					$\geq 40\%$ & <60%	21%
					>60%	24%
4	Corporate guarantee to Wholly Owned Subsidiary (WOS)	Up to INR 100 crore	$\geq 2\%$ on Amount Guaranteed	Up to INR 100 crores	$\geq 1\%$ on amount guaranteed	
		Above INR 100 Crore + WOS has been rated at adequate to highest safety by SEBI registered rating agency	$\geq 1.75\%$ on amount guaranteed	Above INR 100 Crore + WOS has been rated at adequate to highest safety by SEBI registered rating agency		

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