

## 12 Taxation

Taxation for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

In 2009, the adjustment for prior year primarily relates to a change in the method of apportioning revenues to tax authorities located in the United States of America. This method was adopted in 2009.

	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
Notes		
<b>Corporation tax</b>		
(Benefit) charge for the year	<b>(3,648)</b>	13,768
Adjustments for prior year	<b>(1,022)</b>	430
<b>Tax (benefit) charge</b>	<b>(4,670)</b>	14,198
<b>Deferred tax</b>	<b>(8,521)</b>	2,499
	17	
<b>Total</b>	<b>(13,191)</b>	16,697

	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
<b>Reconciliation of tax (benefit) charge</b>		
<b>(Loss) profit before tax</b>	<b>(19,171)</b>	38,733
Tax calculated at statutory rate	<b>(5,481)</b>	11,620
Share-based compensation	<b>(1,661)</b>	3,344
State taxes, net of US federal benefit	<b>(693)</b>	2,237
Tax losses for which no deferred tax asset was recognized	<b>116</b>	485
Decrease in tax reserves	<b>(191)</b>	–
Foreign taxes at rates different than statutory rates	<b>(4,120)</b>	(1,282)
Adjustments for prior year	<b>(1,022)</b>	430
Other	<b>(139)</b>	(137)
<b>Total</b>	<b>(13,191)</b>	16,697

As at 31 December 2009 and 2008, the statutory rate in Luxembourg was 28.6% and 30%, respectively.

As at 31 December 2009 and 2008, the United States federal and state blended tax rates enacted were 38% and 40%, respectively. The change to the statutory rates in 2009 occurred primarily due to a change in the allocation of assets, human capital and revenue to various state localities.

For the years ending 31 December 2009 and 2008, GlobeOp Financial Services (India) Private Limited qualified as a 100% Export Oriented Software Technology Park Unit, under the Software Technology Parks scheme of the Ministry of Communication and Information Technology for development of software- and IT-enabled services in India. Therefore, the income of the Company is exempt from income tax through the tax period ended 31 March 2011. After this date, the income tax rate is expected to be 34%. However, beginning 1 April 2007, this subsidiary is paying a Minimum Alternate Tax ("MAT") at a rate of 11.33%. From 1 April 2009, this rate increased to 16.995%. These payments are eligible for credits to offset future tax liabilities. The amount of this credit has been recorded as a deferred tax asset. In addition, deferred tax assets have been established for other expected future tax deductions.