

Govt Announces Rules for Equalisation Levy

The rule, to be effective from June 1, will be for taxation of payments for international digital services by Indian businesses

The government on Monday announced rules for equalisation levy -or 'Google tax' for taxation of payments for international digital services by Indian businesses -that was introduced in the budget.

The specified services covered by the levy include online advertising, provision for digital advertising space and any other service to be notified by government.

The rules come into effect from June 1.

Finance minister Arun Jaitley had announced the equalisation levy, emanating out of OECD's Base Erosion and Profit Sharing project, on payments made by businesses for specific digital services to a non-resident entity not having permanent establishment in India.

The idea is to indirectly tax internet giants for money they make from Indian advertisers, by imposing a levy on the payments these advertisers make.

The levy was structured based on recommendations of a panel set up the Central Board of Direct Taxes and included industry representatives.

Tax experts say businesses will have to start preparing now that the rules have been announced.

“Equalisation levy made various players sit up and take notice, especially since this is India's first step to tax digital economy, and one of the first few internationally, “said Rakesh Nangia, managing partner at Nangia & Co. “Now with rules in place, people need to start taking action, since the statement of specified services procured starting June 1, 2016 has to be reported in the statement to be furnished by June 30, 2017,“ he said.

Nangia said rules provide clarity as to how an assessee can appeal against the order of the assessing officer.

(Economic Times)