Equalization Levy

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Equalization Levy Latest News

The central government has proposed to abolish the Equalisation Levy, or digital tax, on online advertisements, aiming to benefit advertisers on platforms like Google and Meta.

About Equalization Levy

- The Equalisation Levy was introduced in India in 2016, with the intention of **taxing the digital transactions** i.e. the **income accruing to foreign e-commerce companies from India.**
- It is aimed at taxing **business-to-business transactions.**
- It is also often referred to as the **"Google Tax"**
- It is a **direct tax,** which is **withheld at the time of payment by the service recipient.**
- The **two conditions to be met** to be liable to equalisation levy:
  - The **payment** s**hould be made to** a **non-resident service provider;**
  - The **annual payment** made to one service provider **exceeds Rs.1,00,000 in one financial year.**

- Currently, **not all services are covered** under the ambit of equalisation Levy. The following services are covered:
  - **Online Advertisement Services** (Effective from June 1, 2016).
  - Any provision for **digital advertising space or facilities**/services or selling goods to Indian residents, or users accessing services/goods through Indian IP addresses (Effective from April 1, 2020).
  - It was also mentioned during the introduction of the levy that as and when any other services are notified, these will be included with the aforesaid services.
- **Equalisation Levy Exclusion:**
  - The **non-resident service provider has a permanent office in Indi**a, and the **requested service is linked to that** permanent office/establishment.
  - The total consideration amount to be paid for the specific service payable or received is **less than Rs.1 lakh.**
  - The **service** described is **not intended to be used to pursue a profession** or work.
  - An **exemption** under section 10(50) of the Act is **provided to avoid double taxation** for any income arising from specified services provided on which equalisation levy is chargeable.
  - **An income chargeable** to tax **as fees or royalties for technical services** will not be included as income for the equalisation levy purposes.
- **The tax rate under the equalisation levy depends on the type of service or transaction.**
  - For specified digital services, such as **online advertising**, the rate is **6% of the gross consideration.**
  - For **e-commerce transactions,** such as online sale of goods or services, the rate is **2% of the gross consideration.**

Equalization Levy FAQs

Q1. What is the main objective of the Equalisation Levy?

Ans. To tax digital transactions and income earned by foreign e-commerce companies from India

Q2. When was the Equalisation Levy introduced in India?

Ans. 2016

Q3. What type of tax is the Equalisation Levy?

Ans. It is a Direct Tax.

Source: TOI
