

India and USA agree on a transitional approach on Equalisation Levy 2020

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On October 8, 2021, India and United States joined 134 other members of the OECD/G20 Inclusive Framework (including Austria, France, Italy, Spain, and the United Kingdom) in reaching agreement on the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy.

On October 21, 2021, the United States AND Austria, France, Italy, Spain, and the United Kingdom reached an agreement on a transitional approach to existing Unilateral Measures while implementing Pillar 1. The agreement is reflected in the joint statement that was issued by those six countries on that date (“October 21 Joint Statement”).

India and United States have agreed that the same terms that apply under the October 21 Joint Statement shall apply between the United States and India with respect to India’s charge of 2% equalisation levy on e-commerce supply of services and the United States’ trade action regarding the said Equalisation Levy. However, the interim period that will be applicable will be from 1st April 2022 till implementation of Pillar One or 31st March 2024, whichever is earlier.

India and United States will remain in close contact to ensure that there is a common understanding of the respective commitments and endeavor to resolve any further differences of views on this matter through constructive dialogue.

The final terms of the Agreement shall be finalised by 1st February 2022.

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