

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 1924
TO BE ANSWERED ON MONDAY, THE 14th MARCH, 2022**

PHALGUNA 23, 1943 (SAKA)

TAXES ON MULTINATIONAL COMPANIES

1924. SHRI RITESH PANDEY:

Will the Minister of Finance be pleased to state:

- (a) whether the Government has presently any plans, policies and rules to levy proper share of taxation on multinational companies which derive large revenues from India via their digital presence, without having a physical one;
- (b) if so, the details thereof; and
- (c) If not, the measures proposed to be taken by the Government to deal with the multinationals which generate substantial revenues in India but do not share a proper share of taxes with the Government?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SH. PANKAJ CHOUDHARY)

(a), (b) & (c):

Yes Sir. Finance Act, 2016 introduced an Equalisation Levy on specified services i.e. online advertisement provided by a non-resident not having physical presence in India. Finance Act, 2020 expanded the scope of Equalisation Levy to cover consideration received or receivable by an e-commerce operator from e-commerce supplies or services. Further, Section 9(1)(i) of the Income-tax Act, 1961 was amended vide Finance Act, 2018 and subsequently vide Finance Act, 2020 to provide for the concept of “Significant Economic Presence”(‘SEP’), in addition to the existing concept of physical presence, for establishing a business connection in India of a non-resident.

The issue of taxation of income of multinational companies arising from digital presence has been considered by G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework of which India is a member. A statement outlining the broad features of consensus based on a two-pillar solution was issued on 8th October, 2021 by the Inclusive Framework.
