

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

**LOK SABHA**  
**STARRED QUESTION NO. \*98**  
TO BE ANSWERED ON FRIDAY, THE 29<sup>TH</sup> APRIL, 2016  
9<sup>TH</sup> Vaisakha, 1938 (SAKA)

**TAXATION OF E-COMMERCE**

\*†98. SHRI SHRIRANG APPA BARNE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has set up any Committee to examine taxation from e-commerce in the country;
- (b) if so, the composition and the terms of reference of the said Committee;
- (c) whether the said Committee has submitted its report;
- (d) if so, the details of recommendations made by them along with the details of the action so far taken by the Government on such recommendations; and
- (e) the extent to which revenue of the Government is likely to be generated from e-commerce in the country?

**ANSWER**  
**FINANCE MINISTER**  
**(SHRI ARUN JAITLEY)**

- (a) Yes, Madam.
- (b) A Committee of eight members, comprising two Joint Secretaries in CBDT, one Commissioner Income-Tax in CBDT, one Director in CBDT, one Commissioner of Income-Tax (International Taxation), one industry representative nominated by Confederation of the Indian Industries, one representative nominated by the Institute of Chartered Accountants of India and one expert in international taxation and taxation of e-commerce was constituted by CBDT. The terms of reference of the Committee included detailing the business models for e-commerce, identifying and detailing the direct tax issues in regard to e-commerce transactions and suggesting approaches to deal with these issues under different business models.
- (c) Yes, Madam.
- (d) The Committee in its report titled "Proposal for equalization levy on Specified Transactions" in February, 2016 recommended for:

- Equalization Levy on specified digital services and facilities including online marketing and advertisements, etc.
- This Equalization Levy may be charged at a rate between 6 to 8 % of the gross payment made for specified services and facilities including online marketing and advertisements, cloud computing, website designing hosting and maintenance, digital space, digital platforms for sale of goods and services and online use or download of software and applications.
- This equalization levy should be made applicable on only payment exceeding Rs. one lakh made for specified services by a person resident in India or a permanent establishment of a non-resident person to a non-resident enterprise.
- Income arising from payments which are subjected to equalisation levy may be exempted from income-tax.

Taking into account the recommendations of the committee, on Taxation on E-Commerce the Finance Bill, 2016, proposes to provide for the following:

1. An equalisation levy of 6 % of the amount of consideration for specified services(online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement and includes other notified services) any received or receivable by a non-resident, from a resident in India who carries out business or profession, or from a non-resident having permanent establishment in India.
2. However, no such levy shall be made if:
  - (i) the aggregate amount of consideration for specified services received or receivable by a non-resident from a person resident in India or from a non-resident having a permanent establishment in India does not exceed one lakh rupees in any previous year
  - (ii) The non-resident providing specified service has a permanent establishment in India and the specified service is effectively connected with such permanent establishment.
3. Any income arising from providing specified services on which equalisation levy is chargeable shall be exempted from Income-tax.

(e) No estimate of revenue likely to be generated by Equalization Levy was made by the Committee.

\*\*\*\*\*