

Right policies to help India achieve \$1 tn digital services by 2022: Report

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MUMBAI: With right policy initiatives, the government's target of achieving USD 1 trillion worth of digital services is possible by 2022, according to a report.

"The Internet is a technology space with no geographical boundaries and is by its nature made to offer services to businesses crossing transnational boundaries." Therefore, it is very important that legal and regulatory provisions pertaining to this sector are aligned to promote this open nature of the sector," said the joint report on taxation of the digital economy brought out by IAMAI and Nishith Desai Associates said.

While the country has achieved remarkable success in recent times in improving the global ranking in the 'Ease of Doing Business', the digital industry has some specific concerns that need to be addressed to ensure the Indian digital sector reaches its full potential, the report added.

It suggested that consistent and predictable taxation policies will encourage growth of the digital economy.

"The digital sector is highly dependent upon investments from abroad in the form of FII/FDI and technology transfers which often takes the form of IP transfer/sharing in this sector."

Both these factors have historically been extremely sensitive to the taxation regime of the host countries as reiterated by the 'Doing Business Report', it said.

For many start-ups and also in case of a few other businesses, issues like online advertising and purchase or rent of license of software, other IP, cloud, scientific equipment, form a very significant portion of their operating overheads, the report maintained.

There could be significant difference of opinion with respect to valuation of their business and fluctuations in their shareholding. These conditions give rise to relatively higher tax costs, the report said.

Given the country's dependence on foreign capital and technology, taxation of income that accrues to foreign companies should be consistent with regulatory framework that aligns itself with the rest of the world to ensure Indian Internet companies can compete at the global level, it said.

"It is important to ensure there is 'certainty' and 'clarity' on implementation of the tax statutes. It is also important to ensure simpler tax compliance regime in order to further India's Global ranking in [ease of doing business](#)," it added.