

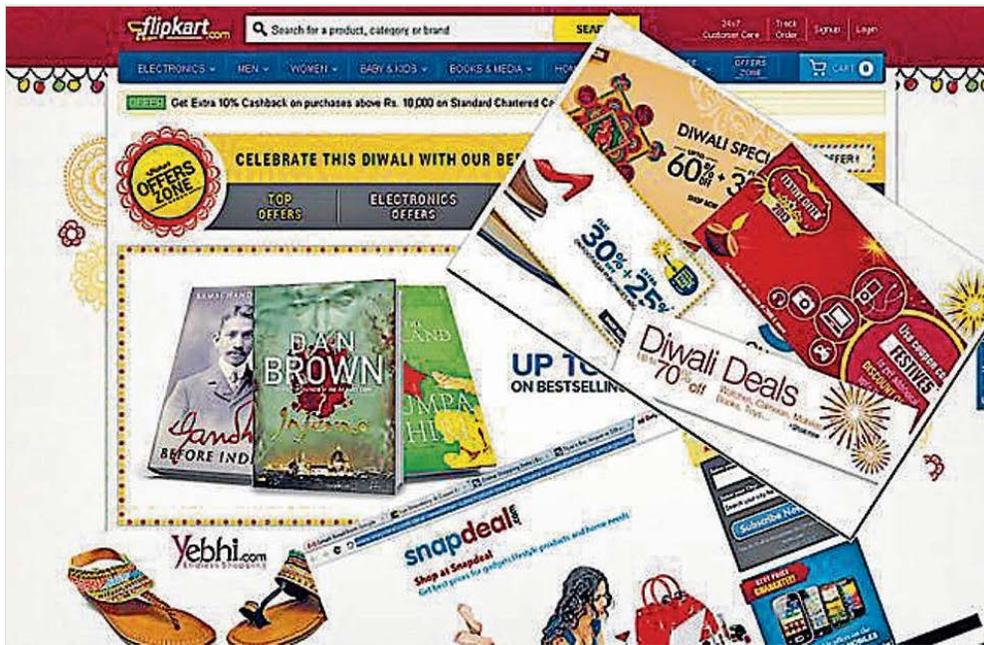
# Industry bodies oppose plan to hike 'Google Tax', say it'll hurt startups

BUSINESS

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Amid reports that the government may hike the equalisation levy, also known as Google Tax, from 6% to 8%, two industry bodies claim the move may hurt startups.(HT Photo)

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With the 2017 budget around the corner, the Internet and Mobile Association of India (IAMAI) and the Indian Cellular Association (ICA) voiced their opposition to the levy in a white paper.

The two bodies have asked the government to either reduce the levy to 2% or withdraw it.

They are also against extending the scope of the tax from online advertisements to other categories such as cloud computing, website design hosting & maintenance, and digital space.

'Google tax' is applicable at 6% on gross B2B online advertising revenues earned by a foreign entity with no permanent physical establishment in the country. The government taxes the income that a foreign firm makes from India.

Legal associate Pratibha Jain, who worked on the white paper, said the commission that looks into the EL tax structure had hinted that the rate might be raised.

However, Jain said the levy was counter-productive as it burdened startups and consumers.

“Equalisation levy is more like the income tax, but it is applied in an indirect manner. It also doesn’t offer credit for the tax submitted to the government. Hence, the firms may have to pay tax on the same income in their home country,” she said, adding the tax would lower the ease of doing business in India.

Both the industry bodies also pointed out that the threshold of the tax was ₹1 lakh, which is quite low compared to other taxes.

“The levy is not covered under the double tax avoidance agreements. Moreover, it cannot be offset against other taxes under Cenvat Credit Rules,” said Pankaj Mahindroo, president of the Indian Cellular Association.