

Technology & Tax Series

September 01, 2020

TECHNOLOGY & TAX SERIES – ISSUE IV: FINTECH PART I: PAYMENT AGGREGATORS AND PREPAID INSTRUMENTS | BUSINESS MODEL CASE STUDY

FinTech is very wide and includes an array of technological enhancements such as mobile and web-based payment services, digital currencies (cyprocurrencies), blockchain technology, peer to peer lending, crowd funding, smart contracts, cloud computing, big data, Artificial Intelligence etc. In the global landscape, India has been a frontrunner in the FinTech space. As per various reports, India ranks second (after China) in terms of adoption of FinTech with an adoption rate of 87 percent (increased from 52 percent in the 2017 index). The efforts of the incumbent government and the RBI in terms of bringing about legal and policy changes to foster a conducive climate for FinTech has been crucial in India achieving this feat.

Some of the most noteworthy achievements of India in FinTech has been in the payments sector. Development of payments services such as Immediate Payments Service (IMPS), Unified Payments Interface (UPI), Bharat Interface for Money (BHIM), Bharat Bill Pay System (BBPS) etc. by the Government has formed the bedrock for developing a state-of-the-art national payments infrastructure in India. Digital payments have thrived in lockdown and are showing increasing adoption of digital payment methods by large sections of public.

In this context and in continuation of our 'Technology & Tax Series', we are pleased to announce the fourth issue of this series: 'Fintech Part I: Payment Aggregators and Prepaid Instruments | Business Model Case Study'. Being a wide topic including crypto and digital currencies, in this issue, we have limited the scope to only the business models of cross border payment aggregators and prepaid instrument issuers. We highlight how different tax outcomes, particularly on attribution under Pillar I principles, may arise due to operational differences of various products and the different models adopted. Further, we lay down the structural relationships as part of the case study to reflect several market realities noticed in such business models. We then analyze the impact of income-tax provisions inter-alia including provisions related to significant economic presence, attribution rules, transfer pricing, equalization levy, and provisions under tax treaties in relation to permanent establishment among other issues. We also delve into the potential implications for each model under the GST regime in detail.

With Fintech being at the forefront due to the phenomenal activity in this sector in recent times, we are certain that this report would be of interest to you. Please note that this report is only for private circulation and is available only on a request basis. Please send an email on [digitaltaxseries\(at\)nishithdesai.com](mailto:digitaltaxseries(at)nishithdesai.com) to request for a copy of the case study.

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Fintech

May 05, 2025

Medical Device Industry in India

April 28, 2025

Clinical Trials and Biomedical Research in India

April 22, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX

April 01, 2025

**SIAC 2025 Rules: Key changes &
Implications**

February 18, 2025
