

ET Home > News > Economy > Policy

Search for News, Stock Quotes & NAV's

04:05 PM | 08 MAY CLOSED MARKET STATS ▼

सैंसेक्स **35,216** ▲ 8.18 निफ्टी 50 **10,717** 🔺 2.30 सोना (एमसीएक्स) (□/10 ... **31,150.00 ▼** -108.00 यूएसडी/भारतीय ... **67.08 ▼** -0.06

पोर्टफोलियो बनाएं

ई-टी मार्केट एप डाउनलोड करें CHOOSE ANGUAGE

## Google tax may be broadened to cover non-digital MNCs

BY SACHIN DAVE, ET BUREAU | UPDATED: MAY 08, 2018, 09.14 AM IST

Post a Comment

MUMBAI: A budgetary proposal to tax multinationals with a substantial user base in India such as Google and Facebook is now being widened to include non-digital companies.

This could mean that any company that merely sells goods or services in India could see domestic taxes of up to 42% on their profits, said two people with direct knowledge of the matter.

The government is planning to introduce rules to effect the change proposed in the budget in the coming weeks, said one of the persons quoted above.

Many tax experts fear this could impact several multinational companies that only export goods or services to India.

"The question is whether there is a tax to do business with India. If non-digital companies that merely trade with India could see their business connection/permanent establishment set in India slapped with domestic taxes, this could lead to unsettling of settled tax positions," said Amit Maheshwari, partner, Ashok Maheshwary & Associates LLP.

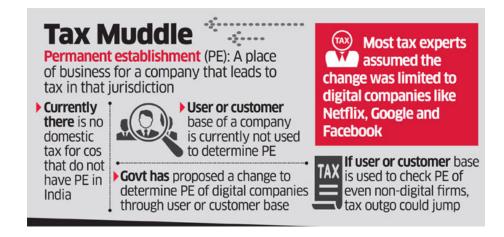


Many tax experts fear this could impact several multinational companies that only export goods or services to India.

Big Change:

The end of Five-Year Plans: All you need to know

According to another person with direct knowledge of the matter, the impact on non-digital companies is unintentional.



"It's very difficult to define digital companies in the regulation, and even if this is done, there is a fear that this could be misinterpreted or exploited by several companies," he said.

"Why should companies that earn billions from India or have potential to do so be not taxed in the country? The definition of permanent establishment has to change in the current environment, where several multinational companies operate through a complex maze of subsidiaries and tax structures," the person told ET.

Tax experts said India could be looking to introduce this even in the existing tax treaties with other countries.

"The consultative process should result in a model that could apply to the digital economy but is not misused in the brick and mortar businesses.

Drafting of the rules must be water tight so that the rules don't get misused and any company that merely trades with India doesn't get burdened with tax at 42% on net profit method," said Vijay Iyer, national leader, transfer pricing, EY India While the focus is on multinationals operating in India through tax havens, the government could look at negotiating tax treaties with several countries. This could multilateral instruments (MLI) or bilateral negotiations. MLIs are basically common tax agreement which could lead to uniform tax regulations for all investors, irrespective of which destination they come from. MLIs are part of the base erosion and profit sharing (BEPS) framework.

"The applicability of the 'significant economic presence' rules may not have immediate impact since tax treaties wouldn't still govern most structures. However, the government may use this provision to initiate a conversation in multilateral forums like OECD and for bilateral tax treaty negotiations," said lyer.

Stay on top of business news with The Economic Times App. Download it Now!

Powered by

Live Market News Portfolio Mobile Live TV

**Biz Listings** 

Industry
Newsletters
Commodities
Speed
Blogs
RSS

Download it from

APP STORE

About Us
Create Your Own Ad
Advertise with Us
Terms of Use & Grievance Redressal
Privacy policy

Download it from

Windows Store

**FOLLOW US** 

Other Times Group news sites

इकर्नोमिक टाइम्स| ઈકોનોમિક ટાઈમ્સ | Pune Mirror | Bangalore Mirror | Ahmedabad Mirror | ItsMyAscent | Education Times | Brand Capital | Mumbai Mirror | Times Now | Indiatimes | नवभारत टाइम्स | महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ | Go Green | AdAge India | Eisamay | IGN India | NavGujarat Samay | Times of India | Samayam Tamil | Samayam Telugu | Miss Kyra | Bombay Times | Filmipop | BrainBaazi | BrainBaazi APP

Living and Entertainment

Timescity| iDiva | Entertainment | Zoom | Healthmeup | Luxpresso | Gadget Reviews | Titanium & Platinum Credit Card | Online Songs | MensXP | Hotels | Travel Destinations | Cricbuzz | Recipes | Gaana | Happytrips | Getsmartapp

Interest Network

Hot on the Web

Share Market | GST | Income Tax Slabs | Aadhaar Card | IFSC Code | Mutual Funds | How to save Income Tax | Sensex Today | Nifty Bank | Sensex | Income Tax Calculator | Karnataka Election 2018

Download it from

**GOOGLE PLAY** 

## Services

Book print ads| Online shopping | Matrimonial | Astrology | Jobs | Tech Community |
Property | Buy car | Bikes in India | Free Classifieds | Send money to India | Used Cars | Restaurants in Delhi | Remit to India | Buy Mobiles | Listen Songs | News |
TimesMobile | Real Estate Developers | Restaurant Deals in Delhi | Car Insurance |
Gadgets Now | Free Business Listings | CouponDunia | Remit2India | Techradar |
AliveAR | Getsmartapp App | ETMoney Finance App | Feedback | Auto

## In Case You Missed It

CJI Impeachment Plea

**IPO** 

How to invest in mutual fund?

SBI IFSC Codes

Stock Recommendations

Income Tax Calculator

Karnataka Assembly Election

Link Aadhar with Pan

IFSC Code

Income Tax Slabs

Mutual Funds

HRA Calculator

Copyright © 2018 Bennett, Coleman & Co. Ltd. All rights reserved. For reprint rights: Times Syndication Service