

## Tax shock for e-commerce companies

Challan for payment of equalisation levy has been expanded to include non-resident firms supplying goods and services online



First instalment of this levy is due on July 7. Challan also seeks mandatory PAN.  
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The income tax department has brought in changes to the challan for payment of equalisation levy — ITNS 285 — expanding its scope to include non-resident e-commerce companies supplying goods and services online.

The first instalment of this levy is due on July 7, charged on supplies in the first quarter ended June 30. In effect, this puts only a day in the hands of over two dozen non-resident tech companies that would come under the purview of the levy even though there is an existing option for online PAN application.

The amended challan now adds “e-commerce operator for e-commerce type of deductor”. The challan also seeks mandatory PAN of the deductor. Further, it provides an ‘Outside India’ option while seeking address details.

Sector observers and legal experts have called for an extension of the due date by at least a month, taking into account the lockdown induced challenges.

Originally introduced in 2016, this levy, also known as the Google Tax, was applicable to payments for digital advertisement services received by non-resident companies without a permanent establishment in India. The rate of tax was 6 per cent.

In the last budget, the government had widened the scope of the tax to include e-commerce companies and had introduced a 2 per cent tax on consideration received by these firms. This has come into effect from April 1, 2020.

The modification, coupled with the short duration of compliance, has resulted in a clamour for more clarity from the department in the frequently asked questions format.

“This has rather imposed a burdensome and challenging task for non-resident e-commerce players to apply for and obtain a Permanent Account Number within one business day in the midst of curbs, lockdown and pandemic affected business life and also organise the mode of payment through an Indian bank account or debit card issued by an Indian bank,” said Sandeep Jhunjhunwala, partner at Nangia Andersen LLP.

He added that non-resident digital companies were waiting for a detailed FAQ. “This rushed move could cause substantial challenges in discharging the nearing first payment liability of equalisation levy, in case interest and penalty for delayed payments are to be avoided,” he added.

Tax advocate Narayan Jain, former chairman of the Direct Tax Committee of All India Federation of Tax Practitioners, has urged for an extension of time for at least a month in view of the pandemic.

“Such a late notification of the forms is going to cause difficulty for companies as they may not be able to apply for and receive a PAN in a single working day. We were expecting FAQs clarifying the application of the levy,” said Meyyappan Nagappan of Nishith Desai Associates.

“The modification of the challan is to facilitate this payment. Earlier this challan only allowed payment for the 6 per cent equalisation levy applicable on advertising services that was imposed by the Finance Act 2016. Detailed FAQ’s and procedural rules are yet to be specified,” said Deloitte India partner Rohinton Sidhwa.