Q8

# With reference to India's decision to levy an equalization tax of 6% on online advertisement services offered by non-resident entities, which of the following statements is/are correct? 1. It is introduced as a part of the Income Tax Act. 2. Non-resident entities that offer advertisement services in India can claim a tax credit in their home country under the "Double Taxation Avoidance Agreements". Select the correct answer using the code given below: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Official key: D.

UPSC Civil Services Prelims 2018 · General Studies · 2 marks · Art and Culture

Indian art, architecture, culture - Prelims GS Paper I.



## Explanation

### (a)

(a) 1 only. The 6 percent equalisation levy on specified online advertisement services was introduced by the Finance Act, 2016 as a separate levy, not as a chapter of the Income-tax Act, 1961. Statement 1 is therefore false and cannot be the key.

### (b)

(b) 2 only. Because the levy is not income-tax, non-resident platforms generally cannot claim DTAA foreign-tax credit for it in the home country. Statement 2 is false, so this letter is not the key.

### (c)

(c) Both 1 and 2. Both statements fail, so both-correct is not the key.

### (d) Official key

(d) Neither 1 nor 2. **(d) Official key:** Equalisation levy sat outside the Income-tax Act, and DTAA credit is not available in the ordinary way. Neither statement is correct, which matches the stored key.

## Summary

Official key is (d) neither 1 nor 2. The 6 percent equalisation levy on online ads was a Finance Act levy, not an Income-tax Act provision. It is not income-tax, so Double Taxation Avoidance Agreements do not ordinarily give a home-country credit. Honour the stored letter (d).

## Related possible facts

These can be asked in a future Prelims paper.

**Equalisation levy (ads)**
6 percent, Finance Act, 2016

**Specified service**
Online advertisement and related services by non-residents

**Threshold (original)**
Aggregate consideration exceeding Rs 1 lakh in a year

**Later expansion**
2020 e-commerce operator levy (later sunset in stages)

**OECD pillar**
Global debate on taxing the digital economy