

India, US extend 2% digital tax pact on e-commerce

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India and the United States have decided to extend the agreement relating to 2 per cent equalisation levy, or digital tax, imposed by New Delhi on e-commerce platforms till June 30, the finance ministry said on Friday. In October 2021, India and the US had come to terms to settle differences with respect to digital tax.

Under the pact, India was to continue to impose the levy till March 31, 2024, or till the implementation of Pillar 1 of the OECD (Organization for Economic Cooperation and Development) agreement on taxing multinationals and cross-border digital transac-

tions. In return, US would terminate trade tariff actions, which it had announced in response to the levy.

On December 18, 2023, the Inclusive Framework issued a statement calling for finalization of the text of Pillar 1 multilateral convention by the end of March 2024, with a view to holding a signing ceremony by the end of June 2024.

“All other terms of the transitional approach remain the same,” the ministry said. It added that India and the US would remain in close contact to ensure that there is common understanding of their respective commitment and endeavours to resolve all issues on this matter through constructive dialogue.