

# US pushes India to remove digital tax, ease e-trade rules

**SUB-TEXT.** As White House releases factsheet on trade deal, experts advise caution

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The US has upped the ante on India's digital and energy policies as the two countries work towards finalising the bilateral trade deal.

The White House put out a factsheet on the bilateral trade deal on Monday, noting that India will remove its digital services taxes. It simultaneously underscored a mutual commitment to negotiate "robust" rules to end "discriminatory and burdensome practices", notably a permanent ban on Customs duties on electronic transmissions.

Experts warned that India has to be watchful while finalising the trade deal to protect its sovereignty in crucial areas, including digital trade.

## RUSSIAN OIL BUY

Besides digital taxes, the factsheet reiterated Washington's assumption that India had agreed to stop purchases of Russian oil and stressed that the rollback of 25 per cent additional tariffs on Indian goods last Friday

## UPPING THE ANTE

- US pitches for permanent ban on Customs duties for digital goods
- Wants India to commit to no digital services tax
- Factsheet lists IPR, government procurement, labour, environment as areas to be negotiated in trade pact



was predicated on this commitment.

The factsheet also listed areas that are to be negotiated as part of the bilateral trade agreement (BTA), including remaining tariff barriers, additional non-tariff barriers, technical barriers to trade, services and investments, and also areas that India, till recently, safeguarded in trade deals such as intellectual property, labour, environment and government procurement.

Digital sector expert Parminder Jeet Singh said the US insistence on India removing digital services taxes is "worrying". "The idea behind the tax was to ensure a level-playing field for domestic players and match their tax burden. Under US pressure, India has already discontinued the tax. But it

must not give a commitment for the future as this will be a big disadvantage for the domestic industry," he said.

The factsheet saying India had agreed to negotiate on rules that prohibit imposition of Customs duties on electronic transmissions is also of concern, experts say.

## CAUTION ON E-TAX

"At the WTO, India has stood firm against making permanent the moratorium on taxation on e-transmissions.

"It will be dangerous if India agrees to this in the pact with the US as soon every economic activity will have an AI app that will come from outside. A conservative estimate is that 40 per cent of the value chain of economic activity is skimmed by such e-services and India must not commit to not tax

them," Singh warned.

Third World Network's senior researcher Ranja Sengupta flagged the asymmetry in the US' digital trade agreements with Cambodia and Malaysia, arguing that these deals impose unfair curbs on governments' ability to mandate data localisation or seek access to source code. Warning against a similar outcome for New Delhi, she said India must not compromise its regulatory autonomy or data sovereignty in any trade agreement with Washington.

## India may allow import of US masur at nil duty

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New Delhi

India may allow limited quantity of lentil (masur) imports at zero duty from the US against 10 per cent now, said highly placed sources. However, there is unlikely to be a similar treatment for other pulses such as yellow pea and Kabuli chana.

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