

Digital tax on online ads to go from April 1

DODGING THE THREAT. Part of govt efforts to avoid US tariffs

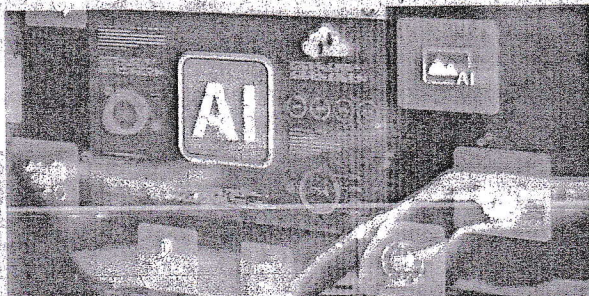
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New Delhi

The government on Monday proposed abolishing the equalisation levy (EL) or digital tax on online advertisements, starting April 1. The proposal is part of the 59 amendments to the Finance Bill, 2025, which is being debated in the Lok Sabha.

The move, which is favourable to a number of American tech giants, is seen as part of a bouquet of preemptive measures, including reduction of import duty on high-end/luxury vehicles, to ward off the threat of retaliatory tariffs by the US on April 2.

Accordingly, the Finance Ministry has added the reduction of the levy to the 'Amendments to the Finance Act 2016' in the list of official changes to the Finance Bill, 2025.

The levy is charged at 6 per cent of the sum received or receivable by a non-resident for online advertisement services. In 2020, the levy was also imposed on non-resident e-commerce operators.



AD SAVINGS. This will reduce the tax burden on digital ad consumers and costs for platforms like Google and Meta

The rate was 2 per cent, but it was removed in 2024.

ACCOMMODATIVE

Amit Maheshwari, Tax Partner at AKM Global, said the 2 per cent levy attracted criticism from the US, but in anticipation of more retaliatory tariffs, the Centre is trying to show a more accommodative stance and the removal of the 6 per cent equalisation levy on online advertising is a step in that direction.

"It remains to be seen if this step, coupled with the ongoing diplomatic measures, would lead to any softening of stance by the US," he said.

According to Sandeep Jhunjhunwala, M&A Tax Partner at Nangia Andersen, the withdrawal of the equalisation levy would now reduce costs for digital ad consumers while lowering the tax burden for digital advertisement platforms such as Google and Meta.

Sumit Singhanja, Partner at Deloitte India, said even from an international tax policy standpoint, unilateral measures undertaken by the government to deal with tax challenges of digitalisation of economies have to be steadily wound back to make way for uniform tax rules under two pillar solutions espoused by OECD.