

● MOVE FOLLOWS GOVT EFFORTS TO BOOST COMPLIANCE

# Nearly 50 more offshore firms register for GST

PRIYANSH VERMA  
New Delhi, October 28

AROUND 40-50 MORE offshore entities have registered with the GST authorities in recent months, after an investigation revealed that they were not paying taxes on Online Information and Database Access or Retrieval (OIDAR) supplies, official sources said.

The new registrations may lead to an increase in GST revenue to the tune of a few hundred crore rupees, the sources said.

OIDAR is a category of services provided through the medium of internet and received by the recipient online without having any physical interface with the supplier of such services. Examples include online advertising, cloud services, e-books, movie, music, digital data storage, and online gaming.

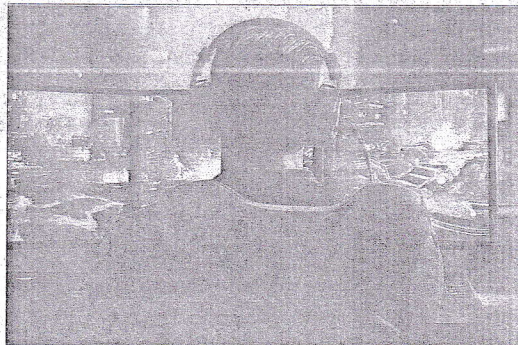
"The Directorate General of GST Intelligence (DGGI) has been making continuous efforts to make offshore entities (who provide OIDAR services) aware of India's domestic taxation laws, so that they pay the required tax amount," an official said. "In several cases, we find that such entities are genuinely unaware of the law...so they take registration and pay tax."

Under GST provisions, when overseas entities offer digital services to end users in India, the tax obligation lies with the overseas service provider in a non-taxable territory. These entities are mandated to register for GST and submit monthly returns detailing their

## TAX ROLL

■ Under GST provisions, overseas entities are obligated to pay tax when they offer digital services to end users in India

■ Since introduction of GST in July 2017, a total of 574 offshore entities have registered



■ Revenue collection from Online Information and Database Access or Retrieval (OIDAR) sector rose from ₹80 cr in FY18 to ₹2,675 cr in FY24

Indian sales while remitting applicable taxes. However, many fail to comply, which often results in significant financial penalties and legal repercussions for undisclosed transactions and tax remittance failures, say experts.

The DGGI, in its annual report for FY24, had said that since the introduction of GST in July 2017, a total of 574 offshore entities have registered with the GST department. As a result, revenue collection from this sector rose from ₹80 crore in FY18 to ₹2,675 crore in FY24. On dealing with such offshore suppliers, it has also come to light that several such suppliers are "ignorant of the law, and upon conveying the legal position clearly, such suppliers agree to comply with the GST mandate," the DGGI stated in the report.

Sandeep Sehgal, partner-tax, AKM Global, said the DGGI is

making several efforts like sending emails to such service providers to make them aware and telling them to register with the authorities. "The approach is commendable since they are not taking hard steps in the initial instances and are focussing more in creating awareness," he added.

Shareen Gupta, partner, JSA Advocates and Solicitors, said the OIDAR provisions requiring offshore companies to pay tax in India also recognise "intermediaries" as persons liable to pay GST in India. "But owing to complex business models for services rendered through online medium, the correct taxability and valuation for the same often does not get identified, hence it's important that the government issues clarifications to help overseas entities to be compliant with the requirements of the Indian law," she said.

In its annual report, the DGGI had highlighted that many offshore providers of OIDAR services represent a "relatively untapped" sector with "tremendous" revenue potential; hence, innovative solutions to prevent revenue leakage are essential.

Some experts say that the non-compliance of GST by offshore OIDAR service providers is more pronounced in the online gaming sector. For offshore platforms offering online money gaming services, it is therefore imperative to understand and comply with the updated GST regulations, effective from October 1, 2023, they say. "The penalties for evasion are steep, and platforms that fail to meet their obligations risk not only fines but also the potential loss of access to one of the world's largest gaming markets," said Ankur Gupta, practice leader-indirect tax at SW India.