



India and USA extend the Transitional Approach on Equalisation Levy 2020 until June 30, 2024

On October 8, 2021, India and the United States joined 134 other members of the OECD/G20 Inclusive Framework (including Austria, France, Italy, Spain, and the United Kingdom) in reaching agreement on the Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy.

On October 21, 2021, the United States AND Austria, France, Italy, Spain, and the United Kingdom reached a political compromise on the transitional approach to the unilateral measures in force while Pillar 1 is implemented. The compromise is reflected in the joint statement that was issued by those six countries on that date (“October 21 Joint Statement”).

On November 24, 2021, India and the United States agreed that the same terms that apply under the October 21 Joint Statement shall apply between India and the United States with respect to India’s charge of 2% equalisation levy on e-commerce supply of services and the United States’ trade action regarding the said Equalisation Levy. The validity of this agreement was from 1st April 2022 till implementation of Pillar One or 31st March 2024, whichever is earlier. This was stated in public statements made by both sides (“November 24 Statements”).

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

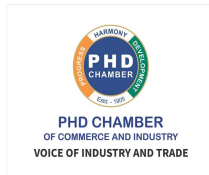
On February 15, 2024, the United States AND Austria, France, Italy, Spain, and the United Kingdom decided to extend the political compromise set forth in the October 21 Joint Statement until June 30, 2024. That decision is reflected in the joint statement (“Updated October 21 Joint Statement”) issued by them on February 15, 2024.

In light of above developments, India and the United States have decided to extend the validity of the agreement reflected in November 24 Statements until June 30, 2024. All other terms of the transitional approach remain the same.

India and the United States will remain in close contact to ensure that there is common understanding of the respective commitment and endeavour to resolve all issues on this matter

through constructive dialogue.

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Warm regards,

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