



The Central Board of Direct Taxes notifies Equalisation Levy Rules, 2016

The Finance Act, 2016 has introduced an 'Equalisation Levy' (Chapter VIII) in line with the recommendation of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) project to tax e-commerce transactions. The Act provides that the Equalisation levy is to be charged on specified services (online advertising, provision of digital advertising space, etc.) at 6 per cent of the amount of consideration for specified services received or receivable by a non-resident payee not having a Permanent Establishment (PE) in India.

The Central Board of Direct Taxes (CBDT)¹ has now issued the Equalisation Levy Rules, 2016 to lay down the compliance procedure to be followed for such levy. The Rules will come into force from 1 June 2016.

Key summary of the rules is as follows:

- Equalisation Levy is to be deducted and paid to credit of central government by remitting to Reserve Bank of India or in any branch of the State Bank of India or any authorised bank accompanied by an equalisation challan.
- The deductors of Equalisation Levy during a financial year are required to furnish a 'Statement of specified services' in Form 1, electronically (either digital signature or verification code), on or before 30 June immediately following that financial year.

- Rules prescribe the process for issuance of notice by the Assessing Officer (AO) in the event of non-furnishing of Form 1 by the deductors.
- Rules also prescribe various forms – Form 2 for notice of demand by the AO; Form 3 for filing appeal before Commissioner of Income Tax (Appeals); Form 4 for filing appeal before the Income Tax Appellate Tribunal.

Our comments

Post the introduction of Equalisation Levy by the Finance Act, 2016, the rules with respect to the same were awaited. These rules have notified various forms and will also bring clarity in the procedure to be followed for such levy.

¹ Notification No. 37 and 38/2016, dated 27 May 2016

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