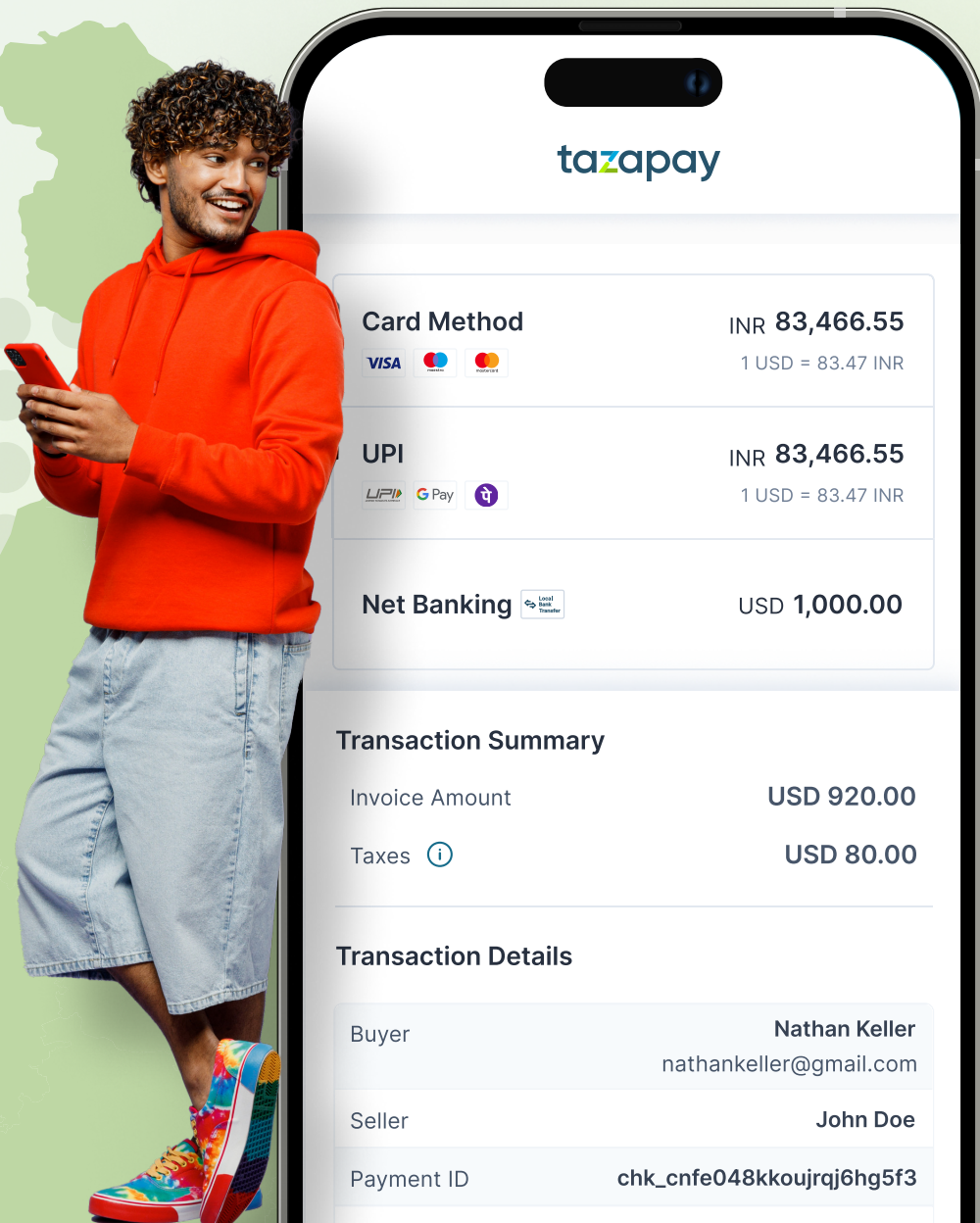


# Into India:

## Decoding India's Crossborder Payment Compliance

**tazapay**

<b>Card Method</b> <small>VISA   Mastercard   American Express</small>	<b>INR 83,466.55</b> <small>1 USD = 83.47 INR</small>
<b>UPI</b> <small>UPI   G Pay   PhonePe</small>	<b>INR 83,466.55</b> <small>1 USD = 83.47 INR</small>
<b>Net Banking</b> <small>Local Bank Transfer</small>	<b>USD 1,000.00</b>

---

**Transaction Summary**

Invoice Amount	<b>USD 920.00</b>
Taxes <small>(i)</small>	<b>USD 80.00</b>

---

**Transaction Details**

Buyer	<b>Nathan Keller</b> nathankeller@gmail.com
Seller	<b>John Doe</b>
Payment ID	<b>chk_cnfe048kkoujrqi6hg5f3</b>

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# Introduction

Welcome to **"Into India"**: A pivotal guide for SaaS companies and digital eCommerce merchants venturing into the Indian market. India, now home to the world's largest population, presents a fertile ground for digital businesses.

The nation's e-commerce and SaaS sectors are at the forefront of an impressive growth trajectory, underpinned by an expanding digital economy poised to reach USD 1 trillion by 2030.

The e-commerce market alone is expected to surge at a compound annual growth rate (CAGR) of 27%, aiming for a USD 163 billion valuation by 2026, with the broader digital market size projected to swell to USD 259 billion by 2032.

This series is crafted to navigate you through the intricate compliance landscape essential for tapping into India's burgeoning market:

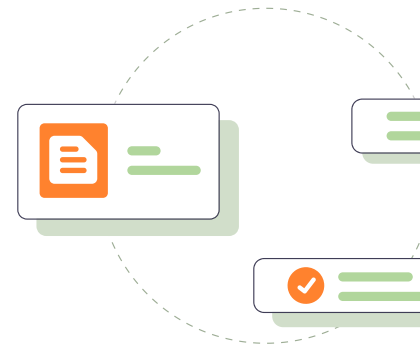
**1. Documentation:** Explore key forms including Form 10F, Form 15CA, Form 15CB, Form A2, No PE declarations, and TRCs, pivotal for compliance and efficiency in India. These documents are vital for navigating tax and transaction regulations seamlessly.

**2. Taxation:** Dive deep into the nuances of direct and indirect taxes, along with withholding tax obligations, to ensure your business thrives without hiccups.

**3. Equalisation Levy:** Grasp the significance of the equalisation levy designed to create a level playing field for foreign e-commerce players.

Through a blend of detailed compliance guidelines and insights into the vibrant digital marketplace, "Into India" aims to empower your venture with the knowledge and tools necessary to navigate the dynamic Indian market successfully. From understanding the legal framework to leveraging the digital economy's vast potential, this series will serve as your comprehensive roadmap to tapping into one of the world's most promising e-commerce landscapes. Stay tuned as we unravel the complexities of doing business in India, ensuring your venture is not just compliant, but also competitively positioned to thrive in this exciting market.

# 01



## Navigating Cross-Border Payment Document Compliance in India

### Documentation

Understanding the comprehensive suite of documentation required for cross-border transactions is crucial for SaaS companies and digital eCommerce merchants targeting India's burgeoning digital marketplace.

The Tax Residency Certificate (TRC), No Permanent Establishment (PE) declaration, Form 10F, Form 15CA, Form 15CB, and Form A2 collectively form a robust framework for navigating India's tax landscape. These documents are far more than mere regulatory formalities; they are strategic assets that unlock optimized tax benefits under Double Taxation Avoidance Agreements (DTAAs) and facilitate adherence to India's foreign exchange regulations, ensuring that your business operates within the confines of India's complex tax regime efficiently.

This foundational knowledge paves the way for a comprehensive exploration of India's tax obligations, a vital component in capitalizing on the opportunities presented by this rapidly evolving digital economy. As we continue our journey through the "Into India" series, delving deeper into the intricacies of taxation, the importance of these key documents becomes ever more critical. They not only ensure compliance but also strategically position businesses for successful cross-border operations, underscoring the necessity of a thorough understanding of India's tax and regulatory environment for successful market entry and expansion.

## A. Tax Residency Certificate (TRC)



A Tax Residency Certificate (TRC) is essential for entities and individuals in cross-border commerce, acting as a gateway to Double Taxation Avoidance Agreements (DTAAs) benefits. It validates tax residency, enabling reduced or waived taxes on international income.

In India, coupling a TRC with Form 10F is vital for foreign entities to claim DTAA benefits, reflecting India's dedication to global tax cooperation and double taxation prevention. The TRC is a strategic tool for international entities to manage tax liabilities efficiently in India.

## B. No Permanent Establishment (PE) Declaration



The No PE Declaration is vital for foreign merchants in India, indicating the absence of a fixed business presence, which affects tax liability under DTAAs. This declaration exempts their profits from direct taxation in India, avoiding a 20% withholding tax and ensuring fair treatment under international tax laws. It highlights a commitment to compliance with Indian tax regulations, allowing foreign entities to capitalize on India's economic growth without the burden of extra taxation.

## C. Form 10F



### i. Navigating Tax Treaty Benefits for Non-Resident Entities

Form 10F is mandated by the Indian Income Tax Department for non-resident entities to declare their tax residency status and affirm the absence of a Permanent Establishment (PE) in India. This requirement is integral for foreign businesses, including SaaS companies and digital eCommerce merchants, aiming to leverage India's growing digital marketplace efficiently. Submitting this form, in conjunction with a Tax Residency Certificate (TRC) and a No PE declaration, is pivotal for claiming benefits under Double Taxation Avoidance Agreements (DTAAs), ensuring tax compliance and optimizing tax liabilities within India.



## ii. Purpose and Applicability

Form 10F serves as a self-declaration form required by non-resident taxpayers receiving income from India and seeking to avail tax treaty benefits between India and their country of residence. It provides the Indian payer with necessary details to ensure the correct application of DTAA rates, preventing double taxation on the income earned by the non-resident entity in India.

## iii. Filing Requirements and Process

As of April 1, 2023, the electronic filing of Form 10F has become mandatory, necessitating non-resident taxpayers to register on the Indian Income Tax e-filing portal, even if they do not possess a Permanent Account Number (PAN) in India. This move towards e-filing aims to streamline the process and enhance compliance transparency.

## iv. To file Form 10F online:

- a. **Registration:** Non-residents need to register on the Income Tax India [e-Filing portal](#).
- b. **Filing:** Navigate to the 'e-File' menu, select 'Income Tax Forms', and choose Form 10F for filing.
- c. **Submission:** Fill in the required details, attach a copy of the TRC, and submit the form electronically.

## v. Details Required in Form 10F:

Form 10F necessitates comprehensive information from the non-resident entity.

You can find an example of the form 10F in the link provided.

 [Example of Form 10F](#)

[Open Link](#) →

- a. **Taxpayer's Status:** This specifies the nature of the entity (individual, company, etc.), establishing the foundational basis of the tax relationship.
- b. **Tax Identification Number (TIN) in the Country of Residence:** This is the taxpayer's identification number in their country of residence, crucial for international tax compliance.
- c. **Nationality or Country of Incorporation/Registration:** For individuals, nationality is required. For companies and other entities, the country or specific territory of incorporation or registration is needed.
- d. **Period for which the Residency Certificate is Applicable:** Specifies the time frame for which the TRC is applicable, affirming the taxpayer's residency status for that period.
- e. **Address in the Country of Residence:** This is the taxpayer's identification number in their country of residence, crucial for international tax compliance.

For detailed guidance on submitting Form 10F and navigating the tax documentation required for operating in India, please refer to the official documentation and seek professional assistance to ensure compliance and optimize your tax obligations in India. Visit the Income Tax Department's [official website](#) for more information on the e-filing portal and the requirements for foreign entities.

## D. Form 15CA



### i. Ensuring Compliance for Remittances to Non-Residents

Form 15CA is a crucial declaration for any remittance made to non-residents from India, aimed at ensuring such payments are compliant with the Indian Income Tax Department's regulations. This form acts as a tool for the government to track transactions and ensure taxes are collected on payments made to non-residents that are chargeable under the Income Tax Act. It is to be filed by the individual or entity making the remittance before the payment is made and can be submitted both online and offline.

## ii. Purpose and Usage

The primary purpose of Form 15CA is to collect information on payments to non-residents, facilitating the proper assessment and taxation of such transactions. It serves as a declaration by the person responsible for making the remittance, confirming that tax has been correctly deducted at source for payments made to foreign entities.

## iii. Who Should File Form 15CA?

Form 15CA should be used by any taxpayer, authorized signatory, or representative assessee involved in making payments to non-residents. This includes a broad range of taxpayers, ensuring comprehensive coverage across different types of remittances to non-residents.

## iv. Structuring and Submission

Form 15CA is divided into four parts, with each section catering to specific types of remittances based on their nature and the total value during the financial year:

- a. **Part A** is applicable for remittances not exceeding 5 lakh rupees in a financial year that are chargeable to tax.
- b. **Part B** applies when remittances exceed 5 lakh rupees, and an order/certificate under specific sections of the IT Act has been obtained.
- c. **Part C** is for remittances exceeding 5 lakh rupees with a certificate from a Chartered Accountant in Form No. 15CB.
- d. **Part D** is used when remittances are not chargeable to tax.

Filing Form 15CA involves detailed input about the remitter, remittee, and the remittance itself, including PAN, contact details, and the nature of the transaction. Additionally, it is imperative to have certain documents ready, such as the remittee's tax residency certificate and a declaration of no permanent establishment in India if applicable.

Familiarizing with and accurately completing Form 15CA is essential for maintaining compliance with the Government of India's tax regulations when making remittances to non-residents. It ensures the correct tax deduction at source (TDS) and helps avoid potential penalties or legal repercussions for non-compliance. Businesses should ensure all required documents and information are readily available to facilitate a smooth filing process with the Indian Income Tax Department.



For detailed instructions on filing Form 15CA and ensuring compliance with India's cross-border payment regulations, businesses are encouraged to consult the Income Tax Department's [official guide](#) and seek professional assistance if necessary.

## E. Form 15CB



### i. Certification for Cross-Border Payments

Form 15CB is a critical document required by the Indian Income Tax Department, acting as a certification from a Chartered Accountant (CA) that accompanies Form 15CA in the process of remitting payments to non-residents. This certification is an essential part of the compliance and regulatory framework for SaaS companies and digital eCommerce merchants looking to operate within India's digital marketplace. It ensures that taxes on cross-border transactions are correctly calculated and duly accounted for, reflecting a commitment to adherence to India's tax regulations.

### ii. Purpose of Form 15CB

The primary role of Form 15CB is to certify the details of the payment, tax deduction at source (TDS), and other related information for remittances to non-residents. This form is necessary when payments to non-residents exceed the threshold set by the Income Tax Department and when such payments are chargeable under the provisions of the Income Tax Act, 1961. A CA must verify the payment details, including the applicability of the DTAA, the nature of remittance, and the corresponding tax liability, before a remittance is made.

### iv. Key Components of Form 15CB

- a. Taxpayer's Details:** Includes the name, PAN, and address of the remitter, establishing the entity's identity engaging in the cross-border transaction.
- b. Remittee's Information:** Covers the name, address, and country of residence of the recipient, ensuring clarity on the beneficiary of the remittance.
- c. Nature of Remittance:** Detailed description of the transaction, specifying whether it falls under royalty, fees for technical services, interest, dividends, etc., aligning with the nature of transactions typical for SaaS and eCommerce platforms.

- d. DTAA Applicability:** Confirmation whether the remittance is covered under a DTAA, and if so, specifying the relevant article and the rate of TDS as per the agreement.
- e. Tax Deduction Details:** Information on the TDS rate applied, the amount of tax deducted, and the basis of such deduction, ensuring compliance with tax obligations.

## v. Filing Process and Compliance

The filing of Form 15CB is done electronically through the official e-filing portal of the Income Tax Department. The CA, after verifying the details and tax liabilities, submits this form online, providing the taxpayer with an acknowledgment number. This number is then quoted in Form 15CA, effectively linking both forms in the remittance reporting process.

## vi. Strategic Importance for Businesses

Understanding and accurately completing Form 15CB is vital for businesses to manage their tax liabilities on remittances to non-residents efficiently. It not only facilitates compliance with Indian tax laws but also aids in leveraging tax benefits available under various DTAA's, minimizing the withholding tax burden on cross-border transactions.

For comprehensive guidance on submitting Form 15CB and ensuring seamless compliance with India's cross-border payment regulations, businesses are encouraged to consult with professional CAs and refer to the Income Tax Department's [official website](#) for the latest updates and detailed instructions.

## F. Form A2



### i. A Keystone for Foreign Exchange Compliance

Form A2 is a mandatory document required for the transfer of money abroad from India, facilitating the outward remittance of foreign exchange. This form must be submitted to an authorized dealer, typically a bank or financial institution sanctioned by the Reserve Bank of India (RBI), for any international monetary transfer.

## ii. Purpose of Form A2 in International Transactions

Form A2 serves not just as a procedural requirement but as a fundamental component ensuring that cross-border transactions comply with India's foreign exchange management policies. It plays a pivotal role in maintaining the integrity of India's financial system, monitoring foreign currency outflows, and preventing misuse of the foreign exchange framework.

For businesses, especially those in the SaaS and digital eCommerce sectors, understanding and accurately completing Form A2 is crucial. It not only facilitates legal international payments but also helps maintain a clear record for tax and audit purposes. The form's requirement for an AD Code (Authorised Dealer Code) further emphasizes the need for meticulous preparation and submission of documents for foreign exchange transactions, linking every transaction to a unique identifier for better tracking and compliance.

## iii. Key Components of Form A2

- a. Information on the Remitter and Beneficiary:** It collects detailed information about the remitter and beneficiary, including names, addresses, and the purpose of the remittance, ensuring transparency and adherence to regulatory requirements.
- b. Amount and Mode of Payment:** Specifies the remittance amount and the preferred mode of payment, whether it's a wire transfer, bank draft, or another method, capturing the transaction's financial essence.
- c. Declaration of Compliance:** The form concludes with a declaration by the applicant affirming the accuracy of the provided information and compliance with foreign exchange regulations, underscoring the responsibility of the remitter to ensure all transactions are lawful and within the guidelines set by the RBI.

## iv. Navigating Form A2 Compliance

Given the complexities involved in filling out Form A2, especially for significant transactions or for businesses engaging in frequent international payments, seeking professional assistance or consulting with the bank's forex department can be invaluable. Ensuring accuracy in the form's completion helps avoid potential delays or rejections, facilitating a smoother transaction process.



For a comprehensive understanding of how to fill out Form A2 correctly, businesses are encouraged to consult the detailed guidelines provided by financial institutions or the Reserve Bank of India's notifications on foreign exchange transactions. Additionally, leveraging platforms like Tazapay, which may assist in managing international payments, can streamline the process, ensuring compliance and efficiency in cross-border transactions.

Incorporating Form A2 into your international payment operations underscores the importance of adherence to India's foreign exchange regulations, ensuring that your business's global financial interactions are conducted within the legal framework, thus safeguarding against regulatory issues and fostering a trustworthy international trade environment.

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# 02



## Understanding Taxation for Cross-Border Business

### Taxation

In our previous exploration, "Into India: Navigating Documentation for Cross-Border Compliance," we laid the groundwork by delving into the essential documentation for businesses operating internationally—focusing on the Tax Residency Certificate (TRC), No Permanent Establishment (PE) Declaration, and the intricacies of Form 10F filing. These components form the bedrock of understanding India's tax landscape, ensuring compliance and facilitating smoother market entry for foreign entities.

This follow-up article, "Into India: Understanding Taxation for Cross-Border Business," aims to build upon that foundation by examining the broader aspects of taxation that impact businesses engaged in cross-border activities with India. Our discussion will encompass:

### Taxation Overview

- a. **Direct Taxation** and its Relation to DTAA and No PE Declaration: We'll further explore how DTAA agreements mitigate direct tax liabilities for international businesses and the importance of the No PE declaration.

Continued in next page

b. **GST Implications for Digital Services: Breaking down the indirect taxation** landscape into two significant components:

- **GST under Reverse Charge Mechanism (RCM):** An overview of how RCM applies to overseas transactions, where the GST payment responsibility shifts from the supplier to the recipient in certain conditions.
- **GST on Online Information and Database Access or Retrieval (OIDAR) Services:** Focusing on GST implications for digital services provided by non-residents to Indian consumers, highlighting registration requirements and compliance for e-commerce operators providing OIDAR services.

c. **Withholding Tax (WHT) and Its Relation to DTAA & No PE**

**Declaration:** An examination of the interplay between DTAA provisions, No PE declarations, and the withholding tax obligations for foreign businesses, alongside the conditions under which exemptions apply.

By navigating these crucial aspects, businesses can gain a comprehensive insight into India's tax system, enabling more informed decisions and strategic planning for successful operations within the Indian market.

## A. Direct Taxation and its Relation to DTAA and No PE Declaration



### i. DTAA (Double Taxation Avoidance Agreement)

DTAA agreements are pivotal for businesses engaging in international trade, designed to prevent the double taxation of income that could occur when the same income is taxed by both the country where it is earned and the country of residence of the recipient.



These agreements are applicable to direct taxes, such as corporate tax and income tax, which are levied directly on the income or wealth of entities and individuals. By specifying reduced tax rates or providing exemptions for certain types of income, DTAAAs facilitate smoother cross-border business operations and financial flows.

India has established DTAAAs with over 90 countries, which underscores the country's commitment to fostering a conducive environment for international business. The comprehensive list of India's DTAAAs and their specifics can be accessed on the official Income Tax Department of India website or through the Central Board of Direct Taxes (CBDT) portal, offering invaluable resources for businesses seeking to understand and leverage these agreements.

## **ii. No PE (Permanent Establishment) Declaration**

The concept of Permanent Establishment (PE) is central to the application of DTAAAs. A PE is essentially a fixed place of business through which a foreign company conducts its business activities in another country. The presence of a PE in India implies that the foreign entity has a substantial physical presence, thereby subjecting it to direct taxation on the income attributable to that PE.

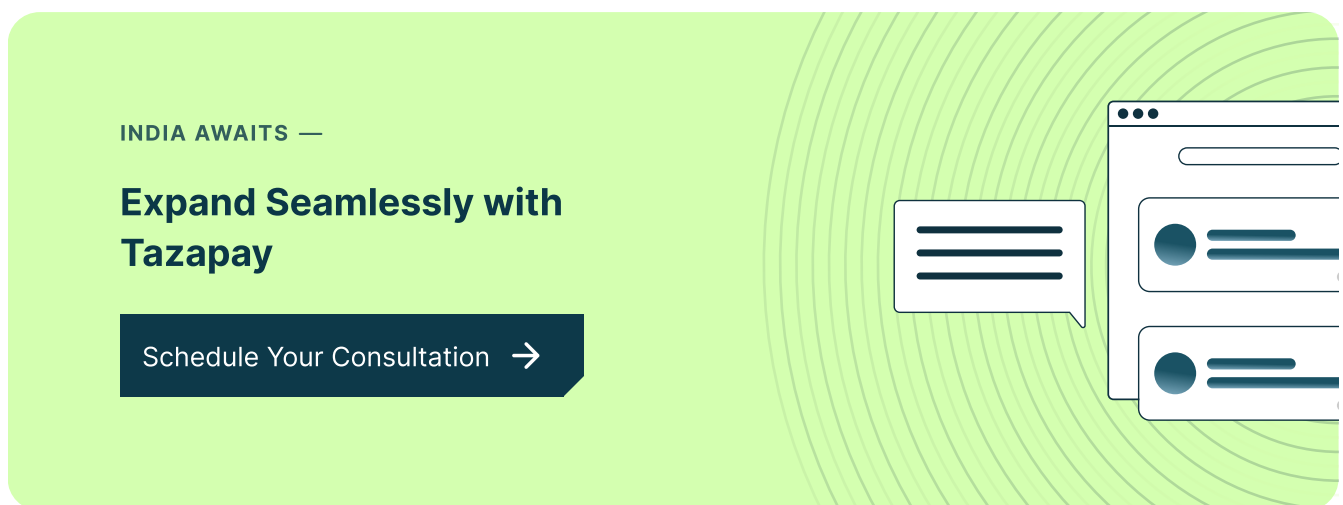
However, if a foreign merchant does not have a PE in India, as per the specific DTAA between India and the merchant's country of residence, they may not be liable to pay direct taxes in India on the income generated from Indian buyers. This declaration allows foreign entities to avoid potential direct tax liabilities, provided they comply with the DTAA provisions and successfully declare their absence of a PE in India. The No PE Declaration is crucial for foreign businesses to ensure they are not inadvertently taxed on income not attributable to a physical presence or operations in India.

The criteria for what constitutes a PE, along with the implications for taxation, are detailed within each DTAA. For businesses looking to navigate these aspects, consulting the DTAA text available on the Income Tax Department's website or seeking advice from tax professionals is advisable.



For more detailed information on the application of DTAA's and the significance of the No PE Declaration, visit the [Income Tax Department of India's official website](#) and Central Board of Direct Taxes (CBDT) for comprehensive guides, treaty texts, and related resources.

Understanding the nuances of these agreements and declarations is essential for international businesses to optimize their tax strategy and ensure compliance while operating in India.



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The advertisement features a light green background with a pattern of concentric circles on the right side. On the right, there is a stylized illustration of a computer monitor displaying a webpage layout with a navigation menu and two content blocks. A speech bubble containing three horizontal lines is positioned to the left of the monitor.

## B. Indirect Taxation: GST Implications for Digital Services



### i. Overview of GST on OIDAR Services

India's Goods and Services Tax (GST) encompasses a wide array of digital services classified under Online Information and Database Access or Retrieval (OIDAR). These services include software downloads, digital content such as music and movies, e-books, cloud services, and online gaming.

OIDAR services are distinct for their internet-based delivery and minimal human intervention. The applicability of GST on these services primarily hinges on the recipient's location, emphasizing the need for overseas merchants to comply with Indian GST regulations when catering to Indian customers.

- a. **GST on OIDAR Services:** Effective from October 1, 2023, amendments to GST laws have introduced an up to 18% integrated GST (IGST) rate on OIDAR services provided by non-resident entities to Indian individuals and government entities, irrespective of the purpose (personal or business). This amendment expands the tax base and introduces additional compliance requirements for overseas OIDAR providers.

### ii. Reverse Charge Mechanism (RCM) and OIDAR for Overseas Transactions

The Reverse Charge Mechanism (RCM) under GST signifies a shift in tax payment responsibility from the supplier to the recipient. Specifically, for OIDAR services, if the supplier is a non-resident without a physical presence in India, and the recipient is registered under GST in India, the latter bears the responsibility for GST payment. This mechanism aims to ensure tax compliance across international transactions.

#### Distinct Scenarios Under RCM and OIDAR

- a. **RCM for Registered Recipients:** Indian businesses registered under GST must pay GST on OIDAR services received from overseas suppliers, ensuring tax collection on services consumed within India.

- b. OIDAR Compliance for Non-Registered Individuals:** Overseas suppliers providing OIDAR services to non-registered individuals in India are required to register and remit GST in India, highlighting the necessity for these suppliers to navigate the GST registration and compliance landscape.
- c. Intermediary Responsibility:** Intermediaries facilitating OIDAR transactions may also bear GST compliance and payment responsibilities, particularly in collecting and remitting GST for transactions involving non-registered Indian consumers.

### iii. Compliance and Strategic Partnerships

Navigating GST compliance for OIDAR services, especially under the nuanced conditions of RCM, necessitates accurate GST collection and remittance. Partnerships with payment platforms like Tazapay simplify this process, as Tazapay assumes the responsibility for GST collection at checkout, equalisation levy management, and subsequent filings and payments. This collaboration enables overseas merchants to concentrate on their core business, relieved from the complexities of tax compliance in India.

Leveraging Tazapay's expertise ensures that operations remain compliant and efficient, providing a seamless purchasing experience for Indian customers without the merchants having to delve into the intricacies of India's tax system.

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## C. DTAA, No PE Declaration, and Withholding Tax (WHT)



### i. DTAA and No PE

In our previous discussions, we've explored the essential roles that DTAA (Double Taxation Avoidance Agreement) and the No Permanent Establishment (PE) declaration play in mitigating tax liabilities for international businesses entering the Indian market. DTAA's help prevent the double taxation of income that could otherwise occur when the same income is taxed in both the country of origin and India. The No PE declaration is equally crucial, as it asserts that an overseas merchant does not have a fixed place of business in India, potentially exempting them from certain direct taxes under the DTAA framework.

### ii. Withholding Tax (WHT)

Moving forward, while DTAA helps mitigate double taxation, Withholding Tax (WHT) in India applies a 20% rate on certain incomes earned by non-residents. However, by providing a Tax Residency Certificate, completing Form 10F, and declaring no Permanent Establishment (PE) in India, merchants in relevant lines of business can enjoy exemptions or reduced rates under the relevant DTAA.

### iii. Exemption Conditions

- a. **Tax Residency Certificate (TRC):** This certifies the taxpayer's residence in a DTAA partner country, allowing them to benefit from treaty rates.
- b. **Form 10F:** Provides essential details under the Income Tax Act for payments to non-residents, including the taxpayer's status, nationality or country of incorporation, and Tax Identification Number.
- c. **No PE Declaration:** Confirms that the non-resident does not have a PE in India, potentially exempting them from certain direct taxes.



## iv. Simplifying Tax Compliance with Tazapay

For overseas merchants venturing into the Indian market, navigating the complexities of India's tax regime—from understanding DTAA's and managing WHT obligations to ensuring compliance with GST on digital services—can be daunting. However, by partnering with Tazapay, merchants can make this process stress-free. Tazapay offers comprehensive solutions that embed all necessary tax considerations into the checkout process, ensuring compliance and optimizing tax liabilities. This partnership not only simplifies tax compliance but also allows merchants to focus on their core business, secure in the knowledge that their tax obligations in India are efficiently managed.

In summary, while the tax landscape in India presents various obligations for overseas businesses, leveraging strategic partnerships like Tazapay can significantly ease the transition and operation within the Indian market. By incorporating tax requirements seamlessly into business processes, Tazapay facilitates a smooth and compliant expansion into one of the world's most dynamic economies.

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# 03



## Navigating the Equalisation Levy for Overseas Merchants

### Equalisation Levy

In our journey through the "Into India" article series, we've unpacked critical components of cross-border transactions, starting from essential documentation and diving into the intricacies of taxation for SaaS and digital eCommerce merchants looking to tap into the Indian market. We provided a comprehensive look at the foundational paperwork required while exploring how DTAA, No PE declarations, and GST implications shape the taxation landscape for international businesses operating in India.

Now, we're venturing into a domain that's quite unique to India and pivotal for digital businesses: the Equalisation Levy. This part of the series aims to demystify the levy, illustrating its impact on overseas merchants desiring to collect payments from Indian consumers. The Equalisation Levy represents India's approach to taxing digital transactions, a move that aligns with global efforts to ensure fair taxation of digital giants. Understanding this levy is crucial for SaaS and digital eCommerce platforms, as it directly affects the cost and compliance of digital services offered to Indian users.

## Overview of Equalisation Levy



The Equalisation Levy, instituted by the Indian Government, represents a pivotal shift in tax strategy, specifically targeting the burgeoning digital economy. Its primary aim is to ensure that foreign e-commerce entities, engaging in digital transactions and services with Indian consumers, contribute equitably to the tax revenues. This measure addresses the tax challenges posed by the digitalization of global business operations, ensuring foreign companies pay their due taxes on income generated from the Indian market, thereby leveling the playing field with domestic businesses.

The levy is applied at a **rate of 2%** on the gross consideration received or receivable by non-resident e-commerce operators from the supply of goods or services. This rate is significant as it directly impacts the cost structure and pricing strategies of foreign e-commerce and SaaS businesses selling their products in India.

## Applicability to E-commerce Operators (and SaaS)



An e-commerce operator is identified as a non-resident entity that owns, operates, or manages digital or electronic platforms for selling goods or providing services online. This comprehensive definition ensures that a wide array of digital and electronic transactions facilitated through these platforms falls under the scope of the Equalisation Levy. This also highlights the government's intent to tax digital economy transactions, including SaaS, that leverage the Indian consumer base.



## Conditions for Levy on Non-Resident E-commerce Operators (and SaaS)



### Non-Resident Criterion:

The Equalisation Levy is specifically designed to target non-resident e-commerce operators engaging in transactions with Indian consumers. This distinction is crucial as it does not extend to Indian companies or e-commerce platforms that are based and operate within India. The primary focus is on foreign entities that benefit from the Indian digital market space without having a physical presence in the country, aiming to ensure they contribute their fair share towards India's tax revenues.

### Threshold Limit:

A key condition for the applicability of the Equalisation Levy is the threshold limit set at 20 million INR (approximately USD 240,000) for the aggregate amount of consideration received for all transactions within a fiscal year. This means that only those non-resident e-commerce operators whose transactions with Indian consumers exceed this limit will be required to pay a 2% levy on the amount exceeding the threshold. This threshold is instrumental in exempting smaller entities or those with limited transactions in India from the levy, focusing the tax obligation on larger players in the digital economy.

E-commerce operators affected by this levy must ensure timely quarterly payments to the Indian government, adhering to specified due dates to avoid penalties and interest. Additionally, an annual statement filing is required, emphasizing the importance of understanding and complying with these regulatory requirements to ensure smooth operations within the Indian market.



## Managing Equalisation Levy Compliance for E-commerce Operators (and SaaS)



For e-commerce operators subject to the Equalisation Levy, managing compliance involves meticulous attention to the levy's payment and reporting requirements.

### Timely Quarterly Payments

Timely Quarterly Payments are crucial; the levy must be deposited with the Indian government on a quarterly basis. The specific due dates for these payments are designed to ensure that the government receives the levy in a systematic manner, reducing the risk of revenue leakage and ensuring fairness in the taxation process.

### Annual Statement Filing

Annual Statement Filing is another critical compliance requirement. E-commerce operators are required to file an annual statement detailing the transactions subject to the levy. This statement is vital for both compliance and transparency, providing a clear record of the taxable digital transactions conducted with Indian consumers.

### Partnering with Tazapay for Compliance Ease:

By partnering with Tazapay, e-commerce operators can significantly ease the burden of managing Equalisation Levy compliance, taking on the responsibility for the accurate assessment, timely payment, and necessary filings related to the levy. This service ensures that e-commerce operators can focus on their core business activities without being bogged down by the complexities of tax compliance.

Tazapay's involvement simplifies the operational aspects of compliance, ensuring that payments are made within the stipulated deadlines and that all filing requirements are met. This partnership not only mitigates the risk of penalties and interest due to late payments or non-compliance but also streamlines the tax handling process, making the expansion into the Indian market smoother and more manageable for non-resident e-commerce operators.

# Unlocking India: Effortless Expansion with Tazapay

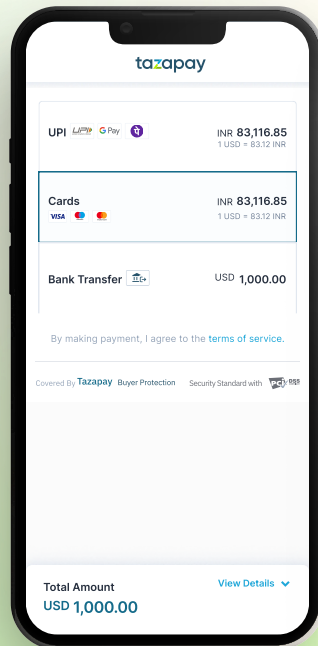


In the dynamic world of global e-commerce, entering the Indian market presents unique challenges and opportunities. Tazapay is revolutionizing this process, offering a comprehensive solution that simplifies transactions and compliance for international merchants. Here's how Tazapay streamlines your entry into the Indian e-commerce landscape:

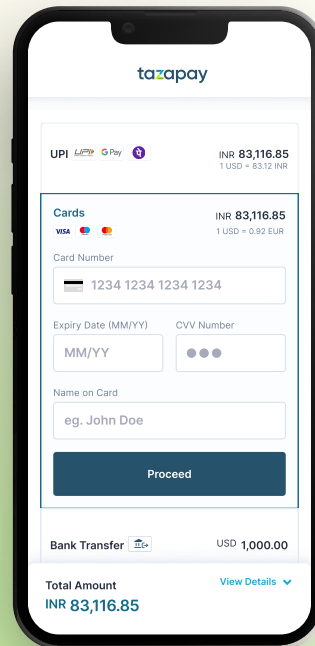
## 1. Currency Conversion and Listing

Aside from having INR as your invoice currency, Tazapay allows you to list your products in your preferred currency, such as USD, and automatically converts and displays the price in INR for your buyers in India. This feature not only enhances the shopping experience for your Indian customers by showing prices in their local currency but also simplifies your pricing strategy without the need to manually calculate exchange rates.

01 | User selects payment method



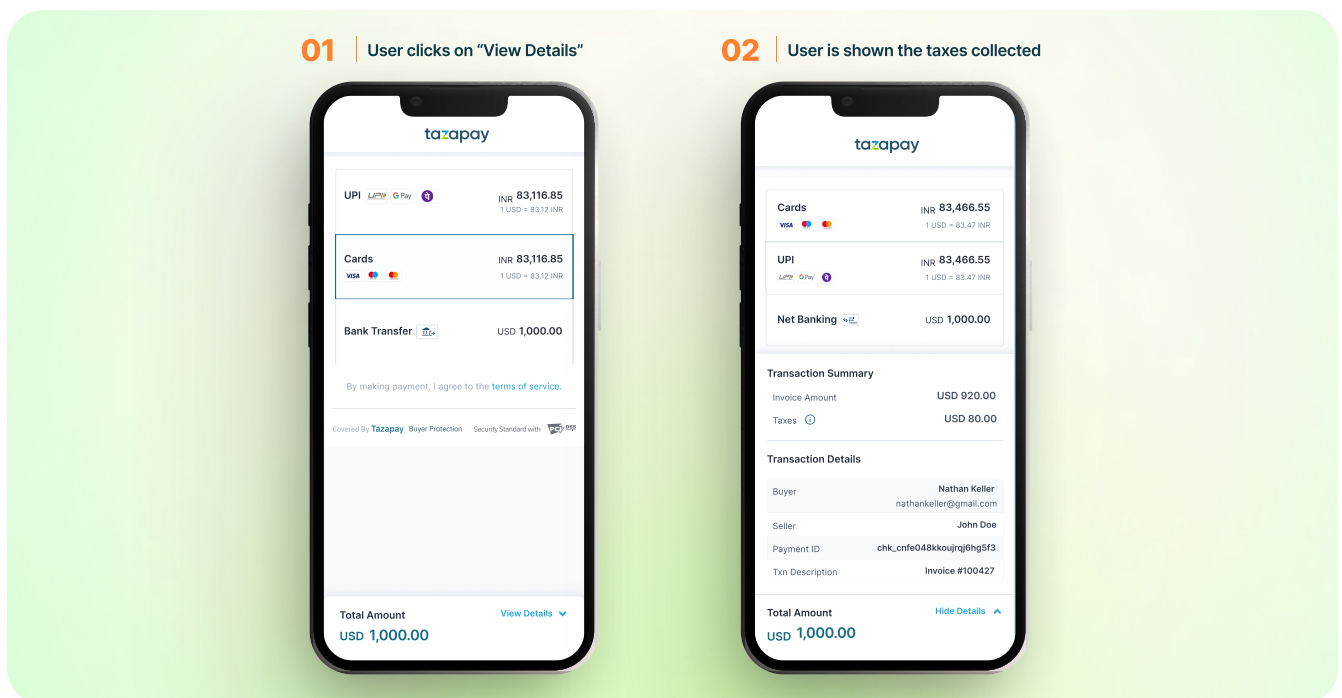
02 | Invoice amount is changed to INR





## 2. Tax Collection at Checkout

At the crucial point of checkout, Tazapay takes care of tax collection, ensuring that all applicable taxes, are accurately collected on top of the purchase amount. This automatic tax handling relieves merchants from the complex task of determining and applying the correct tax rates for each transaction. On top of this, Tazapay also ensures that compliance matters related to the equalization levy will also be handled.



## 3. Handling Filing for Companies

Beyond just collecting taxes, Tazapay commits to handling the entire filing process on behalf of your company. This service includes the submission of necessary tax documents and compliance with Indian tax regulations, offering a truly fuss-free solution for managing your financial obligations in India. By entrusting Tazapay with these responsibilities, you can focus more on growing your business rather than navigating the intricacies of tax compliance.



## 4. Invoice Provision

Understanding the importance of proper documentation in business transactions, Tazapay also provides the facility to generate and provide invoices when required. This feature ensures that both merchants and buyers have accurate records of transactions, aiding in financial management, dispute resolution, and compliance with local tax laws.



By leveraging Tazapay’s innovative platform, international merchants can enjoy a smooth and efficient entry into the Indian market. With currency conversion, tax collection and invoicing all taken care of, Tazapay offers a comprehensive solution that addresses the challenges of cross-border commerce, making your expansion into India as seamless as possible.

INDIA AWAITS —

**Unlock India’s Potential by Integrating with Tazapay**

Integrate Today →

## Glossary

- **Authorised Dealer Code (AD Code):** A unique identifier provided by the Reserve Bank of India (RBI) to banks dealing with foreign exchange, necessary for processing foreign transactions and remittances.
- **Double Taxation Avoidance Agreements (DTAAs):** Agreements between two or more countries designed to avoid or mitigate double taxation of the same income in more than one jurisdiction.
- **Form 10F:** A form required by the Indian Income Tax Department for non-resident entities to declare their tax residency status and confirm the absence of a PE in India, crucial for claiming DTAA benefits.
- **Form 15CA:** A form submitted online by taxpayers in India making remittances to non-residents, acting as a preliminary declaration to ensure taxes are correctly deducted at source for such transactions.
- **Form 15CB:** A certification by a Chartered Accountant in India that accompanies Form 15CA, verifying the details of the remittance, including the correctness of the tax deduction at source (TDS) and the applicability of DTAA provisions.
- **Form A2:** A form used for foreign exchange transactions, required for transferring money abroad from India. It facilitates regulatory reporting to the Reserve Bank of India (RBI) for international monetary transfers.
- **No Permanent Establishment (PE) Declaration:** A declaration used by foreign entities to assert that they do not have a fixed place of business in India, which affects their tax liabilities under DTAA.
- **Online Information and Database Access or Retrieval (OIDAR) Services:** Digital services provided over the internet or an electronic network which require minimal or no human intervention for their provision.
- **Permanent Establishment (PE):** A fixed place of business through which a foreign entity's business activities are wholly or partly carried out in another country, impacting its tax obligations in that country.
- **Reverse Charge Mechanism (RCM):** A GST mechanism where the recipient of goods or services is liable to pay GST instead of the supplier, applicable in certain specified transactions.
- **Tax Residency Certificate (TRC):** An official document issued by a country's tax authority certifying an individual's or entity's tax residency status. It's essential for claiming benefits under Double Taxation Avoidance Agreements (DTAAs).