

DIGITAL TAXATION NEEDS TO BE SIMPLE AND INCLUSIVE: NIRMALA SITHARAMAN

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

The minister was speaking at the 3rd G20 Finance Ministers and Central Bank Governors (FMCBG) meeting held at Riyadh (Saudi Arabia) through video conferencing

New Delhi: Amid the on-going row over [digital taxation](#), Finance Minister [Nirmala Sitharaman](#) on Saturday said that a consensus-based solution on the issue should be simple and inclusive based on a robust economic impact [assessment](#).

The minister was speaking at the 3rd G20 Finance Ministers and Central Bank Governors (FMCBG) meeting held at Riyadh (Saudi Arabia) through video conferencing.

Referring to the issues concerning international taxation and challenges related to digital taxation, Sitharaman said, "It is imperative that this consensus-based solution should be simple, inclusive and based on a robust economic impact assessment."

Recently India defended the 2 per cent equalisation levy on non-resident e-commerce companies, saying it is non-discriminatory in nature and its purpose is to tax businesses that have a close nexus with the country's market through their digital operations.

In a six-page written submission to the United States Trade Representative (USTR), India said the levy is applicable only for companies with annual revenues in excess of 20 million (about USD 267,000), which is a low threshold aimed at exempting very small e-commerce operators globally.

The US had last month decided to start an investigation under Section 301 of the Trade Act, 1974, into the digital services taxes that have been adopted or are being considered by a number of countries, including India, to "unfairly" target American tech companies.

It had then invited public comments on the said investigation.

India is among 10 nations that are facing US investigations to assess whether the levies discriminate against American technology majors.

Sitharaman in the first session of the meeting, talked about the G20 Action Plan in response to COVID-19 which was endorsed by the G20 Finance Ministers and Central Bank Governors in their previous meeting on April 15, 2020, the Finance Ministry said in a statement.

This G20 Action Plan lays out a list of collective commitments under the pillars of Health Response, Economic Response, Strong and Sustainable Recovery and International Financial Coordination, aimed at coordinating G20 efforts to fight the pandemic.

The Finance Minister emphasized that it is crucial to ensure that this action plan remains relevant and effective.

She shared her perspective on the way forward on the action plan and highlighted the need for international coordination required in addressing the spill-over effects of exit strategies.

Emphasising that the Action Plan needs to reflect how the economies are balancing their supply side and demand side measures in response to COVID-19, Sitharaman shared with her counterparts how India is working on ensuring this balance through credit schemes for greater liquidity, direct benefit transfers, and employment guarantee schemes.

The Finance Minister specifically referred to India's comprehensive economic package to address recovery and growth amounting to over USD 295 billion, about 10 per cent of India's GDP.

She also spoke about the procyclicality of credit rating downgrades by the rating agencies and its deterrent impact on policy options, particularly for Emerging Market Economies (EMEs).

Meanwhile, RBI Governor Shaktikanta Das said, "Participated in virtual meeting of G20 Finance Ministers and Central Bank Governors today. Focused on macroeconomy, capital flows, cross border payments, transition from LIBOR and other issues."

In the second session of the meeting, the G20 Finance Ministers and Central Bank Governors discussed the developments on G20 Finance Track deliverables under the Saudi Arabian Presidency.

Enhancing access to opportunities for Women, Youth and SMEs is a priority agenda under Saudi Presidency and a Menu of Policy Options on Access to Opportunities has been developed by G20 under this agenda were discussed.

"The Menu presents country experiences of G20 members related to policies aimed at: Youth, Women, Informal Economy, Technology & Adult Skills, and Financial Inclusion. The Finance Minister noted that this agenda has assumed even greater importance now as the pandemic has most impacted the vulnerable sections," it said.

During the session, Sitharaman also shared some of the policy measures taken by the Government of India to fight the pandemic, including direct benefit transfers, special support to agriculture and MSME sectors, rural employment guarantee measures etc.

She particularly highlighted how India has successfully employed technology-based financial inclusion by harnessing the nationwide digital payment infrastructure that India has built in the last five years, to make contactless cash transfers of over USD 10 billion into the bank accounts of 420 million people.

The minister also referred to the swift measures to provide free food grain to over 800 million people for eight months till November 2020. PTI DP CS MR MR

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