

Govt proposes to abolish Equalisation Levy on online advertisements

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PTI

The government on Monday (March 24, 2025) proposed to abolish the Equalisation Levy or digital tax on online advertisements as part of the 59 amendments to the Finance Bill 2025, which is being debated in the Lok Sabha.

The proposal to remove the Equalisation Levy on online advertisements, according to experts, is aimed at showing an accommodative stance to the U.S., which has threatened to introduce reciprocal tariffs from April 2.

The Equalisation Levy was imposed on online advertisement services on June 1, 2016.

The amendments to Finance Bill 2025 were introduced in the Lok Sabha by Minister of State for Finance Pankaj Chaudhary

.Last year, the government already removed a 2% Equalisation Levy on e-commerce transactions, but the 6% levy on online advertisements continued.

“Although the 2 per cent levy garnered more criticism from the US, in anticipation of more tariff retaliation by them, the government is trying to show a more accommodative stance, and the removal of 6 per cent Equalisation Levy on online advertising is a step in that

direction. However, it remains to be seen if this step, coupled with already ongoing diplomatic measures, would lead to any softening of stance by the US,” AKM Global Tax Partner Amit Maheshwari said.

Nangia Andersen LLP Partner Vishwas Panjiar said the government’s move to propose **the abolition of the Equalisation Levy altogether is a step in the right direction, as it not only brings certainty to taxpayers but also addresses the concerns raised by partner nations (like the US) regarding the unilateral nature of the levy.**

Besides, the removal of the Equalisation Levy, the government has also proposed amendments to make offshore fund investments less onerous and came out with changes relating to tax assessments under search and seizure provisions and reconciliation of income tax returns.

“Several amendments have been made to provisions related to search and seizure assessment... The government has added the new term Total Undisclosed Income to clarify that the intent of search and seizure proceedings is to bring only undisclosed income to tax,” Mr. Maheshwari said.

Deloitte India Partner Anil Talreja said the proposed amendments to the Finance Bill 2025 are largely clarificatory in nature. These are in line with the mission of the government to address doubts and issues being faced by the taxpayers and businesses at large.

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