March 27, 2020

The Honorable Robert E. Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Lighthizer:

Our associations are a collection of the nation's most innovative companies, representing every part of the technology sector. We are writing on our members' behalf to respectfully request your swift engagement with the Government of India to raise strong concerns over passage of a highly discriminatory new tax on foreign companies, which stands to directly and significantly impact a wide range of our companies.

On March 23, 2020 the Indian Parliament passed an amended national budget (Union Budget 2020), which includes an expansion of scope of India's existing "equalization levy" to include a new two percent tax on the sale of goods and services by non-Indian companies over the internet into India ("the tax"). The tax was incorporated into the Union Budget 2020 at a late stage and without any public consultation or Parliamentary debate and yet is set to apply only one week later, starting on April 1, 2020. The tax presents several key concerns:

- **It directly discriminates against U.S. firms and exports while explicitly exempting Indian firms.** The new tax targets "e-commerce operators," defined as *non-residents* who own, operate or manage a digital or electronic facility or platform for online sale of goods, online provision of services, or both. This broad definition would include large numbers of U.S. online marketplaces, services providers, retailers, and manufacturers. As drafted, the new tax will not be assessed against Indian companies and places the burden of reporting and compliance exclusively on non-Indian companies.
- **Its scope is significantly broader than that of national European digital services taxes.** Unlike DSTs, India's new tax applies to *all* services as well as *all* goods supplied over the internet. In addition, its exemption threshold is set at roughly $267,000, substantially lower than thresholds included in national European DSTs, some of which are hundreds of millions of dollars.
- **It detracts from efforts at the OECD and sets a problematic precedent.** The Indian tax represents the broadest framing of a unilateral tax on e-commerce firms that we have seen to date, and runs directly counter to the Indian Government's commitment to reaching a multilateral solution in ongoing negotiations at the OECD on the taxation challenges of digitalization to the global economy.

Our associations appreciate USTR's current prioritization of measures that directly contribute to the U.S. economic and medical response to the COVID-19 outbreak, as well as challenges of direct engagement with the Indian government during the current public health crisis. However, given the uniquely problematic features of the tax, the immediate and widespread negative impacts on U.S. companies, the Indian Government's failure to consult with industry, and its imminent entry into force, we would greatly appreciate your near-term engagement to seek its withdrawal. We stand ready to support your efforts.

Thank you very much for your time and attention to this matter.

Sincerely,

Coalition of Services Industries (CSI)
Computer and Communications Industry Association (CCIA)
Computing Technology Industry Association (CompTIA)
Information Technology Industry Council (ITI)
Internet Association (IA)
U.S.-India Strategic Partnership Forum (USISPF)
United States Council for International Business (USCIB)