



1. BACKGROUND The genesis of Equalization levy is in OECD Report on Base Erosion and Profit Shifting ('BEPS') Action Plan 1 - "Addressing the Tax Challenges of the Digital Economy"¹. Digital economy is assuming greater significance and the way traditional businesses are done has transitioned from the sole brick and mortar presence to online as well. The digital economy poses significant taxation challenges as the tax laws are drafted around physical presence of the business in a country. India has been a frontrunner in demanding source-based taxation, irrespective of the physical presence of the businesses. These challenges were first identified as a focus area of the OECD/G20 BEPS Project, leading to the release of the above-mentioned Report, by the OECD and G20 countries in November 2015. In 2016, OECD established the OECD/G20 Inclusive Framework on BEP.....