

The U.S. Trade Representative's office said on Wednesday it is moving to terminate its trade retaliation case against India after Washington and New Delhi agreed on a global tax deal transition arrangement that will withdraw India's digital services tax.

USTR said the agreement between the U.S. Treasury and India's Finance Ministry applies the same terms agreed to with Austria, Britain, France, Italy, Spain and Turkey, but with a slightly later implementation date.

The pact follows an October agreement by 136 countries in principle to withdraw their digital services taxes as part of a sweeping global tax deal agreed on Oct. 8 to adopt a 15% global minimum corporate tax and grant some taxing rights on large profitable companies to market countries.

The countries agreed not to impose new digital services taxes before the OECD tax deal is implemented by the end of 2023, but arrangements needed to be made with seven countries that had existing digital taxes largely targeting U.S. technology giants including Google, Facebook and Amazon.com

The deal between Washington and New Delhi brings all seven countries into a transition arrangement and came after U.S. Trade Representative Katherine Tai concluded a trip to India to discuss increasing trade cooperation on agricultural and other goods.

Under the agreed withdrawal terms, the countries can continue to collect digital services taxes until the new regime is put in place. But for Turkey and the European countries, any taxes collected after January 2022 that exceed what companies would have to pay under the new rules would be credited against the firms' future tax liabilities in those countries.

USTR said for India, the starting date for those credits was pushed back to April 1, 2022, with a three-month extension beyond the end of 2023 if the OECD tax deal is not implemented by that time.

Reporting by David Lawder and Tim Ahmann; Editing by Mark Porter

USTR says moving to terminate India trade retaliation after tax agreement



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