and therefore are tantamount to
are covered by tax treaties. Paragraph 3
equality levies more generally.
Perhaps it may be useful for the OECD to devise a provision along the lines of Article 10(5) to deal with
It has been near-universally acknowledged that equalisation levies are not desirable in the long run, and have
distributive rules of a tax treaty, despite being technically “covered”.
scenario) because Article 10(5) specifically addresses it. It is unlikely that the equalisation levies aimed at
covered by the tax treaty. It would seem that equalisation levies on non-dividend payments should qualify as
even though such an equalisation levy may not be explicitly mentioned in Article 2, it is clear that it is
reside company of the state seeking to impose such a tax. This tax on undistributed profits is nothing but a
addresses the challenges of the digitalisation of the economy could be said to have been dealt with by the
It would be useful to recall that the Indian judicial tradition is to try to follow the “international tax language”
serve as a good guide in construing the international tax meaning of what is covered by Article 2.
they were enacted would succeed. Reference must be made to the OECD Commentaries in this regard, which
Without delving into issues of Constitutional law in India, the differing geographical scopes of the two taxes
They are not exhaustive (although some countries may prefer to exclude the first two paragraphs and provide for an
allows contracting states to list the existing taxes to which the convention apply particularly, although the list
Paragraph 1 states that the treaty applies to taxes on income and on capital imposed by a contracting state,
It has been claimed that both modalities explained above – the classical approach and Indian approach – fall
Equalisation levies, however, need not always adhere strictly to this description in practice.
Ruminating over Equalisation Levies

**India's Equalization Levy**

India's Equalization Levy, for instance, appears to be an adaptation of the tax, although it is a withholding tax, and can therefore not be exactly classified as a tax imposed either within the scope of tax treaties or otherwise.

It has been observed that equalisation levies are typically imposed for the purpose of addressing the challenges of the digitalisation of the economy. These levies are often imposed by states to ensure that digital businesses operate on a level playing field.

**Taxes covered by the treaty**

The digitalisation of the economy is a result of the telecommunications revolution, which allows businesses to operate globally without physical presence. In such a scenario, certain levies that were not applicable before might become applicable now.

The digitalisation of the economy might be a result of the telecommunications revolution, which allows businesses to operate globally without physical presence. In such a scenario, certain levies that were not applicable before might become applicable now.

**The classical approach**

The classical approach to equalisation levies is based on the concept of a specific tax imposed on a specific type of income. This approach is based on the principle that the place of the payer of the consideration is the relevant factor in determining the tax.

**The Indian approach**

The Indian approach, on the other hand, is based on the principle that the place of the recipient of the consideration is the relevant factor in determining the tax.

Both approaches to equalisation levies should be examined separately against this backdrop.

**The digitalisation of the economy**

The digitalisation of the economy is a result of the telecommunications revolution, which allows businesses to operate globally without physical presence. In such a scenario, certain levies that were not applicable before might become applicable now.

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**Reference**

Please refer to this post as: [Ruminating over Equalisation Levies](https://www.example.com/post).