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## **TAXATION OF ONLINE PLATFORMS: COMPARATIVE MODEL RELATION TO INDIA**

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### **ABSTRACT**

The rise of the digital economy has posed as great challenge for the tax system around the world which has founded its base on the physical presence of the subject. With this digital economy there has been an emergence of online platforms which generate revenue at a significant rate from cross-border activities, this in turn affects the traditional system of corporate tax that has based itself on proper establishment failing to consider the digital profits that such forms of platforms generate. In order to recognise these platforms, the governments across the globe have introduced the digital taxation models to protect the revenue being generated, preventing any tax erosions, and ensuring fair cuts for all. India is also one of the nations that has recognised this change by introducing the Equalisation Levy and GST on the online platform services, highlighting India's approach with both direct and indirect tax policies. This paper compares and analyses the Indian Tax System on Online platforms with co-relation to Japan, Nigeria, and the European Union. These countries have taken different approach for tax application, with Japan recognising foreign entities for VAT regimes, spreading the consumption across, while Nigeria has applied such VAT on the electronic services, and European Union adopting the Digital Service Tax. The comparative study will help understand the impact of these systems, and pros-cons of these systems, with possible lessons for India based on its economy, and such ideas that may reduce trade disputes and protect India's own autonomic tax model.

**Keywords:** Tax, GST, Digital Platforms, VAT, Equalisation levy, OIDAR.

## CHAPTER I

### Introduction

The digital economy has brought about a huge shift in the tax implementation policies it has transformed value generating businesses, which even though do not have physical presence, make a significant contribution. This has led to a strategic change on how actually value is created and on applying taxes. India being one of the biggest markets for online consumption especially e-commerce has increased, its uses, generating higher rates of profits than before. With this there is a need for India to have well-formulate laws for digital tax which was introduced in 2016, but due to further developments in technology there exists gap on levying, for which it is necessary to analyse other nations that have such digital taxes. The government faces challenges as online platforms transcend profit margin by being cross-border, making it harder to levy tax on such entities. With this growth, the government tries to safeguard the domestic interest as well ensuring a contribution from MNC's from their share.

Due to this borderless consumption, often profits are generated from countries with low tax systems, which reduces the revenue for government. This further leads to base erosion and shift in profits, for which the OECD has launched the Base Erosion and Profit Shifting Project, to recognise the loopholes, where entities try to evade taxes<sup>1</sup>. This project has introduced two pillars, one being a taxing right for market countries, and another of levying a global minimum tax to ensure a uniform application in such cross-border platforms in the digital economy.

The digital taxation is a tricky concept as, their taxation cannot be related to a specific country, as they lack a permanent establishment, which has previously been a major factor in taxation. These digital platforms rely on servers for work, which is largely outside the country<sup>2</sup>. India with its introduction of Equalisation Taxes and the GST for Online Information Database Access and Retrieval Services, is an innovative approach to consider such platforms. This shows a dual approach of taking a revenue maximising goal as well as complying with the global tax regimes. Furthermore, since 2020, India has also levied GST on the non-resident platforms that have an operating base in India<sup>3</sup>. Due to these new tax mechanisms, countries

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<sup>1</sup> Organisation for Economic Co-operation and Development (OECD), 'Base Erosion and Profit Shifting (BEPS)' <https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html> accessed 19 September 2025.

<sup>2</sup> Arun Paul and N Ramalingam, 'OECD-G20 Framework and Indian Digital Taxation: A Study on Equalization Levy in India' (2023) 4 *Kerala Economist* 36.

<sup>3</sup> Price Waterhouse Coopers Ltd, 'Digital Tax Introduced for E-Commerce Operators' (PwC Mauritius, 17 April 2020) <https://www.pwc.com/mu/en/services/india-desk/india-digital-tax.html>.

like the USA criticise on the long-term use and compliance bases for them on this law.

The countries chosen herein, help to under Indian model. Japan are the tech-savvy nations with an advanced economy, which have introduced a consumption tax for the user and VAT model for the digital services rendered by them. Nigeria on the other hand, shows the natal stage of digital taxation with a much more aggressive approach on the VAT application, by using business to consumer, and business-to-business approach on digital transactions. European Union relatively has also introduced a VAT framework while also trying to introduce the Digital Service Tax, which shall be based upon the user activity. By evaluating these models along with India, we will be able to understand the revenue generation and the administrative structure to levy taxes, to offer the best possible design that can be inspired to be used in or avoided altogether on basis of our economy.

The cross-referencing of these different forms of tax policies will help understand the challenges of enforcing such rules, thereby questioning the effectiveness of these different models, also recognising the advantages that come along with them. Digital taxation lacks the physical presence principle, which significantly affects the taxes, and this examination will help understand, how uniformity is ensured despite such concerns.

### **Research Question**

1. Whether India's digital taxation measures are effective with the Equalisation levy and GST on OIDAR services to help receive revenue from foreign and domestic online platforms?
2. How the taxation models of Japan, Nigeria, and European Union are different in their implementation and enforcement from India?
3. Whether the models followed in Japan, Nigeria, and European Union can help make the Indian model of tax more efficient and fairer on digital taxation?

### **Research Methodology**

The research methodology adopted herein is that of comparative-analytical by examining the different tax models on digital taxation with regard India in co-relation to India, Japan, Nigeria, and the EU. There is a qualitative analysis of the different legal provisions in these countries, with the policy documents, reports, and scholarly works to evaluate, and understand the most effective approach with India.

The primary resources used here are the statutory acts of the Indian Goods and Service Act

along with the Finance act that provide the provisions for Equalisation levy and OIDAR. The Consumption Tax Act of Japan, Nigeria's VAT act, the statutory law on VAT in EU directives for VAT on e-commerce transactions. These legal provisions are the very basis of the structural and implementation design in these countries. In the secondary resources, the reliance is placed on the reports generated along with the publications from international organisation, with scholarly articles, to understand the advantages and gaps in these models, to cater to the needs.

The comparative analysis will make use of the different tax models with due regard to the efficiency in administering such taxes, the impact on revenue, and the compliance with the international tax policies. This would be understood based on the comparison of the framework followed in the aforementioned countries in the similarities and difference between them.

An assessment shall be made to look into the fairness in its implementation, and the sustainability of these tax models. There shall be policy recommendations on basis of the comparison to provide the most efficient model based on the economic growth of India, by taking inspiration from the other models that have been researched on.

The research lastly takes a descriptive interpretation to use the statutory provisions, administrative actions, and the data, with a critical evaluation of these models with regard to the present taxation in India. This ensures practical evaluation with the gaps that exist, which can be filled with reforms that may actually pose for a much more successful implementation of the existent mode.

## **CHAPTER II**

### **Analysis**

#### **A. India's Digital Taxation Model:**

India is one of the growing digitally developing countries that due to its growth has implemented taxation on digital platforms with its dual-approach. It consists of both forms of tax, the direct tax in the form of Equalisation Levy, and the indirect tax with the Goods and Service Tax through the Online Information Database Access and Retrieval Services (OIDAR). Both these tax methods have brought about a significant change in the tax model, recognising the online platforms.

#### **I. Direct Taxation of the Digital Economy in India:**

The Equalisation Levy was introduced in India in the year 2016 through the Finance Act, to

levy taxes on the online advertisements or any such service that is in furtherance to the purpose of any advertisement at a levy of 6%. Later in 2020, there was an amendment with this levy being at 2%, which apart from advertisement, was now extended to e-commerce supply and services from 01<sup>st</sup> April 2020 to 01<sup>st</sup> August 2024<sup>4</sup>. This Equalisation levy was borne by the foreign companies even though the obligation to comply was upon the Indian payers by deducting levy on the cross-border payment<sup>5</sup>.

This Equalisation tax acted as a boon and a bane, because although it brought about tax neutrality on one end, it took a toll on the smaller businesses, who were unable to meet the standard but forced to pay such taxes<sup>6</sup>. So even if there was tax neutrality by bringing in digital powers in the tax net, the small enterprises faced burdens. As the Equalisation levy were on the foreign companies they were subjected to double taxation, one to be paid in their own country and the other in India for the income accrued from here. The Equalisation levy was later abolished on the grounds that no tax shall be levied unless a particular physical presence exists in India<sup>7</sup>. In 2023-24, the levy was abolished in consonance to the OCED Pillar 1, where India showed its commitment to remove unilateral measures in order for global consensus.<sup>8</sup>

The Equalisation levy was majorly disputed by USA as they launched a Section 301<sup>9</sup> investigation for the same on India, claiming it to be discriminatory<sup>10</sup>. Clearly highlighting the effects on unilateral application of tax being a determinant to affect diplomatic relations.

In parallel to this, the SEP i.e. Significant Economic Presence was introduced by amending the Income Tax 2018 by further expanding the scope of business connection in India under Explanation 2A<sup>11</sup>. It provided that under the concept of SEP, any transaction that is done by non-resident in India including the downloading data or software, where the aggregate of such transaction shall be based on the prescription of the government<sup>12</sup>. Additionally, continuous

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<sup>4</sup> Finance Act 2016, §10 (50).

<sup>5</sup> CA Mohammed S Chokhawala, 'Equalisation Levy: Applicability, Due Date, Payment and Returns' (ClearTax, 27 May 2025) <https://cleartax.in/s/equalisation-levy> accessed 19 September 2025.

<sup>6</sup> Arun Paul and N Ramalingam, 'OECD-G20 Framework and Indian Digital Taxation: A Study on Equalization Levy in India' (2023) 4 *Kerala Economist* 36.

<sup>7</sup> Richard Asquith, 'India Ends 6% Equalisation Levy on Foreign Digital Ad Revenues' (VATCalc, 25 March 2025) <https://www.vatcalc.com/india/india-2-equalisation-levy-extension-to-e-commerce-sellers-and-facilitating-marketplaces-apr-2020/>.

<sup>8</sup> 'Pillar One Summary' (OECD Pillars, 20 September 2025) [https://oecdpillars.com/pillar\\_one/pillar-one-summary-2/](https://oecdpillars.com/pillar_one/pillar-one-summary-2/) accessed 20 September 2025.

<sup>9</sup> US Trade Act 1974, § 301.

<sup>10</sup> Press Information Bureau, Government of India, 'India's Response to S-301 Report of US on Equalisation Levy' (7 January 2021) <https://www.pib.gov.in/pressreleaseshare.aspx?prid=1686865>.

<sup>11</sup> Income Tax Act 1961, §9 (Explanation 2A).

<sup>12</sup> Income Tax Act 1961, §9 (Explanation 2A (a)).

solicitation of business activities, or interaction with users, digitally shall also constitute the same, as the income accrued in India<sup>13</sup>. In 2021, the threshold for revenue and user-based SEP was provided but there was no practical application until the global consensus was achieved.

The Equalisation levy and SEP both have practical limitations to its application as double taxation was a concern along with lack of global support. India being an active participant in the OECD BPS discussions, has acted as forefront for global tax diplomacy, by vouching for higher taxing rights for developing nations. However, to show its cooperation with the pillars, it has withdrawn EL to align with the global standard<sup>14</sup>. This brings about the relevance of the permanent establishment principle, which provides a clear scope of taxing international bodies on their physical presence.

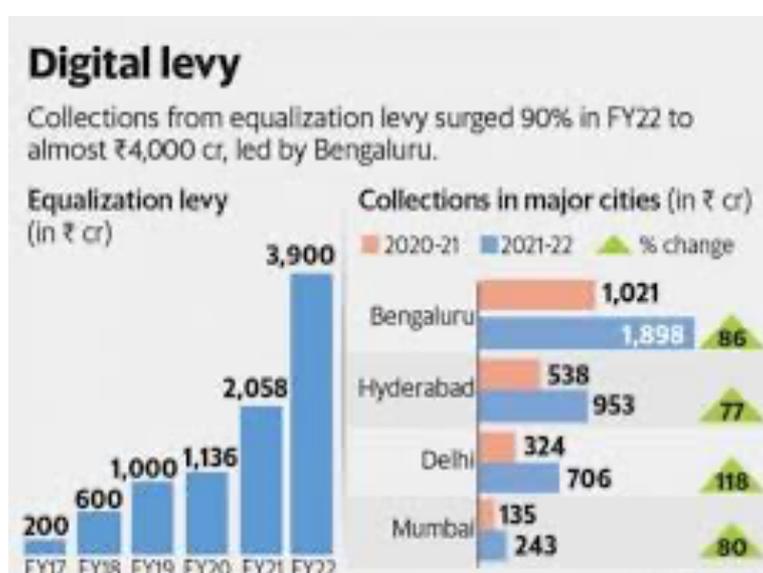


Fig 1: Tax Collection through Digital platforms.

## II. Indirect Taxation on the Digital Economy:

Apart from such Direct taxes being imposed, the indirect tax in the form of GST on OIDAR services were also introduced. The OIDAR services include all such activities as streaming, cloud storage, or software downloads. The destination principle is the basic idea behind this taxation which means tax shall accrue on the service based on place of consumption<sup>15</sup>.

<sup>13</sup> Income Tax Act 1961, §9 (Explanation 2A (b)).

<sup>14</sup> Hans *et al*, 'India and the Two-Pillar Solution: The Road Ahead' (*International Tax Review*, 16 August 2024) <https://www.internationaltaxreview.com/article/2dmy2lhwi8la8dmbp6gw0/sponsored/india-and-the-two-pillar-solution-the-road-ahead>.

<sup>15</sup> Directorate General of Taxpayer Services, Central Board of Excise & Customs, *TCS Mechanism in GST* (National Academy of Customs, Indirect Taxes & Narcotics 2017).

India introduced TCS for digital platforms which was implemented on e-commerce transaction under Section 52. This charge was upon the e-commerce operator who provided the portal between the consumer and supplier. This e-commerce operator has been given the job of collecting the tax at 1% from the supplier, for the transactions being made on the portal<sup>16</sup>. There is an obligation on the e-commerce operator to register themselves under GST<sup>17</sup>, and any supplier who uses such operator must also register under the GST<sup>18</sup>. There exists a compliance burden on the small-scale enterprises who even though below the threshold are obligated to register showing strong enforcement in design but flawed in nature due to the disproportionate impact on small entities<sup>19</sup>.

The GST falls within the indirect tax framework of India, so even though VAT has not been formally been introduced unlike the international standing based on consumption tax to digital service, the GST regime has a similar nature to VAT. As there is a flow of credits in the form of tax through supply chains, ensuring a higher compliance burden on intermediaries.

The responsibility on the operator ensures that the platform liability exists which is similar to the approach of digital taxation in countries like the EU. Even the smallest intermediary is bound by GST ensuring a uniform application of the indirect taxation. The enforcement becomes 2 stages, one at the level of the supplier and another with the operator, ensuring that no revenue remains unchecked with proper monitoring.

While the enforcement of the GST mechanism is robust in a systematic manner, there were previous confusions of EL and GST, even though EL is abolished. The administrative capacity of India to manage such operator-supplier obligation is difficult to catch up with on the digital transactions. There is a lack of clarity on taxing digital profits leaving the framework on the policy developments and notification of government.

### **B. Japan Model of Digital Taxation:**

Japan's model of digital taxation shows the working of advanced economy to adapt to the consumption tax framework to address the cross-border digital services. Contrary to the Indian dual approach of direct-indirect tax, Japan for the longest time has been on a cross-border regime of platform taxation, where tax is levied on the consumption at the place of supply,

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<sup>16</sup> Central Goods & Services Act 2017, §52.

<sup>17</sup> Central Goods & Services Act 2017, §24 (x).

<sup>18</sup> Central Goods & Services Act 2017, §24 (ix).

<sup>19</sup> Central Board of Indirect Taxes & Customs, *Online Information Database Access and Retrieval (OIDAR) Services in GST, GST Flyer*, ch 42 (2018).

being Japan for it. It is similar to the India's GST regime where the operator is taxed rather than the supplier themselves.

### I. Japan's "Platform Taxation Regime":

Until 2015, the foreign suppliers had no obligation to pay tax when they directly sold digital content to the consumers in Japan, whereas the local suppliers who provided the same service were subjected to payment of taxes, leading to revenue leakage in the economy. In order to gap this bridge, in October 2015, there was an amendment made to the rules under Art 15-2 of the Consumption Tax Act<sup>20</sup>, by including electronic services being provided to the consumer at their location, which would be the base for taxation<sup>21</sup>.

The taxation model took a Business-to-Consumer approach, where irrespective of entity being local or foreign had to be subjected to tax based on the place of consumption of the service. A foreign entity that was supplying content must be registered if their service exceeds JPY 10 million for a foreign business in Japan. Such mandates ensured that it was a uniform system, avoiding revenue leakages, while also making sure that there is market competition with foreign entities without biasness<sup>22</sup>. However, many foreign entities raised concern as this meant that small suppliers were not subject to tax, if they are below the threshold provided and only a few popular platforms were subject to payment of the tax, in order to ensure equality a new updated tax regime was introduced<sup>23</sup>.

After the amendment of 2025, any non-resident operator that provides electronic services irrespective of their threshold must file their tax returns. In this instead of every small supplier filing for taxes that provided digital services, any platform operator that had sale above JPY 5 billion was responsible for getting tax registration and payment from the small entities on consumption based on sale<sup>24</sup>. This ensured that the platform operators be made responsible for the tax collection, while the domestic providers continued to pay directly to the government.

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<sup>20</sup> JP: Consumption Tax Act 1988, Art. 15-2.

<sup>21</sup> Y Nishida, 'Japan Consumption Tax on Cross-Border Supplies of Services' (2015) 26 *International VAT Monitor* 4.

<sup>22</sup> 'Japan Introduced Full VAT Liability Regime to Digital Platforms' (IBFD, June 2024).

<sup>23</sup> Ministry of Finance Japan, *Expert Report, Study Group on Consumption Taxation on Cross Border Digital Services, Kokkyo wo Koeta Digital Service ni Taisuru Shouhizei no Kazei no Arikata ni Tsuite* [Report on the Consumption Taxation on Cross Border Digital Services] (November 2023) [https://www.mof.go.jp/tax\\_policy/summary/consumption/PF\\_honnbunn.pdf](https://www.mof.go.jp/tax_policy/summary/consumption/PF_honnbunn.pdf) accessed 20 September 2025.

<sup>24</sup> Takato Masuda, 'Japan Introduced Full VAT Liability Regime to Digital Platforms' (2024) 26 *International VAT Monitor* 104.

## II. Lessons from the Japan Approach of Digital Taxation:

The most important defining factor of Japan model is the destination principle where the consumption is being taxed based on the place of residence of such consumption, this directly complies with the OECD practice of VAT. India can take consideration of this approach as the liability is based on foreign entity based on the location of the consumer. While GST on OIDAR services, do follow the same principle, there is a lack of proper enforcement. This is on the fact that, where Japan labels responsibility on platforms with JPY 5 billion and above for tax collection, India does not provide for a specific platform for tax collection.

Furthermore, Japan with its first implementation itself recognised the gaps in the system by complying with the OECD recommendations, whereas India still needs to completely understand the obligations. India being a developing economy needs revenue generation but such will be contrary to its member responsibilities. The Japanese model is simpler and not complex unlike the TCS approach of GST in India which is multi-layered while Japan makes the platform liable for considering the small suppliers as well. India can take inspiration of the platform-liability approach to ensure a higher level of compliance from the small entities as well which will provide better enforcement.

### C. Nigerian Model of Taxation:

The Nigerian model of tax has responded well to the changing digital economy. The traditional Nigerian Tax regimes were not effective for the digital age but through the 2019 and 2020 Finance Act, VAT was introduced for digital services, including the ones that lack a physical presence. There is also presence of SEP which is charged if the foreign entities exceed limit their target amount of consumer.

#### I. Nigeria's Digital Tax:

The 2019 Finance Act amendment introduced the SEP where a non-resident was liable for tax if they had an annual gross turnover of N25 Million by using a Nigerian domain or by specifically targeting the Nigerian consumers for content or profits<sup>25</sup>. The taxing of such portion is fixed at VAT of 6% which is not with regard to the profit earned which maybe hard to track, but instead on the income received by conducting activities in Nigeria, but the exact calculation mechanism has not been defined by the government<sup>26</sup>. This approach is a practical

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<sup>25</sup> Nigerian Finance Act 2019, §13.

<sup>26</sup> Maccarthy Ine-Tonbarapa and Lazbery Nnah, 'Digital Taxation and Tax Revenue in Nigeria' (2024) 10 *International Journal of Management & Social Science* 122.

take by the Nigerian Government on a turnover-based approach rather than a profit-tracking approach, which is much more difficult to uncover. Furthermore, the SEP is in consonance to the OECD as the best possible practice for the OECD pillars.

Based on this the 2021 amendment of the act clarified the digital tax allocation for the foreign platforms. It provided that the tax attribution for digital platforms shall be assessed on their turnover based on their economic presence in Nigeria and amongst its consumers, which was done in order to overcome the challenges with profits when there is no permanent establishment of these online platforms. The VAT was now increased to 7.5% as of 2020 where there was a presence of an intermediary specifically for monetary purposes which deducted taxes on the basis of the digital purchases made by the consumers<sup>27</sup>. This increased the tax net as the Revenue services were able to collect a lot of revenue reducing leakage by collecting substantial tax from technological giants and service providers<sup>28</sup>.

The Nigerian approach is however poor in attributing the profit margins which is a major determinant in general tax collection mechanisms. Further, the physical presence aspect still poses as a challenge in cross-border taxation as foreign business still manage to evade taxes and authorities lack administrative support to track such lapses<sup>29</sup>. There is a need for having a proper strategy for data collection in order to monitor cross-border co-operation to avoid double taxation through such SEP. While Nigeria has managed to cover the revenue leaks there are still significant gaps that need to be filled which are not visible due to the evasion occurring by the foreign entities.

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<sup>27</sup> Digital Services Tax – Taxation of the Digital Economy’ (GGI Global Alliance, 20 October 2022) <https://www.ggi.com/news/global-mobility/digital-services-tax-taxation-of-the-digital-economy>.

<sup>28</sup> Maccarthy Ine-Tonbarapa and Lazbery Nnah, ‘Digital Taxation and Tax Revenue in Nigeria’ (2024) 10 *International Journal of Management & Social Science* 122.

<sup>29</sup> Emmanuel Temitope Adedoyin *et al*, ‘Tax Compliance, Digital Taxation, and Revenue Generation in Nigeria: An Empirical Analysis of E-Commerce Sector’ (2025) 57 *Journal of Arid Zone Economics* 141.

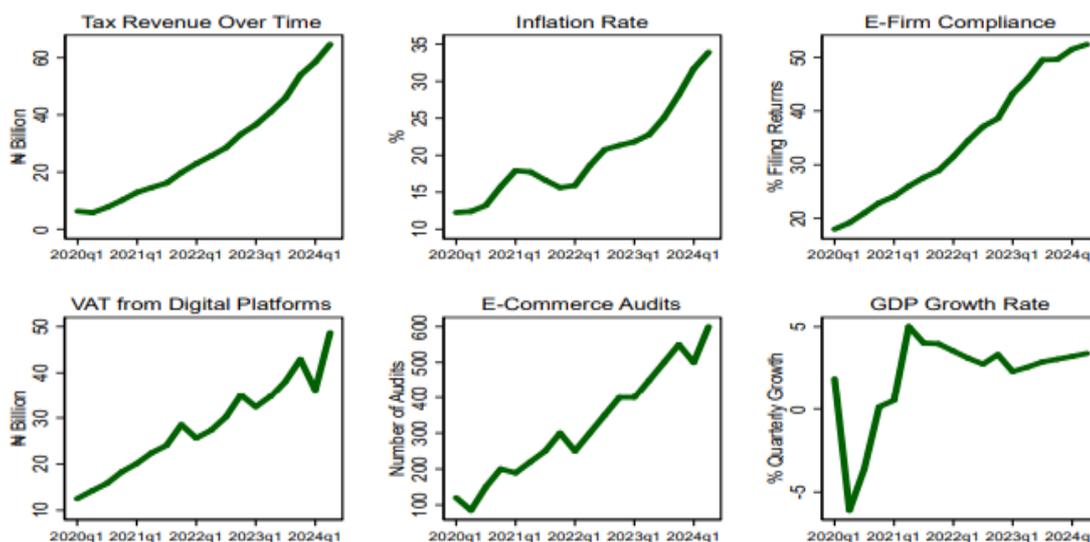


Fig 2: Nigerian Tax Revenue collected by the Government<sup>30</sup>

## II. India-Nigeria Comparison of Tax Regime:

India has taken a similar approach to Nigeria with the SEP and equalisation levy which now stands abolished in the country. In fact, the challenges of both the economies are also of similar nature due to the tax evasions and double taxation issues. There is a need that both the countries comply with the international laws to avoid any diplomatic and trade concerns, and ensure due consideration of the OECD pillars.

However, India manages to have a stronger more advanced system for administration of the data with a proper centralised collection of the information. With the introduction of the GST on OIDAR services by India, we follow a higher compliance to the OECD pillars by having a more uniform tax mechanism. Nigeria is still in the need of such central approach with more amendments to reach higher potential of revenue collection. They have to comply with their international obligation and increase the domestic revenue generation by the government.

### D. European Union on Digital Taxation Model

The European Union has been one of the tops to adapt to the indirect tax approach. As digital platforms lacked physical presence few of them paid low tax in certain countries, this led to unfairness amongst member states. In order to tackle this issue, the European Commission introduced the DST which had a 3% levy on the revenue collected by online activities.

<sup>30</sup> *Ibid.*

## I. EU's DST and Indirect Tax Policies:

The aforementioned 3% levy of DST was one of the first proposals made by EU for digital taxation but this idea was paused during the negotiations that still continue with the OECD<sup>31</sup>. This was in order to receive global consensus on the DST in regards to Pillar one, but as there was a significant delay in the agreement over the matter, and increase in the fiscal pressure in the EU has led to DST being an interim solution for the online platform entities to provide their share in the economy.

The DST of the EU is not aimed at the profits earned by the foreign entities but rather on the revenue being generated through digital activities like digital ads, streaming services, etc. The intention to tax these specific activities is that the intangible and user-based value is created instead of a shift to the aggressive tax plan. While the DST has been abandoned by the EU, certain countries of the EU have irrespective to it, introduced them in their countries like in France, Italy, Spain and Austria, that collect revenue from many technological giants<sup>32</sup>. France through such implementation has received almost €775 Million as of 2025, despite being a modest tax in the overall fiscal gains of the country<sup>33</sup>.

On the other hand, the indirect tax format of EU through VAT has been of great significance to be applied on digital platforms. VAT takes a destination principle like the previous countries, where tax is based on the location of the consumer. In May of 2025, the Council introduced new rules for VAT where the foreign operators shall be liable to pay on the imports based upon the final location of consumption. Due to the pre-existing rules many times, service providers bypassed the tax policies or were unaware of it, the amended rules require the platform itself for the collection and remit of tax if the service provides does not collect the same.

The system ensures that there is a real time update on VAT being reported by way of invoices under the EU guidelines which will inform tax administrators in the very moment. As the previous system of weekly updates, gave frauds a chance to escape the tax system. This system will come into place by 2030 on full operations<sup>34</sup>. The present system of VAT is a Mini One

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<sup>31</sup> European Parliamentary Research Service, *EU-India: Cooperation on Digitalisation* (2020) [https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/659275/EPRS\\_ATA\(2020\)659275\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/659275/EPRS_ATA(2020)659275_EN.pdf).

<sup>32</sup> Apostolos Thomadakis, *CEPS In-Depth Analysis: Towards a European Digital Services Tax—Renewing the Momentum for a Fair Contribution* (Centre for European Policy Studies, April 2025) <https://www.ceps.eu/ceps-publications/towards-a-european-digital-services-tax/>.

<sup>33</sup> 'French Constitutional Court Upholds Digital Services Tax Against Tech Giants' Challenge' (VATupdate, 21 September 2025) <https://www.vatupdate.com/2025/09/21/french-constitutional-court-upholds-digital-services-tax-against-tech-giants-challenge/>.

<sup>34</sup> *Ibid.*

Stop Shop approach where VAT shall be paid in one of the registered EU countries, instead of all of them. Under the VAT MOSS system a platform need not register its details with the EU tax authorities for filing VAT in every country for platforms of the member states<sup>35</sup>. In 2021, the VAT rules for cross border platforms took a B2C approach through the Import One Stop Shop (IOSS) allowing the same registration in one of the EU nations which will be valid for any for any online transaction within the EU under IOSS. The “deemed suppliers” shall be responsible for the VAT collection and remits which would be done through online portals, this would include platforms which would be above the threshold of €10,000. This has made the administration of tax much simpler, with providing the same rules for domestic and foreign suppliers<sup>36</sup>. With this 2021 system, there is an expected growth of €6.6 billion every year of added VAT revenue<sup>37</sup>.

## II. The EU Approach as Lesson for India:

The EU tax model provides a major framework guideline for India, as it introduces a single system for VAT with its VAT MOSS and IOSS model to track the consumption in the digital economy. The GST on OIDAR services of India is similar to the VAT system in EU but the different is in the administration procedure which is much simpler and more effective in the EU. The common uniform system of VAT filing can be used in India, in the sense of having a single centralised filing system for the foreign suppliers making it straightforward with reduced complications.

The DST on the other hand is similar to the previous Equalisation Levy as implemented in France and few EU nations. As both these systems focused on the turnover instead of the profits made by platforms. However, both of them have been on hold due to the OECD responsibilities of the nations, with countries like France showings its interest in withdrawing the DST to comply with the OECD pillars.

The EU model suggests a balance of the unilateral and multilateral tax system, as the DST shows strain in relationship like between USA-France on unilateral taxes, whereas a uniform VAT system helps in the overall regional coordination which would be useful in our country as

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<sup>35</sup> European Union, ‘VAT on Digital Services (MOSS Scheme)’ [https://europa.eu/youreurope/business/taxation/vat/vat-digital-services-moss-scheme/index\\_en.htm](https://europa.eu/youreurope/business/taxation/vat/vat-digital-services-moss-scheme/index_en.htm) accessed 21 September 2025.

<sup>36</sup> European Commission, ‘VAT One Stop Shop’ [https://vat-one-stop-shop.ec.europa.eu/index\\_en](https://vat-one-stop-shop.ec.europa.eu/index_en) accessed 21 September 2025.

<sup>37</sup> Council of the European Union, ‘Digital Taxation’ <https://www.consilium.europa.eu/en/policies/digital-taxation/> accessed 21 September 2025.

well. The India even though not a union of countries can introduce bilateral and multilateral cooperation for its country.

### **CHAPTER III**

#### **Suggestions**

India must focus on the GST of OIDAR services as it is much more relevant for the global obligation with achievement of the OEDR Pillars to avoid the double taxation concerns. With the use of the EU's VAT model, India can have a centralised registration for tax compliance, where a single portal can be introduced rather than navigating from state-to-state. The Japan structure maybe used as a model for an agent-based filing which would increase voluntary compliance amongst the smaller entities. Whereas from Nigeria, India can take inspiration in its SEP system by introducing proper thresholds for calculation which would be more practical and compliance with the OECD requirements.

The TCS regime in India need significant reforms which places a mandatory obligation for registration on platform be it small or medium which is concern, as they have higher toll on themselves. There must be a proportional system of relief so that the small enterprises would not have to suffer compliance burdens, with introduction of simpler returns or exemptions itself, not effecting revenue generation. These changes may prove India to have a stronger base for digital taxation that can achieve administrative goals and reduce expenditure on collection with due compliance of the OEDR framework.

#### **Conclusion**

The comparative approach with regard to Japan, Nigeria, and EU, shows the different model development on taxing digital platform with regard to India. Each of these countries take a unique model into account having destination principle at its core for tax implication.

The Japanese approach of consumption tax regime that was amended in 2015 and later in 2025, took up consideration of this destination principle, where the foreign suppliers that exceeded the JPY 10 million turnover were to register or remit tax. The tycoons in the industry had the liability of administrative burden ensure that the other smaller enterprises of digital platforms complied with the requirements. This GST of OIDAR systems and TCS for e-commerce operators provide for such a platform liability. However, the key difference is that Japan has a

much more uniform and simple system, with agents having responsibility for compliance by foreign entities. Such approach will be helpful in India as well for the small foreign entities.

The EU model shows a much more advanced approach through its VAT reforms in the OSS and IOSS system. The allowance given to suppliers to register in one of the EU countries, reduces compliance difficulties saving huge costs on administration of VAT, had it been state-to-state. Even though the Indian system of GST is similar in concept, it lacks a centralised application for the non-resident entities. Further, the DST and Equalisation Levy are similar with its unilateral application which creates revenue for country but raises concerns with diplomatic relations and friction with OEDR principles.

In comparison, India seems to have taken a mixed approach with matters of each of the jurisdiction with its own changes in the regard of its obligation. The Nigerian policy of SEP is similar to that of India by placing importance on the gross revenue turnover rather than profits which is much more difficult to track. However, unlike Nigeria, India has a much more effective system with the GST of OIDAR service which help to comply with its OEDR obligations unlike Nigeria which causes double taxation.

India has taken a unique approach by applying both direct and indirect models to test the more sustainable form of taxation. While it has discontinued the direct taxes in consonance to the OEDR, it still shows the willingness of foreign relation despite it affecting the autonomy. The GST of OIDAR services is however a foreseeable advanced system which would be more effective with the centralised administration like of Japan and EU.