



#### **NEWS HIGHLIGHTS**

ministry searches problem areas where startups can play role

Amazon invests Rs 2900 crore more in Indian business

Naspers lines up billions for tech investments

Symantec warns enabled cyber crimes

Indian consumers keen to adopt to digital payment solutions: Visa

### Today's View

#### **Google Tax**

Courtesy over 19,000 technology-enabled start-ups in verticals ranging from fintech and e-commerce to edutech, the digital economy in India is growing at 10% a year faster than the global economy as a whole. The most crucial contributor to this growth is India's internet economy, expected to be worth Rs. 10 trillion by 2018 as per a report by the Boston Consulting Group. Theinternet economy includes e-commerce services and products, advertising, online content, devices as well as private and public infrastructure in these domains.

Large E-business firms like Google, Facebook, LinkedIn, and Twitter are gambling on India's digital economy to generate massive revenues. Hence, it is no surprise that the tax implications on such profits is being considered by tax authorities. As per the Budget declaration, any individual or entity that makes an instalment surpassing Rs. 1 Lakh in a financial year to a non-resident technology company would now need to withhold 6% tax on the gross sum being paid as an equalization levy.

However, some technology start-ups, including SMEs, might be severely impacted by this levy. As per Internet and Mobile Association of India (IAMAI), this additional 6% equalization levy would amount to an incremental tax burden of Rs 429 crore (around 50% hike) with debilitating effects on start-ups and the general SME sector in India through bloated operational costs. Also, NASSCOM says there already exists a tax being deducted at source when a B2B transaction is closed. Hence, essentially, the equalization levy would just be a form of double taxation on the same income.

#### INTERESTING NEWS

### Will cash disappear?

Cash is unlikely to go away soon. It remains popular to pay for things in most countries. But in the longer term, cash appears to be in a losing battle.



GROWTH OF NON-CASH PAYMENT METHODS The consulting firm Cappemini recently estimated that electronic payments will grow about 10.9 per cent a year between 2015 and 2020.

Debit card





Source - Business Standard

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Date - 15th Nov 17



To allay the concerns raised by NASSCOM and IAMAI regarding the hostile impact of Google tax on start-ups and SMEs, the tax has been made applicable only on goods and services provided by B2B firms (and not B2C firms).

Besides boosting tax revenue and establishing tax neutrality, the government believes that this tax would serve to act as an incentive for global tech companies to lay the foundations of permanent establishments in India as the levy would not be applicable to service providers with permanent establishments in India.

Despite the efforts initiated by the government, such levy may raise some eyebrows, especially after India's success on the ease of doing business board. Thus, industry bodies including the IAMAI, comprising of members such as **Microsoft, Google, Amazon, GoDaddy, OLX, Intuit, LinkedIn, Uber** and **Yahoo**, have raised concerns with the government regarding the implementation of this tax.

With the evolution of new business models, the tax authorities must step up their game and attempt to go an extra mile to ensure proper categorization of the nature of payment, establishing a taxing jurisdiction, locating the transaction, identifying the taxpayer, etc. This would enable digital firms to focus on innovation without worrying about passing down undue tax obligations to their customers.

#### **Today's News**

### IT ministry searches for problem areas where start-ups can play role

The IT ministry has written to all central ministries and state governments in an effort to identify problem areas where start-ups can play a role. A Rs 5-crore fund had been created in the IT ministry, aiming to seek solutions from start-ups to the problems identified by the other ministries.

"The selected start-ups will be hand-held by the ministry," an official said. Through Startup India, the government provides sops to start-ups like self-certification, a fast track for and rebates in filing patents, and exemptions on income tax for three years. The government has also created a Rs 10,000 crore fund for investing in start-ups.

Source – Business Standard

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# Jeff Bezos bets on India: Amazon invests Rs 2900 crore more in Indian business

Amazon has invested another Rs 2,900 crore (\$443 million) in its India unit as part of its commitment to invest \$5 billion to expand its Indian business. With this fresh round of infusion, Amazon has pumped in about \$1 billion into Amazon Seller Services (Amazon India) in the current financial year itself. While in June, Amazon India received a funding of Rs 1,680 crore, it got another round of funding of Rs 1,620 crore in September.

Source - Financial Express

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This News Letter has been prepared with the assistance of Sadhika A. and Manish Kulkarni

# E-wallets can now be used as prepaid cards

E-wallet companies are looking for options that let their customers use the e-wallet money. The easiest way to do this is offer Visa or Mastercard prepaid cards.

They are partnering with banks for this. As per regulations, only banks can issue these cards. Currently, banks such as RBL Bank Ltd and IDFC Bank Ltd are providing linked prepaid cards.

Source - Livemint

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### Aadhaar needs a privacy law

With the upcoming five-judge Constitution bench hearing petitions on Aadhaar, debates on right to privacy will soon be settled by the highest court.

Meanwhile, UIDAI has asserted that Aadhaar meets the privacy test.

Source - Livemint

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# Soon, 'chatbots' to guide you through shopping at Amazon

Amazon is working on 'chatbots', which would act as personalized salespeople, to make online shopping experience more interactive and engaging. Called the Guided Shopping programme, it is similar to Amazon's voicebased intelligent personnel assistant, Alexa.

Source – Business Standard

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#### Naspers lines up billions for tech investments

Naspers is keen to continue its search for e-commerce and tech investments, with Africa's biggest company happy to deploy a sizable war chest in its hunt for deals. "We have several billion in cash and underutilized credit facilities," Naspers CEO Bob Van Dijk said. "We have room to invest in the future."

Over two rounds in May and September, Naspers invested 1.05 billion euros (\$1.2 billion) in Germany's Delivery Hero, and has been involved in 14 deals worth \$1.94 billion this year alone.

Source - ET Tech

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# Security software specialist Symantec warns of Al-enabled cyber crimes

Symantec expects AI-enabled cyber-attacks to cause an explosion of network penetrations, personal data thefts, and an epidemic-level spread of intelligent computer viruses in the coming years, leading to a full-fledged arms race between cyber criminals and security.

"We think attackers are leveraging automation in building their attacks for a long time," said Brian Witten, senior director at Symantec labs. "In that sense, it is only a matter of time they start leveraging AI a lot more aggressively."

Source - The Economic Times

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### Indian consumers keen to adopt to digital payment solutions: Visa

Visa said there is a high inclination among Indian consumers to embrace new forms of payments. The study conducted in collaboration with YouGov, observed that 78% of people surveyed are likely to embrace new forms of payments. "IoT, contactless payment technology, enabling simplified, secure and faster eCommerce experience are some of the trends defining the next wave of the future of payments."

One of the factors that surfaced as the key driver of this adoption was the ease of transition to digital form factors of payments.

Source – BusinessLine

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# Online Food Delivery Start-Up Swiggy To Start Advertisement Business

Swiggy said it plans to start ramping up its advertisement business next year, targeting to generate as much as a fourth of its overall revenue from that segment by 2020. The company is planning to start product development for the business by the start of 2018, where it will be looking to monetize relationships further with restaurant partners.

Co-founder of Swiggy said "Ad business would form 20-25% of its net revenue by 2020. There is a lot of interest in strong execution.

Source – Franchise India

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#### Amazon to Sell Some Cloud Assets to Chinese Partner

Amazon agreed to sell some of its Chinese cloud assets to its partner Beijing Sinnet Tech. It will buy servers and other operational assets for \$302 mn. The sale is intended to comply with government regulations and improve service.

Amazon has to deal with recent laws that mandate the storage of data within the country and bolster government control over movement of information.

Source - Bloomberg

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### Forget face recognition, Alpowered systems will be able to detect gaze

Face-recognition technology is going a few steps ahead, harnessing the potential of gaze detection.

The algorithms and Al built into systems make it simpler to detect anomalies when it comes to urban security, but also serve as innovative tools for marketing companies, both online and offline.

Source - BusinessLine

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# UberEATS plans quick service restaurant tie-ups

UberEATS is tying up with local and international QSR chains, to increase the number of orders it receives. The company has a global tie-up with McDonald's as a delivery partner.

Source – Business Standard

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