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8 August 2022

Dear Sir / Madam

### **Adjustment to tax on certain payments or credits to Indian firms**

KPMG Australia (**KPMG**) appreciates the opportunity to provide a submission to Treasury on the exposure draft inserts for the *Treasury Laws Amendment (Measures for Consultation) Bill 2022: Adjustment to tax on certain payments or credits paid to Indian firms*, released on 1 August 2022 (**Draft Bill**).

KPMG supports the Draft Bill and considers that it should be effective in eliminating a taxation anomaly that has arisen in relation to Indian firms' remote provision of technical services to Australian recipients.

The Draft Bill is consistent with Australia-India Economic Cooperation and Trade Agreement (**Agreement**) Side Letters – Taxation, dated 2 April 2022. However, we recommend that the Australian government consider including an earlier commencement date for the Draft Bill.

The Australian and Indian governments executed the Agreement and exchanged the Side Letters on 2 April 2022. It would be consistent with the objectives of these documents for the Draft Bill's amendments to take effect from that date.

Given that years of income typically start on the 1<sup>st</sup> day of a month, a practical approach would be to have the Draft Bill apply in relation to assessments for years of income starting on or after 1 April 2022 (while maintaining the requirement that the new provisions would not commence at all if the Agreement does not enter into force).



In the alternative, we recommend that the amendments included in the Draft Bill should apply to payments or credits derived on or after the date on which the Agreement enters into force, regardless of when the Draft Bill's amendments receive royal assent.

Please contact the undersigned if you have questions in relation to this submission.

Yours faithfully

Alia Lum  
Partner, Tax Policy Lead

Yours faithfully

Paul Sorrell  
Partner, International Tax

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