the service provided in India. Further, this “equalization levy” will result in taxes on business income even when a foreign service provider does not have a permanent establishment in India or when underlying business activities are not carried out in India. The current structure of the equalization levy represents a shift from internationally accepted principles, which provide that digital taxation mechanisms should be developed on a multilateral basis in order to prevent double taxation, and raises the costs of cross-border digital trade.

Electronic commerce

India allows for 100 percent FDI in business-to-business (B2B) electronic commerce, but largely prohibits foreign investment in business-to-consumer (B2C) electronic commerce transactions. In practice, this has meant that foreign companies can only invest in “marketplaces” where they connect buyers and sellers; they cannot establish online enterprises that own inventory. The only exception allowing for B2C foreign investment in electronic commerce was published in November 2015 by the Ministry of Commerce and Industry, DIPP, Press Note No. 12 (2015 Series) and states that single brand retailers that meet certain conditions, including the operation of physical stores in India, may undertake retail trading through electronic commerce. This narrow exception limits the ability of the majority of potential B2C electronic commerce foreign investors to access the Indian market.

OTHER BARRIERS

Price Controls on Medical Devices

On February 13, 2017, India’s National Pharmaceutical Pricing Authority (NPPA) announced a price control order on all coronary stents for sale in India. The order set price categories that do not fully differentiate for advanced technologies within a product class, requiring newer technology stents be sold at the same prices as older technology products, resulting in some technologically advanced stents selling at a loss. Several U.S. companies have applied to withdraw their most technologically advanced products from the Indian market due to the policy, but those requests have been repeatedly rejected by Indian regulators. U.S. stakeholders claim they must continue to sell their products at a loss in the Indian market for up to 18 months. The United States has asked that India further differentiate the price controls for advanced products, allow the withdrawal of products, and not extend the policy to additional products. Despite these concerns, on August 16, 2017, NPPA issued an additional price control order on 15 different orthopedic knee implant systems.

Solar Cells and Modules

In 2010, India initiated the Jawaharlal Nehru National Solar Mission (JNNSM), which currently aims to bring 100,000 megawatts of solar-based power generation online by 2022 as well as promote solar module manufacturing in India. Under the JNNSM, India imposes certain local content requirements (LCRs) for solar cells and modules and requires participating solar power developers to use solar cells and modules made in India in order to enter into long-term power supply contracts and receive other benefits from the Indian government. The United States challenged these requirements through the WTO dispute settlement system. In February 2016, a WTO panel found India’s LCRs inconsistent with multiple WTO requirements. These findings were affirmed by the Appellate Body on September 16, 2016, and the DSB adopted the Appellate Body and Panel reports at a special meeting of the DSB on October 14, 2016. In November 2016, India provided formal notice that it would bring the challenged measures into WTO compliance within a “reasonable period of time.” On June 16, 2017, India and the United States informed the DSB that they had agreed that the reasonable period of time to implement the DSB’s recommendations and rulings would be 14 months. Accordingly, the reasonable period of time was set to expire on December 14, 2017.