

Budget 2012: Plan to change income tax act not vindictive, says Pranab Mukherjee

Finance minister Pranab Mukherjee has clarified the government does not want to open a large number of old cases and there was no vindictive intent behind the retrospective changes to the Income Tax Act proposed in the Budget.

"I can assure the industry that there is no intention of opening a plethora of old cases on this or that plea because that is simply not permissible (under the laws)," he said at the National Council Meeting of CII in New Delhi on Sunday.

The government's Budget proposal to retrospectively amend the Income Tax Act to tax transactions involving substantial Indian assets even if the deals were executed outside India has drawn heavy criticism. But, despite the outcry, the government is firm that changes, once approved by Parliament, will allow it to raise fresh demand against Vodafone over its near \$11-billion acquisition of Hong Kong-based Hutchison Whampoa's Indian mobile services subsidiary in 2007.

The **Supreme Court** has ruled against the government's decision to impose a \$2.2-billion tax on the deal. The finance minister clarified that the government had no intention of reopening cases dating back to 1961 when the **income tax law** came into force.

"But at the same time, I shall have to protect myself. I am not holding my money. I am a custodian of the money given by 120 crore people through taxation," he said. According to him, though the Supreme Court is the "ultimate interpreter of law... that does not take away the right of the legislators to express its intentions".

Mukherjee said the Budget proposal was not merely to prevent erosion of revenues in the present cases but also to check the outgo of revenues in old cases. The government paid back Rs 2,500 crore along with 4% interest to Vodafone that the company had been asked to deposit on March 2 after the apex court rejected a review petition.

Mukherjee also assured the industry that the government will build a consensus on reforms. "It will be our endeavour to build broad-based consensus to implement the decisions which have already been taken and confront issues that need to be addressed," he said and added that the government would take "some difficult decisions" in the coming months.

The government has indicated that it will try and build a consensus on FDI in multi-brand retail that it had been forced to abort after political opposition.

(Economic Times)