

Delhi High Court refuses to stop Vodafone's UK arbitration

In a jolt to the government in the tax arbitration case involving Vodafone, the Delhi High Court has refused to stop Vodafone's new tax arbitration in the UK.

The court rejected the government's plea to stop Vodafone's UK arbitration saying that the telecom major's tax arbitration will continue both in Netherlands and the UK.

The Delhi High Court has asked the government to move the India-UK BIPA tribunal, which the aggrieved telecom giant approached citing the Indian government's amendments to the tax laws reviving the tax liability of Rs 11,000 crore on Vodafone's acquisition of Hutchison Telecom.

Vodafone had initiated two arbitrations against India, one under the India-Netherlands BIPA and the other under the India-UK BIPA. The Supreme Court, in December 2017, had revoked the stay on second arbitration under the India-UK BIPA which was imposed by the Delhi High Court in August 2017.

The apex court also allowed Vodafone to appoint an arbitrator in the case. It also ordered that the proceedings shall not commence until the Delhi High Court completes hearing in the case.

The UPA-II government had imposed a tax liability on Vodafone to the tune of Rs 11,000 crore claiming that the telecom major had failed to deduct the TDS under the Income tax Act. Subsequently, the Supreme Court, in 2102, quashed the demand made by the government. The government then amended the IT laws retrospectively and reinstated the tax liability, which had by then swelled to Rs 20,000 crore including interest and penalties.

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