

FinMin to recover Rs 20,300 crore tax from Vodafone

A day after the approval of the Finance Bill by the Lok Sabha, the government on Wednesday said that it will move ahead to recover the tax and penalty from the British telecom major Vodafone which is currently estimated at Rs 20,300 crore.

Finance Secretary R S Gujral said that no new notice would be required in the Vodafone case as the Finance Bill, 2012 would validate all the notices sent earlier, even as the telecom company described the tax law amendment as "grossly unjust" and said it would take all possible steps to safeguard its shareholders' interest.

"...In the Finance Bill there is a validation clause, which is that all orders and assessments which has been passed in this regard stands validated. Once that is there, assessment order of the tax as well as order pertaining to penalty (stands) validated by Parliament", he told a television channel.

Gujral further added, "it is government's job to take action to collect dues."

Earlier in the day, Vodafone said in a statement, "we are naturally disappointed that, despite very widespread concern in India and internationally, the government has not seen fit to propose amendments to address the uncertainty caused by retrospective tax legislation."

The Lok Sabha has approved the Finance Bill, 2012 which seeks to amend the Income Tax, 1961 with retrospective effect to tax overseas deals involving domestic assets.

The amendment would neutralise the victory secured by Vodafone in the Supreme Court in the Rs 11,000-crore tax dispute case. The tax pertains to purchase of Hutchison's stake in Hutchison-Essar by Vodafone for USD 11.2 billion in 2007 through a deal in Cayman Islands.

The tax liability of Vodafone, after taking into account the penalty and interest has been estimated at Rs 20,300 crore.

According to the Finance Secretary, "as per the statute there is no question of government negotiating once Parliament has validated action which is already completed in terms of raising tax demand interest amount, there is no question of government sitting and negotiating on the issue."

Vodafone said: "We are studying the legislation as amended, and will take all possible steps to safeguard our shareholders' interests."

Gujral said, "it was always intention of Parliament that such transaction are liable to tax. Not only capital gains tax, which was liability of Hutchison, but also the liability to withhold tax which was the liability on the part of Vodafone."

While replying to a debate on Finance Bill in the Lok Sabha yesterday, Finance Minister Pranab Mukherjee had asserted that Parliament reserved the right to make amendments to law to correct Supreme Court judgement and would not allow a situation where a corporate would avoid paying tax here by operating from a tax haven.

"I would like to be guided either by Double Taxation Avoidance Agreement (DTAA) or tax. There cannot be a situation that somebody will make money on an asset located in India and will not pay tax either in India or to the country of its origin.

"...Because of making some arrangements through certain tax haven areas through a complicated setting up of series of subsidiaries and having huge capital gains on the assets located in India," he had said.

(ZeeNews)