

Government against retro tax Legislation, Says Finance Minister Arun Jaitley

Finance minister Arun Jaitley has said the government will not move in the direction of "retrospective legislation on tax issues", referring to the latest controversy surrounding Cairn Energy and Cairn India.

"We have stuck to our word," he said. "For any assessee, if he has any grievance against the legacy issues of the previous government, they have the due process to resort to. There is huge enthusiasm over India and the country is back on the radar of international investors."

Jaitley also said that wherever a judicial process had decided an issue, the government had chosen not to challenge it. On the issue of fresh notices or action, any assessing officer who wanted to take such action would have to have the clearance of the Central Board of Direct Taxes, and "legacy claims and notices" that had been initiated by the previous UPA government need to be sorted out through a due judicial process, he added.

Jaitley, who had meetings with British Prime Minister David Cameron and Chancellor of the Exchequer George Osborne here on Saturday, said he was confident that India's GDP will see a growth of 7.4% this year and 8% next year.

In an interview to TOI, Patricia Hewitt, chair of the UK India Business Council (UKIBC), said she was disappointed by the news that Cairn Energy has been hit with a demand for \$1.6 billion in retrospective taxes.

"Cairn, of course, has invested \$5 billion in India over the last 20 years, creating jobs and energy in Rajasthan and enabling thousands of Indian investors to take a stake in Cairn India. The tax department's actions have not only damaged Cairn's employees and shareholders, but have caused many global investors to worry about the risks of investing in India," Hewitt added.

Simon Thomson, chief executive, Cairn Energy, said in a statement after being slapped with the hefty tax, "Cairn has consistently confirmed that it has been fully compliant with all relevant legislation and paid all applicable taxes in India and we are confident of our position under the UK-India Investment Treaty.

" Cairn Energy has decided to file a notice of dispute under the UK-India Investment Treaty over the impasse.

The income tax department has also served a Rs 20,495-crore notice on Cairn India, now owned by NRI metals tycoon Anil Agarwal's Vedanta group, for allegedly failing to pay tax on gains made by its former parent-Cairn Energy Plc-in a transaction involving transfer of shares in 2006. Cairn India said it did not agree with the tax demand. In a regulatory filing, the company said Rs 10,248 crore was demanded as tax, with the remaining amount as interest.

Cairn India was the fully-owned arm of Cairn Energy Plc, an independent Scottish explorer, till London-listed Vedanta acquired a controlling stake in the company in 2011.

(Economic Times)