

India not a tax haven: Pranab Mukherjee on Vodafone controversy

In a strong message to the critics of the retrospective amendment to the tax laws, Finance Minister Pranab Mukherjee on Tuesday asserted India is not a tax haven.

"India is not a no-tax country, India has a determined tax rate, but it is not a tax haven ... If you pay tax in your country of origin, you don't have to pay tax, if we have double taxation agreement with your country of origin.

"We are exactly explaining that position in respect of Vodafone case. It is not a vindictive attitude," Mukherjee said in the Lok Sabha in his reply to the discussion on the Budget.

He said the double taxation avoidance agreements (DTAAs) are meant for genuine investors who are required to pay in only one of the contracting countries.

Mukherjee said the tax laws are not arbitrary but transparent and determined. "We are not going to have tax haven. At the same time, we are not going to say that tax laws are arbitrary. Tax laws are transparent, it is firm and determined," he said.

He defended government's proposal to amend the Income Tax Act with retrospective effect in the wake of Supreme Court order in the Vodafone case but said there was no room for apprehension as cases beyond six years cannot be reopened.

"It does not mean all cases will be reopened from 1961 and 1962...where is the apprehension?", he said. As per the IT Act, the government cannot reopen tax cases beyond six years, he said, adding the intent of legislature is that there should be no double taxation and also no outflow of revenue.

The proposed IT amendment aims at taxing overseas mergers and acquisition relating to domestic assets with retrospective effect. The proposed changes in the I-T Act evoked sharp reactions from industry which argued that the move will hurt foreign investment.

As regards the controversial provisions in the Budget on the general anti-avoidance rules (GAAR), the Finance Minister said there are companies which use the DTAAs to escape taxes.

"Should I not prevent that?" he asked. "I will examine and modify GAAR as and when required. This is essential for anti-avoidance," he said.

In his budget for 2012-13, Mukherjee had said that the government wanted to introduce GAAR in order to "counter aggressive tax avoidance schemes, while ensuring that it is used only in appropriate cases, by enabling a review by a GAAR panel".

On the proposed 1 per cent excise duty on non-branded jewellery, he said the government will reconsider the proposal as it has received several representations from the industry which is objecting the move.

"I have no intention of causing any harassment or disturbing the industry. The intention was very clear, all of them, and all the state governments ... they are charging VAT on this (jewellery)," he said.

"If jewellers can pay value-added tax on the commodity, why can't they pay excise duty," he argued.

"But as there have been lots of representations, I am considering it," he added.

Bullion traders and jewellers are observing indefinite strike across the country to protest the Budget proposals imposing excise duty on non-branded jewellery, among others.

(IBN LIVE)