

Law Ministry changes stance, favours settlement with Vodafone

Within a day of Kapil Sibal taking charge, the Law Ministry on Tuesday gave its go-ahead for a conciliatory out-of-court settlement of over Rs 11,000 crore tax dispute with British telecom major Vodafone, marking a change in its stance.

The Law Ministry sent its approval of the proposal to the Finance Ministry, displaying a sense of urgency in the government to resolve the controversial issue which is bound to have implications on foreign investments.

Telecom Minister Sibal, who took additional charge as Law Minister on Monday, revived the case by seeking a fresh opinion of Attorney General G E Vahanvati on the issue.

Vahanvati, who had earlier disfavoured such a step, immediately gave his nod.

Ashwani Kumar, who quit as Law Minister on Friday last, had disfavoured such a move and AG had concurred, sources said.

Vahanvati gave his fresh opinion in the light of Finance Ministry clarification that the conciliation proposal would not bypass or alter the tax liability under the Income Tax Act, they said.

The Finance Ministry has also said that any agreement reached with Vodafone would have to be approved by the Cabinet and finally by Parliament as an amendment will have to be made to the Income Tax Act, the sources said.

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