

## **Vodafone effect: Taxmen to seek Supreme Court advice on foreign bank accounts of Indians**

Tax authorities and the finance ministry are contemplating moving the Supreme Court to figure out how they should go about handling information on undisclosed offshore bank accounts of Indians. With the tax office receiving information on thousands of such accounts, the government is in favour of approaching the apex court for a direction on the future course of action in this matter.

The government, which has been receiving information on unreported offshore accounts since last two years, expects to access more information with India having entered into tax information exchange with authorities of more than 70 jurisdictions.

Under the circumstances, senior functionaries in the tax office and the ministry think that it may be appropriate to seek the court's view on the matter. The view has gained currency after the landmark verdict on the Vodafone case, where the SC held that a transaction should be looked at instead of being looked through. In the particular matter, the court recently ruled that indirect transfer of capital assets through offshore share deals do not attract tax in India.

"Besides offshore accounts of individual residents, we are also getting a lot of information regarding offshore trust structures used by companies to divert funds. Now that the SC has not taken a kind view of the Income-tax department looking through the corporate veil, we are hesitant to look through complex structures in corporate transactions. Therefore, it may be helpful if there is a direction from the SC on how we should proceed," said a tax official.

Most of the offshore accounts belong to beneficiaries of various trusts set up by holding companies formed at various tax havens. Convoluting transactions through trusts, spanning several countries and tax havens, are carried out to park undisclosed money. In most cases, the account holders are recorded as beneficiaries of trusts. When confronted by tax authorities, such account holders can claim that they are unaware of any accounts.

The Income-tax department has already initiated prosecution proceedings against the account holders of LGT Bank, besides levying penal interest and penalty. It has also sent notices to Indians having accounts with HSBC Geneva. Also, the Foreign Tax Division of the department is in possession of details of another 6,000 accounts with various Swiss banks.

(Economic Times)