

India says it will not appeal Vodafone tax ruling

NEW DELHI, INDIA: India's government said on Wednesday it would not appeal a court verdict favouring British mobile giant Vodafone in a multimillion-dollar tax suit, in a move aimed at winning back investor confidence.



New Delhi; the Indian government will not appeal the pro-Vodafone ruling. (Image: Public Domain)

Vodafone has been embroiled in a series of bitter tax disputes with New Delhi since it entered the country in 2007, becoming a symbol of problems facing foreign firms doing business in Asia's third-largest economy.

Mumbai's high court ruled in favour of Vodafone in one case in October, rejecting allegations by local authorities that an Indian unit of the telecoms major had underpriced shares in a rights issue to its British parent to avoid taxes.

Indian tax authorities had been seeking payment of R30bn (rupees) (\$490m) from Vodafone.

"The government will not appeal in Supreme Court... in the Vodafone case," Indian telecommunications minister Ravi Shankar Prasad told a news conference in New Delhi.

"The government - led by Narendra Modi, the prime minister - wants to convey a clear message to investors (the) world over that this is a government where decisions would be fair, transparent and within the four corners of law.

"We have tried to give a positive message to investors."

So-called transfer pricing - the value at which companies trade assets between units in different countries - has become a major legal issue in India and elsewhere. Tax authorities argue companies set the prices for transferring assets for their own gain. Several other multinational firms are fighting similar transfer-pricing cases in India.

Foreign companies, however, allege Indian tax laws are sometimes applied in an uneven and capricious manner, making it difficult to do business in the country. Vodafone is still battling a more than \$2bn tax demand over its \$10.7bn purchase of Hutchison Whampoa's Indian mobile operations in 2007.

But new business-friendly Prime Minister Modi, who came to power in May on a pledge to revive the economy, has vowed to make India an easier place to do business and ease off on taxes to attract more foreign investment.

Source: AFP, via I-Net Bridge

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