

NEWSALERT

Vodafone Wins Tax Battle In Supreme Court

In a much awaited tax dispute, The Supreme Court of India has today ruled that Indian tax authorities has no jurisdiction over the transactions taking place outside India and Vodafone is not liable to capital gains tax in India on such transactions. The Court has also directed the Income Tax Department to refund INR 2,500 Crores with 4% interest to Vodafone, the amount which Vodafone has already paid.

The case involved transfer of shares between overseas companies, from Hong Kong-based Hutchison to Vodafone, which resulted in transfer of mobile business of Hutchison in India. The Income Tax Department issued notice to Vodafone International for failure to withhold tax on payments made to Hutchison for acquisition of such shares of overseas company, which as per the Indian tax authorities also included the value of the business of the Indian Company. On the other hand, Vodafone contended that the tax authorities do not have jurisdiction over the share transfer transaction between two overseas entities. Tax authority demanded US\$ 2.2 Billion from Vodafone in this case.

The ruling comes as a breather to the foreign investors and other telecom majors, who are facing similar cases in various courts in India and gives a much need boost to cross-border mergers and acquisitions. This judgment will be a benchmark on situs of international transactions involving underlying assets in India and the authority of revenue to tax the same.

* The text of the judgment is awaited.

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