

Vodafone finally emerges victorious in a tax battle with IT department, hails SC verdict

As per the direction of the Supreme Court, Vodafone also get Rs 2,500 crore back with in two months from the Income Tax department

Vodafone has finally emerged victorious in what could be called a long drawn battle with India's income tax department. In an important verdict the Supreme Court on Friday set aside Bombay High Court's order directing the company to pay income tax of Rs 11,000 crore.

The apex court said that income department has no jurisdiction to levy tax on overseas transaction between companies incorporated outside India.

Maintaining that Vodafone has no obligation under section 163 clause 1 (c) of Income Tax Act In a separate judgment Justice K S Radhakrishnan agreed with Chief Justice and Justice Swatanter Kumar saying the companies (Vodafone and Hutchison) are incorporated outside and their transaction outside India has "no underlying nexus" with tax authority here."Vodafone has no obligation under section 163 clause 1 (c) of Income Tax Act," Justice Radhakrishnan said.

As per the direction of the Supreme Court, Vodafone will get Rs 2,500 crore back with in two months from the Income Tax department. The company had deposited in compliance of its interim order by the High Court.

Abhishek Manu Singhvi who appeared in the court on behalf of Vodafone said that the apex court has given the verdict after studying the case minutely. He termed the verdict for Indian judicial System"

High Court in its judgment on September 8, 2010 had given a ruling in favour IT department maintaining that it had jurisdiction over the deal. Vodafone later challenged High Court's interim order in the court.

The whole issue erupted after the IT Department issued a show cause notice treating Vodafone as a representative assessee of the Vodafone International Hold. It said that the company is liable to pay tax as capital gains were made in India through the deal. Vodafone moved the High Court, but its plea that it was share transfer carried outside India was rejected.

The judgment has brought cheers to Vodafone. "We welcome the Supreme Court's decision, which underpins our confidence in India. We will continue to grow our Indian business - including making significant investments in rural areas and in 3G network coverage - for the benefit of Indian consumers," Vodafone CEO Vittorio Colao said in a statement.

The company said that it has maintained consistently throughout the legal proceedings that this transaction was not taxable and we are pleased with today's judgement in the Supreme Court."