

RETROSPECTIVE TAX SETTLEMENT SCHEME TO START FROM JUNE 1



The government will open from June 1 its one-time offer to settle retrospective tax disputes, involving firms like Vodafone and Cairn Energy, after rules are framed for these to pay principal tax and get waiver from interest and penalty. The rules framed for implementation of the scheme shall be notified in the Official Gazette shortly and shall include a form, as well as particulars and declarations to be made, government sources said. The scheme, they said, would not be an open-ended scheme. Its closure date will be decided by the revenue department later. The details will be issued once the Finance Bill, 2016, is approved by Parliament in the second leg of the Budget session beginning April 25. Sources said companies would have to provide proof of withdrawal of “any proceeding for arbitration, conciliation or mediation or any notice thereof under any law for the time being in force or under any agreement entered into by India with any other country or territory outside India whether for protection of investment or otherwise”. The company would also have to furnish an undertaking, waiving its right to seek or pursue any remedy or any claim in relation to the specified tax which may otherwise be available to it under any law or under an agreement with any country. The company, availing of the offer, would have to pay the principal tax amount within 30 days of the designated authority, determining the amount payable by the declarant. Also, any amount paid in pursuance of a

declaration shall not be refundable under any circumstances. The rules once framed would be placed before both Houses of Parliament for any modification the law makers may want to make. Announcing the one-time scheme of Dispute Resolution for companies facing a tax demand after retrospective amendment to Income Tax Act, Finance Minister Arun Jaitley had in his Budget speech said: "They can settle the case by paying only the tax arrears, in which case, liability of the interest and penalty shall be waived." While Vodafone faces a total of Rs 14,200 crore in tax, interest and penalty over its \$11-billion acquisition of Hutchison Whampoa's India telecom business in 2007, Cairn Energy has been asked to pay a total of Rs 29,000 crore as tax on alleged capital gains made on a 2006 internal business reorganisation. Both the firms have challenged the tax demands and have initiated international arbitration. Sources said the government was of the view that the arbitrations are not just time consuming but were also costing the government a lot besides getting India a bad name. The settlement scheme was proposed to put an end to all of it.

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