

## MNCs keenly watching Vodaphone tax case in Mumbai court

Multinationals in the UK, and [Europe](#) in general, looking to invest in India, will keenly watch the Vodaphone tax case that comes up for a consecutive five-day hearing in a [Mumbai](#) court from Monday.

The Mumbai High Court is to decide whether Vodaphone owes the Indian government nearly 1 Pound billion for its takeover of Hutchison Essar, one of the country's major mobile networks. Vodaphone bought a controlling stake in the last year and advisors to the UK group said no tax is owed to India as the deal was between two foreign companies.

The Indian finance ministry did not agree and so, the court case. This week's hearing will decide on the validity of a Vodafone writ seeking an injunction against the tax authority's investigation of the deal.

The case has major implications for all foreign companies pursuing Indian assets, says The Independent. The case has attracted multinationals wanting to invest in the Indian economy because of the implications the Vodaphone case has on future investors' tax liabilities.

Vodaphone's is not the only such case. Though subtly different from the Vodafone case, deals by General Electric and AT and amp;T in recent years are now also coming under scrutiny from India's revenue authorities.

The crux of Vodaphone's argument is that it cannot owe tax on the deal because the transfer of shares took place between a Dutch group owned by Vodaphone and a Hutchison company registered in the Cayman Islands, both outside India's jurisdiction.

The Indian government is arguing that its capital gains claim is genuine as the assets of the company in question are on Indian soil.

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