Retrospective tax amendment

August 6, 2021

In news- Recently the Union government introduced a bill to scrap the Retrospective tax law.

Key amendments introduced in Taxation Laws (Amendment) Bill, 2021-

- The Bill proposes to **amend the Income-tax Act, 1961** so as to provide that no tax demand shall be raised in future on the basis of the said retrospective amendment for any indirect transfer of Indian assets **if the transaction was undertaken before May 28, 2012.**
- The tax raised for the indirect transfer of Indian assets before May 2012 would be "nullified on fulfillment of specified conditions" such as the withdrawal of pending litigation and an undertaking that no damages claims would be filed.
- It also proposes to refund the amount paid by companies facing trail in these cases without interest thereon.
- It proposes to provide that the demand raised for indirect transfer of Indian assets made before May 28, 2012 shall be nullified on fulfilment of specified conditions.
- It **also amends the Finance Act, 2012.**
- This bill impacts retro tax cases of at least two big companies – Cairn Energy Plc and Vodafone Group of UK, which had won international arbitrations against levy of retrospective taxes on them.
- With this amendment, Centre said it will refund about Rs 8,100 crore collected to enforce levies under the former law.

What is a Retrospective tax?

- Retrospective tax means creating an additional charge or levy of tax by way of an amendment from a specified date in the past.

- The retro tax provision was introduced by the UPA government in Finance Act 2012.
- The **purpose was to impose tax on capital gains** made by companies like Cairn Energy Plc and Vodafone Group of UK retrospectively.
- An international arbitration tribunal in The Hague last year ruled that India’s imposition of a tax liability on Vodafone, as well as interest and penalties, breached an investment treaty agreement between India and the Netherlands.