Funding the Future

# India flexes its muscles on takeovers - again

Published: January 12, 2026, 10:17 pm

---

The FT has noted this morning:

*Indian officials are investigating whether Kraft Foods evaded taxes in its $19bn takeover of Cadbury last year,* reports DealBook. India’s finance ministry is examining Kraft’s tax liabilities related to the takeover, after a public interest lawsuit filed last year in the Delhi High Court,  In the suit, a Delhi-based lawyer claimed Kraft had “completely and illegally avoided” tax liabilities related to the sale of shares and capital assets in India, which had caused “substantial loss to the Indian economy.” In a Dec 22 letter referring to the suit, a finance ministry official wrote that “action has been initiated in the matter under the Income Tax laws.”

Now such a report does not prove a right or a wrong - and I'm not suggesting it does. But that's not the reason for referring to this.

As is widely known, Vodafone has been in long term dispute with India about tax due on the takeover of its network there from Hutchinson - where India objected to tax on the deal being avoided in India because the Indian assets were owned offshore - and I guess (but don't know) that the challenge to Kraft arises for similar reasons. The issue is significant. What India is saying that the economic substance of transactions is more important to their tax system than the form corporations would like to give to them.

In this way India is promoting tax compliance - which  is seeking to pay the right amount of tax (but no more) in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the place and form in which they are reported for taxation purposes. Tax compliance has a bias to source taxation and developing countries need that bias.

I pass no judgement on Kraft, at all. I do welcome India's moves in this direction though.