

George Osborne has the temerity to argue in favour of V...

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[Businesstoday in India](#) carried this great report today (which I admit I quote at length):

India appears to have stumped Britain as far as retrospective amendment in the tax law to deal with [cases such as Vodafone](#) is concerned. Britain's chancellor of the exchequer [George Osborne took up the Vodafone issue](#) with finance minister Pranab Mukherjee on Monday but it turned out that the UK had done exactly the same thing to bring entities based in tax havens under the tax net.

In an incredible coincidence, the UK has also in its Budget for 2012, presented on February 27, introduced retrospective provisions to check the avoidance of corporation tax. So clearly, what's sauce for the goose should be sauce for the gander. Finance ministry officials had dug out details of the amendment made in the UK's Finance Act, 2008, with retrospective effect from 1987 to prevent tax avoidance through entities based in the Isles of Man and Jersey. In a sense, the boot turned out to be on the other foot enabling Mukherjee to more than hold his ground.

According to sources, Osborne was told that [India's proposal for a "clarificatory retrospective amendment"](#) to cover cases like Vodafone is the same as that of the UK as it aims to prevent tax avoidance through Cayman Islands and British Virgin Islands.

Interestingly, the UK had also decided to go in for a retrospective amendment after a court had ruled against the Inland Revenue Commissioner's decision to impose tax on an entity registered in the Isle of Man.

The UK government had characterised these changes to the law as a clarification of the law rather than as retrospective changes. This is precisely what Indian finance ministry is saying as well. The UK amendment reads: "The amendments made by sub sections 1 to 3 are treated as always having had effect. The retrospective amendment was upheld by the courts in Britain."

The court of appeal had ruled that if these amendments "were not made retrospective, the claimants would obtain a windfall at the expense of the general body of tax payers. It would be unfair to the general body of tax payers not to give Section 58 retrospective

effect".

Osborne said UK investors were anxious following India's proposal to amend the tax law, an Indian official said. He also emphasised that the Supreme Court has ruled in favour of Vodafone. While the Rs 11,000-crore Vodafone tax issue figured prominently during the discussion between the two finance ministers, it was not mentioned in the joint statement released after the meeting.

Osborne is being typically hypocritical. Only last week a director of HMRC [said, in my presence](#), that HMRC would propose retrospective tax legislation to stop abuse - as it has just done with Barclays. So he has no leg to stand on.

But it's worse than that. [Mysteriously Vodafone's notorious UK tax case](#) was only settled a week before George last went to India - when [he lobbied for Vodafone against the Indian government](#). And we all know about the dubious nature of that settlement.

Osborne should stop digging.

Hat tip: Alex Wilks