

# THESE TWO CHINESE MOBILE COMPANIES MAY HAVE TO PAY 1,000 CRORE FOR TAX EVASION

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Chinese smartphone makers and sellers [Xiaomi](#) and [Oppo](#) may have to pay up to 1,000 crore as penalty for tax evasions. On 21 December 2021, IT Department carried out search operations various mobile communication and handset maker including these two and found that they had not complied with the regulatory mandate for disclosure of transactions, quotes Hindustan Times.

In a statement issued on Friday, the Central Board of Direct Taxes (CBDT), the parent body of IT department, said, "The search action has revealed that two major companies (referring to Oppo and Xiaomi) have made remittance in the nature of royalty, to and on behalf of its group companies located abroad, which aggregates to more than 5,500 crore."

"The claim of such expenses does not seem to be appropriate in light of the facts and evidence gathered during the search action," it said.

"It is gathered that both these companies had not complied with the regulatory mandate prescribed under the Income-tax Act, 1961 for disclosure of transactions with associated enterprises. Such lapse makes them liable for penal action under the Income-tax Act, 1961, the quantum of which could be in the range of more than 1,000 crore," the CBDT statement added.

Subsequently, investigation has brought out modus operandi of purchase of the components for manufacturing of mobile handsets as well as introduction of foreign funds in the books of the Indian company but it transpires that the source from which such funds have been received are of doubtful nature, purportedly with no credit worthiness of the lender. "The quantum of such borrowings is about 5,000 crore, on which interest expenses have also been claimed," it added.

The department added that it has come across evidence with regard to the inflation of expenses, payments on behalf of the associated enterprises, etc, which led to the reduction of taxable profits of the Indian mobile handset manufacturing company. "Such amount could be in excess of 1,400 crore," it further said.

The taxmen also found that one of the companies utilised the services of another entity located in India but did not comply with the provisions of tax deduction at source introduced since April 1, 2020 and the quantum of liability of TDS on this account could be around 300 crore.

Another mobile company was also raided by the IT on December 21, about which, without divulging the name, the department said that "it has been detected that the control of the affairs of the company was substantively managed from a neighbouring country".

"The Indian directors of the said company admitted that they had no role in the management of the company and lent their names for directorship for the namesake purposes. Evidence have been gathered on attempt to transfer the entire reserves of the company to the tune of 42 crore out of India, without payment of due taxes," the CBDT added.

Never miss a story! Stay connected and informed with Mint. [Download](#) our App Now!!

Log in to our website to save your bookmarks. It'll just take a moment.

Oops! Looks like you have exceeded the limit to bookmark the image. Remove some to bookmark this image.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side, please check the spam folder.

This is a subscriber only feature [Subscribe Now](#) to get daily updates on WhatsApp

**END**

Downloaded from [crackIAS.com](https://crackIAS.com)

© **Zuccess App** by [crackIAS.com](https://crackIAS.com)

CrackIAS.com