

Now, Kia faces charge of evading ₹1,350 cr taxes on parts import issue

Reuters
New Delhi

South Korean automaker Kia has been accused of evading taxes of \$155 million in India by misclassifying component imports, but the carmaker has denied wrongdoing, the latest fight by a foreign automaker with New Delhi over tariffs.

Tax officers sent a confidential notice to Kia's Indian unit in April 2024, flagging alleged tax evasion of , according to a government notice *Reuters* is reporting for the first time.

The offence centred on incorrect declaration of imports of components for the assembly of the carmaker's luxury Carnival minivan, the notice showed.

In a statement to *Reuters*, Kia India said it made "a detailed response, supported by comprehensive evidence and documentation to substantiate" its stand and the authorities were still review-



ing the matter. Kia India is committed to complying with all regulations and has "consistently cooperated with" authorities, it added. The Finance Ministry and customs officials did not respond to *Reuters* queries.

KIA CARNIVAL

In its 432-page notice, the government said tax authorities found Kia's Carnival "car model was being imported in parts or components in separate lots" via different ports, with the "intent to discharge lesser customs duty".

Kia devised the strategy to ensure the imports "could not (be) detected by customs," it added in the notice,

issued by a customs commissioner in Chennai.

Two sources said Kia's case was similar to that of Volkswagen, accused of evading a higher tax of 30-35 per cent applicable on parts imported in "completely knocked down" (CKD) form in a single shipment, instead shipping separate parts over days, making them eligible for a tax rate of just 10-15 per cent.

\$310-M PAYOUT

Indian tax rules could require Kia to pay up to \$310 million if it loses the dispute, or roughly double the amount evaded, due to penalty and interest. ent.

Kia has deposited ₹278 crore "under protest", as it continues to fight the notice, which is still proceeding, said a government source who declined to be named.

In 2022, authorities searched Kia offices and a factory in Andhra Pradesh and took statements from India executives.