

Govt slaps \$601 mn tax bill on Samsung for telecom imports

REUTERS

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India has ordered Samsung and its executives in the country to pay \$601 million in back taxes and penalties for dodging tariffs on import of key telecoms equipment, a government order showed, for one of the biggest such demands in recent years.

The demand represents a substantial chunk of last year's net profit of \$955 million for Samsung in India, where it is one of the largest players in the consumer electronics and smartphones market. It can be challenged in a tax tribunal or the courts.

The company, which also imports telecoms equipment through its network division, received a warning in 2023 for misclassifying imports to evade tariffs of 10 or 20 per cent on a critical transmission component used in mobile towers.

It imported and sold these items to billionaire Mukesh Ambani's telecom giant, Reliance Jio.

Samsung pushed India's tax authority to drop the scrutiny, saying the component did not attract tariffs and officials had known its classification practice for years.

But customs authorities disagreed in a confidential January 8 order that

FOREIGN FIRMS IN TAX SOUP

Volkswagen: Faces a record \$1.4 bn notice for importing parts for 14 models in separate shipments to avoid higher tax

KIA: Accused of dodging \$155 mn by misclassifying some car component imports

Vodafone: Slapped with a \$2 bn tax demand when it purchased the Indian assets of Hutchison Whampoa in an \$11 bn deal in 2007; won arbitration case in 2020

Cairn Energy: Faced a more than \$1.4 bn tax demand over transfer of shares during a 2007 internal reorganisation; dispute settled in 2021

Pernod Ricard: Accused of undervaluing some imports for more than 10 yrs to avoid full payment of duties; India demanding roughly \$250 mn in back taxes

BYD: Accused of underpaying \$8.37 mn on car parts it assembles and sells in India

is not public but was reviewed by *Reuters*.

Samsung "violated" Indian laws and "knowingly and intentionally presented false documents before the customs authority for clearance", Sonal Bajaj, a commissioner of customs, said in the order.

Investigators found that Samsung "transgressed all business ethics and industry practices or standards in order to achieve their sole motive of maximising their profit by defrauding the government exchequer," Bajaj

added.

Samsung was ordered to pay 44.6 billion rupees (\$520 million), consisting of unpaid taxes and a penalty of 100%.

Seven India executives face fines of \$81 million, among them the network division's vice president, Sung Beam Hong, Chief Financial Officer Dong Won Chu and Sheetal Jain, a general manager for finance, as well as Nikhil Aggarwal, Samsung's general manager for indirect taxes, the order showed.

"The issue involves the interpreta-

tion of classification of goods by customs," Samsung said in a statement, adding that it complied with Indian laws. "We are assessing legal options to ensure our rights are fully protected," the company said.

India's customs authority and the finance ministry did not respond to *Reuters'* queries. Reliance did not respond either.

The incident comes as India toughens oversight of foreign companies and their imports.

Volkswagen and India are locked in a legal battle in which the automaker is challenging a record demand of \$1.4 billion in import back taxes on grounds of misclassifying car parts.

The German company denies any wrongdoing in what it called a "matter of life and death" for its India business.

The Samsung investigation began in 2021 when tax inspectors searched its offices in the financial capital of Mumbai and Gurugram, seizing documents, emails and some electronic devices. Top executives were later questioned as well.

The Samsung dispute centers on imports of the "Remote Radio Head", a radio-frequency circuit enclosed in a small outdoor module that tax officials called "one of the most important" parts of 4G telecoms systems.

