

Nokia to exclude India phone plant from Microsoft deal

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Nokia Oyj will exclude its India phone factory from a 5.44 billion-euro (RM24.2 billion) agreement to sell its mobile phone business to Microsoft Corp amid a legal battle over a tax dispute in the country.

“We are leaving out the plant because of the tax issues,” Poonam Kaul, a Nokia India spokeswoman, said by telephone today. The plant, one of the Espoo, Finland-based company’s largest phone factories, will make products for Microsoft as part of a servicing agreement, according to Kaul.

Nokia was ordered by India’s top court last month to guarantee tax liabilities of the Indian unit before transferring the plant to Microsoft, a decision it was “disappointed” with at the time. India, Asia’s third-biggest economy, is the world’s largest market for mobile phones after China.

India’s Supreme Court on March 14 upheld the decision of a lower court asking Nokia to deposit 22.5 billion rupees (RM1.18 billion) into an escrow account and said the parent should agree to pay any tax dues after related litigation is over, according to a two-judge bench headed by AR Dave in New Delhi.

Nokia strongly believes its offer to the Indian tax department is fair, Brett Young, a spokesman for the company, said at the time. The company is offering a voluntary retirement plan to workers at the plant near the southern Indian city of Chennai, according to Kaul.

Calls to Waggener Edstrom, Microsoft’s Rapid Response Team for communications in the US, and an e-mail to Microsoft India weren’t immediately returned.

Nokia expects the sale of almost all of its Devices and Services business to Microsoft to close tomorrow, the Finnish company said April 21, 2014. The Redmond, Washington-based company is due to report quarterly earnings today.

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