

National Herald Case

Why in news?

The Delhi High Court recently dismissed pleas by Congress leaders against the Income Tax department's decision to reopen their tax assessments for the year 2011-12.

National Herald Newspaper

- It was established by Jawaharlal Nehru in 1938.
- It was published by The Associated Journals Limited, a "Section 25" company, which is generally a not-for-profit entity.
- AJL also published the Qaumi Awaz in Urdu and Navjeevan in Hindi.
- The company owns prime real estate in various cities, including Delhi and Mumbai worth around Rs.2000 Cr.
- Veteran Congress leader Motilal Vora has been the chairman and managing director of AJL since March 22, 2002.

What is the case about?

- The IT department's decision is related to the National Herald newspaper case.
- In 2012 a complaint was filed by BJP leader Subramanian Swamy before the trial court.
- It was alleged that Congress leaders were involved in cheating and breach of trust in the acquisition of Associated Journals Ltd (AJL) by Young Indian Pvt Ltd (YIL), as assets worth crores of rupees had been transferred to YIL.
- Congress president Sonia Gandhi and vice president Rahul Gandhi are its board of director.
- Congress treasurer Motilal Vora and general secretary Oscar Fernandes were also named in the case.

What happened?

- AJL ran into losses by overstaffing and a lack of revenue and stopped publishing in April 2008.
- The Congress party gave the company unsecured, interest-free loans for a

few years up to 2010 to keep it afloat.

- On 2010, a new company called Young Indian Pvt Ltd (YIL) was incorporated as a Section 25 company.
- By the end of 2010 Rahul Gandhi was appointed as a director of Young Indian.
- In 2011, Sonia Gandhi joined the board as a director.
- Motilal Vora and Congress Rajya Sabha member Oscar Fernandes too were appointed to the Young Indian board.
- As of March 2017, Sonia Gandhi and Rahul Gandhi had shareholdings of 38% each in the company.
- In 2010, the All India Congress Committee (AICC) decided to let Young Indian recover the Rs.90 crore debt from AJL.
- Further Young Indian paid only Rs.50 lakh for acquiring all the equities of AJL with all its assets in the country.
- This is how AJL, which originally owed Rs.90 crore to the Congress party, became a fully-owned subsidiary of Young Indian, which was owned by four individuals —Rahul, Sonia, Vora and Fernandes.
- Hence Sonia Gandhi and Rahul Gandhi have been alleged of committing fraud and land grabbing by acquiring a publicly limited company (AJL) through their owned private company (YIL).
- The complaint has also alleged that the loan given to AJL was “illegal”, as it had been taken from party funds.

What is the stand of the Income tax Department?

- The department said that Rahul’s shares in Young Indian resulted in an income of Rs.154 crore, whereas Rs.68 lakh was earlier assessed.
- It issued similar notices to Sonia and Fernandes for allegedly not disclosing income arising as YIL shareholders for 2011-12.
- The tax department sought to reopen the assessment to compute the fair market value of these shares.
- Recently the I-T department also issued a notice to Congress President for allegedly concealing information on his status as a director of Young Indian.

Source: The Indian Express