

ED seizes Rs 5,551 crore assets of Chinese smartphone giant Xiaomi in foreign exchange case

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NEW DELHI: The Enforcement Directorate (ED) on Saturday said it has seized Rs 5,551 crore from Bengaluru-based Chinese telecom firm Xiaomi Technology India for "illegal outward remittances". Xiaomi India is a wholly-owned subsidiary of the China-based Xiaomi group.

The ED has initiated investigation in connection with the illegal remittances made by the company in the month of February this year, the agency said in a statement.

Xiaomi operates multiple apps in India across its phones. In August 2020 several, but not all, of its apps were banned in India, including "Mi Community" and "Mi Browser" apps.

Xiaomi's largest app in India is Zili, a short-form video app operated out of China. Competing short video apps owned and operated out of China,

such as TikTok and Snack Video, have been banned, while Zili continues to operate in the country. As a TOI report dated August 30, 2021, had pointed out, the app has access to contacts, location, and other user details.

The financial investigation agency said that Xiaomi has remitted foreign currency worth Rs 5,551.27 crore to three foreign-based entities, including a Xiaomi group entity, in the guise of royalty.

"Such huge amounts in the name of royalties were remitted on the instructions of their Chinese parent group entities," the ED said.

It added that the amount remitted to other two US-based unrelated entities were also for the "ultimate benefit" of Xiaomi group entities.

The ED said that Xiaomi India has not availed any service from the three foreign entities to whom such amounts had been transferred.

"Under the cover of various unrelated documentary façade created among the group entities, the company remitted this amount in guise of royalty abroad which constitute violation of Section 4 of the Foreign Exchange Management Act (FEMA).

"The company also provided misleading information to the banks while remitting the money abroad," the ED statement said.

In a statement, Xiaomi said that its operations are compliant with the Indian laws and all the royalty payments are "legit and truthful".

The company added that it will work with the Indian authorities to clarify and misunderstandings.

Earlier this month, the ED had summoned Manu Kumar Jain, the global vice-president of Xiaomi, in connection with the probe linked to alleged contravention of the foreign exchange law.

Proceedings under FEMA are civil in nature and the final penalty, post adjudication, can be at least three times the amount contravened under the law.

Last year, the premises of Xiaomi and few other Chinese mobile manufacturing companies were raided across the country by the Income Tax Department on charges of tax evasion.

The government has also banned some smartphone applications owned by Xiaomi on security grounds.

Xiaomi has been leading the Indian smartphone market for the last several quarters. Despite a dip in smartphone shipments in India, the company secured 22 per cent market share in the fourth quarter of 2021 and has maintained its lead.