



CELLULAR OPERATORS ASSOCIATION OF INDIA

SOME FACTS ABOUT CELLULAR INDUSTRY & PROPOSALS FOR UNION BUDGET 2005-2006





Annexure-2

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Deduction in respect of taxable profits of Telecom Infrastructure enterprise under section 80-IA

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>In terms of Sub section 2A of Section 80 IA, <u>a telecom operator is entitled to 100% exemption on taxable profits for 5 years and thereafter 30% exemption on profits of next 5 years during the initial 15 years</u> from the date of commencement of commercial operation.</p> <p>Similar deduction for <u>other infrastructure</u> providers as defined under section 80 IA is to the extent of <u>100% for the full term of 10 years in succession and these 10 years can be opted from the block of 20 years.</u></p> <p>As telecom sector is showing much faster growth compare to other sectors of the country and is contributing a major role in the growth of overall economy. This sector should not be treated / given lower importance compare to power sector etc & similar benefits should be extended</p>	<p>The period during which 80IA can be claimed by the telecom operators should be extended to 20 years in place of existing 15 years.</p> <ul style="list-style-type: none"> ➤ Telecom operators incur heavy business losses and significant tax depreciation on account of capitalization in its initial years due to which 80IA benefits have not been triggered by most of the operators till now which is almost 10 years since the licenses have been granted. <p>100% exemption for successive 10 years out of the 20 years.</p> <ul style="list-style-type: none"> ➤ As significant capital investment tax and proliferation in rural area is envisaged, tax depreciation is anticipated to be high in the coming years also. 	<p>These will foster the growth of Telecom infrastructure facilities in the country thus enabling the achievement of envisaged tele-density targets for this priority sector.</p>



Cellular Services out of 1/6 Scheme of Income Tax.

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Sec 139 (1) If a person is a subscriber to a cellular telephone not being a wireless in local loop. He is required to furnish a return of income.</p> <p>In the budget 2002-03, basic telephone services and WLL telephony services were excluded out of compulsory filing of I. Tax return. However Cellular Services were not excluded.</p>	<p>Cellular phones should also be excluded, as from IT 1/6.</p> <p>Today Cellular is now a common man's service. Cellular tariffs have plummeted to around 44p/minute. Further growth of this service must come from the low-end / marginal users</p> <p>It is a fact that has even been recorded by TRAI that cost of wireless has dropped drastically and today cellular tariffs in India are now the lowest in the world. Therefore now a cell phone has become very affordable and can be used by persons even below taxable limits. It may be noted that: Cellular Mobile Services are no longer an Elitist Service. Attracted by the affordability of the service, more and more low-end users are entering the market and thus help increase in the teledensity.</p> <p>Handset Prices have dropped sharply – cellular mobile handsets are available for as little as Rs. 2000+</p> <p><u>Cellular Mobile is an Important Contributor to National Tele density and Mobile phones have exceeded fixed phones in 2004 itself.</u></p> <p>It is an established fact that mobile services are the easiest route to increasing tele density. In fact, cellular mobile is driving tele density in several developing countries. Worldwide too, mobile services are growing at a far greater pace than fixed phones.</p>	<p>If cellular mobile phones are retained in the 1/6 criteria, then the Government will be consciously attaching a premium tag on the service and will be discouraging the use of this service by the common man and these essential public utility services will not be able to contribute effectively to the tele density objectives of NTP 99 and would greatly inhibit the economic growth rate of the nation.</p>



Cellular Services out of 1/6 Scheme of Income Tax. (Contd....)

	<p>We believe that if cellular mobile subscribers are retained in the 1/6 criteria, it will stifle growth of market as it will discourage take up of mobile services by the low end / marginal users who would not normally fall within the tax bracket. Thus artificially stunting the growth of a sector that has performed since start of service and one that has the potential to contribute to a significant extent to the national communication objectives and the economic growth of the country.</p>	<p>In any case there is no loss to government even if exemption is granted under the provision as the cellular companies are taking subscribers' verification even from each and every prepaid connection holder . ,</p>
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Accelerated Depreciation for Telecom Industry

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Sec 32 (1) (iia) provides additional depreciation to the extent of 15% of actual cost of New Plant & Machinery to assessees <u>manufacturing any article or thing</u>.</p> <p>The additional depreciation is allowed to:</p> <p>(A) A new industrial undertaking during any previous year in which such undertaking begins to manufacture or produce any article or thing on or after the 1st day of April, 2002; or</p> <p>(B) Any industrial undertaking existing before the 1st day of April, 2002, during any previous year in which it achieves the substantial expansion by way of increase in installed capacity by not less than twenty-five per cent</p>	<p><u>The provisions should further be extended to New Plant & Machinery Capitalized by assessees engaged in providing Telecom Services</u> and either setting up a new undertaking on or after 1 April 2002 or undertaking existing prior to 1 April 2002 and achieving substantial expansion during any year.</p>	<p>Since Telecom Industry is highly Capital Intensive and requires huge amount of Capitalization, providing additional depreciation would provide a boost to the Telecom industry. Reduction in capital costs ultimately would benefit the consumer through availability of telecom service at affordable price.</p> <p>Moreover, it would accelerate network rollouts to semi-urban and rural areas.</p>



Application of MAT u/s 115JA

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>As per clause (II) of the explanation to Sub-Section 115JB of the Income Tax Act the book profit of a company is reduced by the amount of income to which any of the provision of Section 10, 10B, 11 or 12 apply, if any. Such income is credited to the profit and loss account.</p>	<p>The explanation to section 115JB should be suitably amended to provide for exclusion of incomes, to which section 80IA applies, from the Book Profits of the Company. It is envisaged under the legislation that infrastructure companies should be exempted from tax during the 80IA period.</p>	<p>In the initial 4 to 5 years all telecom service providers incur heavy losses, which is a worldwide phenomenon. Recognizing this Sec. 80-IA was amended with effect from 1st April, 2000 extending the tax exemption period from 10 years to 15 years. Thus giving an incentive to the telecom service providers.</p> <p><u>However, MAT continues to be applicable to the Telecom Service providers. This means that though the taxable profits are exempted from tax, still the operators are liable for tax on book profit. This anomaly should be removed.</u></p> <p>This would optimize the tax benefits to the companies and improve profitability, which would in turn translate into lower cost of service to consumers thereby facilitating growth.</p>



Benefits of section 79 regarding Mergers and Acquisitions

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Benefit of section 79 on carried forward and set off losses to all the infrastructure companies covered u/s 10(23G) of the IT act is restricted to companies in which public are substantially interested.</p> <p>As major consolidation is envisaged with the telecom sector, lot of mergers and acquisitions are anticipated. There should be clarity with respect to tax benefit law available to the entity in case of change in share holding pattern to the extent of greater than 51%</p>	<p>Some years ago similar situation extended with respect to section 72A wherein benefit of carried forward losses was not available to the transferred entity in case of a merger.</p> <p>This anomaly was removed by bringing a suitable amendment.</p>	<p>This would allow the industry to consolidate into serious players in the field.</p>



TDS u/s 194A

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Interest income covered u/s 10(23G) accruing in the hands of recipient is exempt from tax, however the payer of the interest is liable to deduct TDS U/s 194A on payment of interest to the lending institution</p> <p>(However a banking company covered under Banking Regulation Act (1949) is exempt from above mentioned provision).</p>	<p>Clarification should be issued regarding non-applicability of Section 194A to all interest payments against funding to infrastructure projects irrespective of whether lender is a banking company or not.</p> <p>Companies covered under Section 10 (23 G) should be exempt from Sec. 194A and no TDS should be deducted and deposited by such infrastructure companies i.e. cellular operating companies.</p>	<p>By such exemption the telecom service operator would be able to retain the amount and not deposited by way of TDS, for expansion / modernization of their cellular services.</p> <p>This would avoid unnecessary paper works and heap of tax compliances for an exempted income.</p>



EXCISE DUTY ISSUE

EXCISE DUTY CENVAT RULE FOR IN RESPECT OF CABLE/SHELTER AND TOWERS

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Telecom company's lays cable across the country and the same is covered under chapter 85 of the Excise Tariff rules hence it is treated as capital goods under the CENVAT credit rules.</p> <p>To avail the credit, capital goods should be installed with in the premises of the company, however in case of cable laid across the country the same is not possible.</p> <p>If capital goods are taken out of the premises of the output service provider and not returned within a period of 180 days then the CENVAT credit claimed on the same has to be reversed.</p> <p>Suppose the operators were to consider BTS sites as business premises then there will be a need to inform the department about the same. This will entail informing for huge number of sites on account of additions and any change of addresses.</p> <p>Magnitude of administration record keeping both from the operator's point of view as well as department's perspective is very high and still the issue of cables will not be addressed and consequently the benefit envisaged under the scheme will not be derived by the operators.</p>	<p>As telecom operators have to install assets such as BTS, cables, RSUs, boosters across the service area, the premises for telecom operators should mean the licensed service area in terms of the allotted telecom licenses.</p> <p>In case of telecom company, CENVAT is to be given for service tax payable by them on the Services provided. Telecom is a service industry and cannot be assumed to provide service from the four wall of the company.</p> <p>For providing services, towers need to be installed at various locations and cables need to be laid down at various places across the country.</p> <p>This point should be clarified so that there is no unnecessary debate at the time of service tax audit./ assessment</p>	<p>CENVAT rules have been picked up from the manufacturing sector and excise was applicable. After the marriage of service tax with excise, there is a need to look at the rules from the service industries point of view also.</p> <p>This clarification would obviate unnecessary litigation / confusion.</p>



SERVICE TAX ISSUE

Exemption of registration of our channel partners for service tax

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Service tax is payable on commission received by agents who provide services to telecom companies and the agents need to register themselves and need to comply with various formalities under the Service Tax act.</p> <p>Promotion of services by an agent requires registration under “Business Auxiliary Service” then, agent/ franchise of telecom operators who are entitled to commission from the operators for promoting the service need to raise an invoice for commission and charge service tax thereon. This requires them to file periodic returns and is Undue hardship and hindrance in business to the telecom operators.</p>	<p>In case of telecom companies distributors / channel partners of the companies should be exempted from the registration of service tax. The Government has allowed the same in case of insurance companies and their agents and distributors are exempted from the registration of Service tax. Insurance companies are taking care of Service Tax on behalf of its agents etc,</p> <p>As telecom service providers have acquired the status of FMCG the number of outlets through which the companies are dealing / paying commission is very high. Getting all to be registered is both very difficult and not cost efficient from the industry point of view. Even this is not revenue productive for the government hence, in the line with exemption provided to insurance agents, similar exemption from service tax registration should also be provided to the agents promoting telecom services.</p>	<p>This exemption would obviate unnecessary complicated procedures and administrative problems like filing of returns, claim of Service Tax credit etc by the small – small agents and they can more concentrate on providing services.</p> <p><u>In any case there is no loss to the government even if exemption is granted as the telecom companies as telecom operators are levying service tax on gross value of services. Thus any service tax charged by the agent will be an input for the operator who will claim credit for the same. Thus this will be revenue neutral.</u></p>



CENVAT credits

A. For MOTOR VEHICLES

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>a) CENVAT credit is allowable on excise duty paid for Motor vehicles registered in the name of provider of out put service for providing taxable service as specified in sub-clauses (f), (n), (o), zr), (zzp), (zzt) and (zzw) of clause (105) of section 65 of Finance Act. (these sub clauses are related to courier agency, tour operator, rent a cab operator, cargo handling agency, goods transport agency, out door caterer etc.) <u>but does not include telecom sector.</u></p>	<p>CENVAT rules do not have service sector perspective. <u>Telecom sector invests a huge amount in motor vehicles for commuting between sites in the licensed area for network maintenance, installation and up keeping.</u> Therefore, excise on such motor vehicles should be allowable under CENVAT rules in terms of clause f (105) of section 65.</p> <p>As services rendered by other service industries even courier agency is entitled to CENVAT for motor vehicles. <u>Telecom should also be considered on the same line.</u></p>	<p>The CENVAT credit on such a critical input for providing output service is being ignored for telecom sector. This should be included.</p>



B. CENVAT CREDITS FOR FUEL

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p><u>As per CENVAT credit rules 2004 input means</u></p> <p><u>“All goods, except light diesel oil, high speed diesel oil and motor spirit commonly known as petrol, used in or in relation to the manufacture of final products whether directly or indirectly and wither contained in the final product or not and includes lubricating oils, greases, cutting oils, coolants, accessories of the final products, cleared along with the final product, goods used as paint, or as packing material, or as fuel or for generation of electricity or steam used in or in relation to manufacture of final products or for any other purpose, within the factory of production;”.</u></p>	<p>In case of telecom company, input credit should be allowed for consumption of fuel used for maintenance of network / for running of networks.</p> <p>Telecom operators have to install BTS (Towers), etc across the service area and need to spent huge amount on diesel / fuel for running and maintenance of these BTS etc.</p> <p>Telecom is a service industry and cannot be assumed to provide service from the four wall of the company and hence the concept of “within the factory of production” should be enlarged to include “within the service area of a telecom licensee holder” . .</p>	<p>CENVAT rules have been picked up from the manufacturing sector. After the marriage of service tax with excise/ CVD, there is a need to look at the rules from the service industries point of view also.</p>



CENVAT credits 20% LIMIT ON CENVAT CLAIM

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>c) 20% limit on CENVAT claim w.e.f 10/9/04</p> <p>In case the manufacturer or the provider of output service, <u>opting not to maintain separate accounts</u>: -</p> <p>The provider of output service shall utilize credit only to the extent of an amount not exceeding twenty percent of the amount of service tax payable on taxable output service.</p> <p>Earlier this limit was 35 % and w.e.f. 10th September 2004 the same has been reduced to 20%.</p>	<p>Due to high capital investment there will be high amount of CENVAT accumulation to the operation both on account of CVD and excise.</p> <p>Hence, to ensure timely benefit to the operation it is recommended that the earlier limit of 35% be maintained.</p>	<p>It would benefit the service provider, and reduction in costs will make services more affordable and available to more subscribers. This would result in an increase in telecom usage and network rollouts / coverage of service. Government will benefit from higher revenue from License fees as well as revenues from non-licence fee areas.</p>



CUSTOMS DUTY ISSUES

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p><u>Infrastructure for telecom Industry</u></p> <p>Present Total Duty on Infrastructure for telecom Industry (equipments mentioned below) ranges between 28 to 34%</p> <p>(Basic: 15 to 20% CVD: 16%, SAD: 0%) Education Cess @ 2% on both basic and CVD.</p> <p>Items on which basic customs duty is still levied are: -</p> <ul style="list-style-type: none"> - DN2, Installation material, Radio Equipments, HLR, Cards and all accessories and parts <p>CH 85, Custom Notification No. 17/2001, S.No 238 to 244</p>	<p>As none of these equipments are manufactured in India, it is proposed that the total duty should be 0% (Basic, CVD and SAD). This will greatly reduce capital cost, the benefit of which will ultimately be passed on to consumers as lower tariff prices. (Lower capital cost would translate into lower rentals/airtime rates.)</p> <p><u>Therefore the total duty should be reduced to 0% (Basic, CVD and SAD).</u></p>	<p><u>It is well known that telecom sector is highly capital-intensive sector and needs huge investments. As of date the industry has invested over Rs. 50000 Crore in state-of-the-art cellular mobile numbers in and around 2500 cities and towns all over the country offering world class digital mobile services to the consumers at the most affordable tariffs in the world.</u></p> <p>Going forward the Government has the vision of providing 250 million phones, 18 million Internet connections, and 10 million broadband connections by the year 2007. All this involves in huge investments of Rs. 160,000 thousand crores.</p> <p>This exemption will help facilitate faster rollout of nationwide infrastructure require to meet the telecom targets that have been laid down by the government.</p>



HARDWARE

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Presently most of the spares, expansion & up gradation equipments for MSC, BSC & BTS etc. attract duty of 33.74 % whereas all new equipment under list 29 attract 16% duty.</p>	<p>This anomaly should be removed. All spares, expansion & up gradation equipments should attract the same duty as that of list 29 equipments. All telecom equipment and installation material, which presently attracts very high duty, should be included in list 29.</p>	<p>Reduction in costs will make services more affordable and available to more subscribers. This would result in an increase in telecom usage and network rollouts / coverage of service. Government will benefit from higher revenue from License fees as well as revenues from non-licence fee areas.</p>



Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>As per Notification benefits under 11/97, radio communication equipment including VHF, UHF and Microwave communication equipment with the following description-</p> <p>a) BTS is entitled for concessional duty.</p> <p>Existing duty on Backbone Microwave, SDH MW, SDH Mux and Access Microwave equipment's is at 33.74 %, which is very high even when compared to telecom hardware.</p> <p>BTS Ancillaries – Even though BTS Ancillaries are included in the List of items eligible for concessional rate of duty, customs are not extending the benefits of any ancillaries</p>	<p>Microwave Equipment, both backbone and access, is integral to Cellular Mobile Network and therefore should be included in the list of items eligible for concessional rate of duty.</p> <p>Notification benefits under 11/97 should be amended with the following telecom equipment items also to be included under Notification benefits for concessional duty as these items also form the integral part of equipments required for network roll-out and needs to be imported:</p> <ol style="list-style-type: none"> 1. Antennas 2. RF Cable 3. RF Connectors 4. Power Supply unit. <p>All Ancillaries of BTS (Base Transceiver Station) should be defined item wise.</p>	<p>Reduction in capital costs ultimately would benefit the consumer through availability of telecom service at affordable price.</p> <p>Moreover, it would accelerate network rollouts to semi-urban and rural areas.</p>



<p>Data transmission equipment Existing duty on GPRS, SGSN, GGSN, MMS and PCU and edge Trx is at 33.74 %, which is very high compared to telecom hardware.</p>	<p>GSM is growing at an exponential rate and the mobile industry has been growing at an exponential pace and with a short span of 9 years, the total cellular mobile subscribers has crossed 45 million, overtaking the number of fixed line subscribers in the country and to further ensure its confirmed growth / penetration in the un-served areas to provide the seamless coverage these items should be included in the list of items eligible for concessional rate of duties.</p> <p>GPRS GGSN SGSN MMS PCU</p>	
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GSM HANDSETS / MOBILE PHONES

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>Present Total Duty on Cellular Handset is @ 5 % (8525.20).</p> <p>High cost of a handset is an entry barrier for potential cellular mobile subscribers from the lower strata of the society.</p> <p>As on date the smuggled handsets have cornered close to 60-65 percent of the current market share, but make 'zero' contribution to the Government coffers. Smuggled handsets are available at approx. 70-75 percent of the cost of genuine imports, as they do not pay the import duty, local taxes and octroi etc.</p>	<p><u>The total duty to be reduced to 0% (Basic, CVD and SAD) and sales tax be rationalized to 4%.</u></p> <p>Despite reduction in the basic and additional import duty on cellular phones, the total impact of duties and local taxes on cellular phones continue to be extremely high (+20%).</p>	<p>This will immediately eliminate the flourishing gray market which deprives the Government of huge revenues.</p> <p>This would also lead to a huge rise in cellular subscribers, as at present high cost of handset is an entry barrier to the masses besides ensuring availability of better quality of handsets to the subscribers.</p> <p>The above would stimulate growth resulting in higher licence fee, service tax and interconnect revenues to the government.</p>
<p><u>Accessories for cell phones</u></p>		
<p>Nicd/ Nimh Batteries/ Battery packs (8507.30,) (Basic: 25%, CVD: 16%, SAD: 4%)</p>	<p><u>The total duty to be reduced to 0% (Basic, CVD and SAD)</u></p>	<p><u>In many cases, customers normally procure a spare battery pack along with the cellular phones or Two Way Radios to ensure continuity of performance.</u></p>
<p>Chargers for Batteries (8504.40,) 21/02, 298, 38.74% (Basic: 15%, CVD: 16%, SAD: 4%)</p>		<p>It is proposed to align the duty structure of the batteries and chargers, which are accessories, with cell phones and Two Way Radios.</p>



TELECOM SOFTWARE

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
The Custom Duty on software imported with telecom equipment is being charged at different rate than the rate charged for Information Technology software.	It is very important that this anomaly be rectified in the forthcoming budget. Clarification to be issued that Telecom software being identical to Computer software must be treated at par with Information Technology software and should therefore attract NIL duty, and Categorical waiver of Custom Duty on all types of telecom software	This will enable telecom service providers to import telecom related software at reasonable price and provide better and more efficient services and more important at more affordable prices to the public.



DEFINITION OF ADJUSTED GROSS REVENUES (AGR)

Present Scenario	Measures recommended by COAI for consideration in the new Budget.	Effects of the same.
<p>A. License fee & spectrum charges are payable on the basis of the AGR of operators.</p> <p>B. The present AGR definition includes several revenue streams unrelated to service activities such as</p> <ol style="list-style-type: none"> i. Interest Income from Investments (Item 4(i)) ii. Dividend income from investments (Item 4(ii)) iii. Revenues from sale of handsets (Item 2(i)) iv. Revenues from Sale of Capital Goods (Item 11) v. Revenues from sharing/ leasing of infrastructure, (Item 7), etc. <p>It is incorrect and unfair to include the above for the purpose of calculating revenue share license fees and Spectrum charges.</p> <p>C. Further, definition of AGR does not allow following deductions:</p> <ol style="list-style-type: none"> i. Bad Debts ii. Waivers /Discounts to Subscribers iii. Roaming Signalling charges iv. Port Charges, lease line charges - payments to other operators should be allowed to be deducted so as to prevent 	<ul style="list-style-type: none"> ➤ Definition of AGR should based solely on service related revenues & all non-service related revenue streams should be excluded ➤ This is also in line with the TRAI recommendations who has repeatedly and consistently emphasized that Adjusted Gross Revenues should only include revenues from licensed activities & excludes all items unrelated thereto. (Ref: TRAI Recommendations on Revenue share Definition for GMPCS, CMSPs and FSPs) ➤ Further, the AGR should also adjusted for such expenses that are incurred by the licensees to earn those revenues – bad debts, subscriber discounts, etc. 	<p>Rationalization of the AGR definition would also reduce the cost burden in respect of license fee and spectrum charges which will pave the way for more affordable services, increased growth etc.,</p> <p>Exclusion of handset sales revenue from AGR will allow operators to bundle handsets with air time and thus reduce the entry barrier for consumers. As cellular services grow to include low end and marginal subscribers lowering the entry barrier becomes an important tool to sustain aggressive growth of service.</p>



double payments

This violates well-established principle that if any income is charged to a tax /levy, then the underlying expenses incurred to earn such incomes must also be allowed as a deduction.

D. There are also several anomalies in the AGR definition that has been adopted by the DoT, for example :

1.). Income is considered on an accrual basis while deductible expenses are considered on an actual / pass through basis – this is inequitable.

II.). Income from interest / dividend, etc are non-operational income – this is also recognized by statutory authorities such as SEBI, ICAI, Stock Exchanges, etc. No license fee should be levied on such income.

III.). Interest income from short-term investment of surplus capital or surplus incomes on which a revenue share has already been paid in the previous year. It is irrational to include these in the definition of AGR.

iv). All deposits credited in the P&L account are included in the revenues – this is irrational.

- The various anomalies in the definition should be addressed – i.e. –
- (1). Both income and expenses should be computed on an actual basis
 - (2). No License fee should be levied on non-operational income.

Income on which revenue share has already been paid should be excluded from AGR definition.



<p>v.). Bad debts recovered & write backs of earlier provisions are included in the revenues – however, no deduction is allowed against these items while computing revenues – this is inequitable & irrational.</p> <p>vi.). When one licensed operator pays another operator for port charges, leased line charges, etc, no deduction is permitted from his revenues even though the operator receiving these amounts pays a revenue share on such receipts, leading to double payment of revenue share.</p> <p>E. It is also not clear whether Service tax as part of AGR is as billed or as collected.</p>	<p>Additions against write backs or bad debts recovered should be allowed if a deduction has been given to the licensees under this head.</p> <p>Charges paid by one operator to another should be allowed as a deduction from AGR.</p> <p>Since the deduction is only as per service tax actually paid to the Government, the definition of service tax should be identical in both the billing and the deductions – to be only service tax actually collected.</p> <ul style="list-style-type: none">➤ The definition should be comprehensive / exhaustive as an indicative list is bound to give rise to unnecessary disputes which would invariably be to the detriment of the licensees	
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