

TVR/COAI/173
December 8, 2004

Shri N. P. Singh
Director (PIP)
Department of Telecommunications
Sanchar Bhavan, 20 Ashoka Road
New Delhi – 110 001

Dear Sir,

COAI Budget Proposals for 2005-06

As you are aware, 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.**

As of date, the industry has **invested over Rs. 50,000 crores** in setting up 106 state-of-the-art cellular mobile networks in around **2500 cities and towns** all over the country and offering **world-class digital mobile services** to the consumers at the **most affordable tariffs** in the world. Currently, the Indian cellular consumer enjoys amongst the **lowest tariffs in the world** at an effective local call charge of 44p per minute

A brief presentation of the performance and achievements of the cellular industry is enclosed as Annexure-1.

Going forward too, we believe that cellular will play a key role in achieving India's tele density objectives and contributing in a significant manner to the target of 250 million subscribers that has been set by the Government for 2007.

We believe that the **key drivers to achieve this objective will be to ensure availability & affordability of mobile services throughout the length and breadth of the country.**

In this regard, we believe that there are **number of areas and issues that can be addressed under the Union Budget** that would **reduce the cost burden** on the industry and thus **facilitate improved affordability** and **increased coverage and availability** of service. This in turn would **boost aggressive subscriber growth and lead to accelerated economic development.**

These proposals include :

1. Extension of period from 15 to 20 years during which Section 80-IA benefits can be availed and provision of 100% exemption full 10 years in line with other infrastructure sectors.

2. Removal of Cellular Services from the Income Tax 1/6 Scheme
3. Extension of Accelerated Depreciation benefits under Section 32(1)(iia) of the Income Tax Act to the Telecom sector.
4. Exemption from MAT during the 80-IA period.
5. Availability of Benefits under Section 79 – Merger & Acquisition
6. Non-applicability of Section 194A to all interest payments irrespective of whether the lender is a banking company or not
7. Clarification on CENVAT Rules applicability to Cable, shelters, towers etc.
8. Exemption of Registration of Telecom Channel Partners for Service tax purposes (like the insurance sector).
9. Applicability of CENVAT credits to Motor Vehicles & Fuel
10. Restoration of the 35% limit on CENVAT Claims.
11. Reduction in Customs Duty on Infrastructure equipment to 0%
12. Alignment of duty structure of spares, expansion and up-gradation equipment with that applicable to new equipment under List 29.
13. Reduction in Handset Duty to 0% & Rationalization of Sales Tax to 4%
14. Clarification on Customs Duty applicable on Telecom Software
15. Review of Definition of Adjusted Gross Revenues (for purpose of license fee payments) to include only revenues from licensed telecom services

A detailed note on each of the above Budget proposals for 2005-06 is enclosed as Annexure-2.

We sincerely hope that our submissions will merit your kind consideration and support.

Sincerely,

T.V. Ramachandran
Director General