

PRESS RELEASE

COAI PRE-BUDGET SUBMISSIONS

June 22, 2009, NEW DELHI... COAI, in its Pre- Budget submission to the Ministry of Finance, expressed concern at the burden of multiple levies and duties imposed on telecom sector both at the Centre and State level. It was pointed out that **the taxes by the Centre**, which included annual license fee (including USO contribution), separate usage charges for radio frequency spectrum, microwave access spectrum and microwave backbone, service tax, etc **totaled up to as much as 24-30% of the operators Adjusted Gross Revenues and were the highest amongst comparable Asian regimes.** It was also pointed out that **in addition, various State Governments levy further taxes** on the sector such as Sales Tax, Octroi, VAT, Stamp Duty, Entry Tax, Property Tax, Road Tax, Purchase Tax and Taxes on Towers, etc.

COAI sought a reduction and rationalization of the various duties and levies imposed on telecom at Central as well as State level, in order to simplify the regime and enable a reduction in the cost of services.

As a first step, COAI submitted the application of a uniform license fee of 1% of AGR (exclusive of the USO contribution of 5%) across all segments of telecom in order to reduce administrative problems and also eliminate any concerns regarding arbitrage or mis-reporting of revenues.

COAI also sought tax benefits for telecom sector at par with other infrastructure sectors. Mr. T.V. Ramachandran, Director General, COAI, stated that keeping in mind the immense contributions of the telecom sector, it was both necessary as well as desirable that the telecom sector be treated at par with other infrastructure sectors as far as tax benefits are concerned.

Mr. Ramachandran stated that amongst all the infrastructure sectors, such as power, roads, ports etc., it was the telecom sector that had emerged as the key driver of economic growth in India.

He drew attention to a recent **India specific study carried out by Indian Council for Research on International Economic Relations (ICREIR)** that had established a **significant positive correlation between increase in mobile penetration and growth in output.** A key finding of the ICRIER study is that the States of India having higher telecom penetration show a higher growth dividend.

COAI is thus of the view that **for the telecom industry, deduction under Section 80IA should be at par with other infrastructure sectors and the sunset clause should be removed.** Further, as is the case for other infrastructure sectors, telecom sector should also get exemption under Section 80 IA for the full term of 10 years in succession and these 10 years can be opted from the block of 20 years. These steps will enable further expansion of affordable service.

COAI also sought removal of the requirement of quoting the PAN number at the time of taking a mobile connection as the same is increasingly becoming a hurdle which is hampering spread of service. It was pointed out that the affordability of mobile phone in terms of low cost handsets, low tariffs, micro-prepaid options, lifetime validity packages, etc was leading to a sharp increase in the take up and usage of mobile phones, across all strata of the society and especially amongst **low end and rural subscribers.** Many of these low-end and rural subscribers do not have a PAN number and the same hampers take-up of service. This goes against the **Government's own national tele density objectives.**

In view of the same, COAI is of the strong opinion **that the requirement of quoting the PAN number at the time of taking a mobile connection, as per the Rule 114 B of the Income Tax Act has become redundant and should be done away with.**
