



Press Release

Union Budget 2015-16: Indian Telecom Industry's issues not addressed

New Delhi, February 28, 2015



COAI, the leading Mobile Communications Association representing seven of the largest mobile service Operators and the majority of telecom equipment manufacturers, as well as other communication services and product companies in India, expressed disappointment over the Union Budget proposals for 2015-16, presented by the Hon'ble Finance Minister Mr. Arun Jaitley today, stating that they do not address the requirements of the Indian Telecom sector.

"While a few proposals in the Union Budget may help growth of telecom and broadband, overall, the industry's concerns and submissions have been left unanswered. With the Government's thrust on the Digital India initiative, a more supportive budget was expected for the Telecom sector," said **Mr. Rajan S. Mathews, Director General, COAI.**

The silver lining in the budgetary proposal for the sector was the linking Jan Dhan programme, Aadhaar and Mobile telephony. *"This is a positive step as it recognizes and encourages the role of mobile telephony towards facilitating financial inclusion and will enable well targeted cashless transfers. This will help in the uptake of mobile payment services,"* Mr. Mathews pointed out. The focus on initiatives to expedite the Digital India programme is also positive as it will facilitate the much needed roll out of Optic Fibre, leading to enhanced connectivity across the nation.

Reduction of Corporate Tax to 25% from 30% with removal of exemptions over the next four years will only result in marginal benefits. However, the industry would have appreciated a clear roadmap on the implementation of the reduction in corporate tax. The deferral of the GAAR provision by 2 years, and the abolition of the Direct Tax Code would also benefit the industry.

But at the same time, the increase in Service Tax from 12.36% to 14% is negative, adversely affecting the consumers and making the services more expensive.

The enabling provisions for levy of Swatchh Bharat Cess have been introduced, which shall be treated as service tax. In case Cenvat credit is not allowed, the suggested cess at 2% would increase the effective service tax rate to 16%; which will be a huge cost for the telecom industry.

Reduction in the rate of withholding tax on royalties & fees for technical services would, to some extent, ease the financial burden on the industry.

The Goods & Services Tax (GST) will be rolled out by 1st April 2016. The chief concern of the industry, that the increase in rate of tax from current 12 percent (service tax) to a higher rate under GST would increase the cost of telecom service, has not been addressed. The industry had also requested for the compliance requirements under GST to be made uniform, user-friendly and simple for businesses and other stakeholders, which remains unaddressed.

The Excise/customs duty on mobile phones has been increased from 6 percent to 12.5 percent. This is likely to dampen the pace of upgrade to smartphones which is key for data uptake.

COAI had suggested that the telecom goods manufactured in India in Special Economic Zones should be exempted from basic customs duty. These manufacturers, including foreign companies, meet the objective of 'Make in India' and are promoting domestic manufacturing. Such exemption would lower the cost of telecom network while at the same time, supporting the 'Digital India' project of the Hon'ble Prime Minister. There seems to be no consideration from the government on this issue.

The industry concerns on the issues of the need to reconsider the unreasonable rate of 30% interest on delayed payment of service tax, and the need to lower the withholding tax rate on discount offered to Distributors have not been addressed to any extent.

About COAI

COAI was constituted in 1995 as a registered, non-governmental society. COAI's vision is to establish India as the global leader of innovative mobile communications infrastructure, products and services and achieving a national teledensity of 100%, including broadband. The association is also dedicated to the advancement of modern communication and towards delivering the benefits of innovative and affordable mobile communication services to the people of India.

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