

## Information note to the Press (Press Release No.03/2015)

For Immediate Release

### Telecom Regulatory Authority of India

#### **TRAI releases Recommendations on “Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charges”**

**New Delhi, 6 January, 2015** – The Telecom Regulatory Authority of India (TRAI) has today issued its Recommendations on **“Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charges”**.

2. The Authority has taken note of disputes / litigations between licensor and licensees on definition of Gross Revenue and Adjusted Gross Revenue under licence(s) granted by Department of Telecommunications for different telecom services. Further, National Telecom Policy 2012 portrayed the need to rationalize taxes, duties and levies impacting the Indian telecom sector. The Authority therefore, has *suo motu* decided to review the existing definition of Revenue, licence fee rate and other related matters under section 11(1)(a)(ii) of the TRAI Act. Further, there was also a reference from DoT (no. 800-23/2011-VAS of 7<sup>th</sup> July, 2014) requesting TRAI to submit recommendations for delinking of licensing of networks from delivery of services by way of virtual network operators, etc., including associated issues such as AGR, terms of sharing of passive and active infrastructure, etc., under the unified licensing regime. A separate consultation paper has been issued in this regard on 5<sup>th</sup> December 2014, dealing with the issues under reference other than AGR.

3. The Authority issued a consultation paper on **“Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charges”** on 31<sup>st</sup> July 2014. Written comments and counter comments were invited from stakeholders by 15<sup>th</sup> September 2014 and 22 December 2014 respectively. The comments and counter comments received from the stakeholders were placed on TRAI’s website [www.trai.gov.in](http://www.trai.gov.in). An Open House Discussion was conducted on 1<sup>st</sup> October 2014 at New Delhi by TRAI with the stakeholders

4. After considering the comments received from the stakeholders and further analysis, the Authority has come out with its recommendations on **“Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charges”**. The salient features of the recommendations are given below:

- (i) Licence Fee (LF) and Spectrum Usage Charges (SUC) should continue to be computed based on Adjusted Gross Revenue.



- (ii) Gross Revenue shall comprise revenue accruing to the licenced entity by way of all operations/activities and inclusive of all other revenue/income on account of interest, dividend, rent, profit on sale of fixed assets, miscellaneous income etc. without any set-off for related items of expense.
- (iii) The concept of Applicable Gross Revenue (ApGR) has been introduced. ApGR would be equal to total Gross Revenue of the licensee as reduced by:
  - (i) revenue from operations other than telecom activities/ operations as well as revenue from activities under a licence/ permission issued by Ministry of Information and Broadcasting;
  - (ii) Receipts from the USO Fund; and
  - (iii) Items of 'other income' as listed in the 'positive list' (Table 2.1 of Recommendations).
- (iv) AGR then would be arrived by deducting pass through charges from ApGR. No change is recommended in the existing definition of pass through charges (i.e. deductions) under different licences to arrive at AGR for the computation of LF and SUC except the inclusion of access charges paid by TSPs providing international calling card services and toll-free charges.
- (v) SUC should be levied on AGR of respective telecom services which use access spectrum in operations or providing services.
- (vi) Share of USO levy in LF should be reduced from the present 5% to 3% of AGR for all licences with effect from 1<sup>st</sup> April 2015. With this reduction, the applicable uniform rate of licence fee would become 6% (from the present 8%) of AGR viz. the 3% of LF that directly accrues currently to the Government will not change.
- (vii) ISPs having AGR less than Rs. 5 crore in a year shall pay licence fee of Rs. 10 lakh or actual LF based on the applicable rate, whichever is less.
- (viii) Minimum presumptive AGR for the purpose of LF and SUC should not be made applicable to any licence(s) granted by Government for providing telecom services.
- (ix) IP-I services may not be brought under the licensing regime.
- (x) For simplicity of administration, ease of verifiability and to avoid higher transaction and compliance costs, any netting of amounts paid to other entities should not be permitted for the computation of AGR so as to meet with the licence condition that does not permit setting off any related item of expense.
- (xi) Accounting of deductions of pass through charges from ApGR to arrive at the relevant revenue base (i.e. AGR) for the computation of LF and

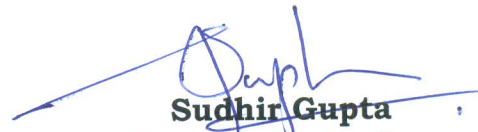


SUC should be allowed on an accrual basis. However, in the case of service tax and sales tax/ VAT collected on behalf of the Government, deductions from revenue should be allowed only for the amount actually paid to the Government.

- (xii) Intra-circle roaming charges should not be allowed as deduction from ApGR for calculating AGR of the telecom service provider for the purpose of computation of LF and SUC.
- (xiii) Immediate steps should be taken by the DoT to introduce a system of Licence Fee Deducted at Source (LfDS) w.e.f. 1<sup>st</sup> April 2015 and develop an e-portal for submission of LF and SUC by 1<sup>st</sup> April 2016. The Authority also recommends that the transition to the LfDS system may be initiated at the earliest, by putting in place a system for electronic/ online filing of licencees' returns.
- (xiv) Existing system of a separate Statement of Revenue and Licence Fee for each licenced telecom service should continue. The DoT may accordingly devise/ modify the formats of the Statement of Revenue and Licence Fee for all licenced telecom services, based on the sample format annexed in the Recommendations.
- (xv) No changes are recommended in the existing provisions in the licence agreement regarding audit of revenue and licence fee and the appointment of auditors.
- (xvi) Current verification mechanism of revenue and PTC is adequate and no new verification process needs to be introduced. The licencees must be mandated to produce statements certified by their auditors for each separate aggregate of deduction claimed.
- (xvii) DoT should introduce a standardized process of verification with a unique code assigned to each item of revenue and PTC, along with clear codal instructions to be uniformly followed by all licencees and Controller of Communication Accounts.

The recommendations have been placed on TRAI's website [www.trai.gov.in](http://www.trai.gov.in).

5. For any clarification/ information Shri Maruthi P Tangirala, Advisor (F&EA), TRAI may be contacted at Tel. No. +91-11-23220020 Fax No. +91-11-23211998 or email [mptangirala@trai.gov.in](mailto:mptangirala@trai.gov.in)

  
**Sudhir Gupta**  
**Secretary, TRAI**