

— FAQ'S

Sectoral

Telecom

1. How much FDI is allowed under telecom sector?

100% FDI is allowed in telecom sector (of this upto 49% is allowed through the automatic route and beyond 49% under government route).

2. What are fiscal incentives in the telecom sector?

Some incentives are: a) Basic customs duty (BCD) and special additional duty have been withdrawn. b) Importers of mobile handset components such as chargers, adaptors, batteries and wired handsets need to pay only the countervailing duty of 12.5%. c) A duty advantage of 10.5% exists for local manufacturers of mobile speakers and batteries.

3. What is the FDI policy for telecom sector?

100% FDI is allowed in telecom sector. 49% is allowed through the automatic route. This is applicable in case of Basic, Cellular, Unified License (Access Services), Unified License, National/ International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Service (PMRTS), Global Mobile Personal Communications Services (GMPCS), all types of ISP licenses, Voice Mail/Audiotex/Unified Messaging Services (UMS), Resale of International Private Leased Circuits (IPLC), Mobile Number Portability Services, etc. FDI in Telecom sector is subject to observance of licensing and security conditions by licensee as well as investors as notified by the Department of Telecommunications (DoT) from time to time, except 'Other Service Providers', which are allowed 100% FDI on the automatic route.

4. What are the admissible deductions?

Deductions claimed on account of PSTN related call charges and roaming charges (Pass through charges/Interconnect Usage Charges) actually paid to eligible Telecom Service Providers and Sales Tax & Service Tax (if included in the Gross Revenue) actually paid to Government are admissible.

5. What are Inter- Company/Group Company and Intra-Company/Group Company transactions?

Inter-Company/Group Company transactions are those which occur between two separate legal entities e.g. transactions occurred between RCOM and RTL or transactions occurred between Vodafone Ltd and Vodafone South Ltd. are example of Inter-Company/Group Company transactions. Pass through charges between two legal entities may be routed through the bank only and not through mere ledger adjustment. Whereas, Intra-Company/Group Company transactions are those which occur within same legal entity e.g. transactions occurred between RCOM, Delhi and RCOM UP (East) or transactions occurred between Vodafone South Ltd, AP and Vodafone South Ltd., Karnataka are example of intra-Company/Group Company transactions. Please Note: Names of Companies used are for reference/illustration only.

6. What are the documents required for verification of deductions by the CCA offices?

The required documents are as follows- 1) Covering letter with check list for submission of documents in prescribed proforma. 2) Quarterly Statements of Revenue and Licence Fee (AGR). 3) Photocopies of invoices duly signed by the Authorised Signatory. 4) Payment proof duly signed by the Authorised Signatory. 5) Certified copy of the ledger in case of Intra-Company settlement along with Annexure-AG. 6) Certified copy of the statement of net settlement in Annexure-AO in case of Inter-Company settlement. 7) Certified copy of Statement of part payments made in annexure – PP in case of part payments made due to billing disputes. 8) Power of attorney by Authorised Signatory declaring that information and documents so provided are authentic and verified by the licensee. 9) Power of attorney should be submitted with the concerned CCA offices. 10) Complete Bank statements (with running page numbers) showing relevant payments of which 1st & last page (should not be blank) shall be signed by the Bank Authorities. 11) At the end of the Financial Year, Audited quarterly statements of Revenue and Licence Fee (AGR).