

Telecom Regulatory Authority of India

TRAI releases recommendations on “License Fee and Policy Matters of DTH Services”

New Delhi, 21st August 2023 - The Telecom Regulatory Authority of India (TRAI) has today issued the recommendations on “**License Fee and Policy Matters of DTH Services**”.

The Ministry of Information and Broadcasting (MIB), vide letter No. 2/33/2021-BP&L dated 02.02.2022, sought recommendations of TRAI under Section (11)(1)(a) of the TRAI Act, 1997.

2. The reference alluded to the amendments carried out by Department of Telecommunications (DoT) in Unified License (UL) Agreement. Vide the amendments dated 25.10.2021 and 06.10.2021, DoT has rationalized the definition of Adjusted Gross Revenue (AGR) and Bank Guarantee (BG) quantum respectively under structural reforms.

3. DTH operation in India is governed by the policy guidelines for obtaining license for providing DTH broadcasting services in India. These guidelines prescribe a License Fee (LF). LF is a non-tax fee levied on a service provider against the privilege of being permitted to carry out a licensed activity. As per the provisions of the guidelines, the DTH operators are required to pay a LF, which is 8% of Adjusted Gross Revenue (AGR) on a quarterly basis to MIB.

4. Bank Guarantee (BG) is a type of financial instrument to ensure that a service provider pay their dues on time and are obligated to fulfil the terms and conditions of the license agreement. The extant DTH guidelines prescribe a BG for an amount of Rs 5 crore for the first two quarters, and thereafter, for an amount equivalent to LF for two quarters and other dues not otherwise securitized.

5. Based on the reference, a Consultation paper on “License Fee and Policy Matters of DTH Services” was issued by TRAI on 13th January 2023. Written comments and counter-comments on the Consultation Paper were invited from the stakeholders by 27th February 2023 and 13th March 2023

respectively. The Authority received 07 comments and 1 counter-comment from various stakeholders. All these comments and counter-comment are available on TRAI website www.traai.gov.in. An Open House Discussion was also convened on the issues raised in the Consultation Paper on 20th April 2023 through video conferencing.

6. The salient features of the recommendations are as follows: -

- a. Gross Revenue (GR) 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.

The recommendations also provided certain explanations with the definition.

- b. Applicable Gross Revenue (ApGR) for arriving at the revenue calculations for license fee should be equal to the total GR of the licensee as reduced by the following items:

- i. Revenue from activities under a license/permission issued by DoT;
- ii. Reimbursement, if any, from the Government; and
- iii. List of other income* to be excluded from GR to arrive at AGR:
 - a. Income from Dividend;
 - b. Income from Interest;
 - c. Income from sale of fixed assets and securities;
 - d. Gains from Foreign Exchange rates fluctuations;
 - e. Income from property rent;
 - f. Insurance claims;
 - g. Bad Debts recovered;
 - h. Excess Provisions written back.

* subject to conditions given in Annexure-III of these recommendations

- c. Adjusted Gross Revenue (AGR) is calculated by excluding GST paid to the Government from the ApGR, if ApGR had included as component of GST.
- d. MIB should revise the Form-D (the Statement of Revenue and Licence Fee for DTH Licensees) and adopt the format of Form-D as prescribed in the recommendations. The process for the submission of Form-D should be

- made end-to-end online with facility to upload all the related documents in digital mode via single window system.
- e. MIB should develop a robust mechanism for deduction verification process through single window portal. The Licensee is required to produce to the Licensor, all such books of accounts and documents required for reconciliation which have a bearing on the verification of revenue for the purpose of calculating License Fee.
 - f. DTH Licensee should pay an annual license fee equivalent to 3% of AGR.
 - g. License Fee for DTH Licensees should be brought down to zero in next three years. DTH Licensees should not be charged any License Fee after the end of the financial year 2026-2027.
 - h. The Licensee should submit an Initial Bank Guarantee from any Scheduled Bank to the MIB for an amount of Rs. 5 crore for the first two quarters.
 - i. Thereafter, the Licensee should submit a Bank Guarantee (covering Financial and Performance Bank Guarantee) from any Scheduled Bank to the MIB for an amount equivalent to the Initial Bank Guarantee (i.e., Rs. 5 crore) or 20% of the estimated sum payable, equivalent to License Fee for two quarters and other dues not otherwise securitized, whichever is higher.
 - j. Once the license fee becomes zero, the Licensee should submit a Bank Guarantee (Performance Bank Guarantee) for a fixed amount equivalent to the initial Bank Guarantee (i.e., Rs. 5 crore) from any Scheduled Bank to the MIB, which should be valid for a minimum of one year and renewed every year to ensure it remains valid for the entire currency of the license Agreement.
 - k. The Licensor should be at the liberty to encash the Bank Guarantee in full or part in the event of violation of any of the license condition.
 - l. Electronic Bank Guarantee should be encouraged and permitted for ease of doing business.
 - m. These recommendations including the definition of Gross Revenue (GR), Applicable Gross Revenue (ApGR), Adjusted Gross Revenue (AGR) and the percentage of AGR to calculate the License Fee for the DTH License may be made applicable 'prospectively'.

7. In the highly competitive television distribution market, urgent measures are required for the DTH sector. The quick implementation of these recommendations will help the sector and enable all-round growth.

8. Full text of the recommendations on “**License Fee and Policy Matters of DTH Services**” have been placed on TRAI's website www.traigov.in.

9. For clarification/information, if any, Shri Anil Kumar Bhardwaj, Advisor (B&CS) may be contacted at advbcs-2@traigov.in or Telephone Number +91-11-23237922.

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