

**Comments by CITYCOM NETWORKS PRIVATE LIMITED**

**Q.1. Is there a need to review/ revise the definition of GR and AGR in the different licences at this stage? Justify with reasons. What definition should be adopted for GR in the Unified Licence in the interest of uniformity?**

**Comments-**

Review is needed to enable that

- there should not be any license fee on pure internet and broadband service
- license fee should be applicable on licensed services only, excluding pure internet and broadband services

**Q.2. What should be the guiding principles for designing the framework of the revenue sharing regime? Is the present regime easy to interpret, simple to verify, comprehensive and does it minimize scope for the exercise of discretion by the assessing authority? What other considerations need to be incorporated?**

**Comments-**

- Present process is adequate. However there should be clarity in definition of GR and AGR so that it does not leave any scope for discretion by the assessing authority. Revenue base for the purpose of computation of License-fee has to be restricted to the income derived from the licensed services only

**Q.3. In the interest of simplicity, verifiability, and ease of administration, should the rate of LF be reviewed instead of changing the definitions of GR and AGR, especially with regard to the component of USO levy?**

**Comments:**

- There should not be any license fee on pure internet and broadband service

**Q.4. If the definitions are to be reviewed/ revised, should the revenue base for levy of licence fee and spectrum usage charges include the entire income of the licensee or only income accruing from licenced activities? What are the accounting rules and conventions supporting the inclusion or exclusion of income from activities that may not require licence?**

**Comments:**

The revenue base for levy of licence fee and spectrum usage charges should include only income accruing from licenced activities. In mining industry also, royalty is charged/levied on actual mining extraction/production the purpose for which the license is given.

According to Mining Industry notification dated 10.12.2009 regarding calculation of royalty on different minerals:

Royalty = Sale price of mineral (grade wise and State-wise) published by IBM(Indian Bureau of Mines) X Rate of royalty (in percentage) X Total quantity of mineral grade produced / dispatched.

**Q.5. Should LF be levied as a percentage of GR in place of AGR in the interest of simplicity and ease of application? What should be the percentage of LF in such a case?**

**Comments:**

- Present principle of license fee on AGR is okay.

**Q.6. Should the revenue base for calculating LF and SUC include 'other operating revenue' and 'other income'? Give reasons.**

**Comments:**

- No, the revenue base for calculating LF and SUC should not include "other operating revenue" and "other income" as the same is generated from the Licensed activities. There should be no License fees on Pure Internet and broadband service

**Q.7. Specifically, how should the income earned by TSPs from the following heads be treated? Please give reasons in support of your views.**

- (a) Income from dividend;**
- (b) Income from interest;**
- (c) Gains on account of profit on assets and securities;**
- (d) Income from property rent;**
- (e) Income from rent/ lease of passive infrastructure (towers, dark fibre, etc.);**
- (f) Income from sale of equipment including handsets;**
- (g) Other income on account of insurance claims, consultancy fees, foreign exchange gains etc.;**

**Comments:**

- Dividend Income is not service revenue. Moreover, investment activity does not require any license issued by DoT. This income accrues to the Company from the Investment made by the Company out of surplus money, if generated/saved from the “Service Revenue” which has already been subject to License fee as such it is not justified to be taxed the same again. In this way taxing dividend Income, tentamounts levying license fee twice on the same revenue. Further, if such Income is earned out of Investment which has not been made out of saving/surplus generated from “Licensed Service Revenue”, then question should not even arise to include such Income in AGR.
  
- The aforesaid logic is applicable in case of following also :
  - Income from interest; does not come under licensed service revenue.
  - Gains on account of profit on assets and securities; does not come under licensed service revenue.
  - Income from property rent; does not come under licensed service revenue.
  - Income from rent/ lease of passive infrastructure (towers, dark fibre, etc.); does not come under licensed service revenue.
  - Income from sale of equipment including handsets; does not come under licensed service revenue.
  - Other income on account of insurance claims, consultancy fees, foreign exchange gains etc. does not come under licensed service revenue.

**Q.8. What categories of revenue/income transactions qualify for inclusion in the revenue base of TSPs on ‘net’ basis? Please support your view with accounting/ legal rules or conventions.**

**Comments:**

- The revenue base for levy of licence fee and spectrum usage charges should include only income accruing from licenced activities. In mining industry also, royalty is charged/levied on actual mining extraction/production the purpose for which the license is given.

According to Mining Industry notification dated 10.12.2009 regarding calculation of royalty on different minerals:

Royalty = Sale price of mineral (grade wise and State-wise) published by IBM(Indian Bureau of Mines) X Rate of royalty (in percentage) X Total quantity of mineral grade produced / dispatched.

**Q.9. What are the mechanisms available for proper verification from the financial statements of TSPs of items/ income proposed to be excluded from the revenue base, especially for TSPs engaged in multiple businesses? Would new verification mechanisms be required?**

**Comments:**

- Existing verification mechanisms are adequate

**Q.10. What is the impact of new and innovative business practices adopted by telecom service providers and licensees on the definition of GR? What impact will exempting other income from the revenue base have on the verification mechanism to be adopted by the licensor?**

**Comments:**

- The government should encourage new and innovative business practices within the framework of statutory audit
- New and innovative business practices enable TSPs to lower cost, improve service quality, provide services to the underserved markets, and become leaders in global competitive market

**Q.11. Do the potential benefits accruing to TSPs by moving from a simpler to a more complex definition of the revenue base (providing for additional exclusions) justify the additional costs of strengthening the assessment, accounting and monitoring system? Should the definition of AGR remain unchanged once the revenue base is reduced by providing for additional exclusions from the top line?**

**Comments:**

- The license fee being levied on “additional exclusions” was unjustified. With the additional exclusions the injustice being done earlier will be undone.

**Q.12. Should minimum presumptive AGR be applicable to licensees?  
How should minimum presumptive AGR be arrived at?**

**Comments:**

- Presumptive AGR should be equal to the financial bank guarantee provided for the license to prevent hoarding of licenses.

**Q.13. Should minimum presumptive AGR be made applicable to access licensees only or to all licensees?**

**Comments:**

- To All licensees

**Q.14. Should intra circle roaming charges paid to another TSP be treated as a component of PTC? If so, why?**

**Comments:**

- No views

**Q.15. How should the permissible deductions be designed keeping in view future requirements? Specifically, what treatment should be given to charges paid to IP-I providers in the context of the possibility of bringing them under the licensing regime in future?**

**Comments:**

- All expenses paid by one licensed service provider to another licensed service provider on which the government shall be eligible to get any kind of revenue share as those services are provided by the other service provider under a license provided by the licensor should be permitted for deduction in case of the first licensed service provider
- This is so as to avoid any kind of double license fee charging

**Q.16. Should the items discussed in paragraph 3.35 be considered as components of PTC and allowed as deduction from GR to arrive at**

**AGR for the purpose of computation of license fee? Please provide an explanation for each item separately.**

**Comments:**

- All expenses paid by one licensed service provider to another licensed service provider on which the government shall be eligible to get any kind of revenue share as those services are provided by the other service provider under a license provided by the licensor should be permitted for deduction in case of the first licensed service provider
- This is so as to avoid any kind of double license fee charging

**Q.17. If answer to Q16 above is in the affirmative, please suggest the mechanism/audit trail for verification.**

**Comments:**

- Government should rely on the certificate of the statutory auditor, as is the common practice across laws, across industry, across governments, across federal structures, etc.

**Q.18. Is there any other item which can be considered for incorporation as PTC?**

**Comments:**

- All expenses paid by one licensed service provider to another licensed service provider on which the government shall be eligible to get any kind of revenue share as those services are provided by the other service provider under a license provided by the licensor should be permitted for deduction in case of the first licensed service provider
- This is so as to avoid any kind of double license fee charging

**Q.19. Please suggest the amendments, if any, required in the existing formats of statement of revenue and licence fee to be submitted by service providers.**

**Comments:**

- Existing formats are considered adequate but it should only include revenue earned from license specific activities that is from licensed services only and exclude all other kinds of revenue/income. Further, all charges payable by one TSP to another TSP should be considered as pass through charges and need to be allowed as deduction from the GR.

**Q.20. Is there a need to develop one format under unified license for combined reporting of revenue and license fee of all the telecom services or separate reporting for each telecom service as in**

**present license system (as per respective license) should continue? If yes, please provide a template.**

**Comments:**

- Since there are different licenses within the Unified License, separate reporting for each telecom service as per the respective license should continue

**Q.21. In case any new items, over and above the existing deductions, are allowed as deduction for the purpose of computation of AGR, please state what should be the verification trail for that and what supporting documents can be accepted as a valid evidence to allow the item as deduction.**

**Comments:**

- Government should rely on the certificate of the statutory auditor, as is the common practice across laws, across industry, across governments, across federal structures, etc.

**Q.22. Is there is need for audit of quarterly statement of Revenue and License Fee showing the computation of revenue and licence fee?**

**Comments:**

- As per the current practice the quarterly statements are being certified by the statutory auditor along with the audited annual balance sheets.
- the audit of quarterly statement of Revenue and License is duplication of activity. This will put the licensees with uncalled for efforts and extra burden.

**Q.23. If response to Q22 is in the affirmative, should the audit of quarterly statement of Revenue and License Fee be conducted by the statutory auditor appointed under section 139 of Companies Act, 2013 or by an auditor, other than statutory auditor, qualified to act as auditor under section 139 & section 148 of Companies Act, 2013 or by any one of them?**

**Comments:**

- As per the current practice the quarterly statements are being certified by the statutory auditor along with the audited annual balance sheets.
- the audit of quarterly statement of Revenue and License is duplication of activity. This will put the licensees with uncalled for efforts and extra burden.

**Q.24. Is it desirable to introduce deduction of LF at source as far as PTC payable by one TSP/ licensee to another are concerned, in the interest of easy verification of deductions?**

**Comments:**

- It is neither desirable nor justified to introduce deduction of LF at source

**Q.25. Is there any other issue that has a bearing on the reckoning of GR/ AGR? Give details.**

**Comments:**

- There should be no License fee on pure internet Services.

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