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Subject: ISPAI response to TRAI Consultation Paper no. 09/2014 on Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charges

Dear Sir,

We congratulate the Authority to come out with this suo-motu consultation paper captioned hereinabove and a sincere thanks for providing us the opportunity to submit our response on this important issue.

We have enclosed our comprehensive response for your consideration. We believe that the Authority would consider our response in positive perspective and incorporate the ISPs concerns on the subject matter.

Looking forward for your favorable consideration.

Thanking you,

With Best Regards,
For Internet Service Providers Association of India



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ISPAI Response to TRAI Consultation Paper

I. Introduction

We welcome and thank the Authority for taking initiative in suo motu launching the consultation process on the important issue of Definition of Revenue Base (AGR) for the Reckoning of Licence Fee and Spectrum Usage Charges vide its Consultation Paper dated 31st July, 2014. This step would go a long way in rejuvenating the telecom services sector and would also reduce the license fee computation related disputes in future.

We believe that this initiative of the Authority is in line with the current policy document namely NTP 2012 the relevant extracts of which are reproduced below:

NTP 2012

Preamble

“14. Institutions form the backbone for policy implementation if the policy objectives are to be fully realised. World over, the telecom regulator plays a critical role in the orderly growth of the telecommunication industry, balancing the interests of both the consumers and the service providers. By virtue of the TRAI Act, India has an independent regulator. NTP 2012 seeks to further empower the regulator.”

IV. STRATEGIES

“12.3. To rationalise taxes, duties and levies affecting the sector and work towards providing a stable fiscal regime to stimulate investments and making services more affordable.”

II. Need for Review

It may also be noted that although a new Unified Licensing Regime has been introduced with effect from August, 2013 the Clauses relating to the definition of Gross Revenue and Adjusted Gross Revenue largely remained unchanged as were there in the previous service specific licensing regime because the Authority's Recommendation of April 16, 2012 on guidelines for Unified License/Class License did not propose any change on the definition of GR/AGR as the issue required deeper study. Thus the conditions in respect of GR/AGR in respect of various services in the new Unified License are without the benefit of TRAI Recommendation and its consideration by the Licensor and to that extent there is a statutory gap in the manner in which the new Unified License terms in respect of GR/AGR have been framed. These recommendations and the subsequent decision of Licensor on the same would also remove the said statutory shortcoming.

We also believe that the judgment of Supreme Court dated 11.10.2011 has clearly laid down the parameters of institutional responsibility in arriving at the contractual terms and conditions of a license and since Unified License is a new License this judgment paves the way for a comprehensive appraisal of the definition of AGR and GR in the new Unified License.

The review of GR and AGR terms of the new UL regime is also needed because of following additional reasons:

- 1) Under section 4 of the Telegraph Act, the Government has the exclusive privilege of establishing, maintaining and working of Telegraphs. Under the first proviso of section 4, the Government has the right to transfer its privileges by way of license on such conditions and for consideration of such payment, as it think fit, to any person. **The license terms introduced by the DoT have to fall within the four walls of the statute and the license fee must be only in respect of revenues earned with the licensed activities. The scope and ambit of Section 4 is strictly within the realm of “licensed activity”.**

- 2) The central Government under the telegraph act is only entitled to exercise its jurisdiction as conferred there under, in line with its preamble, and not beyond. Consequent to the limitation in Section 4, the scope of the license cannot go beyond the activities mentioned therein. The principle applies equally to license fee- it cannot be charged on activities which are beyond the scope of license.
- 3) Government unilaterally inserted the clauses in the license agreements to impose license fees even on revenues from non-licensed activities, using its dominant position. This needs to be corrected as per the regulatory principles and based on the statutory interpretation while framing the GR and AGR terms for the new UL License.
- 4) As per the new Telecom Policy objective revenue is not the primary consideration and the main objective of the Government is to implement its concept of Digital India by the year 2018. It would be in the fitness of the things if the Telecom Service Sector is not seen as a source for earning revenue. Especially the policy with regard to ISP since the beginning (as contemplated in NTP, 99) has been a liberal licensing regime to increase Internet/broadband Penetration across the country. Current position to include pure internet services along with the even revenues from non-licensed activities runs contrary to the policy.
- 5) The net effect of the current position is that even if the license holder's revenues from the licensed activities are small, service providers would be subjected to a crippling license fee. This would specially impact the new players and is directly contrary to the National Telecom policy.

III. Critical Issue of reviewing the decision to levy of License Fee on pure Internet services under UL-ISP License and old ISP License

IV.

We see this consultation process as an opportunity to present the views of ISP community before the Authority in terms of all the issues raised in the Consultation Paper. Before proceeding to do that we would like to highlight the most critical issue facing the ISPs vis-à-vis the recommendations made by the Authority dated 01.05.2014. NTP 2012 has rightly laid lot of emphasis on broadband proliferation which is recounted below:

Preamble

“5. Notwithstanding the economic progress over the last decade, the digital divide in the country continues to be significant. On the one hand, expansion of telecommunications in the rural areas has been slower than urban areas, with the former accounting for only 34% of the total connections. On the other, the ability of the poorer sections of the society, both in rural and urban areas, to benefit from technology needs to be enhanced. NTP-2012 has the vision **Broadband on Demand** and envisages leveraging telecom infrastructure to enable all citizens and businesses, both in rural and urban areas, to participate in the Internet and web economy thereby ensuring equitable and inclusive development across the nation. It provides the enabling framework for enhancing India's competitiveness in all spheres of the economy. NTP-2012 envisages support to platform neutral services in e-governance and m-governance in key social sectors such as health, education and agriculture that are at present limited to a few organizations in isolated pockets. This will expand the footprint of these services and thus foster an atmosphere of participative democracy delivery model that is truly citizen-centric. “

“III. OBJECTIVES

3. Provide affordable and reliable **broadband-on-demand by the year 2015 and to achieve 175 million broadband connections by the year 2017 and 600 million by the year 2020 at minimum 2 Mbps download speed and making available higher speeds of at least 100 Mbps on demand.**
5. **Provide high speed and high quality broadband access to all village panchayats through a combination of technologies by the year 2014 and progressively to all villages and habitations by 2020.”**

“IV. STRATEGIES

1. BROADBAND, RURAL TELEPHONY AND UNIVERSAL SERVICE OBLIGATION FUND (USOF)

1.1. To develop **an eco-system for broadband** in close coordination with all stakeholders, including Ministries/ Government Departments/ Agencies to ensure availability of media for last mile access, aggregation layer, core network of adequate capacity, affordable equipment including user devices, terminals and Customer Premise Equipment and an environment for development of relevant applications. Formulate policies to promote competition by encouraging service providers, whether large or small, to provide value added services under equitable and non-discriminatory conditions.

1.2. To recognise telecom, including broadband connectivity as a basic necessity like education and health and work towards ‘**Right to Broadband**’.

1.3. To lay special emphasis on **providing reliable and affordable broadband access to rural and remote areas** by appropriate combination of optical fibre, wireless, VSAT and other technologies. Optical fibre network will be initially laid up to the village panchayat level by funding from the Universal Service Obligation Fund (USOF). Extension of optical fibre connectivity from village panchayats to be taken up progressively to all villages and habitations. Access to this Optical Fibre Network will be open, non-discriminatory and technology neutral.

1.4. Provide appropriate incentives for rural rollout.

1.5. **To revise the existing broadband download speed of 256 Kbps to 512 Kbps and subsequently to 2 Mbps by 2015 and higher speeds of at least 100 Mbps thereafter.”**

It is learnt from the official press release dated 20.08.2014 that as per vision of the new Central Government a blueprint for the Digital India programme, which envisages all government services be delivered electronically by 2018 has been approved. It also seeks to provide unique identities to all citizens. The programme aims to “bring public accountability through mandated delivery of government services electronically” and provide a “unique ID and e-Pramaan, based on authentic and standards-based interoperable and integrated government applications and data bases”. Digital India would provide “high-speed internet as a core utility” down to the Gram Panchayat level and a “cradle-to-grave digital identity — unique, lifelong, online and authenticable”, the unique IDs would facilitate identification, authentication and delivery of benefits. Digital India, which promises to transform India into a connected knowledge economy offering world class services at the click of a mouse, will be implemented in a phased manner by 2019 at an estimated cost of about Rs 1,13,000 crore, including ongoing enabling projects run by telecom and electronics and IT departments.

Thus both the current telecom policy NTP 2012 as well as the policy of the Government in approving digital India programme lays significant amount of emphasis on broadband highways and internet access programme.

In this background, it is our view that for the reason of affordability of the broadband services no license fee should be levied on pure internet services in the old ISP licenses and the recommendations dated 01.05.2014 need to be reviewed. Even in respect of the new UL-ISP license where the definition of GR and AGR is being reviewed and examined by the Authority, the revenues from pure internet services should be excluded as a pass through charge for the purpose of computation of license fee.

Presently there are about 350 ISP licenses under different categories out of which around 150 are operational as against 8 Pan Indian access providers and 2 regional access providers. At the end of March, 2014, there were around 60.87 Million Broadband subscribers majority of which are urban based and from enterprise segment. There is a great need for encouragement to the niche and stand alone ISPs which are endeavoring to take the broadband to rural and remote areas. The Government recognized this need and has taken the first step to create much needed backbone infrastructure

through NOFN project. A lot more facilitation is required through conducive policies as well as special incentives to attract the much needed investment in this segment. We believe that levy of license fee on pure internet services would adversely impact the broadband proliferation which can be done by the stand alone ISPs.

Levy of LF will be considered as a barriers for ISPs of India when we compare the same with rest of the world;

Most mature regulatory regimes have abolished virtually all entry fees, annual charges, license fees etc. for provision of internet and broadband services. Thus:

- 26 member countries of the European Union have abolished all entry fees, license fees etc. to provide any telecommunications services including internet and broadband services except the payment for spectrum. There is no formality beyond registration.
- US, Canada, Australia similarly impose no barriers on provision of internet and broadband services by companies willing to enter into commercial arrangements
- Singapore, South Africa, Brazil, Sri Lanka specify criteria for ISPs which are less financially burdensome than in India.

As on date the levy of revenue share license fee on pure internet services would result in very small revenue to the tune of about Rs.50.00 crore whereas exempting the pure internet services revenues as a pass through charge will result in galvanizing the ISPs and UL-ISPs in providing the broadband services with a renewed vigor.

We would therefore request that considering the present financial position of ISP segment, low level of penetration of internet services and affordability of Internet services, the revenue from pure internet /broadband services should not be considered as a part of adjusted gross revenue (AGR) both for the new UL-ISP license as well as for the old service specific ISP licenses.

V. Other Issues regarding GR/AGR

In respect of other issues .we feel there is a strong need to review/revise the definition of GR and AGR for the following reasons:

We submit that License Fee on Revenue Share Basis should be payable only on the Revenues from licensed SERVICE provided under the respective License relating to the respective Service Area only i.e. SERVICE Revenues. Thus the following items must not form part of GR:

- a. Items which are not Revenue as such – e.g. profit on Sale of any Assets; Insurance Claims; IRU of any Asset
- b. Items which may be Revenue in nature but which are not SERVICE Revenues – e.g. interest on Company's lending /Inter-corporate loan, Dividends on Investments, Foreign Exchange Gain on Import or Export of Equipment, Notional Foreign Exchange Gain Adjustments as on date of Balance Sheet. As per our interpretation of the existing licenses these items are not part of GR.

We would like to submit that levy of license fee on non-licensed activity will put the future growth of the business in jeopardy.

Other Key issues which are required to be addressed as under:

- 1) Deductions from Gross Revenue should be on Accrual basis. All payments made to other eligible telecom service providers, Government imposed taxes and levies paid should be considered on accrual basis.
- 2) Deductions should apply for telecom resources taken from other telecom service providers to delivery services, since the applicable license fee is paid on such revenues by the respective

service providers. Double taxation of such licensed resources should be avoided as per similar treatment followed in G.S.T/Service Tax. As also Dual Charging of revenues in the hands same and other service providers should be avoided.

- 3) We appreciate the TRAI recommendations dated 21st September 2006 for the exclusion of the following for the calculation of GR and we feel that the same should be reiterated:
- a. Revenue on account of sale of immovable property, securities, warrants or debt instruments, other items of fixed assets
 - b. Gains from upward valuation or devaluation on account of fluctuation of foreign exchange
 - c. Interest Income from deposits other than telecom related refundable deposits. i.e., Interest income from Term deposits, Margin Money deposits for Bank Guarantees and other such deposits should be excluded from GR and therefore AGR.
 - d. Dividend Income
 - e. Reversal of Revenues on account of Bad Debt and Vendor's Credit
 - f. Revenue on account of Property Rent
 - g. Revenue from Sale of Fixed Assets in the nature of Capital Receipts and Insurance claims
 - h. Revenue from sale of handsets / CPE
 - i. Receipts from USO Funds

V. ISPAI response to the Questions in the Consultation Paper

Q1: Is there a need to review/revise the definition of GR and AGR in the different licenses at this stage? Justify with reasons. What definition should be adopted for the GR in the Unified License in the interest of uniformity?

Ans.: It is submitted that there is a very pressing and urgent need to review/revise the definition of GR and AGR under different licenses for the sake of clarity in interpretation. For justification we would draw your kind attention to see Section II above regarding the need for review and Section III in respect of pure internet services.

The definition of GR under the Unified License should be "the revenue earned from the licensed telecom services rendered under specific licenses."

Q2: 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?

Ans.: We would like to submit that first and most important guiding principle for designing the framework of revenue sharing regime should be that **the revenue base for the purpose of computation of License-fee MUST be restricted to the income derived from the licensed services only**. In our view the present system is not easy to interpret, though it is simple to verify. However, under the present regime, scope for exercise of discretion by the assessing authority is very extensive, which leads to wrong interpretation and which in turn leads to dispute. **The deductions MUST be allowed w.r.t. all charges payable to other service providers, as such charges are revenue in the hands of recipient TSP and the same is considered while computing AGR, otherwise this will lead to double levy of LF.**

Q3: 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?

Ans.: No, we are of the view that clarity in the definition of GR and AGR would be far more helpful, instead of review of the rate of LF. In fact we believe we have presented a very strong case for need to review the definitions of GR and AGR as per Section II of our response which may kindly be referred.

Q4: If the definitions are to be reviewed/ revised, should the revenue base for levy of license fee and spectrum usage charges include the entire income of the licensee or only income accruing from the licensed activities? What are the accounting rules and the conventions supporting the inclusion or exclusion of income from the activities that may not require license?

Ans.: We would like to submit that the revenue base for the levy of license fee should only include income accruing from the licensed activities and MUST exclude all other revenue/income. Similarly, spectrum usage charge should be levied only on that revenue, which has been generated by usage of spectrum only. A license agreement is between Licensor and Licensee which stipulates both the privileges enjoyed by the Licensee and the obligations imposed upon the Licensee while the Licensor delegates, under a consideration, the sovereign right for providing of telecom services to the Licensee in accordance with the first proviso of the Section 4 of the Indian Telegraph Act 1885. Such consideration therefore has to be only in relation with the income derived from the licensed activities and therefore all other income accruing from non-licensed and non-telecom activities should necessarily be excluded from the computation of the revenue base (GR).

Q5: Should LF be levied as a percentage of GR in the place of AGR in the interest of simplicity and the ease of application? What should be the percentage of LF in such a case?

Ans.: No. We are of the view that LF should not be levied as a percentage of GR in the place of AGR, in the interest of simplicity and ease of application. This could have been done if all the operating entities in India were vertically integrated operators. Moreover, there are certain category of services/Licensees in whose case the pass through revenues are more than the net revenue earned by these Service Providers. In such cases imposition of license fee as a percentage of GR would not be financially viable or feasible.

Q6: Should the revenue base for calculating LF and SUC include ‘other operating revenue’ and ‘other income? Give reasons.

Ans.: No. In our view, the revenue base should not include ‘other operating revenue’ and ‘other income’, for calculating LF (which should be applicable on the revenue generated from licensed activities) and SUC (which should be applicable on the revenue generated by usage of spectrum). The telecom licenses are issued only to carry out licensed services/activities and therefore while computing license fee, the revenue base should be restricted to the revenues from licensed services only subject to our submission in respect of pure internet services in Section III above.

Q7: Specifically, how should the income earned by TSPs from the following heads be treated? Please give the 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.;

Ans.: We would like to submit that the income earned from the above mentioned activities are not derived from the license specific activities that is activities which can be done only after obtaining a license under Section 4 of the Indian Telegraph Act 1885 and hence are non-licensed income. In other words, no telecom license is needed to earn interest, dividend, interest on income-tax refund, foreign-exchange gain, income from consultancy & management-fee, property rent, dark fibre etc. **Therefore all such income MUST be excluded in the revenue base, for computing the LF.**

Q8: What categories of revenue/income transactions qualify for inclusion in the revenue base of TSPs on 'net' basis? Please support your view with the accounting/legal rules or conventions.

Ans.: In our view, revenue/income earned from the licensed services only should be considered in the revenue base of TSPs . The telecom licenses are issued under Indian Telegraph Act 1885 for provision of licensed services only, therefore categories of revenue/income earned from licensed telecom service should only be included in the revenue base of TSPs.

Q9: What are the mechanisms available for the proper verification from the financial statements of TSPs of items/income proposed to be excluded from the revenue basis, especially for TSPs engaged in multiple businesses? Would new verification mechanisms be required?

Ans.: We would like to submit that under the present system, licensees are required to submit license-wise annual audited AGR statements to the Licensor. The said statements are duly audited by Statutory Auditors of the licensee and the details of revenue/cost is provided on quarterly basis, which are duly reconciled with the annual audited accounts of the licensees. We understand that the present system is sufficient to identify the GR and AGR, for computation of license-fee.

Q10: 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?

Ans.: In our opinion, there is no impact of the new and innovative business practices adopted by telecom service providers and licensees on the definition of GR if the definition of GR is clear and easy to interpret. Exempting other income from the revenue base will have no impact on the verification mechanism to be adopted by Licensor. Presently, licensees are required to submit annual audited accounts (license-wise) to licensor, with a Reconciliation-statement duly audited by the Statutory-Auditors of the licensee company.

Q11: 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 the providing for additional exclusions from the top line?

Ans.: Yes. We would like to submit that the potential benefits accruing to TSPs by moving from a simpler to a more complex definition of the revenue base (i.e. providing for additional exclusions) justify the additional costs of strengthening the assessment, accounting and monitoring system. Moreover this would be the right thing to do as in our opinion only the revenues from the licensed services should form the gross revenue. Moving the GR and AGR regime by providing for additional exclusions which are well justified will also reduce the LF disputes and litigations resulting in faster realization of government dues.

We would also like to submit that the definition of AGR should not remain unchanged once the revenue base is reduced by providing for additional exclusions from the top line. The deductions MUST be allowed w.r.t. all charges payable to other service providers, as the same are income in the hands of other TSPs and they pay License-Fee on the same.

Q12: Should minimum presumptive AGR be applicable to licensee? How should minimum presumptive AGR be arrived at?

Ans.: We believe there is no case for prescribing minimum presumptive AGR.

Q13: Should minimum presumptive AGR be made applicable to access licensee only or to all licensees?

Ans.: We believe there is no case for prescribing minimum presumptive AGR.

Q14: Should intra circle roaming charges paid to another TSP be treated as a component of PTC? If so, why?

Ans.: Yes. In our view intra circle roaming charges paid to another TSP should be treated as a component of PTC, because the same is income/revenue in the hands of other TSP and considered for the computation of AGR.

Q15: 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?

Ans.: In our opinion, the permissible deductions should include all charges payable to other TSP. At present, IP-I operators are not the licensed operators as per Section 4 of the Indian Telegraph Act 1885 and in order to encourage telecom infrastructure, IP-I operators should continue to be out of the purview of the licensing regime. However, in the event of the possibility of bringing IP-I providers under the licensing regime, the charges payable to them MUST be considered as deductions from the GR for computation of AGR.

Q16: Should the items discussed in paragraph 3.35 be considered as component of PTC and allowed as deductions from the GR to arrive at AGR for the purpose of computation of license fee? Please provide an explanation for each item separately.

Ans.: The items discussed in paragraph 3.35 are as under:-

- (a) Lease line charges,
- (b) Port Charges,
- (c) Cable landing station charges,
- (d) Sharing of infrastructure charges,
- (e) Interconnection set-up cost,
- (f) Roaming Signaling charges,
- (g) Receipt of USO funds,

Yes, in our view the above items should be considered as a component of PTC and allowed as deductions from GR to arrive at AGR for the purpose of computation of license-fee, since such charges payable by one TSP to other TSP, for the purpose of connectivity of their networks for carriage of voice/data traffic.

The TRAI Regulation on IUC charges, also mention that Lease-line charges and Port charges are IUC charges as the same are paid by interconnection seeker to interconnection provider, for carriage of traffic. The recipient TSP of the said transaction include the same in their GR and pay license-fee to licensor and hence the same should be treated as component of PTC and allowed as deduction from

GR, to the interconnection seeker TSP. In case it is disallowed, this will lead to double levy of license-fee.

Q17: If answer to Q16 above is in the affirmative, please suggest the mechanism/ audit trail for verification.

Ans.: In our view presently licensees submit license-wise audited AGR statement along with details of Revenue, deductions and License-fee, on yearly basis. A reconciliation statement is also submitted, duly audited by statutory auditors of the licensee company. Therefore we are of the view there is no need for any further mechanism in this regard.

Q18: Is there any other item which can be considered for incorporation as PTC?

Ans.: First and foremost we would like to submit that the revenues derived from pure internet services by the UL-ISP or old ISP Licensees should be considered for incorporation as PTC and detailed justification in respect of the same is given in Section II of our response. We are also of the view that the charges payable by one TSP to other TSP, for network connectivity/carriage/delivery of traffic, should be considered as PTC. Such charges are revenue in the hands of recipient TSP and are considered for computation of AGR.

Q19: Please suggest the amendments, if any, required in the existing formats of statement of revenue and license fee to be submitted by service providers.

Ans: The existing formats of statement of revenue and license-fee should only include revenue earned from license specific activities that is from licensed services only and MUST exclude all other kinds of revenue/income. Further, all charges payable by one TSP to another TSP should be considered as PTC and should be allowed as deduction from the GR.

Q20: 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.

Ans.: The new Unified Licensing regime introduced in August 2013 based on TRAI recommendations aggregates service specific licenses for various services like Access service, National Long Distance service, International Long Distance service, Internet service etc. each having its distinct scope of service and some services are also licensed on a geographic area basis. In our view, there is no need to develop one format under Unified License for combined reporting of revenue and license-fee as the service specific character of the licensing regime still survives in the new UL license. It would be appropriate that the separate reporting for each telecom service as in the older service specific licensing regime should continue for the new UL also. Only revenue, from the services authorized under Unified License (UL), should be reported under UL regime.

Q21: 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 items as deduction.

Ans.: In our view, presently licensees are required to submit license-wise audited AGR statements to licensor, duly audited by statutory auditors of the licensee company. The said statements include quarter-wise details of revenue, deductions claimed and license-fee, along with a reconciliation statement. The detail of quarterly license-fee paid is also provided in a format provided under the license-agreement. Therefore the present system is sufficient to verify the additional deductions.

Q22: Is there a need for audit of quarterly statement of Revenue and License Fee showing the computation of revenue and license fee?

Ans.: No. In our considered opinion there is no need for audit of quarterly statement of Revenue and License Fee, showing the computation of revenue and license-fee. It may please be noted that at present, licensees submit annual audited AGR statements, in which details of revenue and license-fee is provided on quarterly-basis. Keeping in view this system, the audit of quarterly statement of Revenue and License-fee will be a duplication of activity, which will burden the licensees with additional efforts and extra cost.

Q23: 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?

Ans.: Not applicable in view of response to Question No.22.

Q24: 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?

Ans.: No. We are of the view that there is no requirement to introduce deduction of LF at source on the payment being made by one TSP to another TSP, since this would lead to significant increase in efforts by TSPs.

Q25: Is there any other issue that has a bearing on the reckoning of GR/AGR? Give details.

Ans.: We would like to draw the attention of the Authority to the issue raised by us in Section III of our response in respect of levy of license fee on pure internet services in respect of old ISP license as well as the new UL-ISP license.