



Consultation Paper on Definition of Revenue Base (AGR) for the Reckoning of Licence Fee (LF) and Spectrum Usage Charges (SUC)

1. Sistema Shyam Teleservices Ltd (SSTL) welcomes opportunity extended by TRAI to comment on the important issue of Definition of Revenue Base for the reckoning of License Fee(LF) and Spectrum Usage Charges (SUC).
2. The current definition is ambiguous which is being interpreted in different ways by licensees and the licensor resulting in innumerable disputes relating to quantum of LF and SUC payable in each quarter. The calculations by the service provider are somehow seen as “unfair” which results in a dispute. There are Special Audits and innumerable litigations even after 15 years of introduction of revenue share regime. Thus there is need of predictability of AGR definition so that disputes could be minimized.
3. SSTL suggests that revenue from providing telecom services only should be considered for reckoning of LF and SUC. Inclusion of income from other sources in the revenue base results in distortion and disturbs the level playing field between service providers and other players in the telecom eco system which are not covered by the license conditions. The arbitrage due to LF and SUC on non-telecom income under the revenue definition has forced the telecom industry to structure the operations which is not very efficient. To mitigate the cascading impact of LF, credit should be available for all input services on which LF and SUC has already been paid. It would be unfair and burden on consumer in case LF and SUC is imposed at every stage of production.
4. In addition to the predictability of the revenue definition, there is imminent need to simplify LF and SUC administration. The license fee settlement is very complex and an administrative burden to comply with the requirements. There is no standard process for assessment of deduction claims and verification procedures devised by CCA are burdensome requiring innumerable supporting documents.
5. DoT should adopt a flexible approach concerning LF and SUC settlements and the approach should be of faith and trust. Substantive and procedural liberalization measures are required for this purpose. The LF and SUC regime requires comprehensive reforms for LF regime to be simple, predictable and transparent.



6. The current LF and SUC regime is also onerous on consumer as LF and SUC is required to be paid at every stage of production. No credit of LF and SUC is available for input like port charges, bandwidth, leased circuits etc. To mitigate the cascading impact LF and SUC, it is suggested that pass thru should be allowed for all input services.
7. A simplified, predictable and transparent LF and SUC regime based on revenues which are earned on the strength of license would imbibe trust between TSPs and CCAs and encourage a much more efficient telecom structure. It is our belief that predictable and transparent LF regime would end innumerable disputes. Therefore, the TRAI recommendation on GR and AGR definition should basic issues like income components which are to be included/excluded, mitigation of cascading impact of LF/SUC, simplicity of LF settlement etc.
8. Our comments on specific issues on GR and AGR definition and reforms required for a simplified and predictable regime is given below:

Q1. 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?

Response

- (i) Yes, there is need to urgently review the GR and AGR definition as the current definition is ambiguous and unpredictable leading to innumerable disputes. Some of anomalies arising due to anomalous GR definition are given below:
 - ✓ It includes several revenues unrelated to licensed activities.
 - ✓ It includes incomes that do not fall under the definition of revenue miscellaneous incomes like sale of scrap etc.
 - ✓ It results in dual charge of the same revenues twice in the hand of different operators which has cascading.
 - ✓ It includes notional income like FOREX that are unrealized by the Licencee.
 - ✓ It includes item on accrual/billed basis but allows deduction on collected/paid basis.
 - ✓ It includes several items of pass through revenues resulting in differential treatment of similar revenue.



(ii) Due to ambiguity, unpredictability of AGR definition, there are innumerable disputes between assessee and assessor on LF and SUC assessment. The definition of GR **should include all amounts for which the telecom services have been availed**. The GR or AGR should not include following income components:

- ✓ Income from dividend.
- ✓ Interest earned on investment of savings made by a licensee after meeting liabilities including liability on account of share of the Government in the gross revenue.
- ✓ Capital Gains made on account of sale of fixed assets etc
- ✓ Gains from Foreign Exchange rates fluctuations
- ✓ Income from property rent
- ✓ Any income of notional nature, which does not accrue and is not received by the Licensee.
- ✓ Revenue from management consultancy fee and training charges from telecom service.
- ✓ Payments received on behalf of third party.
- ✓ Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services.
- ✓ Bad debts, waivers, discounts etc
- ✓ Reversal of Provisions and vendors credit.
- ✓ Miscellaneous Revenue

(iii) The revenue included in AGR is on accrual basis and hence income from IUC is also included in AGR on accrual basis. However, corresponding pass thru for IUC payments is allowed on actual payment basis. Since inclusion of IUC is on accrual basis but pass thru on actual payment basis, there is always a difference between revenues booked and paid. As a result service providers pay licence fee even on the uncollected portion of IUC but pass thru benefit is not allowed for the billed IUC amount.

(iv) At present pass thru is not allowed on input services like bandwidth, port charges, leased circuits etc. As a result there is cascading impact of LF and SUC. To mitigate the cascading impact, it is suggested that payments on account of all input services should be allowed as pass thru revenue.

(v) In view of the above it is suggested that GR/AGR definition should:

- a. GR/AGR should include revenue from telecom services only;

- b. Pass thru should be allowed for revenue earned from input services like IUC, port charges, bandwidth, leased circuits etc.
- c. Revenue and pass thru should be both allowed on accrual/actual basis.

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?

Response

- (i) The fundamental guiding principle for GR and AGR should be predictability and simplicity. The consistent application of these principles in LF and SUC calculations would resolve disputes, create mutual understanding and trust between CCAs and service providers, create investment climate, facilitate a more efficient structure of the telecom industry, establish level playing field between different players in the telecom eco system and affordable delivery of services to the citizen.
- (ii) The GR and AGR definition is ambiguous and subject to different interpretations to include any kind of revenue like “Misc. Income”. Due to lack of transparency and unpredictability there is great deal of discretion being claimed by different CCAs with respect to the assessment and payment of LF and SUC. The LF and SUC calculation by the service provider are seen as “unfair” and frequent Special Audits, CAG audits are being observed. There is lack of trust and LF and SUC settlement is difficult.
- (iii) **The situation requires immediate reforms of LF and SUC regime so that the LF and SUC assessment is predictable. TRAI should clarify that income not earned from telecom services should not be part of GR/AGR base on which LF and SUC is payable.**

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?

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Q4. 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?



Simplicity and Predictability of Revenue Share Regime

- (i) There is a need to re-look at the rate of LF but more importantly ambiguities in the current GR /AGR need to be resolved. SSTL believes that understanding and compliance to the revenue share arrangements should be as simple and straightforward as possible. At present there is excessive complexity in the system, and a lack of clarity. There is huge risk relating to interpretation of other income falling under the revenue share for reckoning of LF and SUC. A simple regime which predictable with regard to a particular income category falling under the revenue share category or not would help both service providers and CCAs for efficient operation of the revenue share system and to significantly reduces the administrative burden on them.
- (ii) SSTL suggests that following guiding principles should be followed for deciding on inclusion or otherwise of any item of revenue or cost in the GR/ AGR for purposes of payment of LF and SUC:
- ✓ Revenue accruing both direct and indirect from activities under the Licence should form part of the GR/AGR.
 - ✓ Revenues from non-licensed activity should not be part of AGR . Other incomes like dividend, interest, FOREX gains or Losses, rents, sale of handsets etc should not be included in the revenue for payment of LF and SUC
 - ✓ Payments to other TSPs for input services like bandwidth, port charges, roaming etc should be allowed as pass thru revenue.
- (iii) The clarity on GR/AGR definition that it does not include revenues from non-licensed activities and to allow pass thru payments for all telecom services would resolve most disputes between licensor and licensee.

LF Rate

- (iv) Telecom Service Providers are paying revenue share of 8% which is very high especially after spectrum is being auction and not allocated bundled with the license. If telecom service sector is to expand in the manner in which it is targeted and since most investments are to be funded through the sector's own accruals, then the sector cannot be seen as a source of revenue for the Government. Heavy license fee adds to the cost structure of the access service providers. High license fee is an anomaly in a scenario of falling tariff / ARPU.
- (v) The existing 8% Licence fee percentage includes component of USO Levy of 5%, however, collections from USO levy are largely unutilized and accumulating under



the USO Fund (thereby not flowing into the Government pool). As the rural infrastructure has largely been developed by mobile operators on their own and without much of financial support from the USO fund, the USO levy should be reduced based on average utilisation trend over the years and should be phased out by 2nd year based on the utilisation of existing fund for completing the desired level of rural coverage; almost 57% of the USOF is currently undistributed (Refer para 3.6 of TRAI CP) Given the above, there should be a gradual glide path to progressive reduction in the LF percentage in a phased manner over the next 2-3 years.

- (vi) It is important to rationalize the revenue share license fee so as to balance the revenue growth with the growth of the sector and fix it to a level just to cover the administrative cost.
- (vii) Lower license fee on the service providers would encourage higher growth and with increased growth, it would be a win-win situation for the industry and the Government. **Thus it is suggested that the license fee revenue share should be limited to recover the administrative charges only.**

Q5. 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?

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

- (i) DoT should continue to impose LF and SUC on AGR basis. However, there is need to correct the GR and AGR definitions by carrying out following changes:
 - a. GR should include revenue from services which can be provided only under the license.
 - b. To mitigate cascading impact, payments on account of input services like IUC, bandwidth, Leased circuits, port charges etc should be allowed as pass thru.
- (ii) Inclusion of other incomes brings in non-level playing field between service providers and non-service providers. A Non-service provider doesn't have to pay license fee on income from rental, interest, dividend, sale of handsets etc but service provider is not able to carry out such activities. As a result number of activities are hived off are being which is not desirable for efficient working telecom sector. In view of the



above it is requested that income from the following sources which do not require license should not be included in the revenue for reckoning of LF and SUC:

- ✓ Income from dividend.
- ✓ Interest earned on investment of savings made by a licensee after meeting liabilities including liability on account of share of the Government in the gross revenue.
- ✓ Capital Gains made on account of sale of fixed assets etc
- ✓ Gains from Foreign Exchange rates fluctuations
- ✓ Income from property rent provided it is clearly established that the property is nowhere connected to “establishing, maintaining and working of Telecommunications”.
- ✓ Any income of notional nature, which does not accrue and is not received by the Licensee.
- ✓ Revenue from management consultancy fee and training charges from telecom service.
- ✓ Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services.
- ✓ Reversal of Provisions and vendors credit.
- ✓ Other Miscellaneous Revenue

(iii) Therefore it is suggested that:

- ✓ **LF and SUC should be charged on AGR.**
- ✓ **Gr should include revenue only from telecom services**
- ✓ **Payments for all input telecom services should be allowed as pass thru revenue.**

Q7. 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.;

- (i) As submitted above, other income from interest, dividend, FOREX gain, sale of handsets etc should not be included in the revenue for reckoning of LF and SUC. Inclusion of other incomes results non-level playing field between service providers

and non-service providers which compete in the same market. It is big disadvantage for a licensed service provider to compete with the non-licensed operator to provide services like renting and leasing of towers, ducts, sale of handsets etc. as unlicensed operators are not required to pay LF and SUC. Our comments for not including specific components of other Income in revenue for reckoning of LF and SUC are given below:

- a) **Income from dividend & Income from interest;** Investment of idle cash to earn interest / dividend does not require a telecom license. Interest and dividend are earned on account of a non-telecom activity viz. Investment. Therefore, there should not be any LF andSUV.
- b) **Gains on account of profit on assets and securities;** Capital gains arise on account of sale by licensee companies of securities and immovable properties owned by them. Neither making of investments in securities and immovable properties nor their sale/transfer/lease require telecom license. . The treatment for capital gains derived from fixed assets where it is in relation to the fixed assets acquired for setting up the telecommunication infrastructure or delivery of the services under the license is no way different from the treatment given to the capital gains derived from a sale of any other assets. Any capital gain is in the nature of the capital receipts and not revenue from any of the operators. These income therefore has absolutely no connection with the business of provision of telecom services and hence should not be clubbed with 'revenue'.
- c) **Income from property rent;** Licensee companies permit third parties (who may or may not be telecom licensee companies) to use immovable properties (land / building) owned or leased by the licensee companies when they do not require such properties for their own operations. Such use by third parties does not require any authorization under a telecom license and can be done by the licensee companies even in the absence of a telecom license. Such leasing has absolutely no connection with the business of provision of a telecom service.
- (e) **Income from rent/ lease of passive infrastructure (towers, dark fibre, etc.);**Setting up of passive infrastructure like towers is not an activity which requires telecom license. The tower structure is being erected by the independent parties and is being offered to service providers on rent. In case similar activity is undertaken by a service provider should not be penalised by imposing LF and SUC.
- (f) **Income from sale of equipment including handsets;** Sale (or hire) of handset/CPE/assets/scrap is not a license telecom activity and hence the revenues from sale /lease/distribution of handset / CPE/assets/scrap should be excluded while calculating AGR. Since handsets can be purchased or sold by any



entity, such activity should not be linked to telecom licenses issued under the Indian Telegraph Act. Further sale of handset is sale of goods and there imposing LF of license which basically is for providing service is not be correct.

- (g) Other income on account of insurance claims, consultancy fees, foreign exchange gains etc.;** The licensee companies insure their assets (telephone instruments, building, furniture, fixtures etc) from various risks (including fire, floods, earthquake, customer defaults etc). Any insurance claims are basically reimbursement of losses and therefore it is not a revenue.

Income from consultancy fee, project management fees, training charges by using their resources and expertise of the company should not be imposed as that is not a licensed activity.

- (h) Foreign exchange gains:** Foreign exchange gains are gains accruing to licensee on account of decrease in its payment liability to its vendors / third parties on account of appreciation of Indian rupee vis-à-vis the US Dollar or the currency in which the payment to the vendor is to be made. It is actually a reduction of a payment liability rather than income.

- (ii) In view of the above it is suggested that 'other income' from non-licensed should not be included in the revenue for reckoning of LF and SUC.**

Q8. 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.

- i. Only revenue which is actually received or receivable should be included in GR. Trade discount is a normal business practice in almost every trade. Product/services are sold at a discount to distributor or retailer which is finally sold at a higher rate to in the market. For Instance, TSP can sell a prepaid voucher to the distributor at a price below but DoT insists that such discounts should be part of the revenue. The DoT's stance is not consistent with any accounting practice and brings anomalies in the normal business.
- ii. TRAI's attention is incited to the AS-9 which clearly brings out that trade discounts should be deducted in the revenue determination. The relevant part of illustrations attached to AS-9 is reproduced below:

"9. Trade discounts and volume rebates



Trade discounts and volume rebates received are not encompassed within the definition of revenue, since they represent a reduction of cost. Trade discounts and volume rebates given should be deducted in determining revenue.”

- iii. In the matter of inclusion / exclusion of items in the revenue scheme it is submitted that the notified accounting standards under the Companies Act 2013 for recognition of revenue/income should be followed. This would also ensure that impact of any development i.e. transition to Ind-AS etc. would also be not subject to any further interpretation as revenue would be considered as per the audited financial statements prepared in accordance with the relevant accounting standards i.e. Indian GAAP or Ind-AS applied by all in uniformity.
- iv. The current interpretational issues encountered of discounts, goodwill waivers, principal-agency relationship would all be governed with the revenue recognition standards as discussed above and leave no interpretation issues exclusively for the purposes of revenue share computation. Consequently, the principles as specified and acceptable in GAAP should also be followed for the perspective of GR and Licence fee perspectives Therefore, only the revenue net of trade discounts should be part of the revenue base.

Q9. 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?

- i. As per the new Companies Act, 2013, there are specific provision for preparation of financial statements under the schedule III of the Act and the General instructions for preparation of Balance Sheet and statement of Profit and Loss has already been issued, where it is very clearly mention that total revenue of the company shall be shown separately in terms of “Revenue from operation” and “other revenue”. The general instructions have indicated that in respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from-
 - (a) Sale of products
 - (b) Sale of services;
 - (c) Other operating revenues;Less Excise Duty



- ii. Revenue under each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable. Furthermore, other income shall be classified as:
 - Interest income (in case of a company other than finance company);
 - Dividend Income;
 - Net gain/loss sale of investments;
 - Other non-operating income (net of expenses directly attributable to such income).
- iii. In view of said provisions/ instructions of companies Act, “No” new mechanism is required.

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?

- i. Licensing of MVNOs or delinking of network and service license etc will not have any impact on the proposed revenue share regime of imposing LF and SUC on all telecom services related transaction including input services like roaming and availability of credit on LF and already paid on input services. These practices would result in significant increase in the level of transactions between licensees over and above the earlier envisaged scenarios of only termination and roaming charges.
- ii. Hence to avoid double levy, the current concept of pass through needs to be changed from specific items to be based on deduction of any payment made to another licensee on which the other licensee is subject to pay a LF. This broad principle will ensure that any future type of transactions not foreseen today get automatically covered.
- iii. Most apprehensions mentioned in the consultation paper like discounts offers or unorthodox discounting schemes are unfounded and should not be a reason to continue with the AGR definition which is prone to differing interpretation and resulting in innumerable disputes.
- iv. Restriction like not allowing netting off of trade discounts c brings undesirable anomalies in the business practices which are against efficient functioning in the



market. In our view a transparent and predictable GR/AGR definition is required irrespective of the licensing regime. New licenses like MVNO, service and network licenses etc will not have impact on GR/AGR definition.

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 providing for additional exclusions from the top line?

(i) We do not agree that exclusion of non-telecom revenues from the AGR would result in a more complex system. There are clear audit trails available to segregate revenue from the telecom activities and non-telecom activities and therefore the system for payment of LF and SUC based on telecom services related revenues is not complex. We suggest to have a very simple and predictable GR/AGR regime in which:

- ✓ All telecom related sales only would be part of revenue base.
- ✓ To mitigate cascading impact of LF and SUC, pass thru should be allowed for payments on account of input services like roaming, termination and carriage of calls, ports etc.

Q12. Should minimum presumptive AGR be applicable to licensees? How should minimum presumptive AGR be arrived at?

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

- (i) The concept of minimum presumptive AGR should not be applied for Licence fees. Given the current state of the industry and to improve viability of the operators and consumer affordability any kind of “assumed revenue model” should not be implemented.
- (ii) If TRAI still believes that minimum presumptive AGR can be considered to deter hoarding of spectrum, then clauses in NIAs may be considered which specify that for the purpose of calculation of SUC, , there shall be a minimum AGR which shall be not less than 5% of the bid amount. The calculation of SUC is on the basis of minimum



AGR or the actual AGR whichever is higher. Therefore it is suggested that minimum presumptive AGR may be taken as 5% of the bid amount.

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

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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?

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Q16. 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.

(i) Many input services like carriage of call, termination of call, roaming service, leased circuits etc are required to provide final service to the consumer. Thus, output of the first service provider could be input service for the second service provider and so on. When the inputs are used from various service provider then, the cost of the final service increases not only on account of the cost of the input service, but also on account of the LF and SUC. As the LF and SUC on the final product is not discounted on all input services, the final cost of service increases. It also means doubly putting license fee and spectrum usage charge the input services. In other words, the License Fee and Spectrum Usage Charge goes on increasing as input services pass from one stage to other as each subsequent user has to pay license fee and spectrum usage charge again which is in Tax parlay called cascading effect or double taxation. In any efficient tax regime, cascading impact is avoided through schemes like CEVAT, MODVAT, GST etc. for an efficient and simple LF regime it is suggested that PTC should be allowed on all input services.

(ii) In particular it is suggested that the following input services should be charged LF and SUC but may be allowed credit if these services are used for a final output:

- ✓ Interconnection Usage Charge,
- ✓ Intra Circle roaming ,
- ✓ Inter Circle Roaming
- ✓ Bandwidth
- ✓ Port Charges
- ✓ Setting up of charges



- ✓ Cable Landing Charges
- ✓ Interconnection Setup charges
- ✓ All other services for which license is required under Section 4 of the Indian Telegraph Act.

(iii) SSTL suggests that IP-I should not be brought under licensing framework as many construction, infrastructure companies are also involved in IP business. Creation of passive infrastructure like towers and dark fibers is a civil construction activity and not a telecom network activity and bringing it under licensing would create number of complications and many players in the chain would have to be licensed. Therefore the telecom infrastructure creation activities like establishing towers, shelters with extension of power to such telecom facilities and laying of fiber should not be covered under Section 4 of the Indian Telegraph Act, 1885 for licensing

(iv) However, in any case if IP-I operators are to be charged license fee, TSPs should be allowed to take credit of LF already paid by IP I companies.

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

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

(i) For administrative convenience, and to avoid the arduous mechanism of verification/validation of the credit adjustment, the DOT should maintain a portal similar to Tax Deducted at Source under the Income Tax Act, 1961, wherein, the LF is deducted at source on payments to other operators and uploaded on the portal on a monthly basis. This would facilitate auto-reconciliation of revenue in one TSP with the cost considered as deduction in the other TSP.

(ii) The Adjustment for deduction be eligible only on payment of LfDS. The entire administration (filing of returns, payment of licence fees and the submission of proof of payments) done centrally shall bring in uniformity of the proceedings across the service area.



- (iii) The rules for assessment of LF and SUC should be in line with other financial Acts and define the governance process.

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

- (i) The existing formats of Statement of Revenue and License Fee should be amended to:
- ✓ To delete all rows pertaining to income from investment, revenue from sharing of infrastructure and miscellaneous income.
 - ✓ Deduction rows or PTC should be replaced by credit of LF and SUC paid for input services like roaming, IUC, bandwidth, port charges, etc

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.

- (i) One common format for all services at this stage is not possible as SUC are not uniform. SUC still depends on quantum of spectrum held in various spectrum bands, geographical areas etc. Thus, at this stage one common format would not serve the desired objective.

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 item as deduction.

- (i) Yes , pass through charges be allowed for all input telecom services like port charges, bandwidth, leased circuits, cable landing station etc. The payments are easily verifiable based on invoices.

Q22. Is there is need for audit of quarterly statement of Revenue and License Fee showing the computation of revenue and licence fee?

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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?

- (i) Quarterly audit is not possible and yearly audit of quarterly statement should continue. Self-Certificate is already being provided with the quarterly statement.

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?

- (i) Yes, LF and SUC charges should be deducted at source. However, TSPs should be allowed credit of LF and SUC already paid for input services.

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