

Budget

2020

2021

2022

2023

2024

Telecom Sector | A major role to play in realising the vision for 'Amrit Kaal'

Thrust to domestic value addition and 5G use cases to act as a fuel for the growth of telecom sector



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The Union Finance Minister while presenting the last full-fledged Budget 2023 of Modi Government before the Parliament has laid down seven priorities during *Amrit Kaal*. Looking at all these priorities, one thing can be said as the common enabler - Technology.

The telecom sector being the backbone of innovations and new age technologies was eyeing this 'Budget' with optimism. The Prime Minister, while launching 5G earlier this year, called it a big step towards the vision of *Viksit Bharat*. The Finance Minister in this direction announced the set-up of 100 labs for developing applications using 5G services. The idea is to leverage 5G technology to develop applications such as smart classrooms, precision farming, intelligent transport systems and health care. This evident the intent of the Government to promote 5G use cases and thus shall open the world of opportunities for telecom sector.

In addition to the above, the Government in line with its Make in India initiative has granted relief in custom duty on import of certain parts and inputs for manufacturing of mobile phones. Further, certain changes have also been proposed in the tariff schedule to increase the duty rates on certain items such as specific type of modems, multiplexers etc.

Though, the request for addressing the liquidity crunch of this capital-intensive sector has remain unaddressed, nonetheless the launch of 5G has the capability to unleash new opportunities and avenues to look forward for the telecom sector.

How does the budget impact the Telecom sector ?

Key amendments (Direct Tax)

- ▶ Scope of angel tax widened to include non-resident investors (section 56(2)(viib)).
- ▶ TDS under section 194R of the Act to be applicable to cash benefits or perquisites as well.
- ▶ Turnover limit for availing benefit of presumptive taxation enhanced from INR2 crore to INR3 crores for MSMEs, provided cash transactions do not exceed 5%.
- ▶ Deduction for expenditure to MSMEs to be allowed only on payment basis.
- ▶ Export proceeds to be realized in convertible foreign exchange within a period of six months from the end of the relevant financial year, to avail tax holiday by SEZ unit.
- ▶ Last date of incorporation for claiming start up incentives extended from 31 March 2023 to 31 March 2024.
- ▶ Removal of exemption from TDS on payment of interest on listed debentures to a resident.
- ▶ Income from Market Linked Debentures to be taxed as short-term capital gains.
- ▶ Net winnings from online gaming to be taxed at the rate of 30%. TDS on net winnings applicable at the rate of 30%.
- ▶ Penalty of INR5,000 to be levied for furnishing inaccurate statement of financial transaction or reportable account.
- ▶ In order to claim credit for tax deducted subsequent to the year in which corresponding income is offered to tax, tax payer can apply for rectification of TDS credit within two years from end of financial year in which tax is deducted.
- ▶ In order to reduce the pendency of appeals at Commissioner(Appeals) level, a new authority of Joint Commissioners to be created for disposal of small appeals.
- ▶ Time limit for completion of assessment increased from nine months to twelve months from the end of the relevant AY.
- ▶ Time limit for furnishing Transfer Pricing documentation to Transfer Pricing Officer reduced from 30 days to 10 days.

Key amendments (Indirect Tax)

Customs

- ▶ Section 25 of Customs Act has been amended to provide that the validity of two years shall not apply to exemption notifications issued in relation to any multilateral or bilateral trade agreement, schemes under FTP, re-imports, temporary imports, goods imported as gifts or personal baggage etc.
- ▶ Extension of concessional duty:
 - ▶ Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone up to 31 March 2024
 - ▶ Specific inputs and sub-parts for use in manufacture of telecommunication grade optical fibre or optical fibre cables extended up to 31 March 2025

Highlights

100

labs for developing applications using 5G services



Impetus to Make in India



Duty increased on certain modems

- ▶ Following changes have been introduced in the rate of BCD:

S.No.	Product	Earlier BCD rate	Effective BCD rate	Effective date
1	Camera lens for camera module and input/ sub parts for lens of camera module of cellular mobile phone	2.5%	Nil	2 February 2023
2	Modems other than based on xDSL Wireline Telephony for Nil BCD	NIL	10% (other than LTE products, 20% for LTE products)	1 May 2023
3	High bit rate digital subscriber line system (HDSL)	NIL		1 May 2023
4	Multiplexers, statistical multiplexers other than PDH based Wireline Telephony	NIL		1 May 2023
5	Subscriber end equipment	NIL		1 May 2023
6	Set top boxes for gaining access to internet other than Wireline Telephony	NIL		1 May 2023

Goods and Services Tax

- ▶ ITC shall not be available in respect of goods or services, or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under CSR referred to in section 135 of the Companies Act, 2013.
- ▶ Decriminalize certain offences under GST such as tampering of material evidence, failure to supply information etc.

Policy Updates

- ▶ 100 labs for developing applications using 5G services to be set up in engineering institutions to realize a new range of opportunities, business models, and employment potential. The labs will cover, among others, applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications.
- ▶ Improve access to telecom connectivity for PVTGs.
- ▶ PAN to be used as common identifier for all digital systems of specified government agencies.
- ▶ Entity Digi Locker to be set up for use by business enterprises and charitable trusts.
- ▶ A system of Unified Filing Process to be set-up to file information or return to different government agencies, on a common portal.

Impact

The Finance Minister vide Union Budget 2023-24 has laid down the foundation and blueprint for Amrit Kaal. Further, the Government has laid down seven priorities to act as 'Saptarishi' to guide the vision of Amrit Kaal - an empowered and inclusive economy. The telecom sector has always been an area of utmost importance for the Government as this sector has potential and capability to transform the Indian economy and steer it towards the dream of becoming USD 5 trillion economy by FY 2025-26.

The contribution of telecom sector in the non-tax revenue of the Government is forecasted to be around INR89,469 crores for FY 2023-24 as compared to revised estimate of INR68,784 crores for the FY 2022-23. The increase of 30% in the forecasted receipts seems to be on account of introduction of 5G and further penetration in rural market. Thus, keeping in view of the significance of this sector, the Government has recently introduced a series of relief measures such as 100% Foreign Direct Investment through automatic route, moratorium on payment of AGR dues, reduction in bank guarantees etc.

In the current Budget, the sector was eyeing for further capex support from the Government and addressal of the liquidity crunch in form of blocked capital as GST credits. As it is said "A great ship asks deep waters", similarly, to support the nation wide roll-out of 5G services, the telecom operators require deep pockets. The sector being capital intensive requires massive capital outlay to fund the investment in backhaul infrastructure and fiberization of towers to roll out the 5G services.

Though, the Government has not announced any specific support to the sector for funding its capital requirements, nonetheless, emphasis on 5G use cases and the seven drivers during Amrit Kaal has made it clear that a stimulating new dawn for this sector has commenced. Thus, the industry should keenly look forward towards the opportunities to be created on account of the focus of Government on technology enabled economy and the 5G rollout.

Glossary

Act - Income-tax Act, 1961

MSME - Micro, Small and Medium Enterprises

PAN - Permanent Account Number

AY - Assessment Year

FY - Financial Year

PVTGs - Particularly Vulnerable Tribal Groups

BCD - Basic Custom Duty

CSR - Corporate Social Responsibility

FTP - Foreign Trade Policy

GST - Goods and Services Tax



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