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Tax alerts - Key announcements of interim Budget 2024



Interim Budget 2024

Telecom Sector | Continued momentum on bolstering domestic manufacturing and R&D

Government's focus remains on enhancing local manufacturing ecosystem for telecom sector



Vishal Malhotra

*Partner and National Tax Leader - Telecommunication, Media, and Technology; EMIA Tax Telecom Leader
EY India*

While presenting the interim Budget 2024, the Union Finance Minister underscored that the forthcoming five years are poised to witness unprecedented development and golden moments to realize the vision of developed India @ 2047. Technology, epitomized by the telecom sector, shall be a crucial catalyst in this transformative journey.

The telecom sector, being the backbone of innovations and new-age technologies, was looking forward to the budget with fortitude. The Minister announced a significant budgetary increase in capex for the Bharatnet Project which aims at creating necessary telecom infrastructure for broadband connectivity across all Gram Panchayats in the country.

Additionally, a northward trend in allocation of funds for the production linked incentive scheme clearly demonstrates the vision and commitment towards Make-in-India policy of the Government.

The duty rates on parts and components for manufacturing of mobile phones were recently reduced for making manufacturing of these products in India more competitive. The increased budget allocation for BSNL's technology upgradation combined with allocation for Bharatnet project shall translate into more opportunities for domestic manufacturers where they have a preference.

Though, the interim budget was a vote-on-account, no major changes or policy announcements were expected, however, the continued push towards domestic manufacturing would lead to an increase in employment, capital investment and import substitution to a greater extent in this sector.

How does the budget impact the Telecom sector?

Key takeaways

Policy

- ▶ Increased budget allocation for capex (from INR5,000 crore to INR8,500 crore) towards Bharatnet Project which aims at creation of telecom infrastructure and connect all Gram Panchayats
- ▶ Increased budgetary allocation towards Domestic Industry Incentivisation Scheme (which includes PLI scheme) from INR515 crore to INR1911 crore
- ▶ An increase of 28% in budget allocation towards capital infusion in BSNL for technology upgradation and restructuring

Key amendments

Direct tax

- ▶ While sunset date for eligibility to claim tax benefits for Start-ups and some International Financial Services Centre ('IFSC') units has been extended, however, the sunset date for commencement of manufacture or production by new domestic manufacturing entity for availing concessional corporate tax rate of 15% is not extended beyond 31 March 2024

Indirect tax

- ▶ Input Service Distributor ('ISD') provisions made mandatory (this amendment shall be effective from date to be notified). This will lead to additional compliance for the taxpayers
- ▶ Custom duty rate changes (prior to Interim Budget)
 - ▶ Reduction in basic custom duty rates from 15% to 10% applicable on goods used in manufacturing of mobile phones namely; microphone rubber case, sensor rubber case/ sealing gaskets including sealing gaskets / cases from Rubbers like SBR, EPDM, CR, CS, Silicone and all other individual rubbers or combination / combination of rubbers.
 - ▶ Further, BCD on inputs or parts for use in manufacturing of above goods has been prescribed as NIL
 - ▶ BCD at 10% on goods used in manufacturing of cellular mobile phones such as battery cover, front cover, middle cover, main lens, GSM Antenna/ Antenna of any technology, SIM socket, conductive cloth, LCD foam, side key etc.
 - ▶ BCD on inputs or parts for use in manufacturing of above goods has been prescribed as NIL

Highlights



ISD provisions made mandatory



Increased budget allocation towards Domestic Industry Incentivisation Scheme including PLI scheme



Increased budget allocation towards **Bharatnet Project**

Impact analysis

The Interim Budget 2024, presented by the Union Finance Minister, has set the stage for an era of transformation leading India towards unprecedented development by 2047. A significant role in this transformative journey is of the telecom sector often hailed as the backbone of innovation and digital revolution.

The Government has announced a slew of measures to further promote 'Make in India' for telecom products by making budgetary allocation of INR8,500 crore towards the Bharat net Project which is a 70% increase from the previous allocation. Allocation to the Domestic Industry Incentivisation Scheme has also been increased from INR515 crore to INR1911 crore, which includes initiatives like the Production Linked Incentive Scheme and the Champion Service Sector Scheme. This allocation highlights the government's commitment to promote indigenous manufacturing and research in the telecom sector, thereby creating more opportunities for domestic manufacturers. To facilitate projects which are at advanced stage of commencing manufacturing operations and also to maintain the momentum in set up of new manufacturing facilities in India, it is urged that the sun set period for commencing manufacturing for availing lower corporate tax rate be extended by one year as has been done for some of the incentive available to the start-up sector and units in the Gift City.

Though no major tax related decisions were announced in this budget, nonetheless, a clear vision of the Government towards increasing and incentivizing domestic manufacturing has emerged from the budgetary allocations for various schemes. With this, one can certainly hope for the telecom sector to continue to spearhead innovative developments in the nation and realizing 'Viksit Bharat' dream by 2047.

Glossary

BCD - Basic Custom Duty

BSNL - Bharat Sanchar Nigam Ltd.

IFSC - International Financial Services Centre

ISD - Input Service Distributor



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Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon
Temple,
Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru

12th & 13th floor
"UB City", Canberra Block
No. 24, Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing
Divyasree Chambers
11, Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jamshedpur

1st Floor, Fairdeal Complex
Holding No. 7, SB Shop Area
Bistupur, Jamshedpur - 831 001
East Singhbhum Jharkhand
Tel: + 91 657 663 1000

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune

C-401, 4th floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

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