Goods & Service Tax

- Considered the biggest policy reform in the country since Independence
- Amalgamating several Central and State taxes into a single tax
- Simplify systems leading to easier administration and enforcement.
- Consumer would see a reduction in overall tax burden on goods, currently estimated at 25%-30%,
- Enable free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent.

COAI

Submissions - Why industry is not happy

- India's Telecom Sector is a key contributor to the Indian economy. It contributes 6.5% to India's Gross Domestic Product (GDP). Cumulative FDI inflows into the sector are around INR 92,700 crores as of March 2016.

- An essential service that employs 22 Lakh directly and 18 Lakh indirectly. Other benefits include communications and access to crucial information among many others.

- The sector has Rs4.5 lakh crore debt, 1% return on investment with some telcos are making negative returns. The sector pays as much 30% in taxes and levies. In China this is around 11%.

- The GST council increased tax rate to 18% for the sector – a move bound to adversely impact the struggling sector. For Telecom Services, Singapore has a GST rate of 7%, Malaysia of 6% and Australia of 10%.

COAI

Impact on consumers

Without adequate capital, the sector cannot invest in and deploy new technologies like 4G and 5G or augment existing services to fulfill increasing demand.

There is not only demand for better connectivity for voice services, but also for faster speeds and better capacity for data services.

Deployment of new services based on emerging technologies like Machine to Machine (M@M) communication and Internet of Things (IoT) will get severely delayed in the country

Prime Minister’s ambitious Digital India plan is almost completely dependent on the country’s telecom sector. It is estimated that the sector has to invest as much as INR 2lakh crore in the next 3-5 years in spectrum, technology, equipment and infrastructure to fulfil the increasing demand.

Telecom tariffs have thus far gone in the opposite direction of inflation while payments to the government have Increased exponentially. This is likely to change permanently in the near future.

Challenges

There are a number of challenges being faced by the Indian telecom sector as far as implementation of the new GST regime goes. The implementation is made more difficult with the lack of clarity on a number of issues.

Despite Telecom Towers being essential for provision of telecom services, the GST law, in its current form seems to bar credit on them. Not providing credit for input to an industry where the revenue is fully subject to GST, flies in the face of all rationale. Credit is being denied on largest part of input cost.

Another key challenge for the telecom sector is the dependency on IT infrastructure. To move to the GST regime, telecom operators would require re-designing and reframing complex IT and billing systems, which will take a significant amount of time. The complexities are made worse due to the fact that there are 22 telecom service areas or circles, but under GST the country will follow the 29 states and seven Union territory division.

COAI

COAI's submission to DOT and other Ministries

- Treat telecom as essential service and lower GST rate to 5%.
- Valuation of pre-paid vouchers be done at MRP
- Distribution chain be exempt under GST, like the current Service tax regime.
- Carry forward of Cenvat Credit of Service tax paid on Spectrum.
- Reverse charge provision for supply received from unregistered persons
- No tax on self-supply of services
- <u>Sale of tax paid stock of vouchers by entire distribution chain be exempt from GST or credit of tax paid on vouchers be allowed to the entire distribution chain</u>