

**Government of India
Department of Telecommunication
Licensing Finance Policy Wing**

No. 12-44/2021-LFP

Date: .07.2023

To,
COAI/ISPAI/VNOAI/ACTO/ASSOCHAM

Sub: Representations on review of Definition of Gross Revenue (GR) and Adjusted Gross Revenue (AGR).

This is with reference to your various representations on the matter of Definition of GR (Gross Revenue) and Adjusted Gross Revenue (AGR). The matter has been examined and a detailed explanation of the issues involved are provided below :

1. The Union Cabinet in its meeting held on 15.09.2021 had taken several decisions towards reforms in the Telecom sector including that of rationalization of AGR definition. The changes with regarding to definition of AGR was based on TRAI Recommendations dated 06.01.2015 on Definition of Revenue Base (AGR) for the Reckoning of Licence Fee and Spectrum Usage charges. These recommendations have been issued by TRAI after following the due process of consultation with all stakeholders.
2. With this reforms DoT has implemented the principle of 'Applicable Gross Revenue (ApGR)' which is arrived at by deducting certain items of Revenue from the Gross Revenue. Adjusted Gross Revenue (AGR) is arrived at by deducting permissible deductions as defined in the license agreement from 'Applicable Gross Revenue (ApGR)'.
3. The conditions which would apply on the List of Other income to be excluded from Gross Revenue to arrive at ApGR has already been clearly explained in Annexure VIII of the license agreement. In Annexure VIII the list of items of "other income" have been tabulated with description of each item and conditions applicable to consider them to be not be part of ApGR. The same may be referred by the licensees.
4. The response to the specific issues raised in your representations are provided in the table below

Sl. No.	Issue Raised	Comment of DoT
1	Issue necessary clarification with regard to the term “revenue from operations other than telecom activities/operations”, since the same is not defined in the License Agreement.	Scope of license clause in the license agreement defines services which can be offered under the license. All activities covered under scope of license will be classified as Telecom activities. As the nature of non telecom activities will vary between different companies it is not possible to list out non telecom activities.
2	Exclude revenue from licenses issued by MIB retrospectively.	Excluded prospectively from October 2021. Matter subjudice in TDSAT for past period.
3	Income from Dividend shall also include gains on mutual funds.	Excluded as per Sl. No(c) of Annexure VIII of license agreement
4	Definition of interest for the purpose of exclusion from ApGR should be simplified to include all forms of interest receipt.	Detailed explanation already available in Sl. No (b) of Annexure VIII of license agreement
5	Gains from foreign rate fluctuations - Market to Market accruals should also get covered.	Excluded as per Sl. No (d) of Annexure VIII of license agreement
6	Leased line /bandwidth charges, port charges, cable landing station charges, sharing of infrastructure services and other charges which are paid from one TSP to another should be allowed as deductions.	TRAI in para 2.33 of its recommendations dated 06.01.2015 has already mentioned that these are basically expenditure related to effective network operation and cannot be treated as similar to interconnection usage charges.

These are items of costs that are paid on a fixed monthly/yearly/per connection charges and are not incidental to the carriage of calls on per call basis like, interconnection usage charges/roaming charges.

PTC by definition is that part of revenue collected from the customer and passed on to another TSP; however, the costs linked to effective network functioning are not linked to the revenue collected from the customer on behalf on another TSP. Hence, the Authority is of the considered view that items referred should not qualify for recognition as items of PTC to arrive at AGR.

Deductions have been well established and defined in each license authorization .The deductions allowed arise from statutory or regulatory mandates stipulated in license. They are easy to verify by the licensor to ensure compliance.

For example License agreement mandates that inter circle traffic be routed to NLD licensee network and international traffic through ILD licensee network. The charges paid to these licensees for carriage of calls is allowed as a

		deduction. Similarly in case of VNO licensees the charges paid by them to NSOs towards access charges, purchase of bulk/wholesale bandwidth, minutes and SMSs are allowed as a deductions as they cannot setup their core infrastructure .
7	Insurance Claim- Claim received on account of business loss should also be covered.	Excluded as per Sl. No (f) of Annexure VIII of license agreement
8	Excess provisions written back- Reversal on account of write back off vendor balances shall also be covered.	Excluded as per Sl. No (h) of Annexure VIII of license agreement
9	Capital Receipts.	Excluded as per Sl. No (c) of Annexure VIII of license agreement
10	Capital gains on business combination e.g. merger, demerger, slump sale etc.	Excluded as per Sl. No (c) of Annexure VIII of license agreement
11	Sale of goods and services for which license is not required such as sale proceeds of handsets, terminal equipment or any ancillary services like OTT subscription, M-advertisement services etc.	Statement of Revenue format already provides for declaration of income from trading activity which covers sale of handsets, accessories etc. These are ancillary to telecom activities. Will be included in AGR.
12	Any form of notional income including free airtime.	Considered part of AGR.
13	Income from property involving establishing, maintain and working of telecommunications should not be treated as revenue as these are reimbursement of expenses or sharing of costs.	Explained in Sl. No (e) of Annexure VIII of license agreement
14	Reimbursement of expenses	GR definition specifically says

	(including the amount received from other TSPs).	that any set-off for related item of expense is not allowed.
15	Recovery from vendors on account of deficiency of service.	Part of Telecom revenue as linked to telecom operations
16	Credits provided by OPEX/CAPEX vendors.	Excluded from AGR.
17	Interest on direct tax/indirect tax refunds.	Excluded as per Sl. No (b) of Annexure VIII of license agreement
18	Management support charges/Manpower Cross-Charge.	Part of Telecom Revenue if the activity is related to telecom services
19	Revenue earned from IP-1 registration	Establishing, maintaining and sharing of passive infrastructure is allowed under the Scope of license in many license authorizations like Access service, ISP, NLD, ILD . Activities covered under the scope of license will be treated as part of Telecom Revenue.
20	A single Gross Revenue and ApGR should be prepared for the company and then the ApGR should be shown with the Circles/Licensees.	Accounts are to be maintained separately for each telecom service operated by licensee company as per license agreement.
21	All the charges which are of pass through in nature paid to other telecom service providers in India or charges paid for carriage of calls/data should be allowed as deductions for all services.(Raised by VNOAI)	Charged paid to NSOs by VNO are allowed as deduction as per license agreement. For other items please refer remarks in Sl No. 6 above.
22	Accounting of deductions of pass-through charges from Gross Revenue to arrive at AGR should be allowed on accrual basis.	Deductions are allowed on paid basis as per license agreement. The issue was litigated and upheld by court in AGR case

23	Pure Internet Services deductions under ISP license should be allowed for both licensed categories-UL and Pre UL licenses.	Matter under litigation in Hon'ble Supreme Court.
24	License Fee should be immediately brought down to 1% of AGR along with suspension of contribution towards USOF till existing corpus is utilized.	Separate policy issue not linked to AGR definition.
25	Reduce SUC rate by 3% for all TSPs.	No SUC for spectrum acquired in auction held after Sept 2021 Telecom reforms. Minimum rate of SUC at 3 percent of AGR also removed.
26	SUC should be levied only on revenue from licensed telecom services provided using access spectrum.	Wireline revenue is already excluded from AGR calculated for the purpose of SUC.

5. Assessment of FY 2021-22 is the first assessment which was impacted by the reforms. Assessments for FY 21-22 for Telecom Service Providers have been issued by the department and no major issues have been raised by the TSPs. Further there is an internal appellate mechanism through which appeal against the assessment order can be submitted by the licensee and any disputes can be handled.

This issues with approval of competent authority.

Sathish Kumar R
Director (LFP-II)