

DoT to seek 10-year tax holiday for telecom infrastructure sector

By [Gulveen Aulakh](#), ET Bureau | 3 Sep, 2013, 04.00AM IST

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NEW DELHI: The [telecom department](#) is planning to ask the finance ministry to offer a tax holiday for 10 years without a sunset clause and make viability gap funding available for the telecom infrastructure sector, according to internal documents seen by ET.

Telecom sector companies including the service providers and struggling [tower](#) companies had sought for more fiscal benefits from the government over the last couple of months. The sector was formally given an infrastructure status in April this year but some demands of the industry around funding and investment remained unmet.

In the draft note prepared for the finance ministry, the telecom department (DoT) said that telecom plays a critical role to facilitate growth of the economy. "DoT is of the view that there is merit in the request of these associations seeking concessions and clarifications in terms of financial benefits".

The telecom tower sector has been in a quagmire since last several quarters, with fewer towers being added in the wake of the 2G airwave scandal that resulted in cancellation of 122 telecom licenses, and hence the exit of players based on whom tower companies had made their business case. Muted capital expenditure and expansion from telecom operators added to the companies' woes.

[DoT](#) has recommended that a 100% tax holiday for 10 years in a block of 20 years be given to the telecom industry, including towers, to bring it at par with other infrastructure sectors like ports, roads and power, according to the note.

It has sought benefits for the industry like viability gap funding and lower insurance premium on infrastructure assets, which other infrastructure sectors avail. It has also recommended that capital goods used to erect towers - angles, beams and pre-fabricated shelters - be included in the Central [Value Added Tax](#) credit rules to reduce the overall cost of offering services.

DoT has however left it to the department of revenue's judgment to approve the industry's demand of availing higher depreciation. It has also not sided with the industry on demands of reducing or exempting import duty on equipment and allowing external commercial borrowing to be used for working capital.



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Desperate for funds, telecom tower companies have trying various means to tide over the current times. While [Bharti Infratel Ltd.](#), the tower arm of India's largest telecom company [Bharti Airtel Ltd.](#), tapped the bourses last year, [Reliance Infratel Ltd.](#) has also been trying to access the markets but hasn't been successful so far.

[GTL Infrastructure Ltd.](#), a mid-sized tower operator, had to undergo corporate debt restructuring two years ago from banks as it was unable to service the loans due to the dramatic change in business projections.

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