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Government's non-tax kitty may touch 5 year high on telecom spectrum proceeds

By ET Bureau | Jul 27, 2016, 05:10 AM IST

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NEW DELHI: The **telecom** sector's contribution towards non-tax revenues of the Indian government in the current fiscal is likely to be the highest in the past five years due to the mega **spectrum auction**, which is likely to take place in September this year, **ICRA** said on Tuesday.

"As per the budget estimates for fiscal 17, receipts from telecommunications are expected at Rs 98,995 crore. However, ICRA expects it to be lower. Nevertheless, contributions in FY17 will still be sizeable," said Harsh Jagnani, vice president, corporate ratings, ICRA.

Over the longer term, the telecom industry would contribute at least Rs 55,000-60,000 crore to the non-tax revenue receipts of the Indian government for each of the next 10 years, excluding any cash flows from other levies and assuming no change in spectrum usage charge (SUC) calculations.

ICRA said that the sector occupies a critical position in the economy, providing services of national importance. Licence and spectrum are the key requirements for providing telecom services, both of which are provided by the Department of Telecommunications (DoT).

The telecom sector has contributed about Rs 3 lakh crore to the non-tax revenues of the government over the past seven years, amounting to 24 per cent of the total non-tax revenue receipts, according to ICRA. Out of the Rs 3 lakh crore contribution, licence fees have contributed Rs Rs 84,000 crore, growing at CAGR of 6 per cent while the SUC has contributed Rs Rs 38,000 crore, growing at 12 per cent per annum.

"Though spectrum auctions have not been a regular feature, nevertheless they have contributed Rs 1,59,000 crore over the last seven years. Overall, the communication sector has contributed at the least 14 per cent to the non-tax revenues of the Gol each year, and we expect the contribution to remain healthy going forward," said Jagnani.

The telecom operators have to pay a one-time charge for acquiring the rights to use spectrum for a specific time period. In addition, the operators have to pay licence fees and a spectrum usage charges quarterly.

All these charges are the primary constituents of the communications sector's contribution to the non-tax revenues of the government.

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