

Budget 2016: Telecom Ministry seeks 10-year tax holiday for Make in India drive

By [Gulveen Aulakh](#), ET Bureau | 15 Feb, 2016, 12:31 AM IST

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NEW DELHI: The [telecom](#) ministry has proposed a 10-year tax holiday for mega projects in the sector as part of its recommendations for the upcoming [Union Budget](#) that are aimed at attracting fresh [investments](#) for the Make in India programme. The ministry also suggested [excise duty](#) exemption for a range of electronic equipment, which would help lead to the creation of a much-needed manufacturing ecosystem in the country.

According to senior ministry officials, a 10-year tax holiday in a block of 15 years may draw fresh investments of over \$1 billion (Rs 6,800 crore) over three years.

"Such proposals would be exempt from MAT (minimum alternate tax) as well for the same time frame," an official said. Extending the differential excise duty that's levied on mobile phones to electronic equipment such as network switches, routers and modems has also been proposed, the official added.

After the government made mobile phone imports 11 per cent more expensive in last year's budget, companies such as [Foxconn](#), [Sony](#), [Lava](#), [Micromax](#) and [Intex](#) took to domestic manufacturing, which resulted in local production value rising 95 per cent on-year to Rs 18,000 crore and volumes soaring to 100 million units in 2015 according to the Indian Cellular Association.

The quantum of production is set to double by March 2016, while employment will go up by over 60 per cent because of duty structure changes that have prompted the association and its counterparts representing other sectors to demand similar taxation-led sops.

Manufacturers' Association of Information Technology, which represents IT companies including [Dell](#) and [Lenovo](#), has demanded similar duties should be applied to this sector to incentivise local production. The Indian Cellular Association suggested that the existing duty differential should be extended to more products such as mobile parts, accessories and components.



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Incentives Wish List for Budget

- 10-year tax holiday for mega projects in telecom sector
- **EXCISE DUTY EXEMPTION FOR A RANGE OF ELECTRONIC EQUIPMENT**
- Extending differential excise duty to electronic equipment

FUTURE PERFECT The quantum of production is set to double by March 2016

Enumerating Advantages

- Duty sops will help create much-needed manufacture ecosystem
- 10-year tax holiday may draw in ₹6,800cr investment over 3 yrs
- Proposals would be exempt from MAT as well for same time frame
- Employment will rise over 60% due to duty structure changes
- Local production of phone, laptop components can begin in India

According to sources, the telecom ministry has proposed that voice over Internet protocol phones and gateways, besides laptops or notebooks priced under Rs 15,000, should be brought under the differential duty blanket.

Inclusion of lithium ion batteries, wired and wireless USB modems, routers and set-top boxes for television and those that connect to the Internet, has also been proposed.

If these proposals are accepted, local production of some components that are common to mobile phones and laptops can begin in India, inviting fresh investment and creating an ecosystem for taking the next critical steps for complete local production from the ground up.

Telecom network equipment such as switches, wired and wireless access points and wireless access controllers, have been suggested as some of the inclusions, while security and surveillance communication systems like CCTV cameras, access control systems and network and digital video recorders have been added to the list as well.

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