

File No. 1-28/2013/CCAs/LF-II
Government of India
Ministry of Communication & Information Technology
Department of Telecommunications
License Finance Assessment Branch
Sanchar Bhawan, 20, Ashoka Road, New Delhi-11001

Dated: 31.10.2014

To

All Pr.CsCA/CsCA

Subject: Guidelines for verification of the deductions claimed by Telecom Service Providers.

Verification of deductions claimed by the Telecom Service Providers was delegated to CCA offices vide this office letter No. 1-28/2006/LF dated 21.09.2006. In the absence of consolidated guidelines, CCA offices have been raising various queries generally on the documents required for verification, timeline for submission of documents by the TSPs and extension of time for submission of original as well as about additional documents during the course of verification of deduction claimed by the Telecom Service Providers.


In order to address the issues, guidelines have been drafted after observing a detailed consultation process.

Guidelines are being issued with the approval of Member (Finance), Telecom Commission and ex-officio Secretary to Government of India.

All the CCA offices are requested to scrupulously follow the guidelines for verification of deductions. These guidelines are applicable for the verification of deductions claimed from the year 2014-15 onwards.

Any suggestion to further improve the guidelines in future may be sent to DDG (LFA).

Encl.: As above


(S.K. Mishra)
DDG (LFA)

Copy for information to:

1. PPS to Member (Finance), Telecom Commission, DoT Sanchar Bhawan, New Delhi
2. PSO to Advisor (Finance), DoT Sanchar Bhawan, New Delhi
3. Sr. DDG (WPF)/DDG (LFP)/DDG (EF)/ DDG (B & PF) and DDG (Accounts & IA), DoT Sanchar Bhawan, New Delhi.

Guidelines for verification of the deductions claimed

(For internal circulation only)

Assessment of the License Fee in Telecom

LICENSING FINANCE ASSESSMENT DIVISION
Department of Telecom
Ministry of Communications and Information Technology

DISCLAIMER

The Guidelines in this document have been drafted as a ready reckoner for ease in internal departmental work, drawing upon and abridging the various types of documents, orders, licence agreements and judgments. Nothing contained herein may be construed as superseding the original documents/orders (which may always be referred in case of doubt or difficulty).

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Interpretations and Definitions

1. **Auditor:** Licensee's auditor for the time being appointed for the purpose and in accordance with the provisions of the Companies Act, 1956.
2. **Authorised Signatory:** A person authorized by resolution passed by the Board of Directors of the Licensee Company.
3. **Deductions:** Amounts actually paid to other eligible Telecom Service Providers as per Clause 19.2 of UAS Licence Agreement and similar clause in other Telecom Licences and claimed through Unaudited and Audited quarterly Statements of Revenue and Licence Fee (AGR statements).
4. **Deduction Verification:** Verification of deductions which are claimed through Unaudited and Audited quarterly Statements of Revenue and Licence Fee (AGR statements), by the verifying authority (i.e. office of the Controller of Communication Accounts of concerned Licensed Service Area), on the basis of documents submitted by the Licensee as proof of payments.
5. **Designated Authority:** The entity that is authorised and empowered by the Licensor to issue instructions and to seek adherence to them.
6. **Documents:** Documents as specified in Rule 1(a) and 1 (c) of these Guidelines.
7. **DOT:** Department of Telecommunications, Government of India which is also the Licensor. DoT & Licensor, wherever used are inter-changeable.
8. **HOME NETWORK:** The network established by the Licensee from which its subscriber normally receives the service.
9. **INTERCONNECTION:** As defined/may be defined by the TRAI in its relevant regulations.
10. **INTER – CIRCLE TRAFFIC:** The Long Distance traffic originating in one Telecom Circle/Metro Area and terminating in another Telecom Circle/Metro Area.
11. **INTRA- CIRCLE TRAFFIC:** The traffic originating and terminating within boundaries of the same Telecom Circle/Metro Area
12. **LICENCE:** License means a License granted or having effect as if granted under section 4 of the Indian Telegraph Act 1885 and Indian Wireless Act 1933.
13. **LICENCE FEE:** A Fee payable by Licensee at prescribed intervals and rates for the period of the License.
14. **LICENSEE:** A registered Indian Company that has been awarded License to provide service(s) authorized under the License, within the geographical boundaries of the specified Service Area.
15. **LONG DISTANCE CALL:** A call terminating in a local area other than that in which it is originated

16. **OTHER SERVICE PROVIDER (OSP):** Indian company registered with DoT to provide application services like tele-banking, tele-medicine, tele-education, tele-trading, e-commerce, Call center, network operation centre and other IT enabled services by using telecom facilities provided by various Telecom Licensees.
17. **PUBLIC SWITCHED TELEPHONE NETWORK (PSTN)** means a specified switched public telephone network providing fixed and/or limited mobility two-way switched telecommunications service to the general public.
18. **ROAMING:** Facility to a customer to avail services subscribed in its home network, while travelling outside the geographical coverage area of the home network, by means of using a visited network.
19. **SERVICE:** Collection, carriage, transmission and delivery of messages over Licensee's network in Service Area as per authorization under this License.
20. **SERVICE AREA:** The specified geographical area for which service authorization has been granted under this license. For NLD, ILD, VSAT, INSAT MSS-R, GMPCS, IPLC and ISP Category "A" services, the service area is geographical area of the country. For Access Service, PMRTS and ISP Category "B" services, the service area is geographical area of a Telecom Circle/Metro. For ISP Category "C" services, the service area is geographical area of an SSA.
21. **SERVICE PROVIDERS:** Telecom Service Provider licensed under Section 4 of the Indian Telegraph Act 1885 for provision of service
22. **SPECIAL AUDITOR:** Auditors listed in the panel of Auditors having same powers as of the company's AUDITOR as envisaged in the Companies Act, 1956.
23. **YEAR** for the purpose of the License Fee shall be the financial year ending 31st March and the four quarters shall respectively end on 30th June, 30th September, 31st December and 31st March.

Guidelines for Verification of Deductions claimed by Telecom Service Providers

1. QUARTERLY SUBMISSION OF DOCUMENTS FOR VERIFICATION OF DEDUCTIONS

a. Submission of quarterly documents by the Licensees

- i) Check List for submission of documents
- ii) Quarterly Statements of Revenue and Licence Fee (Unaudited) alongwith payment of quarterly Licence Fee.
- iii) Operator-wise Quarterly details of deductions claimed towards PSTN/Roaming charges passed on to other Telecom Service Providers on actually paid basis.
- iv) Payment proof i.e. Invoices, Cheque/DD receipts from the receiving party as proof of payment.
- v) Bank Statement indicating the name of the operator duly signed by the Authorised Signatory of the Bank/Licensee Company.
- vi) Certified copy of the ledger in case of Intra-Company settlement along with copy of invoices/Debit-Credit notes and Annexure-AG.
- vii) Details of inter company transactions in Annexure AO alongwith copy of invoices
- viii) Annexure – PP
- ix) Copy of the Board Resolution authorising the Authorised Signatory of the Licensee Company mentioning the Service Area for which Authorised Signatory has been authorised.
- x) Copy of the General Power of Attorney for certifying the Authorised Signatory of the Licensee Company.
- xi) Certificate regarding list of all the Group companies/division under single legal entity.
- xii) Copies of consolidated challans alongwith copy of complete Form 26Q, Circle-wise break up of challans and further break up of concerned circle's amount deposited with Income Tax through challans be submitted alongwith a certificate from Statutory/Tax Auditor certifying quarter-wise consolidated amount of Challans and amount TDS deposited with Income Tax Department.

b. Schedule for filing of Documents in support of DEDUCTIONS claimed through QUARTERLY Statements of Revenue and Licence Fee:

Quarterly documents should be submitted within one month from the date of payment of quarterly Licence Fee of relevant quarter as under:

Quarter	Last date of payment of Quarterly Licence Fee	Last date of Submission of Documents in support of deductions claimed.
1 st Quarter	15 th July	15 th August
2 nd Quarter	15 th October	15 st November
3 rd Quarter	15 st January	15 th February
4 th Quarter	15 th April	15 th May

c. Submission of Audited documents on annual basis

- i) Audited Annual Accounts,
- ii) Audited Quarter-wise Statements of Revenue and Licence Fee (AGR Statements) in prescribed format **APPENDIX –II TO ANNEXURE-II of UAS Licence Agreement** (Clause 20.4) alongwith Auditor’s Report on Statement of Revenue and Licence Fee in the prescribed format **APPENDIX –I TO ANNEXURE-II of UAS Licence Agreement** (latest by 7th October)
- iii) Audited Reconciliation statement reconciling the Revenue reported in the Quarterly Statement of Revenue & Licence Fee and Audited Annual Accounts shall be submitted within 7 days of signing of annual statutory audit report but not later than 7th October of the year following the financial year being assessed; duly supported by the Audited Quarter-wise Licensee-wise details of pass-through and roaming charges claimed as deductions by the Licensee,
- iv) Audited Quarter-wise Licensee-wise details of Revenue on account of pass through charges receivable from other Telecom Service Provider (TSP)(s)
- v) Audited details of Service Tax, Sales Tax billed, collected and paid etc. as defined in the Licence Agreement

- vi) Audited details of Service Tax and Sales Tax, billed, collected and actually paid etc. as defined in the Licence Agreement, if gross revenue had included as component of Sales Tax and Service Tax.
- vii) Quarter-wise Annexures AO, AG and PP duly signed by the Authorised Signatory and Annexure AO/AG should also be certified by the Statutory Auditor of the Licensee Company.
- viii) Certificate from Statutory/Tax Auditor certifying quarter-wise consolidated amount of Challans and amount of TDS deposited with Income Tax Department.
- ix) Any other document required by the Controller of Communication Accounts (CCA) office for ascertaining the accounts/adjustments reported as above.

All the documents as mentioned above should be submitted to the CCA offices within the time frame mentioned above, failing which action under the provisions of concerned license agreement shall be taken. For UAS Licence Agreement such action shall be taken under clause 21.5. Before taking any such action a show cause notice may be issued by the Dy. CCA/Jt CCA concerned to the Licensee giving them time of 15 days from the date of issue of notice. Further decision on the reply of the Licensee should be disposed with a reasoned order at the level of an officer not below the level of Dy.CCA/Joint CCA within a period of 30 days from the receipt of reply to notice.

2. DOCUMENTS TO BE SUBMITTED FOR DEDUCTION VERIFICATION

- a. All documents, duly certified by the Authorised Signatory of the Licensee Company, should be submitted alongwith check list in prescribed proforma for submission of documents.
- b. Photocopies of invoices duly signed by the Authorised Signatory
- c. Payment proof duly signed by the Authorised Signatory
- d. In cases where Licensee claims deduction without submitting complete documents, claim shall be disallowed. However, if the licensee submits the payment proof/other documents with respect to disallowed amount in response to show cause notice issued by the CCA office concerned, then such amount may be allowed by an authority not below the rank of Jt. CCA/CCA of concerned Circle.
- e. Certified copy of the ledger in case of Intra-Company settlement along with Annexure-AG.
- f. Certified copy of the statement of net settlement in Annexure-AO in case of Inter-Company settlement.
- g. Certified copy of Statement of part payments made in annexure – PP in case of part payments made due to billing disputes.
- h. Certified copies of consolidated challans alongwith copy of complete Form 26Q, Circle-wise break up of challans and further break up of concerned circle's amount deposited through challans be submitted alongwith a certificate from Statutory/Tax Auditor certifying quarter-wise consolidated amount of Challans and amount paid to Government
- i. Complete Bank statements (with running page numbers) showing relevant payments, of which 1st & last page (should not be blank) shall be signed by the Bank Authorities and all pages signed by the Authorised signatory of the Licensee Company.

3. EXTENSION OF TIME LIMIT FOR SUBMISSION OF DOCUMENTS

- a. Licensee shall strictly adhere to aforementioned time-line limits for submission of documents.

- b. If due to unavoidable reasons it is not possible for Licensee to deposit the documents within prescribed time limit then it may request the Jt.CCA (Revenue) concerned for extension in writing mentioning the reason for delay.
- c. Jt. CCA concerned may grant two extensions up to 15 days each, after the dates mentioned at 1 (b) above for submission of documents on the merit of the case. 3rd extension up to 15 days in exceptional circumstances may be granted only by the CCA concerned.
- d. No further extension beyond 45 days will be granted by the office of the CCA concerned and amounts for which complete documents have not been submitted will be disallowed by the CCA office.

4. DEPOSITION OF LICENSE FEE

- a. Self assessed Licence Fee so calculated on quarterly AGR, as per terms and conditions of the Licence Agreement, shall be deposited with the concerned CCA office through Demand Draft or using e-payment mode to Government of India.
- b. If payment is made using e-mode copy of payment proof of payment shall be submitted with concerned CCA office.

Explanation: Concerned CCA office shall be the office located in the Licensed Service Area/telecom circle in which License is operating or as specified by DoT.

c. Following shall be the date for deposition of fee for each quarter:

Quarter	Last date of Quarter	Last date of Deposit*
1 st Quarter	30 th June	15 th July
2 nd Quarter	30 th September	15 th October
3 rd Quarter	31 st December	15 th January
4 th Quarter	31 st March	On the basis of expected revenue for the quarter, subject to a minimum payment equal to the actual revenue share paid of the previous quarter, by 25th March and balance on Actual Revenue payable (on accrual basis), by 15th April

5. TIME LIMITS FOR DEPOSITING PAYMENTS:

- a. The above mentioned time limit shall be adhered strictly.
- b. Extension or extensions beyond above time limits shall not be granted to Licensee by the CCA office
- c. If the last date of deposition of Licence Fee happens to be a public/bank holiday, working day preceding the public/bank holiday will be deemed to be the last date of deposition of Licence Fee.
- d. For delayed payment licensee shall pay interest as per terms and conditions of Licence Agreement on due amount.
- e. If due amount is not known then interest shall be payable on Licence Fee on Adjusted Gross Revenue of preceding quarter till license fee is ascertained.
- f. If Adjusted Gross Revenue of preceding quarter is also not available then interest shall be payable on Licence Fee as per Adjusted Gross Revenue as assessed by officer not below the rank of Director or Joint CCA.

Provisions of presumptive Licence Fee under Unified Licence:

- **Clause 18.2.2 of UL:** In case the Licensee obtains access spectrum for operation of any authorized service in a service area, a 'presumptive AGR' for that authorized service and service area shall be arrived at in accordance with the relevant provisions of the Notice Inviting Application (NIA) document of the auction of spectrum or conditions of spectrum allotment/ Letter of Intent as the case may be. The License Fee based on presumptive AGR shall be applicable from the date of issue of Letter of Intent earmarking such spectrum or the effective date of the license/authorization, whichever is later. The Licensee shall, in such cases, pay the license fee on the presumptive AGR or actual AGR or the minimum license fee referred in condition 18.2.1, whichever is higher.
- In case, the Licensee obtains spectrum for any service and service area in different bids, the total presumptive AGR shall be the sum of the presumptive AGRs calculated on the basis of the respective Bid amounts as prescribed in the respective NIA or conditions of spectrum allotment/Letter of Intent as the case may be.
- Provided that, for the spectrum obtained in the auctions conducted in November 2012 and March 2013, the presumptive AGR, for Access services shall be equal to 5% of sum of the total bid amount by the Licensee for the respective Service Area

6. TIME LIMITS FOR COMPLETING THE DEDUCTION VERIFICATION WORK OF A PARTICULAR YEAR

- a. Verifying Authority shall ordinarily complete the verification process within 60 days of the last date for submission of documents by Licensee. Verifying authority shall intimate the Licensee within 15 days of completion of deduction verification process about disallowed invoices through a speaking order.
- b. Deduction verification process shall be completed by 31st December of subsequent Financial Year so that Assessment w.r.t. a particular year could be completed by 31st March of the following financial year.
- c. If Licensee fails to submit the relevant records for verification of deductions claimed till the last date as prescribed above, then the deduction verification orders would be finalised by the concerned CCA office through a speaking order without giving any further opportunity.
- d. Deduction verification orders may be signed by a gazetted officer of the CCA office concerned after obtaining due approval in file recording the detail the rationale of accepting or rejecting the deductions claimed. Every order should be a speaking order with appropriate reasons as per circular No. 1-28/2006/LF dated 01.11.2012. The speaking order should also mention the time limits, extension(s) granted, shortcomings in the documents and other such correspondence with the Licensee to seek any information/document and Licensee's response so as to bring out clearly the opportunities given to him before final order. Deduction verification report may be sent to DDG (LFA), DoT (HQ) enclosing the speaking order issued to the Licensee.

7. EXTRACT OF ENABLING LICENCE PROVISIONS IN LICENCE AGREEMENTS

1. PROVISIONS OF UNIFIED ACCESS SERVICE LICENCE & UNIFIED LICENCE

(a) UNIFIED ECCESS SERVICIE LICENCE (UASL)

Clause 5: Modifications in the Terms and Conditions of Licence

Clause 5.1: The LICENSOR reserves the right to modify at any time the terms and conditions of the LICENCE, if in the opinion of the LICENSOR it is necessary or expedient to do so in public interest or in the interest of the security of the State or for the proper conduct of the telegraphs. The decision of the LICENSOR shall be final and binding in this regard.

Clause 9: Requirement to furnish information:

Clause 9.1: The LICENSEE shall furnish to the Licensor/TRAI, on demand in the manner and as per the time frames such documents, accounts, estimates, returns, reports or other information in accordance with the rules/ orders as may be prescribed from time to time. The LICENSEE shall also submit information to TRAI as per any order or direction or regulation issued from time to time under the provisions of TRAI Act, 1997 or an amended or modified statute.

Clause 16: General:

Clause 16.1: The LICENSEE shall be bound by the terms and conditions of this Licence Agreement as well as by such orders/directions/regulations of TRAI as per provisions of the TRAI Act, 1997 as amended from time to time and instructions as are issued by the Licensor/TRAI.

Clause 18.2 Licence Fees:

18.2: In addition to the Entry fee described above, the Licensee shall also pay Licence fee annually @ 8% of Adjusted Gross Revenue (AGR), excluding spectrum charges. The Licensor reserves the right to modify the above mentioned Licence Fee any time during the currency of this Agreement.

Clause 18.3 Radio Spectrum Charges:

18.3.1 The LICENSEE shall pay spectrum charges in addition to the Licence Fees on revenue share basis as notified separately from time to time by the WPC Wing. However,

while calculating 'AGR' for limited purpose of levying spectrum charges based on revenue share, revenue from wireline subscribers shall not be taken into account.

18.3.2 Further royalty for the use of spectrum for point to point links and other access links shall be separately payable as per the details and prescription of Wireless Planning & Coordination Wing. The fee/ royalty for the use of spectrum /possession of wireless telegraphy equipment depends upon various factors such as frequency, hop and link length, area of operation and other related aspects etc. Authorization of frequencies for setting up Microwave links by Licensed Operators and issue of Licenses shall be separately dealt with WPC Wing as per existing rules.

Clause 19: Definition of 'Adjusted Gross Revenue':

19.1 Gross Revenue:

The Gross Revenue shall be inclusive of installation charges, late fees, sale proceeds of handsets (or any other terminal equipment etc.), revenue on account of interest, dividend, value added services, supplementary services, access or interconnection charges, roaming charges, revenue from permissible sharing of infrastructure and any other miscellaneous revenue, without any set-off for related item of expense, etc.

19.2 For the purpose of arriving at the "Adjusted Gross Revenue (AGR)" the following shall be excluded from the Gross Revenue to arrive at the AGR:

- I.* PSTN related call charges (Access Charges) actually paid to other eligible/entitled telecommunication service providers within India;
- II.* Roaming revenues actually passed on to other eligible/entitled telecommunication service providers and;
- III.* Service Tax on provision of service and Sales Tax actually paid to the Government if gross revenue had included as component of Sales Tax and Service Tax

Clause 20: Schedule of payment of ANNUAL LICENCE FEE and other dues:

20.1 For the purposes of the Licence Fee, the 1st year shall end on 31st March following the date of commencement of the Licence Agreement and the Licence fee for the First year shall be determined on a pro-rata basis for the actual duration of the "year". From second year onwards, the year shall be of Twelve English calendar months from 1st of April to the 31st March for payment of Licence Fee.

EXPLANATION: The Licence fee for the last quarter of the first year and last quarter of the last year of the Licence will be computed with reference to the actual number of days after excluding the other quarters, each being of three months.

20.2 Licence Fee shall be payable in four quarterly instalments during each financial year (FY). Quarterly instalment of licence fee for the first three quarters of a financial year shall be paid within 15 days of the completion of the relevant quarter.

This Fee shall be paid by the LICENSEE on the basis of actual revenue (on accrual basis) for the quarter, duly certified with an affidavit by a representative of the LICENSEE, authorized by the Board Resolution coupled with General Power of Attorney. However, for the last quarter of the financial year, the LICENSEE shall pay the Licence Fee by 25th March on the basis of expected revenue for the quarter, subject to a minimum payment equal to the actual revenue share paid of the previous quarter.

20.3 The LICENSEE shall adjust and pay the difference between the payment made and actual amount duly payable (on accrual basis) for the last quarter of financial year within 15 days of the end of the quarter.

20.4 The quarterly payment shall be made together with a STATEMENT in the prescribed form as **annexure-II**, showing the computation of revenue and Licence fee payable. The aforesaid quarterly STATEMENTS of each year shall be required to be audited by the Auditors (hereinafter called LICENSEE'S Auditors) of the LICENSEE appointed under Section 224 of the Companies' Act, 1956. The report of the Auditor should be in prescribed form as **annexure-II**.

20.5 Any delay in payment of Licence Fee payable, or any other dues payable under the LICENCE beyond the stipulated period will attract interest at a rate which will be 2% above the Prime Lending Rate (PLR) of State Bank of India prevalent on the day the payment became due. The interest shall be compounded monthly and a part of the month shall be reckoned as a full month for the purposes of calculation of interest. A month shall be reckoned as an English calendar month.

20.6 Final adjustment of the Licence fee for the year shall be made based on the gross revenue figures duly certified by the AUDITORS of the LICENSEE in accordance with the provision of Companies' Act, 1956.

20.7 A reconciliation between the figures appearing in the quarterly statements submitted in terms of the clause 20.4 of the agreement with those appearing in annual accounts shall be submitted along with a copy of the published annual accounts audit report and duly audited quarterly statements, within 7 (seven) Calendar days of the date of signing of the audit report. The annual financial account and the statement as prescribed above shall be prepared following the norms as prescribed in **Annexure**.

20.8 In case, the total amount paid as quarterly Licence Fee for the 4 (four) quarters of the financial year, falls short by more than 10% of the payable Licence Fee, it shall attract a penalty of 50% of the entire amount of short payment. However, if such short payment is made good within 60 days from the last day of the financial year, no penalty shall be imposed. This amount of penalty shall be payable within 15 days of the date of signing the audit report on the annual accounts, failing which interest shall be further charged per terms of **Condition 20.5**.

20.9 The Fee/royalty payable towards WPC Charges shall be payable at such time(s) and in such manner as the WPC Wing of the DoT may prescribe from time to time.

20.10 All sums becoming due and payable as mentioned in this Licence Agreement shall be paid by the LICENSEE through a demand draft or Pay Order payable at New Delhi, drawn on any Scheduled Bank, in favour of the Pay & Accounts Officer (HQ), DOT or any other Authority if so designated by LICENSOR.

20.11 The LICENSOR, to ensure proper and correct verification of revenue share paid, can, if deemed necessary, modify, alter, substitute and amend whatever stated in **Conditions 20.4, 20.7, 22.5 and 22.6** hereinbefore and hereinafter written.

20.12 The LICENSEE shall separately pay the access charges for carriage of calls originating in its network but carried and terminated in the Other Service Providers' networks. The LICENSEE shall also separately pay charges for network resources obtained by the LICENSEE from other licensed service providers. This will be governed by the determination of TRAI if any.

Clause 22: Preparation of Accounts.

22.1 The LICENSEE will draw, keep and furnish independent accounts for the SERVICE and shall fully comply orders, directions or regulations as may be issued from time to time by the LICENSOR or TRAI as the case may be.

22.2 The LICENSEE shall be obliged to:

a) Compile and maintain accounting records, sufficient to show and explain its transactions in respect of each completed quarter of the Licence period or of such lesser periods as the LICENSOR may specify, fairly presenting the costs (including capital costs), revenue and financial position of the LICENSEE's business under the LICENCE including a reasonable assessment of the assets employed in and the liabilities attributable to the LICENSEE's business, as well as, for the quantification of Revenue or any other purpose.

(b) Procure in respect of each of those accounting statements prepared in respect of a completed financial year, a report by the LICENSEE's Auditor in the format prescribed by the LICENSOR, stating inter-alia whether in his opinion the statement is adequate for the purpose of this condition and thereafter deliver to the LICENSOR a copy of each of the accounting statements not later than three months at the end of the accounting period to which they relate.

c) Send to the LICENSOR a certified statement sworn on an affidavit, by authorized representative of the company, containing full account of Revenue as defined in condition 19 for each quarter separately along with the payment for the quarter.

22.3 (a) The LICENSOR or the TRAI, as the case may be, shall have a right to call for and the LICENSEE shall be obliged to supply and provide for examination any books of accounts that the LICENSEE may maintain in respect of the business carried on to provide the service(s) under this Licence at any time without recording any reasons thereof.

22.3 (b) LICENSEE shall invariably preserve all billing and all other accounting records (electronic as well as hard copy) for a period of THREE years from the date of publishing of duly audited & approved Accounts of the company and any dereliction thereof shall be treated as a material breach independent of any other breach, sufficient to give a cause for cancellation of the LICENCE.

22.4 The records of the LICENSEE will be subject to such scrutiny as may be prescribed by the LICENSOR so as to facilitate independent verification of the amount due to the LICENSOR as its share of the revenue.

22.5 The LICENSOR may, on forming an opinion that the statements or accounts submitted are inaccurate or misleading, order Audit of the accounts of the LICENSEE by appointing auditor at the cost of the LICENSEE and such auditor(s) shall have the same powers which the statutory auditors of the company enjoy under Section 227 of the Companies Act, 1956. The remuneration of the Auditors, as fixed by the LICENSOR, shall be borne by the LICENSEE.

22.6 The LICENSOR may also get conducted a 'Special Audit' of the LICENSEE company's accounts/records by "Special Auditors", the payment for which at a rate as fixed by the LICENSOR, shall be borne by the LICENSEE. This will be in the nature of auditing the audit described in **para 22.5** above. The Special Auditors shall also be provided the same facility and have the same powers as of the companies' auditors as envisaged in the Companies Act, 1956.

22.7 The LICENSEE shall be liable to prepare and furnish the company's annual financial accounts according to the accounting principles prescribed and the directions given by the LICENSOR or the TRAI, as the case may be, from time to time.

(b) UNIFIED LICENCE (UL)

Clause 5: Modifications in the Terms and Conditions of Licence

Clause 5.1: The LICENSOR reserves the right to modify at any time the terms and conditions of the LICENCE, if in the opinion of the LICENSOR it is necessary or expedient to do so in public interest or in the interest of the security of the State or for the proper conduct of the telegraphs. The decision of the LICENSOR shall be final and binding in this regard.

Clause 9: Requirement to furnish information:

Clause 9.1: The LICENSEE shall furnish to the Licensor/TRAI, on demand in the manner and as per the time frames such documents, accounts, estimates, returns, reports or other information in accordance with the rules/ orders as may be prescribed from time to time. The LICENSEE shall also submit information to TRAI as per any order or direction or regulation issued from time to time under the provisions of TRAI Act, 1997 or an amended or modified statute.

16. Other Conditions:

16.1 The Licensee shall be bound by the terms and conditions of this License Agreement as well as instructions as are issued by the Licensor and by such orders/directions/regulations of TRAI as per provisions of the TRAI Act, 1997 as amended from time to time.

16.2 The Licensee shall also be bound by the prevailing instructions / directions / orders issued in respect of a service by the Licensor/ TRAI, if the same service is also being provided by the Licensee to its subscribers.

16.3 The statutory provisions and the rules made under Indian Telegraph Act 1885 or Indian Wireless Telegraphy Act, 1933 or Information Technology Act, 2000 or, TRAI Act 1997 and the rules and regulations there under shall govern the provision of service under this license agreement. Any order passed under these statutes shall be binding on the licensee.

Clause 18.2 Licence Fees:

18.2.1 In addition to the Entry Fee, an annual License fee as a percentage of Adjusted Gross Revenue (AGR) shall be paid by the Licensee service-area wise, for each authorized service from the effective date of the respective authorization. The License fee shall be 8% of the AGR, inclusive of USO Levy which is presently 5% of AGR.

Provided that from Second Year of the effective date of respective authorization, the License fee shall be subject to a minimum of 10% of the Entry Fee of the respective authorized service and service area as in Annexure-II.

18.2.2 In case the Licensee obtains access spectrum for operation of any authorized service in a service area, a 'presumptive AGR' for that authorized service and service area shall be arrived at in accordance with the relevant provisions of the Notice Inviting Application (NIA) document of the auction of spectrum or conditions of spectrum allotment/Lol as the case may be. The License Fee based on presumptive AGR shall be applicable from the date of issue of Letter of Intent earmarking such spectrum or the effective date of the license/authorization, whichever is later. The

Licensee shall, in such cases, pay the license fee on the presumptive AGR or actual AGR or the minimum license fee referred in condition 18.2.1, whichever is higher.

In case, the Licensee obtains spectrum for any service and service area in different bids, the total presumptive AGR shall be the sum of the presumptive AGRs calculated on the basis of the respective Bid amounts as prescribed in the respective NIA or conditions of spectrum allotment/Lol as the case may be.

Provided that, for the spectrum obtained in the auctions conducted in November 2012 and March 2013, the presumptive AGR, for Access services shall be equal to 5% of sum of the total bid amount by the Licensee for the respective Service Area.

18.2.3 The Licensor reserves the right to modify the above mentioned License fee as percentage of AGR any time during the currency of this agreement.

18.3 Spectrum Related Charges:

In case the Licensee obtains spectrum, the licensee shall pay spectrum related charges, including payment for allotment and use of spectrum, as per provisions specified in the relevant NIA document of the auction of spectrum or conditions of spectrum allotment/Lol/directions/instructions of the Licensor/WPC Wing in this regard. The spectrum related charges shall be payable in addition to the License fee.

18.4 Space Segment Charges:

18.4.1 In case of Satellite based service, the space segment charges will be payable to Department of Space (DoS) as applicable and/or as may be specified from time to time.

18.4.2 The space segment monitoring charges shall be payable to Network Operations Control Centre (NOCC) by Licensee as per the rates decided by the Licensor from time to time.

19. Definition of 'Adjusted Gross Revenue':

19.1 The Gross Revenues and Adjusted Gross Revenue (AGR) for the purpose of calculation of License fee for different services authorized under this license are defined in the respective chapters of the Service in PART-II of this Schedule. .

20. Schedule of payment of ANNUAL LICENSE FEE and other dues:

20.1 License Fee shall be payable in four quarterly installments during each financial year (FY) commencing 1st of April.

20.2 The quarter in which the effective date of license/authorization falls, shall end on the usual end date of that quarter for the purpose of license fee. The quarters where the minimum license fee or license fee based on presumptive AGR becomes applicable, and the last quarter of the license period, may not be of full three months, but of part period only.

[Explanation:

(i) For license/authorization with effective date on 13th July, the quarter will end on 30th September.

(ii) In such case the minimum license fee would become applicable w.e.f. 13th of July next year and the quarter shall end on the following 30th September.]

20.3 The minimum license fee or the license fee based on presumptive AGR, as may be applicable, as per conditions 18.2.1 and 18.2.2, for the above part-periods, shall be charged on pro-rata basis, based on actual number of days in the part period of the Quarter.

20.4 License Fee shall be payable in four quarterly installments during each financial year (FY). Quarterly installment of license fee for the first three quarters of a financial year shall be paid within 15 days of the completion of the relevant quarter. The AGR based license Fee shall be paid by the Licensee on the basis of revenue on accrual basis for the quarter, duly certified with an affidavit by a representative of the Licensee who is authorized by the Board Resolution coupled with General Power of Attorney. However, for the last quarter of the financial year, the Licensee shall pay the License Fee by 25th March on the basis of expected revenue for the quarter, subject to a minimum payment equal to the revenue share paid for the previous quarter.

20.5 The Licensee shall adjust and pay the difference between the advance payment made and actual amount duly payable for the last quarter of financial year within 15 days of the end of the quarter.

20.6 The quarterly payment shall be made with an affidavit as at **Annexure-A** of the respective Chapter of service authorization together with a STATEMENT OF REVENUE SHARE AND LICENSE FEE separately for each service and service area in the Proforma prescribed at **Appendix-II to Annexure-A** of the respective chapter of the service, showing the computation of revenue and License fee payable. The aforesaid quarterly STATEMENTS of each year shall be required to be audited by the Auditors (hereinafter called Licensee's Auditors) appointed by the Licensee under Section 224 of the Companies' Act, 1956. The report of the Auditor should be in the prescribed form as per **Appendix-I to Annexure-A** of the respective Chapter of service authorization.

20.7 Any delay in payment of License Fee, or any other dues payable under the License beyond the stipulated period will attract interest at a rate which will be 2% above the Prime Lending Rate (PLR) of State Bank of India existing as on the beginning of the Financial Year (namely 1st April) in respect of the license fees pertaining to the said Financial Year. The interest shall be compounded monthly and a part of the month shall be reckoned as a full month for the purposes of calculation of interest. A month shall be reckoned as an English calendar month.

20.8 Final adjustment of the License fee for the year shall be made on or before 30th June of the following year, based on the gross revenue figures, the minimum License Fee or the License fee based on Presumptive AGR, which shall be submitted by the Licensee, duly certified by the AUDITORS of the Licensee in accordance with the provision of the Companies' Act, 1956.

20.9 A reconciliation between the figures appearing in the quarterly statements submitted in terms of the Condition 20.4 of the License Agreement with those appearing in annual accounts shall be submitted along with a copy of the published annual accounts audit report and duly audited quarterly statements within 7 (seven) Calendar days of the date of signing of the audit report. The annual financial account and the statement as prescribed above shall be prepared following the norms as prescribed in **Annexure-B** of the respective Chapter of service authorizations. The statements and accounts submitted shall be assessed and verified by the Licensor and through its units namely Offices of Controller of Communication Accounts in respective service areas, as may be notified from time to time.

20.10 In case, the total amount paid as quarterly License Fee for the 4 (four) quarters of the financial year, falls short by more than 10% of the payable License Fee, it shall attract a penalty of 50% of the entire amount of short payment. However, if such short payment is made good by the licensee on its own within 60 days from the last day of the financial year, no penalty shall be imposed. In case demand for such shortfall is made by the licensor after assessment and verification as per condition 20.7, such amount shall be paid along with penalty within 15 days of issue of such demand, failing which interest shall be further charged as per terms of **Condition 20.5**.

20.11 All the charges relating to spectrum shall be payable at such time(s) and in such manner as prescribed from time to time by the Licensor/WPC Wing.

20.12 All sums becoming due and payable as mentioned in this License Agreement shall be paid by the Licensee, service and service area wise, through e-transfers or demand draft or Pay Order payable at New Delhi, drawn on any Scheduled Bank, in favour of the Pay & Accounts Officer (HQ), DOT or at the designated office of the Controller of Communication Accounts in service areas as may be designated by the Licensor from time to time.

20.13 The Licensee shall separately pay the access charges for carriage of calls originating in its network but carried and terminated in the other Telecom Service Providers' networks. The Licensee shall also separately pay charges for network resources obtained by the Licensee from other licensed service providers. This will be governed by mutual agreement and/ or determination of TRAI, if any.

22. Preparation of Accounts:

22.1 The Licensee will draw, keep and furnish independent accounts for each service and service area and shall fully comply with any order, direction or regulation as may be issued by TRAI and rules/instructions/directions as are issued by the Licensor from time to time.

22.2 The Licensee shall be obliged, in respect of each authorized service and service area separately, to:

a) Compile and maintain accounting records, sufficient to show and explain its transactions in respect of each completed quarter of the License period or of such lesser periods as the Licensor may specify, fairly presenting the costs (including capital costs), revenue and financial position of the Licensee's business under the License including a reasonable assessment of the assets employed in and the liabilities attributable to the Licensee's business, as well as, for the quantification of Revenue or any other purpose.

(b) Procure in respect of each of those accounting statements prepared in respect of a completed financial year, a report by the Licensee's Auditor in the format prescribed by the Licensor, stating inter-alia whether in his opinion the statement is adequate for the purpose of this condition and thereafter deliver to the Licensor a copy of each of the accounting statements not later than three months at the end of the accounting period to which they relate.

c) Send to the Licensor a certified statement sworn on an affidavit, by authorized representative of the company, containing full account of Revenue as defined in condition 19 for each quarter separately along with the payment for the quarter.

d) Furnish to the Licensor full detail of inter-operator settlement of accounts eg. pass through charges, usage of network and facilities, domestic and international roaming including details of the settlement regime through accounting rate or any other mechanism, etc. All bilateral settlements including those between the ILD service provider and other foreign partners (carriers) shall be through normal banking channel in a transparent manner.

22.3 (a) The Licensor or the TRAI, as the case may be, shall have a right to call for and the Licensee shall be obliged to supply and provide for examination any books of accounts that the Licensee may maintain in respect of the business carried on to provide the service(s) under this License at any time without recording any reasons thereof.

22.3 (b) Licensee shall invariably preserve all billing and all other accounting records (electronic as well as hard copy) for a period of three years from the date of publishing of duly audited & approved Accounts of the company and any dereliction thereof shall be treated as a material breach independent of any other breach, sufficient to give a cause for cancellation of the License.

22.4 The records of the Licensee will be subject to such scrutiny as may be prescribed by the Licensor so as to facilitate independent verification of the amount due to the Licensor as its share of the revenue.

22.5 The Licensor may, on forming an opinion that the statements or accounts submitted are inaccurate or misleading, order Audit of the accounts of the Licensee by appointing Auditor at the cost of the Licensee and such auditor(s) shall have the same powers which the statutory auditors of the company enjoy under Section 227 of the Companies Act, 1956. The remuneration of the Auditors, as fixed by the Licensor, shall be borne by the Licensee.

22.6 The Licensor may also get conducted a 'Special Audit' of the Licensee company's accounts/records by "Special Auditors", the payment for which at a rate as fixed by the Licensor, shall be borne by the Licensee. This will be in the nature of auditing the audit described in **para 22.5** above. The Special Auditors shall also be provided the same facility and have the same powers as of the companies' auditors as envisaged in the Companies Act, 1956.

22.7 The Licensee shall be liable to prepare and furnish the company's annual financial accounts according to the accounting norms and principles prescribed and the directions given by the Licensor or the TRAI, as the case may be, from time to time.

22.8 The Licensor, to ensure proper and correct assessment, verification and settlement of revenue share paid, can, if deemed necessary, add, modify, alter, substitute and amend whatever stated in this Chapter, namely Chapter-III of this license. The licensee shall comply with the instructions/directions issued in this regard from time to time.

2 PROVISIONS OF NATIONAL AND INTERNATIONAL LONG DISTANCE SERVICE LICENCE

Clause 5: FEES PAYABLE

5.2 In addition to entry fee described above With effect from 1.4.2013, the annual licence fee including USO contribution shall be 8% of the Adjusted Gross Revenue.

5.3 Provided further that the fee / royalty shall be separately paid in addition by the Licensee for the use of spectrum and also for possession of wireless telegraphy equipment as per the details prescribed by Wireless Planning & Coordination Wing (WPC) which depends upon various factors such as frequency, hop and link length, area of operation and other related aspects.

Clause 6: Schedule of payment of Annual Licence Fee and other dues

6.1 For the purposes of the Licence Fee at 5.2 above, the 1st year shall end on 31st March following the date of commencement of the Licence Agreement and the Licence fee for the First year shall be determined on a pro-rata basis for the actual duration of the "year". From second year onwards, the year shall be of twelve English calendar months from 1st of April to the 31st of March for payment of Licence fee.

EXPLANATION: The Licence fee for the last quarter of the first year and of the last year of the Licence will be computed with reference to the actual number of days after excluding the earlier quarters, each being of three months.

6.2 Licence fee shall be payable in four quarterly instalments during each financial year. The quarterly instalments of licence fee for the first three quarters of a financial year shall be payable by the Licensee within 15 days of the completion of the relevant quarter of the year. This fee shall be paid by the Licensee on the basis of actual revenues (on accrual basis) for the quarter duly certified with an affidavit by a representative of the Licensee, authorised by a Board resolution coupled with General Power of Attorney. However, for the last quarter of financial year, the Licensee shall pay the licence fee by 25th March on the basis of expected revenues for the quarter, subject to a minimum payment equal to the actual revenue share paid for the previous quarter. For delayed payment beyond the said due dates, penalty as stipulated in licence for delayed payments will apply. The Licensee shall adjust and pay the difference between the payment made and actual amount duly payable (on accrual basis) for the last quarter of the Financial year within 15 days of the end of the said quarter. The Licensor shall have the right to inspect books of accounts of the Licensee, and, in addition have an independent audit conducted to ascertain the correctness of the licence fee paid.

6.3. The quarterly payment shall be made together with a STATEMENT in the prescribed form given in ANNEXURE-A, showing the computation of revenue and LICENCE fee payable for the previous quarter. The aforesaid STATEMENT of each year shall be required to be audited by the Auditors (hereinafter called LICENCEE'S Auditors) of the LICENCEE appointed under Section 224 of the Companies' Act, 1956. The report of the Auditor should be in prescribed form given in ANNEXURE-B.

6.4 The LICENCEE shall adjust and pay the difference between the advance payment made and actual amount payable (on accrual basis) of the previous quarter, along with the advance payment for the current quarter.

6.5 Any delay in payment of Licence fee, or any other dues payable under the Licence beyond the stipulated period will attract interest at a rate which will be 2% above the Prime Lending Rate (PLR) of State Bank of India existing as on the beginning of the financial year (1st April) in respect of the licence fees pertaining to the said financial year. The interest shall be compounded monthly and a part of the month shall be reckoned as a full month for the purpose of calculation of interest.

6.6 Final adjustment of the Licence fee for the year shall be made on or before 30th June of the following year based on the Gross Revenue Figures duly certified by the AUDITORS of the Licensee in accordance with the provision of Companies' Act, 1956.

6.7 A reconciliation between the figures appearing in the quarterly statements with those appearing in annual accounts shall be submitted along with a copy of the published annual accounts and audit report, within 7 (seven) days of the date of signing of the audit report. The annual financial account and the statement as

prescribed in condition no.6.3 shall be prepared following the norms as prescribed in ANNEXURE-C.

6.8 In case, the total amount paid on the self assessment of the LICENCEE as quarterly LICENCE Fee for the 4 (four) quarters of the financial year, fall short by more than 10% of the payable LICENCE fee, it shall attract a penalty of 50% of the entire amount of short payment. This amount of short payment along with the penalty shall be payable with 15 days of the date of signing the audit report ;on the annual accounts, failing which interest shall be further charged per terms ;of Condition 6.5. However, if such short payment is made good within 60 days from the last day of the financial year, no penalty shall be imposed.

6.9 The Fee/royalty described at 5.3 above shall be payable at such time(s) and in such manner as the WPC Cell of the Ministry of Communications may prescribe from time to time.

6.10 All sums becoming due and payable as mentioned in this Licence Agreement shall be paid by the Licensee through a demand draft or Pay Order payable at New Delhi, drawn on any Scheduled Bank, in favour of the Pay & Accounts Officer (HQ), DOT or any other Authority if so designated by Licensor.

6.11 The Licensor, to ensure proper and correct verification of revenue share paid, can, if deemed necessary, modify, alter, substitute and amend whatever stated in conditions No 6.3, 6.7, 8.5 and 8.6 of the Schedule I hereinbefore and hereinafter written.

Clause 8: PREPARATION OF ACCOUNTS

8.1 The Licensee will draw, keep and furnish independent accounts for the Service and shall fully comply orders, directions or regulations as may be issued from time to time by the Licensor or TRAI as the case may be.

8.2 The Licensee shall be obliged to:

a) Compile and maintain accounting records, sufficient to show and explain its transactions in respect of each completed quarter of the Licence period or of such lesser periods as the Licensor may specify, fairly presenting the costs (including capital costs), revenue and financial position of the Licensee's business under the Licence including a reasonable assessment of the assets employed in and the liabilities attributable to the Licensee's business, as well as, for the quantification of Revenue or any other purpose.

b) Procure in respect of each of those accounting statements prepared in respect of a completed financial year, a report by the Licensee's Auditor in the format prescribed by the Licensor, stating inter-alia whether in his opinion that statement is adequate for the purpose of this condition and thereafter deliver to the Licensor a

copy of each of the accounting statements not later than two months after the end of the period to which they relate.

c) Send to the Licensor a certified statement sworn on an affidavit, by authorized representative of the company, containing full account of Revenue earned from the SERVICE for each quarter separately along with the payment for the following quarter.

8.3 (a) The Licensor or the TRAI, as the case may be, shall have a right to call for and the Licensee shall be obliged to supply and provide for examination any books of accounts that the Licensee may maintain in respect of the business carried on to provide the service(s) under this Licence at any time without recording any reasons thereof.

(b) The Licensee shall invariably preserve all billing and all other accounting records (electronic as well as hard copy) for a period of three years from the date of publishing of duly audited & approved Accounts of the company and any dereliction thereof shall be treated as a material breach independent of any other breach, sufficient to give a cause for cancellation of the Licence.

8.4 The records of the Licensee will be subject to such scrutiny as may be prescribed by the Licensor so as to facilitate independent verification of the amount due to the Licensor as its share of the revenue.

8.5 The Licensor may, on forming an opinion that the statements or accounts submitted are inaccurate or misleading, order Audit of the accounts of the Licensee by appointing auditor at the cost of the Licensee and such auditor(s) shall have the same powers which the statutory auditors of the company enjoy under Section 227 of the Companies Act, 1956. The remuneration of the Auditors, as fixed by the Licensor, shall be borne by the Licensee.

8.6 The Licensor may also get conducted a 'Special Audit' of the Licensee company's accounts/records by "Special Auditors", the payment for which at a rate as fixed by the Licensor, shall be borne by the Licensee company. This will be in the nature of auditing the audit described in para 8.5 above. The Special Auditors shall also be provided the same facility and have the same powers as of the company's auditors as envisaged in the Companies Act, 1956.

8.7 Licensee shall be liable to prepare and furnish the company's annual financial accounts according to the accounting principles prescribed (Annexure-C) and the directions given by the Licensor or the TRAI, as the case may be, from time to time.

Clause 10: REQUIREMENT TO FURNISH INFORMATION TO THE LICENSOR AND TRAI

10.1 The Licensee shall be obliged to furnish all information to the Licensor as may be called upon from time to time. The Licensee shall also submit information to

TRAI as per any order or direction or regulation issued from time to time under the provisions of TRAI Act, 1997 or any amended or any modified statute.

Clause 12: MODIFICATIONS IN THE TERMS AND CONDITIONS OF LICENCE

12.1 The LICENCOR reserves the right to modify at any time the terms and conditions of the LICENCE, if in the opinion of the LICENCOR it is necessary or expedient to do so in public interest or in the interest of the security of the State or for the proper conduct of SERVICE. The decision of the LICENCOR shall be final in this regard.

DEFINITIONS AND INTERPRETATIONS – AGR - ILD LICENCE

Para 36: “ADJUSTED GROSS REVENUE” for the purpose of levying LICENCE Fee as a percentage of revenue shall mean the Gross Revenue as reduced by :

Call charges (access charges) actually paid to other telecom service providers for carriage of calls;

Service tax for provision of service and sales tax actually paid to the Government, if gross revenue had included the component of service tax.

“GROSS REVENUE”

The Gross Revenue shall include all revenues accruing to the LICENSEE on account of goods supplied, services provided, leasing of infrastructure, use of its resources by others, application Fee, installation charges, call charges, late Fees, sale proceeds of instruments (or any terminal equipment including accessories), hand sets, band width, income from Value Added Services, supplementary services, access or interconnection charges, any lease or rent charges for hiring of infrastructure etc. and any other miscellaneous items including interest, dividend etc. without any set off of related items of expense, etc.

DEFINITIONS AND INTERPRETATIONS – AGR - NLD LICENCE

Para 31: ‘REVENUE’ for the purpose of levying Licence fee as a percentage of revenue shall mean the Gross total Revenue income accruing to the Licensee by way of providing NLD service under the Licence including the revenue on account of supplementary/value added services and leasing of infrastructure, interest, dividend etc. **as reduced** by the component part of a pass-through nature payable **(Now actually paid as amended vide amendment dated 06.01.2014)** to other service providers to whose networks the Licensee’s NLD network is interconnected, for carriage of calls. The Gross Revenue shall also include previous debits (e.g. bad debts recovered, of excess provisions in earlier years.) It is clarified that any lease

or rent charges for hiring of infrastructure shall not be so deducted. Service tax and sales tax collected and passed on to the Government(s) from customers of the Licensee shall not form a part of the Revenue.

3 INTERNET SERVICE PROVIDER WITH TELEPHONY (ISP-IT)

Clause 1.1 of Schedule B

Clause 1.1: Quantum of license fee and Schedule of payment:

(i) The licence fee is payable by the licensee in consideration for grant of this licence, for the complete duration for which this licence is granted. This has no relation to the actual start/provision of service by the licensee or any mutual obligations between the licensee and any other service provider /BSNL/MTNL/VSNL/ Departments of the Central or State Government/local or statutory bodies.

(ii) The Telecom Authority has decided to waive the Licence Fee for a period upto 31.10.2003 and a nominal licence fee of One Rupee per annum will become payable from 01.11.2003 upto 31.12.2005.

(iii) With effect from 01.01.2006, annual licence fee annually @ 6% of Adjusted Gross Revenue (AGR), excluding spectrum charges will be applicable in addition to Rupee One per annum. The Licensor reserves the right to modify the above mentioned Licence Fee any time during the currency of this Agreement. W.e.f. 01.07.2012 annual Licence Fee modified @7% of AGR and from 01.04.2013 it has been modified @8% of AGR.

(iv) Radio Spectrum Charges:

a) The LICENSEE shall pay spectrum charges, if applicable, in addition to the Licence Fees.

b) Further royalty for the use of spectrum for point to point links and other access links shall be separately payable as per the details and prescription of Wireless Planning & Coordination Wing. The fee/ royalty for the use of spectrum /possession of wireless telegraphy equipment depends upon various factors such as frequency, hop and link length, area of operation and other related aspects etc. Authorization of frequencies for setting up Microwave links by Licensed Operators and issue of Licenses shall be separately dealt with WPC Wing as per existing rules.

(v) Definition of 'Adjusted Gross Revenue':

a) Gross Revenue: The Gross Revenue shall be inclusive of Internet access service, internet content service, Internet Telephony service installation charges, late fees, sale proceeds of terminal equipments, revenue on account of interest, dividend, value added services, supplementary services, revenue from permissible sharing of infrastructure and any other miscellaneous revenue, without any set-off for related item of expense, etc.

b) For the purpose of arriving at the "Adjusted Gross Revenue (AGR)" the following shall be excluded from the Gross Revenue to arrive at the AGR:

(i) Charges from Internet access, Internet content and Internet access related installation charges.

(ii) Service Tax on provision of service and Sales Tax actually paid to the Government if gross revenue had included as component of Sales Tax and Service Tax.

Schedule C Part II of License

13.4 (A) Schedule of payment of ANNUAL LICENCE FEE and other dues:

(a) For the purposes of the Licence Fee, the 1st year shall end on 31st March following the date of commencement of the Licence Agreement and the Licence fee for the First year shall be determined on a pro-rata basis for the actual duration of the "year". From second year onwards, the year shall be of Twelve English calendar months from 1st of April to the 31st March for payment of Licence Fee.

EXPLANATION: The Licence fee for the last quarter of the first year and last quarter of the last year of the Licence will be computed with reference to the actual number of days after excluding the other quarters, each being of three months.

(b) Licence Fee shall be payable in four quarterly instalments during each financial year (FY). Quarterly instalment of licence fee for the first three quarters of a financial year shall be paid within 15 days of the completion of the relevant quarter. This Fee shall be paid by the LICENSEE on the basis of actual revenue (on accrual basis) for the quarter, duly certified with an affidavit by a representative of the LICENSEE, authorized by the Board Resolution coupled with General Power of Attorney. However, for the last quarter of the financial year, the LICENSEE shall pay the Licence Fee by 25th March on the basis of expected revenue for the quarter, subject to a minimum payment equal to the actual revenue share paid of the previous quarter.

(c) The LICENSEE shall adjust and pay the difference between the payment made and actual amount duly payable (on accrual basis) for the last quarter of financial year within 15 days of the end of the quarter.

(d) The quarterly payment shall be made together with a STATEMENT in the prescribed form as Annexure-I, showing the computation of revenue and Licence fee payable. The aforesaid quarterly STATEMENTS of each year shall be required to be audited by the Auditors (hereinafter called LICENSEE'S Auditors) of the LICENSEE appointed under Section 224 of the Companies' Act, 1956. The report of the Auditor should be in prescribed form as Appendix-I to Annexure-I.

(e) Any delay in payment of Licence Fee payable, or any other dues payable under the LICENCE beyond the stipulated period will attract interest at a rate which will be 5% above the Prime Lending Rate (PLR) of State Bank of India prevalent on the day the payment became due. The interest shall be compounded monthly and a part of the month shall be reckoned as a full month for the purposes of calculation of interest. A month shall be reckoned as an English calendar month. Provided that in respect of the licence fees accruing on or after First April, 2005, the rate of interest shall be the prime lending rate (PLR) of the State Bank of India (SBI) existing on the first day (namely 1st April) of the concerned financial year plus two percent (2%).

(f) Final adjustment of the Licence fee for the year shall be made based on the gross revenue figures duly certified by the AUDITORS of the LICENSEE in accordance with the provision of Companies' Act, 1956.

(g) A reconciliation between the figures appearing in the quarterly statements submitted in terms of the clause 13.4(A)(d) of the agreement with those appearing in annual accounts shall be submitted along with a copy of the published annual accounts audit report and duly audited quarterly statements, within 7 (seven) Calendar days of the date of signing of the audit report. The annual financial account and the statement as prescribed above shall be prepared following the norms as prescribed in Annexure-II.

(h) In case, the total amount paid as quarterly Licence Fee for the 4 (four) quarters of the financial year, falls short by more than 10% of the payable Licence Fee, it shall attract a penalty of 150% of the entire amount of short payment. However, if such short payment is made good within 60 days from the last day of the financial year, no penalty shall be imposed. This amount of penalty shall be payable within 15 days of the date of signing the audit report on the annual accounts, failing which interest shall be further charged per terms of Condition 13.4 (A)(e). Provided that in respect of the licence fees accruing on or after First April, 2005, the rate of penalty shall be fifty percent (50%).

(i) The Fee/royalty payable towards WPC Charges shall be payable at such time(s) and in such manner as the WPC Wing of the DoT may prescribe from time to time.

(j) All sums becoming due and payable as mentioned in this Licence Agreement shall be paid by the LICENSEE through a demand draft or Pay Order payable at New Delhi, drawn on any Scheduled Bank, in favour of the Pay & Accounts Officer (HQ), DOT or any other Authority if so designated by LICENSOR.

(k) The LICENSOR, to ensure proper and correct verification of revenue share paid, can, if deemed necessary, modify, alter, substitute and amend whatever stated in Conditions 13.4 (A)(d), 13.4 (A)(g), 13.5.5 and 13.5.6 hereinbefore and hereinafter written.

Clause 13.5: Preparation of Accounts

13.5.1 The LICENSEE will draw, keep and furnish independent accounts for the SERVICE and shall fully comply orders, directions or regulations as may be issued from time to time by the LICENSOR or TRAI as the case may be.

13.5.2 The LICENSEE shall be obliged to:

a) Compile and maintain accounting records, sufficient to show and explain its transactions in respect of each completed quarter of the Licence period or of such lesser periods as the LICENSOR may specify, fairly presenting the costs (including capital costs), revenue and financial position of the LICENSEE's business under the LICENCE including a reasonable assessment of the assets employed in and the liabilities attributable to the LICENSEE's business, as well as, for the quantification of Revenue or any other purpose.

(b) Procure in respect of each of those accounting statements prepared in respect of a completed financial year, a report by the LICENSEE's Auditor in the format prescribed by the LICENSOR, stating inter-alia whether in his opinion the statement is adequate for the purpose of this condition and thereafter deliver to the LICENSOR a copy of each of the accounting statements not later than three months at the end of the accounting period to which they relate.

(c) Send to the LICENSOR a certified statement sworn on an affidavit, by authorized representative of the company, containing full account of Revenue as defined in condition 1.1(v) of Schedule B for each quarter separately along with the payment for the quarter.

13.5.3 (a) The LICENSOR or the TRAI, as the case may be, shall have a right to call for and the LICENSEE shall be obliged to supply and provide for examination any

books of accounts that the LICENSEE may maintain in respect of the business carried on to provide the service(s) under this Licence at any time without recording any reasons thereof.

(b) LICENSEE shall invariably preserve all billing and all other accounting records (electronic as well as hard copy) for a period of THREE years from the date of publishing of duly audited & approved Accounts of the company and any dereliction thereof shall be treated as a material breach independent of any other breach, sufficient to give a cause for cancellation of the LICENCE.

13.5.4 The records of the LICENSEE will be subject to such scrutiny as may be prescribed by the LICENSOR so as to facilitate independent verification of the amount due to the LICENSOR as its share of the revenue.

13.5.5 The LICENSOR may, on forming an opinion that the statements or accounts submitted are inaccurate or misleading, order Audit of the accounts of the LICENSEE by appointing auditor at the cost of the LICENSEE and such auditor(s) shall have the same powers which the statutory auditors of the company enjoy under Section 227 of the Companies Act, 1956. The remuneration of the Auditors, as fixed by the LICENSOR, shall be borne by the LICENSEE.

13.5.6 The LICENSOR may also get conducted a 'Special Audit' of the LICENSEE company's accounts/records by "Special Auditors", the payment for which at a rate as fixed by the LICENSOR, shall be borne by the LICENSEE. This will be in the nature of auditing the audit described in para 13.5.5 above. The Special Auditors shall also be provided the same facility and have the same powers as of the companies' auditors as envisaged in the Companies Act, 1956.

13.5.7 The LICENSEE shall be liable to prepare and furnish the company's annual financial accounts according to the accounting principles prescribed and the directions given by the LICENSOR or the TRAI, as the case may be, , from time to time.

8. EXTRACTS OF APEX COURT'S JUDGEMENTS/ OBSERVATIONS

(a) Judgment dated 11.10.2011 in CA No. 5059 of 2007 (AGR Case)

".....clause (iii) of the letter dated 22.07.1999 of the Government of India, Ministry of Communications, Department of Telecommunications, to the licensees quoted above made it clear that the license fee was payable with effect from 01.08.1999 as a percentage of gross revenue under the license and the gross revenue for this purpose would be total revenue of the licensee company excluding the PSTN related call charges paid to DOT/MTNL and service tax calculated by the licensee on behalf of the Government from the subscribers. It was also made clear in the aforesaid clause (iii) that the Government was to take a final decision after receipt of the TRAI's recommendation on not only the percentage of revenue share but also the definition of revenue. In accordance with this clause (iii) the Government took the final decision on the definition of Adjusted Gross Revenue and incorporated the same in the License Agreement. Once the licensee had accepted clause (iii) of the letter dated 22.07.1999 that the license fee would be a percentage of gross revenue which would be the total revenue of the licensee company and had also accepted that the Government would take a final decision not only with regard to the percentage of revenue share but also the definition of revenue for this purpose, the licensee could not have approached the Tribunal questioning the validity of the definition of Adjusted Gross Revenue in license agreement on the ground that Adjusted Gross Revenue cannot include revenue from activities beyond the license. If the wide definition of Adjusted Gross Revenue so as to include revenue beyond the license was in any way going to affect the licensee, it was open for the licensees not to undertake activities for which they do not require license under clause (4) of the Telegraph Act and transfer these activities to any other person or firm or company.

"The incorporation of the definition of Adjusted Gross Revenue in the license agreement was part of the terms regarding payment which had been decided upon by the Central Government as a consideration for parting with its rights of exclusive privilege in respect of telecommunication activities and having accepted the license and availed the exclusive privilege of the Central Government to carry on telecommunication activities, the licensees could not have approached the Tribunal for an alteration of the definition of Adjusted Gross Revenue in the license agreement".

Hon'ble Supreme Court has upheld that proviso to sub-section (1) of Section 4 of the Telegraph Act, however, enables the Central Government to part with this exclusive privilege in favour of any other person by granting a license in

his favour on such conditions and in consideration of such payments as it thinks fit. As the Central Government owns the exclusive privilege of carrying on telecommunication activities and as the Central Government alone has the right to part with this privilege in favour of any person by granting a license in his favour on such conditions and in consideration of such terms as it thinks fit, a license granted under proviso to sub-section (1) of Section 4 of the Telegraph Act is in the nature of a contract between the Central Government and the licensee. Further, as clarified above, Sub-section (1) of Section 4 of the Telegraph Act states that the Central Government has the exclusive privilege of establishing, maintaining and working telegraphs. This would mean that only the Central Government, and no other person, has the right to carry on telecommunication activities. Hon'ble Supreme Court in the AGR case has conclusively settled the issue of violation of fundamental rights under Article 14 and Article 19 (1) (g) of the Constitution of India vis a vis the exclusive privilege of the State in general and the definition of Gross Revenue/ Adjusted Gross Revenue in particular, by citing and quoting with approval the judgment of the Hon'ble Supreme Court in *State of Orissa and Others v. Harinarayan Jaiswal and Others* [(1972) 2 SCC 36]: "the fact that the Government was the seller does not change the legal position once its exclusive right to deal with those privileges is conceded. If the Government is the exclusive owner of those privileges, reliance on Article 19(1)(g) or Article 14 becomes irrelevant. Citizens cannot have any fundamental right to trade or carry on business in the properties or rights belonging to neither the Government – nor can there be any infringement of Article 14, if the Government tries to get the best available price for its valuable rights."

In the case of *Kamakshya Narayan Singh Vs. CIT* (1943) 11 ITR 513 (PC), Lord Wright observed:

'Income.... is a word difficult and perhaps impossible to define in any precise general formula. It is a word of broadest connotation.'

Similarly in *Gopal Saran Narain Singh Vs CIT* (1935) 3 ITR 237 (PC), the Privy Council pointed out that:

'anything that can properly be described as income is taxable under the ACT unless expressly exempted'

The court further observed that the word *Income* is of widest amplitude, and that it must be given its natural and grammatical meaning and it should be given its widest connotation.

(b) Judgement dated 17.04.2014 in CA No.4591 of 2014 (case relating to Audit of Telecom Service Providers by CAG)

Hon'ble Supreme Court upheld the definition of Gross Revenue by stating that ".....Spectrum charges have to be paid in addition to the licence fee on "Revenue Sharing Basis". While levying spectrum charges based on AGR, the components which form the AGR have also been given in Clause 19.1, which is wide enough to embrace other source of revenue inflow. Licensee is, therefore, obliged to maintain the accounts relating to licence agreement and particularly the revenue received by it because it has to share the revenue with the Union, which has to be calculated with reference to the Gross Revenue Receipts."

It has also upheld that "..... There are three stages of audit. First, audit is to be conducted by the Licencee under Clause 20.4 through an auditor appointed under Section 224 of the Companies Act. Clause 22.5 empowers the licensor to conduct an audit, if it is found that statements or accounts submitted are inaccurate and misleading. In our view, the opinion to be formed is purely subjective, it need not establish to the satisfaction of the licencee that the statements or accounts are inaccurate and misleading. Further, Clause 22.6 is an independent Clause which has no relationship with Clause 22.5. This is an additional power conferred on the Licensor to conduct special audit".

CHECK LIST FOR VERIFICATION OF DEDUCTIONS

NAME OF THE LICENSEE COMPANY.....

LICENCE TYPE AND LICENCE NO.....

SERVICE AREA.....

QUARTER ENDING..... OF FINANCIAL YEAR.....

S.NO.	PARTICULARS	REMARKS (Y/N)
1	Audited AGR showing operator wise detail in:-	
	a) Revenue	
	b) Deduction portion.	
2	LF paid details including copies of Challans	
3	Duly authenticated details of deductions claimed towards IUC on actual payment basis. .	
4	Duly authenticated details of deductions claimed towards Roaming on actual payment basis. .	
5	PSTN Details	
	a) Operator-wise Payable Invoices.	
	b) Operator-wise Receivable Invoices.	
	c) Payment proof i.e. Bank Statement indicating the name of the operator duly signed by the Bank/receipts/Cheque/DD etc.	
6	Roaming Details	
	a) Operator-wise Payable Invoices.	
	b) Operator-wise Receivable Invoices.	
	c) Any other supporting document required by the CCA office.	
	d) Payment proof i.e. Bank Statement of first two pages (should not be blank) duly signed by bank authorities and all pages signed by the authorized signatory of the Licensee Company.	
	e) Proof of payment/adjustment made in accordance with the License Agreement.	
7	Duly authenticated details of deductions claimed towards Service Tax on provision of service actually paid to the Government if gross revenue had included the component of Service Tax. Payment proof of thereof is also required.	

8	Duly authenticated details of deductions claimed towards Sales Tax actually paid to the Government if gross revenue had included the component of Sales Tax. Payment proof of thereof is also required.	
9	Duly authenticated details of deductions claimed towards ADC, if applicable and payment proof of thereof.	
10	TDS, proof of tax deposit to IT Department along-with Copies of consolidated challans alongwith copy of complete Form 26Q, Circle-wise break up of challans and further break up of concerned circle's amount deposited with Income Tax through challans be submitted alongwith a certificate from Statutory/Tax Auditor certifying quarter-wise consolidated amount of Challans and amount TDS deposited with Income Tax Department	
11	Soft copies of IUC details claim sheet on actual paid basis and payment proof in prescribed proforma.	
12	Auditor's certificate to the effect that IUC invoices are non inclusive of Port or Leased Line charges.	
13	Copy of the Board Resolution authorising the Authorised Signatory of the Licensee Company mentioning the Service Area for which Authorised Signatory has been authorised.	
14	Certificate regarding list of all the Group companies/division under single legal entity.	
15	In the case of Intra-company adjustment, copy of ledger, copy of invoices and Statutory Auditor's certificate in support of adjustment along with Annexure-AG.	
16	Details of inter company transactions in Annexure AO alongwith copy of invoices	
17	In case of disputed part payment claims - Annexure – PP	
18	Copy of the General Power of Attorney for certifying the Authorised Signatory of the Licensee Company.	

FORMAT FOR MAPPING BANK TRANSACTIONS WITH INVOICES - INTER COMPANY SETTLEMENT (DIFFERENT LEGAL ENTITIES)

ANNEXURE - AO

Name of Licensee :	
Service Area:	
Financial Year:	
Quarter :	

				Payable									Receivable							Payment Details								
S. No.	Qtr	IUC Payable to (Name of Licensee Company)	Service Area for which invoice raised	Invoice Number	Payable S No of Invoice in mapping	Invoice Month and Year	IUC Cost as per Operator (Payable)	IUC Cost Passed by operator	Total Service Tax	Total Cost	TDS on Cost/Claim	Net Cost (Net Payable)	Receivable from (Name of Licensee Company)	Invoice Month and Year	Receivable S No of Invoice in mapping	IUC Revenue including Service Tax (Receivable)	IUC Cost actually received	TDS on receivable amount	Net Receivable	Amount Payable/ Receivable	Net Amount Paid	Cheque No./ RTGS etc.	Cheque Date	Pay out Bank	Clearing Date	Deduction Claimed	S.No. in Bank Statement	Quarterly Deduction Claimed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1	Q1																											
2	Q1																											
3	Q2																											
4	Q2																											
5	Q3																											
6	Q3																											
7	Q4																											
8	Q4																											
Total Claim Amount																												

In case invoice generation is not possible then number of debit or credit note (as the case may be) shall be mentioned in invoice number.

Signatures.....
 Authorised Signatory of the Licensee Company

Signatures.....
 Statutory Auditor of the Licensee Company

FORMAT FOR MAPPING BANK TRANSACTIONS WITH INVOICES - INTRA COMPANY SETTLEMENT (SAME LICENSEE COMPANY/LEGAL ENTITY)

ANNEXURE - AG

Name of Licensee :	
Service Area:	
Financial Year:	
Quarter :	

S. No.	Qtr	IUC Payable to (Name of Licensee Company)	Service Area for which invoice raised	Payable									Receivable							Payment Details								
				Invoice Number	Payable S No of Invoice in mapping	Invoice Month and Year	IUC Cost as per Operator (Payable)	IUC Cost Passed by operator	Total Service Tax	Total Cost	TDS on Cost/Claim	Net Cost (Net Payable)	Receivable from (Name of Licensee Company)	Invoice Month and Year	Receivable S No of Invoice in mapping	IUC Revenue including Service Tax (Receivable)	IUC Cost actually received	TDS on receivable amount	Net Receivable	Amount Payable/ Receivable	Net Amount Paid	Cheque No/ RTGS etc.	Cheque Date	Pay out Bank	Clearing Date	Deduction Claimed	S.No. in Bank Statement	Quarterly Deduction Claimed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1	Q1																											
2	Q1																											
3	Q2																											
4	Q2																											
5	Q3																											
6	Q3																											
7	Q4																											
8	Q4																											

In case invoice generation is not possible then number of debit or credit note (as the case may be) shall be mentioned in invoice number.

Signatures.....
 Authorised Signatory of the Licensee Company

Signatures.....
 Statutory Auditor of the Licensee Company

Proforma for Partly paid Invoices

Licensee:

Service Area:

Financial Year:

Quarter:

Details of partly paid invoices during the current quarter.

Sl. No.	Name of Licensee Company	Service Area for which invoice raised	Invoice Number and date	Total Amount of Invoice	Amount paid against the Invoice	Balance amount of the invoice	Date of balance payment
1	2	3	4	5	6	7	8

Certified that the above details are regarding partly paid invoices, deductions for the balance payment will be claimed in the quarter in which balance payment is made.

**Signature.....
 Authorised Signatory of the Licensee Company**

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(b) Committee of senior officers constituted to clarify the doubts/issues raised by the CCA offices during verification of deductions claimed by TSPs. Members of the committee are:

1. Sh. B. B. Singh, CCA U.P. (East)
2. Sh. K. K. Panda, CCA, West Bengal
3. Sh. G.K. Singh, CCA, Delhi Region
4. Sh. Sukhbir, Director (LF-V) – Co-opted Member
5. Ms. Minakshi Verma, Director LF-II - Convener/Coordinator
6. Sh. Shailesh Bansal, ADG (LF-III) – Co-opted Member

(c) In addition to above valuable inputs were also received from:

1. Sh. A.S. Bhola, Pr. CCA Delhi Region and his team.
2. Smt. Anuradha Mitra, Pr. CCA Kolkata
3. Sh. A.C. Padhi, Sr. DDG (WPF)
4. Sh. Jagdeep Ghai, Pr. CCA, Maharashtra
5. Sh. Prahlad Singh, Pr. CCA, Andhra Praadesh
6. Sh. G.K. Padhi, CCA Chhattisgarh
7. Sh. Saurabh Tiwari, DDG (EF)
8. Sh. Sanjeev Kumar Singh, CCA, Bihar
9. Mohd. Shazad, CCA Odisha
10. Sh. Abhay Kumar Singh, CCA Kolkata
11. Ms. Sharon Shefali Gupta, CCA Punjab
12. Sh. R.D. Meena, CCA Rajasthan.

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(S.K. Mishra)
DDG (LFA)