Date
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M.Com Sem-III
(Corporate Direct Tax)

* Tax provisions in respect of Telecommunication services -

- spectrum fees- Capital Expenditure incurred to acquire the right to use spectrum for telecommunication services is allowed as a deduction under sec. 35 ABA of the Income Tax Act, 1961. The deduction is allowed in equal instalments over the useful life of the spectrum.

- Licence fees - Expenditure incurred for obtaining a license to operate telecommunication services is treated similarly to spectrum fees and can be amortised over the useful life of the license.

- Sec. 80IA Deduction - This section provided tax incentives for businesses operating in infrastructure, power and telecommunications sectors. However, the sunset clause for telecommunication services was 31 Mar. 2005, meaning new operations after this date are generally ineligible for this specific deduction, though businesses in the sector have other general deductions available.

- TDS (Tax Deducted at Source) - Telecom firms are not legally obligated to deduct tax at source on the notional profits their distributors or franchisees make from selling prepaid coupons and SIM cards to final consumers.

Hence, These provisions ensure a streamlined, albeit higher-tax, indirect tax structure under GST, alongside specific deductions for capital expenditures related to licensing and spectrum usage under the Income Tax Act, 1961.

In India, the primary tax provision for telecommunication services falls under the Goods and services Tax (GST) regime, with a uniform 18% tax rate across all services and states.