

**GOVERNMENT OF INDIA  
COMMUNICATIONS  
LOK SABHA**

UNSTARRED QUESTION NO:3297

ANSWERED ON:19.03.2001

TELECOM EXPORT PROMOTION COUNCIL

GOWDAR MALLIKARJUNAPPA;Y.S. VIVEKANANDA REDDY

**Will the Minister of COMMUNICATIONS be pleased to state:**

- (a) whether the domestic manufacturers of Telecom Equipment Manufacturing Association have demanded a slew of incentives aimed at encouraging local manufacturers and research in this sector;
- (b) if so, whether the domestic manufacturers have asked for the creation of a Telecom Export Promotion Council and further incentives and rebates in tariff for research and development investments in telecom;
- (c) if so, whether the Government has considered these demands; and
- (d) the time by which a final decision is likely to be taken in this regard ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS (SHRI TAPAN SIKDAR)

(a)&(b): Telecom Equipment Manufacturer Association of India (TEMA) which represents the manufacturer of telecommunications equipment in India have demanded the following major incentives for encouraging local manufacturing and research in the telecom sector:-

- (i) The components required for manufacture of telecom equipment should attract zero duty.
- (ii) No special surcharge should be laid on the basic duty of the component for manufacture of telecom equipment.
- (iii) Setting up of Telecom Finance Corporation to make available funds to the domestic telecom industries at international interest rates.
- (iv) The country should enter into an bilateral agreement where export of telecom products, already type approved by TEC in India, are accepted by the host countries for trial in their networks.
- (v) As permitted to Power and Mining, Telecom sector be also allowed to get the benefit of `C` form facility which allows concessional rate of Sales Tax of 4%.

(c) & (d): Department of Telecommunications has already taken up, the issue of providing same status to the telecom sector as provided to Infotech sector in regards to sales tax with the respective State Governments and permitting telecom sector to issue `C` form, as permitted to Power and Mining sector, with the Ministry of Revenue. So far as Customs and Excise duties of telecom equipment are concerned, the same have been rationalized in the budget 2001-2002 and the surcharge on the basic customs duty for both components and finished products have been abolished. Further Department of Telecommunications has taken up with Department of Revenue to rationalize Custom duty structure on finished telecom equipment vis-À-vis inputs. The case for mutual recognition arrangements in Quality Analysis and Certification with the SAARC countries is being taken up by Telecom Engineering Centre (TEC) in coordination with Ministry of External Affairs.

The following incentives are already allowed to the manufacturers of the telecom equipment: -

- (i) No industrial license is required for the manufacture of telecom equipment.
- (ii) 100% Foreign Direct Investment (FDI) is permitted in the telecom equipment manufacturing sector.
- (iii) The dividend income and the capital invested in telecom manufacturing is fully repatriable.
- (iv) Technical know-how fee of upto US\$ 2 million, net of taxes can be paid on an automatic basis. In addition, royalties upto 5 percent on domestic sales and 8 percent on export sales, are also permitted.

