

Revenue under-invoicing by telecom companies

2530. SHRIMATI RENUKA CHOWDHURY: Will the Minister of FINANCE be pleased to state:

(a) whether massive under-invoicing of revenue by certain telecom companies during 2006-2012 have come to the notice of Government;

(b) if so, the details thereof, along with the total loss of taxes to the exchequer due to such tax evasion; and

(c) the corrective steps taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SANTOSH KUMAR GANGWAR): (a) and (b) As per CAG report No. 4 of 2016 of Comptroller and Auditor General of India; six telecom operators understated revenue by ₹ 46045.75 crores, for four financial years *i.e.* 2006-07; 2007-08; 2008-09 and 2009-10. As per the report the short fall in License fee amounts to ₹ 3752.37 crores, in spectrum usage charges amounts to ₹ 1460.23 crores and interest on short fall upto 31.03.2015 amounts to ₹ 7276.33 crores. The Government has issued regular demands for all the four financial years and Special Audit demands for two financial years 2006-07 and 2007-08. These demands overlap the short falls pointed out in the CAG report. In the case of financial years 2006-07 and 2007-08; CAG had pointed out a short fall of License Fees amounting to ₹ 1269.36 crores. Department of Telecom had already issued demands for License Fees amounting to ₹ 896.07 crores in 2012 itself based upon the report of special auditors.

The details of the cases of under-invoicing etc. of taxable value by certain telecom companies is given in the Statement (*See below*).

(c) Department of Telecom conducted special audit of five major telecom companies in 2009. On the basis of special audit demands of ₹ 1846.51 crores and ₹ 1118.54 crores as License Fees and Spectrum Usage Charges were raised. These demands are *sub judice*.

The demands on the basis of CAG report No. 4 of 2016 are being issued taking into account terms and conditions of the license agreement and pronouncements of Judicial fora.

Further, whenever any information regarding evasion of taxes, including by way of under reporting of revenue, is received, appropriate action is taken under relevant laws. Such action under taxes laws includes searches, surveys, enquiries, assessment of income, levy of taxes, penalties, etc. and filing of prosecution complaints in criminal courts, wherever applicable and show cause notices are being adjudicated.

Statement*Details of cases of under-invoicing of revenue by telecom companies*

Sl. No.	Name of the telecom company	SCN No. and Date	Period covered by SCN	Amount of Service Tax demanded (₹ in crores)	Issue involved
1.	M/s Vodafone Essar Cellular Ltd.	15/2009 dated 14.10.2009	2004-2007	8.71	SCN issued on the difference between the value shown in trial balance and taxable service billed.
2.	Reliance Communication Infrastructure Ltd.	ST-II/Audit/Gr-5/RELI/165/2012/Pt./SCN-SIM/4535 dated 18.10.13	2008-09 to 2011-12	15.17	SCN issued for non-inclusion of value of SIM Card in taxable value.
3.	Tata Teleservices (Maharashtra) Ltd.	V/ST/Dn. V/Bel/Tata Tele/2012-13 dated 23.10.2012	2006-07 to 2011-12	26.18	SCN issued for non-inclusion of value of SIM Card in taxable value.
		V/ST/Dn. V/Bel/Tata Tele/2012-13 dated 20.05.2014	2012-2013	1.79	
4.	Vodafone Essar Ltd. (formerly known as	V/STC/GR.IX/Tel/HMT/SIM/2006 dated 11.10.2006	2005 to 2006	0.33	SCN issued for non-inclusion of value of SIM Card in taxable value.

	Hutchison Max Telecom Pvt. Ltd.)	V/STC/GR- IX/Tel/HMT/ SIM/2004 Dtd.17.10.2008	2006 to 2007	1.05	
		V/STC/GR. IX/Tel/ HMT/SCN/2004 dated 15.10.2008	2007 to 2008	2.61	
		V/STC/GR. IX/Tel/ HMT/SCN/2004 dated 25.09.2009	2008 to 2009	1.45	
5.	Vodafone Essar Ltd., Mumbai	DGCEI/MZU/I&IS'C'/ 30-15/08 dated 01.09.2008	January, 2004 to September, 2006	1.67	SCN issued due to under invoicing of value for the purpose of payment of service tax
