

Duty-free STB regime could boost govt earnings, says cable industry

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THE DTH and cable sector have claimed an additional incremental revenue benefit of Rs 7,728 crore to the government over the next five-year if a duty-free regime for set-top boxes (STB) is implemented. In a presentation to the information and broadcasting (I&B) ministry, the DTH players, the multi-system operators and the cable operators have collectively calculated that a reduction in excise duty to 0% from the current rate of 8% and slashing special additional duty (SAD) on STB by 4% to 0% may result in a one-time revenue loss of Rs 210 per STB, however this would result in earnings of Rs 1,730 crore annually on an average to the government on account of additional subscriber acquisition.

According to the industry estimate, in the current duty regime the subscriber base of DTH and digital cable platforms is projected to increase from existing 12 million subscribers to 42 million by 2013. However, in the proposed duty free

regime the DTH and digital cable industry is projected to almost double the estimated growth rate and increase subscriber base to 80 million by the year 2013. The industry calculates that the government would have to forgo revenue worth Rs 1,428 crore over the next five years on account of revenue loss from excise duty and SAD. However, the revenue loss, the industry projects would be more than compensated by a revenue gain of Rs 8,656 crore resulting into a net revenue of Rs 7,228 crore to the government over a period of five year during which the duty free regime is proposed, the industry has conveyed to the I&B ministry. The calculation has an implicit assumption that the benefit that industry gains by the duty cut would be passed on to the consumer.

The industry has apprised the ministry that even after 2004 when the government notified 'broadcasting services and cable services' as 'telecommunication Service' under Trai Act 1997, a number of items pertaining to DTH and cable TV industry with the same functional

use as telecom attract differential rates of custom duty. The industry has also sought infrastructure status, endorsed by the ministry in its Budget proposal to the finance ministry.

Additionally, the industry has sought subsuming the service tax, entertainment tax and VAT in goods and services tax to be introduced in 2010 alleging multiple taxation. "Apart from the recurring taxes charged at the rate of 37.36% to 56.65% that include service tax, licence fee, variable entertainment tax and VAT, there are other one-time charges that a DTH service provider has to pay," said a note that the industry has submitted to the I&B ministry.

The note quotes a planning commission report that 61 million cable TV homes (35% fall in rural India) can be migrated to digital format by promoting indigenous manufacturing of digital TV set and set top box. The industry needs to be incentivised by providing fiscal incentives by removing the customs and excise duties and reducing the state VAT to 4%, the report added.