

Fiscal Impact Analysis in TMT Sector

Nnamdi Okore

Assistant Professor, Hindustan School of Law, Chennai, India

Abstract: *With the evolution of technology and rapid growing of commercial transactions between multinational enterprises, the income derived from the use of intangible property has significantly increased. The world has become a global village and India is also become an integral part of the same. The present globalised business environment permits multinational companies globally to leverage their intellectual property rights in order to create a source of income in countries across the world. Moreover, with an increase in e-commerce, the complexities of cross border transactions have increased. The Telecommunication, Media, and Technology (TMT) business has experienced extraordinary development and transition over for a number of years, and will probably persist in the coming years. The Indian IT sector is divided into four primary sections: information technology (IT), enterprise process management, application development, and equipment.*

Keywords: Commercial transaction, Cross border transactions, Media, Telecommunications, technology, GST impacts, Impact on consumers, analysis

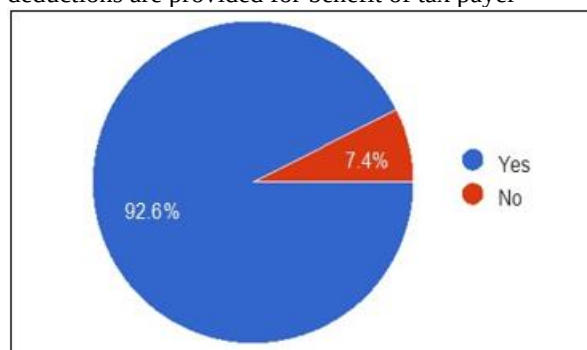
1. Introduction

The continuously swelling telecommunications subscriber base using wireless technology, telecommunications players are either looking to merge, exit, or invest additional capital to survive and thrive in this competitive marketplace. The urban market in the country is witnessing adoption of the convergence technologies towards smart living. For telecommunications players in this already matured market, network experience is the most critical driver of customer experience and cause of churn in the telecommunications market. Internet telephony, mobile broadcasting, spectrum trading and auctions, interconnection capabilities through networks including satellite and undersea, investments in 5G for supporting wi - fi calling, mobile apps, cloud - based infrastructure and systems, Internet banking systems, are continually expanding sectors of India's telecoms business.

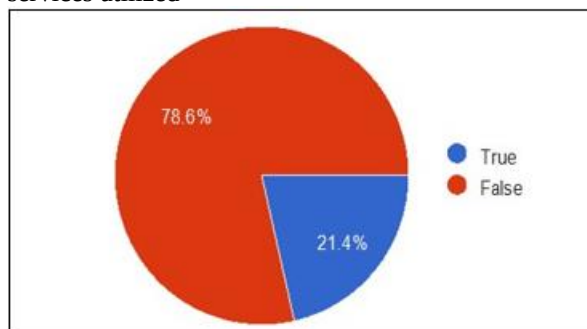
India has been one of the largest movie producer countries in the world for the last few years. The Indian cinema enterprise, with its movie obsessed populace and the biggest number of releases created, should be a major component of both the TMT sector and the financial system as a whole. The computerization of Broadcast indications, along with decreasing transportation rates and an increase in the sheer size of subscriber homes, has made the broadcasting and entertainment (M&E) business more open to new prospects and problems. Information, whether in copy or electronic format, if propelled by constantly improving smartphone technology, creates incredible prospects for every category of stakeholders.

2. Analysis of Fiscal Impacts

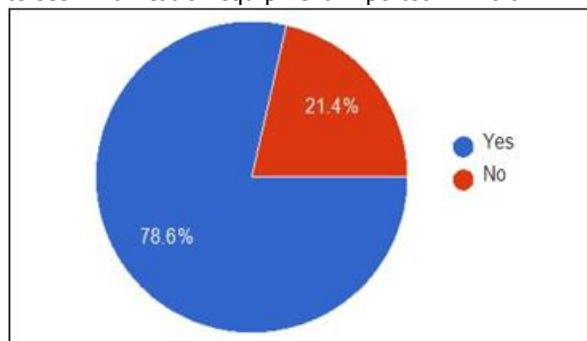
Tax provisions are framed to give specific guidelines on which taxes levied and also cases where necessary tax deductions are provided for benefit of tax payer



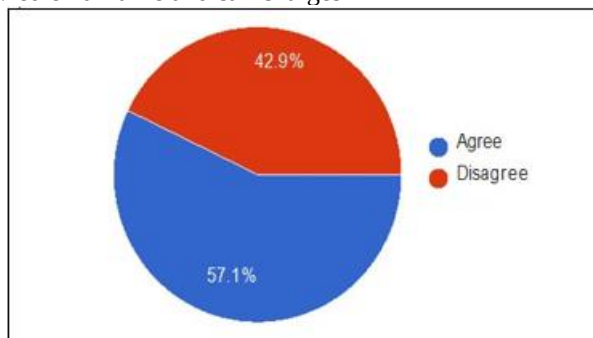
Indirect Tax does not affect the consumer on the goods and services utilized



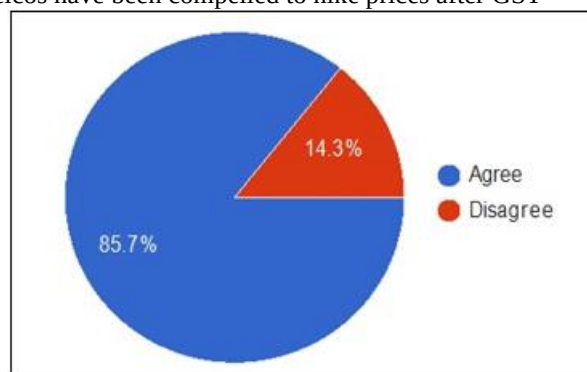
Is tax levied on embedded software of the telecommunication equipment imported in India



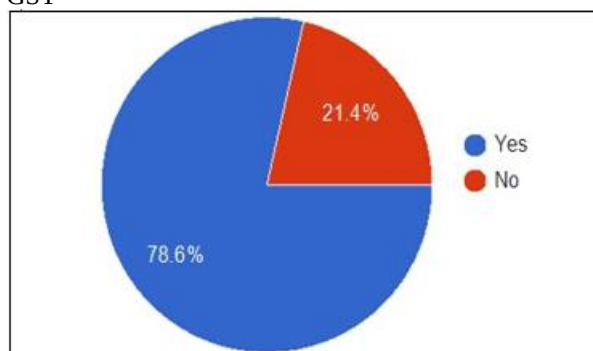
Indian Court ruled that there will be no withholding tax levied on air time and call charges



Telcos have been compelled to hike prices after GST



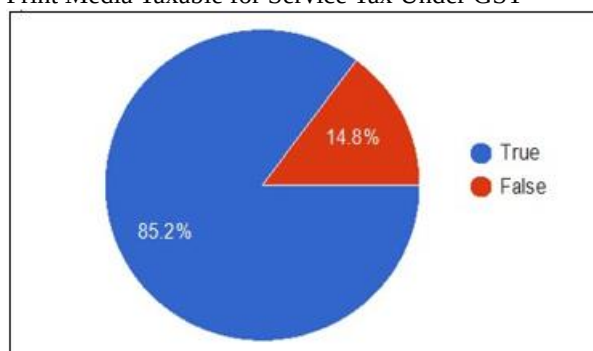
The Price of movie Tickets have gone up after introduction of GST



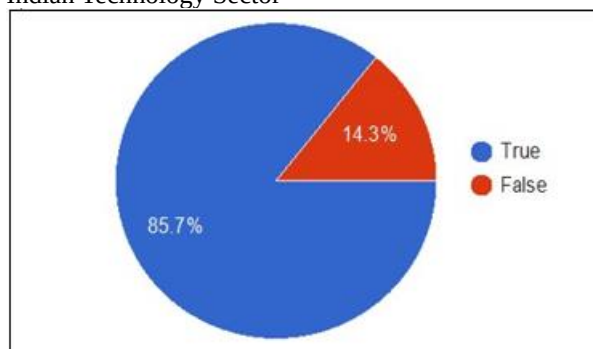
3. Data Interpretation

Indirect taxes does affects the consumer in various ways. As per data, 79% of consumers have given their opinion that indirect taxes affects them. The efforts to increase the revenue that are reflected in tariff hikes. However after the introduction of GST, the changes, modifications in the indirect taxes in TMT sector affects the consumer. At the same time, the consumer also knows that tax paying is essential. Over 93% consumers have replied their opinion in positive manners. Further, the data shows that, they agreed that tax provisions are framed, levied, collected and deductions are provided for the benefit of a tax payer.

Print Media Taxable for Service Tax Under GST



Information Technology is the main Contributor in the Indian Technology Sector



More than half percentage of consumers believe that there is no withholding of taxes levied on air time and call charges. Furthermore, selling of cellular SIM cards or refill vouchers at a subsidized cost to dealers does not constitute an income source and hence not included in TDS under section - 194H. The data indirectly reflects the extent to which customers use paid - for products in, say, one year determines whether they will repeat the purchase the next year. Consumption also helps establish switching costs. It significantly impacts the bottom line across multiple facets.

The price of movie tickets have gone up after the introduction of GST. As per the survey, 78.6% of customers have mentioned their positive views on price of movie tickets. The prices of movie tickets had been reduced substantially and had been brought down to 18% (tickets upto INR 100) / 28% (tickets above INR 100). Vide a recent amendment dated 31 December 2018, GST rates on cinema tickets were further reduced to 12% and 18% respectively. The advantageous effect of GST to consumers might entail a drop in the costs of cinema tickets at theaters, which could potentially be utilized to successfully generate popularity among individuals attending cinema multiplexes.

Around 82% customers were aware of the fact that print media is taxable for service tax under GST regime. Print media was exempt from service tax, while all other advertisement services were subject to service tax of 15%. Post introduction of GST, Selling of space for advertisement in print media attracts GST rate of 5% which enables advertisers to now claim input credit on all services procured by them. Additionally 86% of the customers have agreed with the fact that telecom operators have been compelled to hike prices after GST. Post GST, telecom falls in the 18% category, upto 3% from the 15% in the pre - GST regime.

The telecom service providers can easily absorb, since the rates have risen marginally after GST.

More than 85% of customers opinion that information technology is the main contributor of Indian technology sector. As per data, they aware of the fact that tax levied on embedded software of the telecommunications equipments imported in India. Further 86% customers have well known about the telecommunications industry and how India leads in the telecom sector.

However, the service providers need to make series of strategic decisions to meet the changed customer needs, cost structures and network requirements. Telecom operators have to rethink their business models and evolve into digital service providers o ensure that they are able to participate in transformation. This will not only open up alternate revenue streams, but also reduce reliance on declining voice and data prices.

4. Conclusion

In this era of relentless evolution, where technology is leaping forward and telecommunications and media is transforming for better customer experience, in an integrated and seamless manner, it is imperative to evaluate possible implications, under the evolving tax policies. Conventional fiscal rules have their foundation on laws enacted in the late nineteenth century; nevertheless, given the fast expansion of the TMT sector, such regulations might deserve to be modernized to allow efficient fiscal administration. Therefore, it is necessary to remain abreast with these changes and understand the nuances of the evolving business models and related concepts. This knowhow would enable addressal of the probable tax issues, emanating from these under - transformation business trends.