

India Union Budget 2019-20

Point of View

Telecommunication, Media and Technology

#UnionBudget2019 #KPMGBudgetLIVE



Despite huge industry expectations, there have been limited interventions for the TMT sector in the Union Budget 2019. Some of the key announcements relevant to the sector include:

Key announcements for the sector

- The Government expects a 28 per cent increase in non-auction revenue from the telecom sector in 2019-20 amounting to INR505.2 billion in revenue in the fiscal year 2019-20 against the revenue of INR392.5 billion earned 2018-19
- The BharatNet project is planning to boost internet connectivity in every Panchayat to bridge the rural-urban digital divide. The government will bank on the Universal Services Obligation Fund (USOF) corpus to boost rural broadband penetration under public private partnership (PPP)
- The government raised the customs duty on optical fibre cable to 15 per cent from the current 10 per cent
- Basic custom duty has been exempted on certain parts of line telephone handset and cellular mobile phones
- Local sourcing norms will be eased for Foreign Direct Investment (FDI) in single brand retail sector
- The Government will consider opening up FDIs in media and animation
- As many as two crore rural Indians are digitally literate under Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA), which plans to cover six crore rural households
- Under the 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI), the government announced plans to develop 80 livelihood business incubators (LBIs) and 20 technology business incubators (TBIs) in 2019-20
- The Government will focus on imparting new-age skills in areas such as artificial intelligence, Internet of Things, big data, 3D printing, virtual reality and robotics
- Relaxation in conditions for set off and carry forward of losses in case of change in shareholding of start-ups
- Exemption from angel tax (high share premium cases) is extended to investment made by Category II AIFs
- Capital gains exemption arising on sale of residential property for investment in start-up extended up to 31 March 2021. Further, the requirement to hold minimum 50 per cent share capital / voting rights of such start-ups relaxed to 25 per cent.

Implications for the sector

- The sector has been left wanting for more from Union Budget 2019, especially the financially stressed telecom sector. While the focus on implementation of BharatNet is a welcome step to boost rural India's access to e-governance, e-health, e-education, e-banking, internet and other services through high-speed broadband connections, the overall cost of implementation of BharatNet is likely to increase through the raise in customs duty on optical fibre cable. This is likely to encumber the roll-out of 5G in the country by the already debt laden sector.
- The duty exemption and easing of local sourcing norms for FDI in single brand retail sector are likely to help handset manufacturers. Similarly, the opening up of FDI in media and animation is a welcome step, which will help the sector to tap foreign investment.
- From technology sector perspective, the Government's focus on last mile connectivity, technology skill building and uplifting innovation by focus on reducing the tax burden on start-ups is likely to boost the digital growth of the country, and also invigorate the sector's focus on emerging technologies like IOT, AI, robotics, big data, VR, etc.

KPMG in India contacts:

Nilaya Varma

Partner and Leader
Markets Enablement
T: +91 124 669 1000
E: nilaya@kpmg.com

Satya Easwaran

Partner and Head
Telecommunication, Media
and Technology
T: +91 22 3989 6000
E: seaswaran@kpmg.com

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