Telecoms and AGR Dues

Why in news?

The Supreme Court held that telecom firms will get 10 years to clear their adjusted gross revenue or AGR dues.

What did the Supreme Court rule on AGR dues?

- The Supreme Court (SC) gave all telcos a 10-year timeline to complete the payments of AGR dues.
- [Previously, there was 20-year schedule suggested by the Department of Telecommunications (DoT).]
- The court also directed telcos to pay 10% of the total AGR dues by March 31, 2020.
- Following this, they can make payments in annual instalments between 2021 and 2031.
- The non-payment of dues in any year would lead to accrual of interest and invite contempt of court proceedings against such companies.
- The issue of whether the spectrum could be sold under Insolvency and Bankruptcy Code will now be decided by the National Company Law Tribunal.

What is the AGR issue?

- All the telecom companies that operate in India pay a part of their revenues as licence fee and spectrum charges to the DoT.
- This is charged for using the spectrum owned by the government.
- In its definition of AGR, the DoT had said that telcos must cover all the revenue earned by them, including from non-telecom sources.
- The telecom companies had challenged this definition of AGR in several forums, including the Supreme Court.

What was the 2019 SC verdict?

- In 2019, the SC had upheld the DoT's definition of AGR.
- It also said that since the licensee had agreed to the migration packages, they were liable to pay the dues, the penalty on dues, and the interest on penalty due to delay in payments.
- The SC had then given the telcos three months to clear their AGR dues.

- The telcos sought a review of the judgment.
- However, it was dismissed by the SC which had then insisted that telcos clear all the dues by January 23, 2020.

Why did the SC extend the payment timelines?

- The DoT and, the telcos that needed to pay within such a short period of time requested a hearing from the SC.
- The court agreed to hear them on a revised timeline, but it refused to reconsider the quantum of AGR to be paid by them.
- In an affidavit to the SC, the DoT had suggested that telcos be given up to 20 years to complete the payment of pending dues.
- The DoT suggested that these dues could be paid by the telcos in annual installments.
- It suggested that the interest on the past unpaid amount, penalty and the interest on penalty with respect to past dues, be frozen as of October 24, 2019.

What does the AGR ruling mean for telcos?

- For Bharti Airtel and Vodafone Idea, a payment timeline of 10 year will come as a breather.
- Both the companies had sought 15 years for making the AGR payment.
- Some telcos will suffer as the SC has not allowed any recalculation of dues.

Source: The Indian Express

SHANKAR IAS PARLIAMENT
Information is Empowering