



**PAKISTAN TELECOMMUNICATION AUTHORITY**  
**HEADQUARTERS, F-5/1, ISLAMABAD**

**Enforcement Order under Section 23 of the Pakistan Telecommunication (Re-Organization) Act, 1996 Against Worldcall Telecom Limited For Non-Provision Of License-Wise Auditors Certified Breakups Of Revenue & Inter-Operator Costs And Non-Payment Of Annual License Fee And Contributions For The Year Ended 31<sup>st</sup> December, 2022**

No. PTA/Finance/LDI/Worldcall Telecom/134/2006/5/5

Show Cause Notice: 21<sup>st</sup> December, 2023  
Venue of Hearing: PTA HQs, Islamabad  
Date of Hearing: 7<sup>th</sup> March, 2024

**Hearing Panel:**

Maj. Gen. Hafeez Ur Rehman (R)	Chairman
Dr. Khawar Siddique Khokhar	Member (Compliance & Enforcement)
Muhammad Naveed	Member (Finance)

**Issue:**

**“Non-Submission of license-wise Auditors Certified breakups of revenue and inter-operator costs and Non-Payment of Annual Regulatory Dues and Contributions for the year ended 31<sup>st</sup> December, 2022**

**DECISION OF THE AUTHORITY**

**1. Brief Facts of the Case:**

1.1 WorldCall Telecom Limited (the “licensee”) is engaged in the business of operating telecommunication system as Long Distance and International (LDI) operator pursuant to non-exclusive license No. LDI-02(01)-2004 dated 14<sup>th</sup> July 2004 and Fixed Local Loop (FLL) operator pursuant to non-exclusive Fixed Local Loop License No. LL 10-2004 dated 16<sup>th</sup> July 2004 and Fixed Local Loop License No. LL 09-2004 dated 16<sup>th</sup> July 2004 (the “license”) granted by Pakistan Telecommunication Authority (the “Authority”) to establish, maintain and operate a Telecommunication System, subject to the terms and conditions contained in the licenses

1.2 By virtue of the license conditions No. 4.1.2 (a), 4.1.3, 4.2.1, 4.2.2 and 4.2.3 read with clause 3.3, 3.4 and 3.6 and sub-regulation (6) and (7) of regulation 23 of the Pakistan Telecommunication Authority (Functions and Powers) Regulations, 2006 (the “Regulations”), it is obligatory upon the licensee to deposit Annual Regulatory Dues (“ARDs”) comprised of Annual License Fee (“ALF”), Research and Development Fund

Contribution (“R&D”) and Universal Service Fund Contribution (“USF”) within 120 days of the end of financial year to which such fees and contributions relate. Moreover, license conditions 4.2.4 and 6.4.3 of the license, also require the licensee to submit Annual Audited Accounts (“AAAs”) within 120 days of the close of financial year in support of its calculation of ARDs payable pursuant to Article 3 and 4 of the licenses and the Authority shall have the right to audit such statements at any time.

1.3 The licensee vide letter dated 24<sup>th</sup> March, 2023 followed by reminder dated 18<sup>th</sup> April, 2023 was requested to submit AAAs and make payment of ARDs for the year ended 31<sup>st</sup> December, 2022. The licensee vide email dated 12<sup>th</sup> May, 2023 submitted copy of Annual Report 2022 without furnishing auditors certified breakup of revenue and costs required for calculation of ARDs and without making payment of ARDs. Therefore, PTA vide letter dated 18<sup>th</sup> May, 2023 requested the licensee to provide auditors certified breakup of revenue and costs and detail regarding other financial information extracted from its Annual Report. In response, licensee vide letter No. WTL-05/4-1/1424 dated 7<sup>th</sup> June, 2024 and email dated 9<sup>th</sup> June, 2024 mentioned that its team is engaged with auditors to obtain required auditors certificate, meanwhile, cheque amounting to Rs. 1,725,731/- on account of ALF was deposited in PTA and intimation that R&D amounting to Rs. 1,725,731/- and USF amounting to Rs. 5,177,193/- is being deposited in MoIT, without sharing the basis of its calculation of said amounts.

1.4 PTA vide letter dated 9<sup>th</sup> June, 2023 requested the licensee to submit underlying working on the basis of which the calculation of ARDs is done. Accordingly, licensee vide email dated 14<sup>th</sup> June, 2023 shared its calculation of ARDs. Subsequently, licensee vide letter No. WTL-05/4-1/1429 dated 24<sup>th</sup> July, 2023 submitted auditors certificate having breakup of revenue and costs, however, the same did not have complete information as required vide PTA’s letter dated 9<sup>th</sup> June, 2023. Based on the available information furnished by the licensee, Provisional Demand Note (PDN) dated 1<sup>st</sup> August, 2023 were issued requiring the licensee to pay ARDs amounting to Rs. 13,882,510/- including Late Payment Additional Fee (LPAF) calculated till 7<sup>th</sup> August, 2023 (ALF amounting to Rs. 2,747,510/-, R&D amounting to Rs. 2,747,510/- and USF amounting to Rs. 8,387,490/-) along with list of documents required for finalization of demand note. However, licensee did not respond to said PDN, therefore, reminders dated 30<sup>th</sup> August, 2023 and 21<sup>st</sup> September, 2023 were also issued for compliance of requirements mentioned in the PDN.

1.5 The licensee vide letter No. WTL-05/4-1/1436 dated 28<sup>th</sup> September, 2023 provided mere description of requirements mentioned in PDNs instead of providing the requisite detail. PTA vide letter dated 23<sup>rd</sup> October, 2023 provided another opportunity to provide the details and in order to facilitate the licensee, copies of underlying record (i.e. General Ledgers, Agreement with customer etc.) were requested to determine the eligibility of revenue and deductions in calculation of ARDs.

1.6 In response, licensee vide email dated 26<sup>th</sup> October, 2023 requested for extension in time by 2 weeks. The request of the licensee was acceded to by the Authority that was

communicated to the licensee vide letter dated 31<sup>st</sup> October, 2023. However, it was requested that readily available information with the licensee e.g. copy of general ledgers etc. be shared within 2 days. However, licensee did not submit the same.

1.7 As a consequence thereof, a Show Cause Notice (SCN) dated 21<sup>st</sup> December, 2023 was issued under section 23 of the Act, wherein the licensee was required to remedy the contravention by submitting Auditors Certified breakups of revenue and inter-operator costs and make payment of outstanding dues for the year 2022 within seven (07) days of issuance of show cause notice and also to explain in writing within thirty (30) days, as to why any enforcement order should not be passed under section 23 of the Act.

1.8 The licensee vide letter dated 18<sup>th</sup> December, 2023 submitted the documents and information. The response of licensee was reviewed, wherein it was observed that significant part of the information provided by licensee do not corroborate with its AAAs and other financial information. Therefore, PTA vide letter dated 19<sup>th</sup> January, 2024 conveyed the observations to licensee. Subsequently, licensee vide letter dated 13<sup>th</sup> February, 2024 mentioned that it has already deposited ARDs for the year 2022 and submitted revised information.

1.9 To proceed further, the matter was fixed for hearing on 7<sup>th</sup> March, 2024. Mr. Abdul Bari Rashid (Legal Counsel), Mr. Saeb Zaidi (Director Regulatory), Mr. Gul Ahmed (Adviser), Mr. Muhammad Ashfaq (Head of Financial Planning) and Mr. Sami Alam (Manager Regulatory) attended the hearing on the said date on the behalf of licensee. During the hearing, the licensee re-iterated its stance provided in response shared vide letter dated 13<sup>th</sup> February, 2024 and earlier related communication. Pursuant to hearing, revised PDN dated 14<sup>th</sup> March, 2024 for payment of ARDs amounting to Rs. 17,135,223/- including LPAF calculated till 29<sup>th</sup> March, 2024 (ALF amounting to Rs. 3,396,672/-, R&D amounting to Rs. 3,413,929/- and USF amounting to Rs. 10,324,622) along with request to furnish pending information was raised. However, licensee has neither furnished requisite information nor deposited balance ARDs.

## **2. Findings of the Authority**

2.1 Findings on response received from licensee from time to time are given below:

2.2.1 Licensee has reported revenue amounting to Rs.400 million related to Indefeasible Right of Use (IRU) of metro fiber for 20 years in AAAs. Same revenue has been reported as sale of dark fiber in auditor's certificate under FLL license and is claimed as non-licensed revenue. The IRU arrangement and sale of asset are transactions of different nature, hence, cannot be used interchangeably. Further, the claim of licensee that the said revenue is non-licensed is not maintainable on the grounds that one can't establish, maintain or operate any such system or provide any services without having PTA license. Therefore, the said revenue shall be included in revenue under FLL licenses for calculation of ARDs and corresponding sales tax

amounting to Rs. 17 Million being allowable deductions as per license conditions shall be allowed under the same license in calculation of ARDs.

2.2.2 The revenue amounting to Rs. 61 Million on account of CATV and advertisement as per auditors certified breakup being non-licensed revenue in nature shall be excluded for calculation of ARDs, hence, no ARDs are payable on said amount

2.2.3 Inter-operator costs as mentioned in the auditors' certificate and PTA/FAB mandated payments made during the year 2022 are allowable deductions from licensee's gross revenue from licensed services for the year. Therefore, it is an admitted fact that interconnect cost paid to local operators (PTA licensees) amounting to Rs. 1.3 billion, as certified by the auditors are eligible inter-operator costs against revenue in line with applicable license terms and conditions. Therefore, the said costs are deducted from revenue while calculating ARDs. As regard deduction on account of bandwidth charges, party-wise breakup has not been provided despite repeated reminders, therefore, deduction on account of bandwidth charges amounting to Rs. 14 million are not allowed as the eligibility of said cost for deduction cannot be determined.

2.2.4 As regard the licensee's claim of deductions amounting to Rs. 98 Million qua provision for doubtful debt, it has been explained that the head of accounts for which such expense would have been incurred don't correspond to head of accounts allowed as deductions as provided in the license. Therefore, licensee's claim being against the terms and conditions of the license is disallowed.

2.2.5 As regard licensee's claim for deduction of discount amounting to Rs. 1 Million, stated by the license, as reported in note 38 to the financial statements includes commission on sales in nature and substance. As per regulation 23 read with license terms and conditions, commission on sales is not an allowable deduction while calculating ARDs. The licensee was required to provide breakup of discount and commission cost, however, licensee failed to provide the same. Further, it is observed in other supporting documents submitted by licensee, i.e. General Ledgers, that the amount of discount amounts to Rs. 477,362/- only. Therefore, the amount of Rs. 477,262/- on account of discount is allowed as deduction as per regulation 23 of the F&P regulations.

2.2 In light of the available record and findings as mentioned herein above, calculation of ARDs under FLL and LDI licenses is attached as **Annex-A** (as part of this order).

### 3. **ORDER:**

Keeping in view the above-mentioned facts coupled with the available record, the Authority hereby decides as under:

3.1 Since the licensee has failed to provide any cogent reason and justification to substantiate its claim, therefore, the licensee is hereby directed to make payment of outstanding ARDs amounting to Rs. 16,823,819/- (Rupees Sixteen Million, Eight Hundred Twenty-Three Thousand, Eight Hundred and Nineteen only) (LPAF calculated till 13<sup>th</sup> July, 2024) within seven (03) days from the date of receipt of this order.

3.2 In case of con-compliance of directions mentioned at para 3.1 above, further legal action will be initiated against the licensee as per applicable law without any further notice.

**Maj. Gen. Hafeez Ur Rehman (R)**  
Chairman

**Muhammad Naveed**  
Member (Finance)

**Dr. Khawar Siddique/Khokhar**  
Member (Compliance & Enforcement)

Signed on 19<sup>th</sup> August, 2024 and comprised of (5) pages only.

Pakistan Telecommunication Authority  
Calculation of Annual Regulatory Dues of  
WorlCall Telecom (Private) Limited  
For the year ended 31 December, 2022

Particulars	Amount in Rupees		
	FLL	LDI	Total
<b>Gross Revenue as per financial statements</b>			
Less: Sales Tax	148,000,000	2,171,000,000	2,319,000,000
Less: Discount	(17,000,000)	-	(17,000,000)
Less: CA TV and advertisement being non-licensed service revenue	(447,362)	-	(447,362)
	-	(61,000,000)	(61,000,000)
<b>Total Revenue</b>	<b>130,552,638</b>	<b>2,110,000,000</b>	<b>2,240,552,638</b>
<b>Less Allowable Deductions:</b>			
Interconnect, Settlement and other charges (Local Operators Only)	-	(1,340,000,000)	(1,340,000,000)
Bandwidth and other PTCL charges (Local Operators Only)	(14,220,000)	(28,554,000)	(42,774,000)
AIF paid during the year 2022	-	(2,236,055)	(2,236,055)
USF paid during the year 2022	-	(2,236,055)	(2,236,055)
Numbering charges paid during the year 2022	-	(183,000)	(183,000)
	<b>(14,220,000)</b>	<b>(1,373,209,110)</b>	<b>(1,387,429,110)</b>
	<b>116,332,638</b>	<b>736,790,890</b>	<b>853,123,528</b>

## Adjusted Gross Revenue for calculation of ARDs

Date & Days	Annual License Fee			Research and Development Fund (R&D)			Universal Service Fund		
	FLL	LDI	Total	FLL	LDI	Total	FLL	LDI	Total
12-Jun-23	581,663	3,683,954	4,265,618	581,663	3,683,954	4,265,618	1,744,900	11,051,863	12,796,853
	(578,981)	(1,146,750)	(1,725,731)	(578,981)	(1,146,750)	(1,725,731)	(3,440,250)	(1,736,943)	(5,177,193)
43	16,674	105,607	122,281	22,491	142,446	164,937	93,393	604,169	699,561
397	710	6,71,513	672,223	683	646,141	646,824	(404,602)	2,223,161	1,818,559
13 July 2024	17,384	777,120	794,504	23,174	788,588	811,762	(309,209)	2,827,330	2,518,120
	20,066	3,314,325	3,334,391	25,856	3,325,792	3,351,648	(2,004,470)	12,142,250	10,137,780
	<b>16,823,819</b>								

Balance ARDs payable for 2022

Total Outstanding ARDs for 2022

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Dated: 19th August, 2024