



Cellular Operators Association of India

Sales Tax / Service Tax Demand on Cost of SIM card

Dispute with the Department related to cost of SIM card

Many of Cellular operating companies have received demand of Sales Tax to be paid on the cost of SIM card creating a doubt in companies whether the same is an element of service or to be treated as sale of goods.

Due to absence of clarity :-

- a. Some cellular companies are treating the cost of SIM card as a sale transaction and accordingly raising and depositing Sales Tax on the same with the local state Government. However these companies have received demand notices from Service Tax department to pay service tax treating it as part of Services.
- b. Similarly, some other cellular companies were charging and depositing Service Tax on the cost of SIM, treating it to be an integral part of Service. These companies have also however received demand notices from Sales Tax department treating it as sales of goods.
- c. On the other hand same cellular companies have received demand for paying the Local sales tax even on the Airtime charges billed value, which is purely an element of services and no transfer of goods being involved in the transaction.

Suggestion

A clarification needs to be issued by the Government to resolve and settle the dispute arising from the above for once and for all, so that cellular companies can regularize the taxing of cost of SIM card. Further, it should be notified that for all the past cases, no further demand of any tax to be raised by either of the department i.e. to the companies having paid any one of the taxes to Sales tax or Service tax department.