

**CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
CHENNAI**

REGIONAL BENCH - COURT No. III

(1) Service Tax Appeal No. 41179 of 2018

(Arising out of Order-in-Original No.001 to 010/2017 (R) dated 22.12.2017 passed by Commissioner of GST & Central Excise, Chennai-Outer, Newry Towers, No.2054:I- II Avenue, Anna Nagar, Chennai 600 040)

Indian Bank

.... Appellant

AGM Finance and Accounts,
M/s. Indian Bank,
No.66, Rajaji Salai,
Chennai 600 001.

VERSUS

**The Commissioner of GST &
Central Excise,**

... Respondent

Chennai Outer Commissionerate,
Newry Towers, No.2054,
I Block, II Avenue, 12th Main Road,
Anna Nagar,
Chennai 600 040.

WITH

- (2) Service Tax Appeal No.41180 of 2018
(Indian Bank Vs CGST & CE, Chennai Outer)**
- (3) Service Tax Appeal No.41492 of 2018
(CGST & CE, Chennai North Vs Indian Bank) with
ST/Cross/41882/2018-by Respondent**
- (4) Service Tax Appeal No.41493 of 2018
(CGST & CE, Chennai North Vs Indian Bank) with
ST/Cross/41883/2018- by Respondent**
- (5) Service Tax Appeal No.41494 of 2018
(CGST & CE, Chennai North Vs Indian Bank) with
ST/Cross/41884/2018- by Respondent**

[Arising out of Order-in-Original No.001 to 010/2017 (R) dated 22.12.2017 passed by Commissioner of GST & Central Excise, Chennai-Outer, Newry Towers, No.2054:I- II Avenue, Anna Nagar, Chennai 600 040]

APPEARANCE :

Shri G. Shiva Kumar, Advocate
Shri S. Dinesh Kumar, Chartered Accountant
for the Assessee

Shri M. Selvakumar, Authorized Representative
for the Revenue

CORAM :

HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)
HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

FINAL ORDER Nos.40733-40737/2025

DATE OF HEARING : 17.03.2026
DATE OF DECISION : 18.06.2026

Per: Shri P. Dinesha

These Appeals arise out of the common impugned Order-in-Original Nos.001 to 010/2017 (R) dated 22.12.2017 passed by Commissioner of GST & Central Excise, Chennai. Entertaining a doubt that there was short payment of service tax, non-payment of service tax, short reversal of cenvat credit etc. for various periods, the Revenue issued various Show Cause Notices, which came to be adjudicated by the common impugned order, however since Appeals against each demand were filed separately, most of the Appeals have been disposed of as settled under

SVLDRS, leaving only these Appeals. Relevant SCNs and the issue involved in each of these Appeals as tabulated in the impugned order are reproduced below for convenience :

S.No.	SCN/ SOD No. Date	Period	Amount involved	Issue in brief	Demand	Interest	Penalty
1.	SCN No.238/ 2010 dated. 19.04.2010	2005-06 to 2007-08	15,19,00,000	Non- payment of ST on foreign exchange income earned through interbank transaction	Proviso to Section 73(1) of the Finance Act, 1994	Rule 14 of CENVAT Credit Rules read with Section 75 of Finance Act, 1994	Rule 15 (4) of CENVAT Credit Rules read with Sections 76 and 78 of Finance Act, 1994
		2006-07 to 2008-09	1,70,00,00,00	Short payment of ST on turnover commission			
		2008-09	31,87,575	Non- payment of ST on arrangement fee			
		2008-09	1,64,682	Short payment of ST due to non- inclusion of TDS on the import of service			
		2007-08	9,79,22,282	Short reversal of CENVAT credit under			

				Rule 6 (3A)			
		2007-08 & 2008-09	72,62,231	Wrong availment of CENVAT credit on handling service used exclusively in the exempted service			
		2008-09	7,68,675	Excess availment of CENVAT credit in respect of services received from BSNL			
			27,82,05,445	TOTAL			
2.	SCN No.711/2010 dated 21.10.2010	2009-10	45,93,945	Short payment of ST on turnover commission	Section 73 (1) read with Section 66A of Finance Act, 1994 read with Rule 2(1) (d)(iv) of Service Tax Rules, 1994	Section 75 of Finance Act, 1994	Section 76 of Finance Act, 1994 and Rule 15 of CENVAT Credit Rules.
			4,30,816	Short payment of ST due to non-inclusion of TDS on the import of service			
			8,37,51,476	Short reversal of CENVAT credit under Rule 6(3A)			
			21,38,733	Wrong availment of CENVAT credit on handling service used exclusively in the exempted service			
			9,09,14,970	TOTAL			

3.	SCN No.455/2011 dated 13.10.2011	2010-11	16,13,85,905	Short reversal of CENVAT credit under Rule 6 (3A)	Rule 14 of CENVAT Credit Rules read with Section 73 (1) of Finance Act, 1994	Rule 14 of CENVAT Credit Rules	Rule 15 (1) of CENVAT Credit Rules.
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2. Heard Shri G. Sivakumar, Id. Advocate for the Appellant-Bank and Shri M. Selvakumar, Id. Departmental Representative for the Revenue; we have carefully perused the documents and submissions made both in writing as well as verbal during the course of arguments and we have also gone through the decisions relied upon during the course of arguments.

3. After hearing both sides, the following issues arise for our consideration :

- (i) Invocation of extended period of limitation.
- (ii) Short-payment of service tax on turnover commission.
- (iii) Service tax liability on Arrangement charges/fees.
- (iv) Availment of cenvat credit on Handling charges
- (v) Denial of proportionate Input Tax Credit on B.S.N.L invoices

4. The first issue is on invocation of extended period of limitation and it was submitted in this regard that the demands raised in the common impugned order are time-barred since the Appellant-Bank which is a P.S.U, has not suppressed any facts, that too with intent to evade tax and therefore, invoking the larger period under Section 73 (1) of the Finance Act, 1994 is not justified. Moreover, it is the Appellant-Assessee's case that all its transactions were duly reflected/recorded in their statutory books which were examined during the audit by the Revenue and the issue involves pure interpretation of law. It was submitted that mere omission or entertaining a different opinion by the Revenue cannot to be treated as suppression to justify invoking the extended period.

5. The next issue is regarding alleged short-payment of service tax on turnover commission, it was submitted in this regard that the turnover commission is what was actually received from R.B.I for doing Government business as an agent of R.B.I; the same is shared between multiple banks wherever many banks are involved. It was submitted that Notification No.22/2006-ST dated 31.03.2006 issued by R.B.I itself specifically exempts such service from service tax liability since exemption available to Principal i.e. R.B.I is

available to its agent. Ld. Advocate would also rely upon the decision of Supreme Court in the case of **CST Bangalore Vs Canara Bank** [2023 (5) TMI 137 (SC) = 2023 (71) G.S.T.L 225 (SC)].

6. Next issue relates to service tax on arrangement charges. It is the case of the Appellant-Assessee that an amount is collected in the nature of interest, to cover the negative spread of Export Credit and such interest is clearly exempt from service tax. Our attention was drawn to the finding of the Adjudicating Authority at para-4.5.4 wherein the Commissioner himself has admitted as to the nature of interest. It was thus submitted that in terms of Rule 6 of Valuation Rules, the interest on loans is specifically excluded from the value of service.

7. Next issue relates to cenvat credit on Handling charges by S.B.I. It was submitted in this regard that the S.B.I is the Lead Lender in a Consortium, the Appellant-Bank would receive both interest and charges; due service tax was paid on the charges received. The Lead Lender i.e. S.B.I had charged Handling charges on the Appellant-Bank and the Appellant-Bank had thus availed cenvat credit on the above payment. It was further submitted that the Commissioner

did not appreciate these facts in the proper perspective, but proceeded on a wrong notion that the service was towards an exempt service. It was submitted that the Appellant-Bank is only paying tax on output service i.e. charges collected and therefore, the Appellant-Bank is entitled for availing Input Tax Credit on such charges paid to S.B.I.

8. Next issue relates to the denial of proportionate Input Tax Credit on B.S.N.L invoices and it was submitted in this regard that the Revenue has not disputed the eligibility of the Appellant-Bank to avail credit on the Telecommunication service invoice, the invoice would be first settled fully including the service tax by the Appellant on which Input Tax Credit was sought to be availed. BSNL having later on refunded a partial amount, it was thus held by the Revenue that the cenvat credit was required to be proportionately reversed. Our attention was drawn in this regard to the CBEC Circular No.122/03/2010-ST dated 30.04.2010.

9. Insofar as the Department Appeals are concerned, wherein the Department has questioned the non-reversal of cenvat credit under Rule 6 (3A) by treating interest income as exempt, it was submitted that interest was partially exempt by value under Notification No.29/2004, which came

be amended in 2011 by granting full exemption. In any case, it is the Assessee's case that interest on loan is excluded from 'value of service' under Section 67 read with Rule 6 and hence, value of alleged 'exempt service' is only 'Nil', thereby there could arise nothing for proportionate reversal under Rule 6(3A). In this regard, reliance was placed on the following decisions :

- (i) **Tirupati Urban Co-operative bank Ltd. Vs CCE & ST Nagpur-II** [2022 (9) TMI 130-CESTAT Mumbai]
- (ii) **Bhinagar Urban Co-operative Bank Ltd. Vs CCE & ST Aurangabad** [2015 (11) TMI 50-CESTAT Mumbai = 2016 (41) S.T.R 673].
- (iii) **Gautam Sahakari Bank Ltd. Vs CCE Aurangabad** [2018 (5) TMI 218-CESTAT Mumbai = 2019 (20) G.S.T.L 584]

10. *Per contra*, Shri M. Selvakumar, Id. Departmental Representative relied on the findings in the impugned order; he would take us through the relevant observations and findings of the Commissioner in the impugned order.

11. We have heard the rival contentions and perused the documents placed on record.

12. With regard to the primary issue of limitation the admitted facts are that the Appellant-Bank is a PSU/Scheduled Bank on which there is always continuous supervision by Govt/RBI and there is also no dispute that all the transactions are duly recorded in the statutory books. It is not the case of the Revenue that there was any mischief as against the claims of the Appellant-Bank that it had declared everything in its books in strict conformity with the guidelines / circulars issued by R.B.I. Perhaps some of the issues also involve interpretation and hence, there cannot be any scope to allege suppression of facts with an intent to evade tax and hence, invocation of extended period of limitation cannot stand. In this regard, we find that the reliance placed by the Appellant-Bank on the following decisions support their case :-

- (i) **Chamundi Die Cast (P) Ltd. Vs CCE Bangalore** [2007 (215) ELT 169 (SC)]
- (ii) **Cosmic Dye Chemical Vs CCE** [1995 (75) ELT 721 (SC)]
- (iii) **CCE Vs Vineet Electrical Industries Pvt. Ltd.** [2002 (144) ELT A292 (SC)]

Further, it is not also the case of the Revenue that there was deliberate omission but even if it is so still, as held in the following cases, suppression cannot be alleged :

- (i) **Padmini Products Vs CCE**
[1989 (43) ELT 195 (SC)]
- (ii) **CCE Vs Chemphar Drugs & Liniments**
[1989 (40) ELT 276 (SC)]
- (iii) **Gopal Zarda Udyog Vs CCE** [2005 (188) ELT 251 (SC)]
- (iv) **Lubri-Chem Industries Ltd. Vs CCE**
[1994 (73) ELT 257 (SC)]

13. In view of the above discussion, we hold that Revenue is not justified in invoking the extended period of limitation. In view of this alone, it is clearly to our mind that the demands raised invoking the larger period cannot sustain and, therefore, same are set aside. The Impugned Order is therefore set aside and the Appeals filed by the Assessee are allowed on limitation itself.

14. When the entire demand is raised by invoking the larger period, which is held to be unsustainable, we do not propose to consider the other issues. The Impugned Order is set aside and Appeals filed by Appellant-Assessee are allowed as indicated above with consequential relief, if any, as per law.

15. For the very same reasons, the Department Appeals stand dismissed. Cross-objections filed by Assessee also stand disposed of.

(Order pronounced in open court on 18.06.2026)

sd/-

(VASA SESHAGIRI RAO)
Member (Technical)

sd/-

(P. DINESHA)
Member (Judicial)

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