

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

REGIONAL BENCH - COURT NO. 1

Service Tax Appeal No. 20137 of 2015

(Arising out of Order-in-Original No. 50 & 51/2014 dated 13.10.2014
passed by the Commissioner of Service Tax, Bangalore.)

M/s. Volvo Buses (India) Pvt. Ltd.

Yelachahally, Tavarekere Post,
Nandagudi, Hosakote Taluk,
Bangalore Rural - 562 122.

Appellant(s)

VERSUS

The Commissioner of Service Tax

Above Domlur BMTC Bus Stand,
Old Airport Road, Domlur,
Bangalore - 560 071.

Respondent(s)

APPEARANCE:

Shri Nischal K.M, Advocate for the Appellant

Shri M. A. Jithendra, Asst. Commissioner (AR) for the Respondent

CORAM:

HON'BLE MR. P. A. AUGUSTIAN, MEMBER (JUDICIAL)

HON'BLE MRS. R. BHAGYA DEVI, MEMBER (TECHNICAL)

FINAL ORDER NO. 20813 /2026

DATE OF HEARING: 08.06.2026

DATE OF DECISION: 07.07.2026

PER: R. BHAGYA DEVI

This appeal is filed by the appellant M/s. Volvo Buses India Pvt. Ltd. against Order-in-Original No.50 & 51/2014 dated 13.10.2014 passed by the Commissioner of Service Tax, Bangalore.

2. The Appellant is engaged in bus body building on the bus purchased by them and for this activity, they received Intellectual Property Right (IPR) from their parent unit that is M/s. Volvo Bus Corporation, Sweden under an agreement called "Technical License Contract Agreement". According to the department, this "Technical License Contract Agreement" comes under the purview of section 65(55a) of the Finance Act, 1994; hence, demanded service tax on the amount paid as royalty by the appellant to their parent company. The Commissioner in the impugned order confirmed the demand on the ground that the Technical Know-how Agreement is for the purpose of producing the buses, producing and assembling components for the use in assembly of buses, procuring components for use in the assembly of buses, developing improvements to the buses, distributing buses and other products in India. Since the above activities are purely in the nature of design service coupled with other activities, the services received by the appellant for a consideration that is royalty was classified as IPR services as per Section 65(55a). Accordingly, service tax demand was confirmed along with interest and various other penalties. Aggrieved by this order, the appellant is in appeal before us.

3. The learned Counsel submits that during the relevant period, the appellant had paid the royalty to foreign company for receiving the right to use technical know-how and technical documentation under the Technical License Contract Agreement. As per the Agreement, royalties have to be paid for transfer of technical know-how which is used towards manufacturing, assembling, quality control etc; which cannot be considered as Intellectual Property Rights (IPR) as alleged by the Revenue. He further submitted that the clauses of the contract clearly established the fact that the payments are only technical know-how. Further, he submits that the Finance Act, 2004 with effect from 10.9.2004 inserted Intellectual Property Service within the

ambit of taxable services of the Finance Act 1994 for the purpose of levying service tax and IPR services was defined as follows:

“Section 65(55a) “Intellectual Property Right” means any right to intangible property namely trademarks, designs, patents or any other similar intangible property, under any law for the time being in force, but does not include copy;”

3.1 He further stated that department vide F. No.B2/8/2004-TRU dated 10.09.2004 clarified that only those IPR covered under Indian laws in force at present alone are chargeable to service tax, thus, appellant submit that the technical know-how received by them was not registered under any of the Indian laws in force and therefore, the question paying service tax on IPR services does not arise. Relying on the decision of ABB Limited vs. Commission of Central Excise and Service Tax: 2019 24 GSTL 55 (Tri. -Bang.), it is submitted that receipt of technical know-how does not amount to service which can be made leviable to service tax and it was noted that licensing of intellectual property rights which are not covered by Indian law such as the technical know-how does not fall into the ambit of definition of IPR under Section 65(55a) of the Finance Act 1994. He also placed reliance on decision of this Tribunal in the Final Order No.21586/2017 dated 10.08.2017 pertaining to the appellant's own case. He also relied on large number of decisions which are placed on record to justify their stand. In addition, he submitted that extended period of limitation is not invocable since the demand is based on the balance sheets which are public documents and were available to the Revenue at any given point of time; as such, there was no suppression or misstatement of facts and the service tax was not paid only on a *bona fide* belief that no service tax was liable to be paid.

4. The learned Authorized Representative reiterates the findings of the impugned order and submits that the Commissioner was justified in demanding service tax from the appellant for the services received by them and for the consideration paid for the same.

5. Heard both sides. The only dispute in this case is whether the appellant is liable to pay service tax considering the royalty payments made by the appellant to be considered as services received under the category of Intellectual Property Rights Services.

6. Let's examine the definition of 'Intellectual Property Right Services' as defined under Section 65(55a) and (55b), which are extracted below:

Section 65(55a) "intellectual property right" means any right to intangible property, namely, trademarks, designs, patents or any other similar intangible property, under any law for the time being in force, but does not include copyright;

Section 65(55b) "intellectual property service" means-

- (a) transferring temporarily; or
- (b) permitting the use of enjoyment of any intellectual property right;

7. On perusal of the "Technical License Contract Agreement" entered into by the appellant with their parent company at Sweden, we find that the relevant clauses read as follows:

2. Scope of License and Obligations

2.1 The objective of the technology license granted by VBC hereunder is to enable VBT to manufacture the Licensed Products with the quality standards required by VBC.

Subject to the terms and conditions of this Contract, VBC hereby grants to VBT and VBT hereby accepts a non-exclusive and a non-transferable right and licence within the Territory to use the Technical Documentation and Know-How solely for the purpose of:

- (a) producing the Licensed Products;
- (b) producing and assembling Components for use in the assembly of the Licensed Products;
- (c) procuring Components for use in the assembly of the Licensed Products;
- (d) developing improvements to the Licensed Products; and
- (e) distributing the Licensed Products and/or the Volvo Products
 - (i) within the Territory, (ii) outside the Territory, but only after receiving written approval from VBC in advance.

For the avoidance of doubt, the license granted here under does not include the right to produce any Components for which VBC does not have the right to license VBT for production.

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2.5 VBT acknowledges and agrees that, other than the rights expressly granted under this Contract, it does not by this Contract acquire and has no right or claim to any other rights in, or to the use of, trademarks, trade names, utility model rights, design rights, patents, copyrights, technical documentation, know-how or technical knowledge owned, used or adopted by VBC or its Affiliates.

From these Clauses, it is clear that the appellant has no right or claim to use the trademarks, trade names, model rights, design rights etc. At Clause 12.1, the royalty payments are in consideration for the license granted as specified at Clause 2.2; thus, proving the fact that the royalty payments are for technical documentation and know-how.

8. We also find that in the appellant's own case, this Tribunal vide **Final Order No.21586/2017 dated 10.08.2017**, in identical set of facts, held as follows:

"4. We have heard both sides and perused the appeal records. We note in the present case, the Commissioner did not bring out the existence of any such IPR in the transaction between the appellant and the holding company in Sweden. Accordingly, following the ratio of the earlier decisions cited above, we find that the impugned order is not legally sustainable. Accordingly, the same is set aside and the appeal is allowed."

9. It is also to be noted that the Board vide Circular No.B2/8/2004-TRU dated 10.09.2004 with regard to 'Intellectual Property Services' observed as follows:

"9. Intellectual Property Services (other than copyrights):

9.1 Intellectual property emerges from application of intellect, which may be in the form of an invention, design, product, process, technology, book, goodwill, etc. In India, legislations are made in respect of certain Intellectual Property Rights (i.e. IPRs) such as patents, copyrights, trademarks and designs. The definition of taxable service includes only such IPRs (except copy) that are prescribed under law for the time being in force. As the phrase 'law for the time being in force' implies such laws as are applicable in India, IPRs covered under Indian law in force at present alone are chargeable to service tax and IPRs like integrated circuits or undisclosed information (not covered by Indian law) would not be covered under taxable services.

9.2 A permanent transfer of intellectual property right does not amount to rendering of service. On such transfer, the person selling these rights no longer remains a 'holder of intellectual property right' so as to come under the purview of taxable service. Thus, there would not be any service tax on permanent transfer of IPRs.

9.3 In case a transfer or use of an IPR attracts cess under Section 3 of the Research and Development Cess Act, 1986, the cess amount so paid would be deductible from the total service tax payable (refer Notification No.17/2004-S.T., dated 10-09-2004)."

10. In the impugned order, there is nothing to suggest that the royalty payments was made towards intellectual property rights and since as per the Technical License Contract Agreement, the payments are towards technical know-how, therefore, the question of payment of service tax does not arise. Moreover, as clarified by the Board, only intellectual property rights which are registered and covered under Indian law can only be liable for service tax. Since, there is no such evidences placed on record, we do not find any justification in confirming the demand, therefore, the same is set aside.

Appeal is allowed with consequential relief if any, as per law.

(Order pronounced in Open Court on 07.07.2026.)

(P. A. AUGUSTIAN)
MEMBER (JUDICIAL)

(R. BHAGYA DEVI)
MEMBER (TECHNICAL)

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