

C.M.A.(MD)No.1121 of 2026

BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

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DATED : 16.09.2026

CORAM

**THE HONOURABLE MR.JUSTICE G.R.SWAMINATHAN
and
THE HONOURABLE MRS.JUSTICE M.D.SUMATHI**

CMA(MD) NO. 1121 of 2026

{CNR: HCMD011056962026}



Case QR

Karur Vysya Bank Ltd.,
Represented by its Managing Director and CEO,
Mr.B.Ramesh Babu, Finance & Control Dept.,
Central Office, Erode Road,
Karur-639 002, Tamil Nadu.

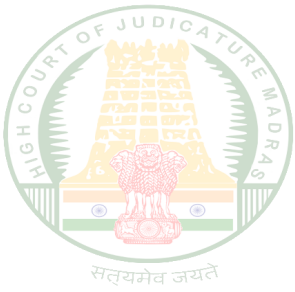
... Appellant / Appellant

Vs.

Commissioner of GST and Central Excise,
No.1 Williams Road, Cantonment,
Trichy-620 001,
Tamil Nadu.

... Respondent / Respondent

Prayer : Civil Miscellaneous Appeal is filed under Section 19 of the Family Courts Act, 1984, to set aside the impugned common final order dated 22.01.2026 passed by the Customs, Excise and Service Tax Appellate Tribunal, Chennai in ST Appeal No.ST/40038/2020, to the extent questioned herein.



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For Appellant : Mr.T.Suryanarayana, Senior Counsel,
for Mr.Madhu H.S
for M/s.King and Partridge.

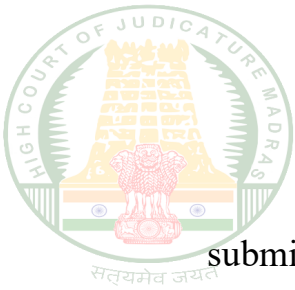
For Respondent : Mr.R.Gowri Shankar

JUDGMENT

(By G.R.Swaminathan, J.)

This appeal is directed against the order dated 22.01.2026 passed by the Customs, Excise and Service Tax Appellate Tribunal Southern Zonal Bench, Chennai in Service Tax Appeal No.40038 of 2020.

2.The appellant before us is a scheduled private bank. The period involved is October 2013 - June 2017. The appellant had made payments to certain organizations during this period. According to the appellant, they were donations for charitable purposes. The department thought otherwise. To them, they were sponsorships. Sponsorships are liable to service tax. Show cause notice dated 15.04.2019 was issued by the Commissioner of GST and Central Excise, Trichy proposing levy of service tax on the petition-mentioned transactions. The appellant



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submitted a detailed reply. The appellant's stand was rejected and the order dated 30.09.2019 was passed confirming the demand set out in the show cause notice. The appellant herein filed an appeal before the Tribunal. The appeal was partly allowed in the following terms:-

“17. In the result:-

(i) Question Nos.1 & 2, relating to penal interest and liquidated damages, are answered in favour of the appellants, and the demands raised thereon are set aside.

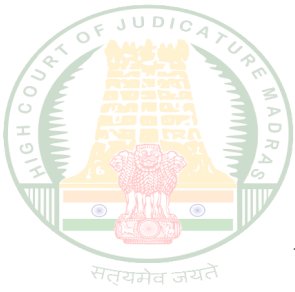
(ii) Question No.3, relating to Sponsorship Services, is answered in favour of the respondent / Department and against the appellants and the demand of service tax on sponsorship services, along with applicable interest is upheld.

(iii) The invocation of the extended period of limitation and the imposition of penalties under Sections 77 & 78 of the Finance Act, 1994, insofar as they relate to Sponsorship Services alone, are upheld.”

Challenging the aforesaid order, the appellant is before us.

3.The appeal was admitted on the following substantial question of law:-

“Whether on the facts and in the circumstances of the case,



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the tribunal was justified in upholding the levy of service tax under the reverse charge mechanism on the CSR contributions made by the appellant by treating the same as “sponsorship” services within the meaning of Section 65(99a) of the Finance Act, 1994?”

4. The learned counsel appearing for the appellant submitted that the transactions clearly fell outside the charging section and that the authorities had erroneously cast the burden on the appellant. Per contra, the learned standing counsel for the revenue submitted that the appellant did not provide full and complete details and that was why, the benefit sought for by the appellant could not be granted. Only for want of proper particulars, the demand raised against the appellant came to be confirmed. He added that the tribunal had given sound and convincing reasons and that the impugned order does not call for interference. He drew our attention, in particular, to Paragraph Nos.12.2, 12.12 & 12.14. He called upon this Court to dismiss this appeal by answering the question of law in their favour.

5. We carefully considered the rival contentions and went through

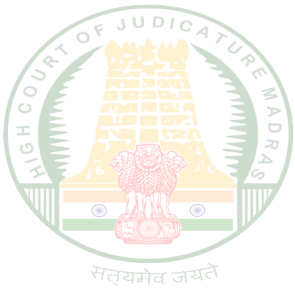


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the materials on record. The service tax regime was introduced in the year 1994. The list of items taxed under the head “service” began to grow in number like Hanuman's tail. “Sponsorship” was also treated as a kind of service liable to be taxed. The circular D.O.F. No. 334/4/2006 TRU dated. 28.02.2006 explains the reasons for its introduction in the following terms:-

“ Sponsorship service-

6.10 Body corporates or firms involved in business or commerce sponsor events with an intent to obtain commercial benefit or bringing their name or products or services in public image to public attention by associating with a popular or successful event. This is an alternate form of advertisement. Consideration is normally paid in return for naming of the event after the sponsor or displaying the sponsoring company's logo or trading name or giving the sponsor exclusive or priority booking rights. Service tax is leviable only when the sponsor is any body corporate or firm. Sponsorship of sports events is excluded from the scope of this levy. Service tax is to be collected under reverse charge method from the recipient of service namely the body corporate or firm who sponsors the event. It may be noted that the organizers of events are not liable to pay service tax under sponsorship service.”



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Thus, from the year 2005-2006, the revenue levied service tax on sponsorship also. Section 65(99a) defines “sponsorship” as follows:-

“(99a) 'sponsorship' includes naming an event after the sponsor; displaying the sponsor's company logo or trading name, giving the sponsor exclusive or priority booking rights, sponsoring prizes or trophies for competition; but does not include any financial or other support in the form of donations or gifts, given by the donors subject to the condition that the service provider is under no obligation to provide anything in return to such donors”

6.The primary question that calls for consideration is whether the petition-mentioned transactions would attract the aforesaid definition? The appellant bank had contributed monies to various activities such as construction of toilets, school buildings, temple towers etc., According to the appellant, they were pure donations and nothing else.

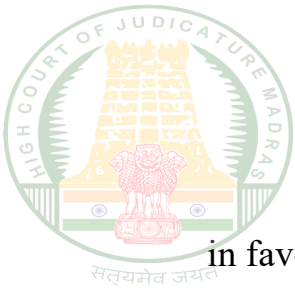
7.The issue of onus may first be disposed of. The appellant is not seeking exemption from the levy of service tax. On the other hand, it is



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the revenue which seeks to bring the transactions in question within the service tax net. Therefore, the onus is more on the revenue. It is for the revenue to demonstrate that by making the payments in question, the appellant had sponsored them. The revenue could have prepared a questionnaire and called upon the assessee to respond. If it turns out that the assessee is withholding any relevant material, adverse inference can be drawn. Section 106 of the Indian Evidence Act corresponding to Section 109 of BSA, 2023 can be invoked. But if the noticee takes the stand that there was no agreement between them and the donee, it would not be open to the revenue to assume that there was one and that it was not being produced. The revenue is at liberty to address the donee and ask for particulars. In other words, the stand taken by the donor can be cross-checked with the donee. No hard and fast rule can be laid down. Inference has to be on a case to case basis. But the bottom line is that the burden is only on the revenue to establish the true character of the transaction. We propose to elucidate with an illustration. An NGO, say “SAKSHAM” asks for donation to conduct a camp for the differently abled. A request letter/mail is sent to the bank. The bank issues a cheque

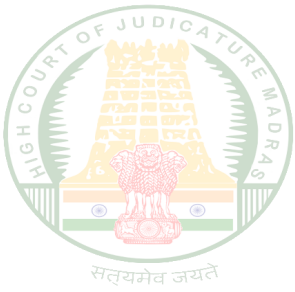


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in favour of SAKSHAM and the camp is conducted. Question is raised if the bank sponsored the event. The answer is yes. But whether the sponsorship would attract service tax is a question of fact. The bank would say that it was a pure donation without any business motive. Beyond the request letter and the details regarding the payment, no other particulars can be furnished by the bank. If according to the revenue, this transaction amounts to “sponsorship” within the meaning of Section 65(99a) and the donor denies the same, the donor cannot be called upon to prove the negative. It is for the revenue to demonstrate that an event was conducted by SAKSHAM which was obliged to display the donor's trade name or logo as per the agreement between the parties. If the donee on their own had acknowledged the contribution made by the bank, that by itself would not subject the contribution to service tax.

8. Donors sponsor events so that there is brand visibility. The accent is on brand building. Service tax is leviable if any of the following circumstances are present :

- a) When the event is named after the sponsor
- b) When the sponsor's company logo or trading name is



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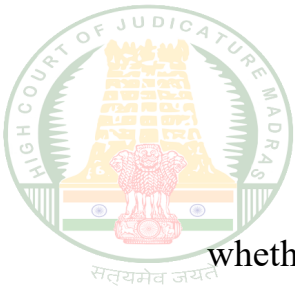


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displayed

- c) When exclusive or priority booking rights are given to the sponsor
- d) When prizes or trophies for the competition are given in the name of the sponsor

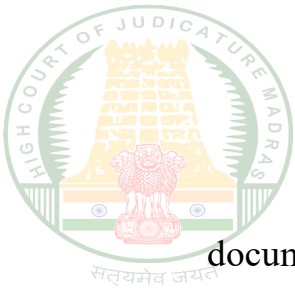
But financial or other support in the form of donations or gifts given by the donor would not constitute “sponsorship” if the donee is not obliged to provide anything in return to the sponsor. The statutory definition itself makes the position clear. However, one term occurring in the statutory definition requires interpretation. The key word is “**obliged**”. When the sponsor makes the payment and it is subject to a condition that the recipient of the financial contribution has to do something in return for the contributor, that would amount to sponsorship attracting service tax. On the other hand, if the recipient of the support monetary or otherwise, on their own acknowledge the part played by the sponsor, that would not invest the transaction with the character of sponsorship in the statutory sense. Merely because in the records either of the contributor or that of the recipient, the transaction is referred to as sponsorship, that would not by itself render it amenable to service tax. The question



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whether the transaction amounts to sponsorship would depend on whether the recipient of the support is **under an obligation** to provide anything in return.

9.In the case on hand, the appellant had conceded that Lions Club International, District 324A2 to which a sum of Rs.10.00 lakhs was given as donation was required to display KVB logo in the water purifiers as that would improve the bank's visibility and goodwill among the public. This requirement has been stipulated in the Board resolution itself. This obviously is a case of sponsorship within the meaning of the statutory definition. Likewise, donation made to Key Exports India, Mumbai carried a stipulation that the winter jackets meant for Mumbai - Thane Traffic Police Personnel should display KVB logo. This stipulation is found in the Board resolution itself. Hence, donation of Rs.4,10,000/- made to the said entity would also attract service tax. The other transactions can be brought under three heads. The revenue has brought them also under the service tax net for the reason either that original documents have not been produced for verification or that no



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documentary proof was furnished. The third head of rejection is that the

bank logo had been displayed in the event. All the three stereotyped reasons are unsustainable. It is not the case of the revenue that the assessee was withholding any material. It is also not the case of the department except in the aforementioned two cases ie., Lions Club and Key Exports, the donee was under obligation to display the bank logo. We, therefore, hold that the onus cast on the revenue was not discharged. The impugned order passed by the original authority levying service tax is liable to be set aside except in respect of the aforementioned two transactions.

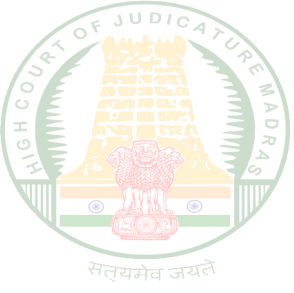
10. We shall now parse the statutory definition and once again see if it fits the questioned transactions. Section 65(99a) defines sponsorship as including naming an event after the sponsor. There is nothing on record to show that the events in question were named after the appellant-bank. If the sponsor's company logo or trading name had been required to be displayed, that would amount to sponsorship. This test is met only in two cases. As already mentioned, as part of Swachh Bharat



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Mission, the appellant-bank footed the bill for construction of toilets in Gujarat. Obviously, the question of the appellant having been given exclusive or priority booking rights would not arise. No prizes or trophies for competition had been sponsored in the name of the bank.

11. Admittedly, the proceedings had been initiated after the expiry of the limitation period. The revenue's stand is that they were justified in invoking the extended period of limitation by relying on the proviso to Section 73(1) of the Finance Act, 1994. The proviso could have been invoked if any of the circumstances such as fraud, collusion, willful misstatement or suppression of facts had been present. The department had not placed any credible material to show that the assessee was guilty of such misconduct. Therefore, even in respect of the aforementioned two transactions, proceedings could not have been initiated since they were time-barred. We, therefore, answer the question of law in favour of the assessee.



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12. Some general thoughts may be in order. Our tradition has all along encouraged charity. Chapter 17, verse 20 of the Bhagavad Gita is as follows :

dātavyam iti yad dānaṁ

dīyate 'nupakāriṇe

deśe kāle ca pātre ca

tad dānaṁ sātṭvikaṁ smṛtam

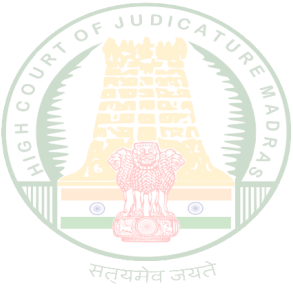
Charity given out of duty, without expectation of return, at the proper time and place, and to a worthy person is considered to be in the mode of goodness.

There is such a resonance between the statutory definition and the above verse. If the gift is given without any consideration, the contribution is not only satvic but also would not be liable to service tax. In Thirukural also, there is a couplet,

“பயன்தூக்கார் செய்த உதவி நயன்தூக்கின்

நன்மை கடலின் பெரிது.”

“The help given without weighing the return, when weighed, outweighs the sea.”



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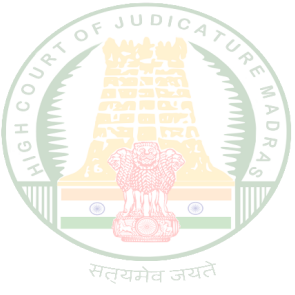
WEB COPY 13. For the foregoing reasons, we set aside the impugned order of the Tribunal to the extent the appellant stood aggrieved. This Civil Miscellaneous Appeal is allowed. No costs.

**(G.R.S. J.,) & (M.D.S. J.,)
16.09.2026**

NCC : Yes/No
Index : Yes / No
Internet : Yes/ No
rmi/skm

To:

The Commissioner of GST and Central Excise,
No.1 Williams Road, Cantonment,
Trichy-620 001, Tamil Nadu.



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G.R.SWAMINATHAN, J.
and
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