

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

REGIONAL BENCH - COURT NO.I

Service Tax Appeal No.70571 of 2025

((Arising out of Order-in-Appeal No. 227-ST-ALLD-2024, Dated -05/04/2024
passed by Commissioner (Appeals) CGST & Central Excise, Allahabad)

**Regional Manager Uttar Pradesh State Road Transport
Corporation, Ayodhya** Appellant
(10, Ayodhya, Uttar Pradesh 224001)

VERSUS

Commissioner, CGST & Central Excise, Allahabad
....Respondent
(38, M.G Marg, Civil Lines, GST Bhawan,
Prayagraj, Uttar Pradesh 211001)

APPEARANCE:

Shri Madhukar Anand, Consultant for the Appellant
Shri Santosh Kumar, Authorised Representative for the Respondent

**CORAM: HON'BLE MR. P. K. CHOUDHARY, MEMBER (JUDICIAL)
HON'BLE MR. K. ANPAZHAKAN, MEMBER (TECHNICAL)**

FINAL ORDER NO.70440/2026

DATE OF HEARING : 10.07.2026
DATE OF DECISION : 14.10.2026

P.K. CHOUDHARY:

The present appeal has been filed by the Appellant assailing the Order-In-Appeal No. 227-ST-ALLD-2024, dated 05.04.2024 passed by Commissioner (Appeals), CGST & Central Excise, Allahabad.

2. Briefly stated, the facts of the case are that the Appellant M/s Uttar Pradesh State Road Transport Corporation¹ Ayodhya through its Regional Manager is holding Service Tax Registration and is engaged in providing 'Rent-a-Cab Scheme Operator Service' and 'Renting of Immovable Property Service'. The

¹ UPSRTC

Appellant is a public sector undertaking of the Government of Uttar Pradesh.

3. It was observed by the Corporation that Bus Drivers/Conductors were halting their buses enroute according to their choice without considering the factors of cleanliness of toilets/urinals, hygiene and quality of the food material etc. To stop the above malpractices and to ensure better amenities to its passengers, UPSRTC Ayodhya made MOU with the Dhaba Owners/Yatri Plaza enroute with the following terms and conditions:-

- Approximately 4000 Sq Feet Place for Dhaba;
- Provide the Dining place with Furniture for at least 40 persons;
- Provide free of cost purified water;
- To Provide the Facility of 2 Toilets For Ladies and 4 Toilets for Gents;
- 8 ceiling fans, Washbasin, Towel, Soap etc;
- Generator Facility of 16 KVA at Dhaba
- Beside above free of cost facility, Dhaba owner is duty bound to:-
 - a. Use only FDA/Agmark Products;
 - b. Use good edible oil for cooking meals;
 - c. Provide meal of prescribed quantity in prescribed rate (Like in Rs.40 Full meal);
 - d. Packed product not more than MRP.

4. However, the Department entertained a view that the Appellant has received Dhaba Income/License Fees from the Restaurant & Dhabas on National Highways to facilitate their passengers and to promote business of Restaurants and Dhabas as well as to promote their own business. The services provided by M/s UPSRTC are taxable under declared services, as defined under Section 66E(e) of the Finance Act, 1994. Accordingly, inquiry was initiated and summons were issued. Reply dated 28.07.2017 was filed by the Appellant. Statement of Shri Rajesh Verma, General Manager (Commercial) UPSRTC was recorded on 10.01.2018. Statements of Shri Milap Singh Yadav, Senior

Accountant, UPSRTC Regional Unit, Ayodhya was also recorded on 15.10.2020. Finally, a Show Cause Notice² dated 30.12.2020 was issued demanding Service Tax amounting to Rs.3,85,403/- along with applicable interest and for imposition of penalties.

5. Vide the Order-In-Original dated 06.09.2023, demand as proposed in the SCN was confirmed, penalty of equal amount was imposed under Section 78 and Penalty of Rs.2,000/- was also imposed under Section 77(1) of the Finance Act, 1994. On appeal before the First Appellate Authority, the learned Commissioner (Appeals), CGST & Central Excise, Allahabad upheld the Adjudication Order and rejected the appeal before him. Hence, the present appeal before the Tribunal.

6. In order to ensure implementation of the instructions to bus drivers/conductors for halting the buses at the designated Dhaba/outlets/establishment, it was decided that the conductor of the bus will issue a ticket of Rs.25/- to the Dhaba with a proper recording in the register which shall be verified by the UPSRTC officials from time to time. The token amount was collected from the Dhaba Owners by each bus conductor by properly issuing of tickets and the whole motive was to ensure basic essential amenities to the passengers and to stop the malpractices of bus conductors/drivers to stop the buses enroute according to their own sweet will.

7. The dispute here pertains to the amount collected by the bus conductors of UPSRTC from the various Dhabas/Outlets under a scheme know as "Yatri Plaza Yojna". The scheme was being implemented to ensure safety, security and convenience of passengers by designating specific, pre-approved Dhabas for halts, which were required to maintain reasonable standards of hygiene, provide clean drinking water, separate toilets for Male and Female passengers and adequate parking alongwith hygienic food items including tea, coffee, package drinking water etc.

² SCN

8. The learned Consultant appearing on behalf of the Appellants submits that the SCN dated 30.12.2020 was issued for the Period from October 2014 to June 2017 which is clearly beyond the normal period of limitation prescribed under Section 73(1) of the Finance Act, 1994. It is his submission that the extended period of limitation under the proviso to Section 73(1) can only be invoked in case of fraud, collusion, willful misstatement, suppression of facts etc. with an intent to evade payment of Service Tax.

9. Learned Consultant further submits that because for an activity to be a taxable "service" under Section 66B read with Section 65B(44) of the Finance Act, 1994, it must be an activity carried out by one person for another for a "consideration". The primary objective of the agreement with Dhaba owners is to ensure the safety, security, and convenience of passengers, and to exercise administrative control over the bus crew to prevent unauthorized halts. The Appellant provides no service to the Dhaba owner. In fact, the obligation to provide services (clean dining, free drinking water, hygienic toilets, etc.) flows from the Dhaba owner to the passengers of the Appellant's buses. The nominal fee of Rs. 25/- is merely an administrative and regulatory charge to ensure compliance and discipline among the bus crew, not a consideration for a commercial service.

10. The learned Departmental Representative appearing on behalf of the Respondent justified the impugned order and prayed that the appeal filed by the Appellant, being devoid of any merits, may be dismissed.

11. Heard both the sides and perused the appeal records.

12. We find that the Appellant has provided an agreement entered with Dhabas for well-organized catering facility under 'Yatri Plaza Scheme' wherein the terms & conditions inter alia are as under:-

- (i) As per contract, to ensure that the Drivers/conductor stops the bus at the designated place (Restaurant/Dhabas) for the public utilities of the

passengers and a ticket is issued to the Yatri Plazas on which a printed amount is charged. This procedure is adopted to ensure that administrative operations are in control;

- (ii) it is necessary that on and to mark such a place, a plaza is designated. And objective of the Corporation is route buses stop at a safe and convenient place to provide public convenience to the passengers and not to promote business of such Plaza and whether Plaza benefits/profits from this arrangement can only be explained by the Owner/Manager of the plaza;
- (iii) Providing public convenience during the journey to the passengers of the corporation's bus is part of the safe convenient journey. The imposition of service tax on stopping the bus on the way for toilet and using public facilities is not justified as this system is an integral part of the original journey.
- (iv) The dhaba is bound to provide these basic amenities:-
 - Approximately 4000 Sq Feet Place for Dhaba;
 - Provide the Dining place with Furniture for at least 40 persons;
 - Provide free of cost purified water;
 - To Provide the Facility of 2 Toilets For Ladies and 4 Toilets for Gents;
 - 8 ceiling fans, Washbasin, Towel, Soap etc;
 - Generator Facility of 16 KVA at Dhaba
 - Beside above free of cost facility, Dhaba owner is duty bound to:-
 - e. Use only FDA/Agmark Products;
 - f. Use good edible oil for cooking meals;
 - g. Provide meal of prescribed quantity in prescribed rate (Like in Rs.40 Full meal);
 - h. Packed product not more than MRP.

13. In the entire chain of events, we are still unable to comprehend that who has provided services and to whom i.e. who is the service provider and who is the service recipient. Neither

the UPSRTC is providing any service to the Dhaba Owners or to the Passengers of the buses nor the Dhaba Owners are providing any taxable service to UPSRTC and also to the bus passengers.

14. We find that there is a complete absence of a quid pro quo relationship between the Appellant and the Dhaba owners. The arrangement is not a commercial bargain but a public welfare measure. The classification of this activity as a "declared service" under Section 66E(e) ("agreeing to the obligation... to do an act") is a misinterpretation. The act of stopping the bus is not an independent service being sold to the Dhaba; it is an inseparable part of the transportation service being rendered to the passenger, which is now being regulated for quality and safety through the Yatri Plaza scheme

15. The arrangement does not grant any exclusive right to the Dhaba owners. The Appellant merely designates them as approved halts, which is a measure of administrative convenience and passenger safety. This does not constitute a service of promotion or marketing classifiable under Business Auxiliary Service, nor does it involve any renting of property.

16. In view of the above discussions, the impugned order cannot be sustained and is accordingly set aside. The appeal filed by the Appellant is allowed with consequential relief, as per law.

(Pronounced in open court on 14.10.2026)

Sd/-
(P. K. CHOUDHARY)
MEMBER (JUDICIAL)

Sd/-
(K. ANPAZHAKAN)
MEMBER (TECHNICAL)

Nihal