

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

REGIONAL BENCH - COURT NO. 2

Service Tax Appeal No.20516 of 2019

(Arising out of Order-in-Appeal No.581/2018 CT dated 08.09.2019
passed by the Commissioner of Central Tax (Appeals-II), Bangalore)

M/s. Astra Zeneca Pharma India Ltd.

Block No.N1, 12th Floor Manyata,
Embassy Business Park,
Outer Ring Road, Hebbal, Kempapura,
Bangalore – 560 045.

Appellant(s)

VERSUS

Commissioner of Central Tax,

Bangalore North,
No.59, HMT Bhawan, Ground Floor,
Bellary Road, Bangalore-560 032.

Respondent(s)

APPEARANCE:

Ms. Preetha.M, Advocate for the Appellant.

Mr. Vikalp Jain, Superintendent (AR) for the Respondent.

CORAM:

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

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

FINAL ORDER NO. 21973 / 2025

DATE OF HEARING: 21.11.2025

DATE OF DECISION: 21.11.2025

PER: R. BHAGYA DEVI

Briefly the facts are the appellant M/s. Astra Zeneca Pharma India Ltd. had received income of Rs.1,18,64,129/- as compensation on account of resignation of employees who quit employment without advance notice or quit before the prescribed period. The Revenue observing that this income falls under the definition of 'declared services' as per Section 66E(e) of the Finance Act, 1994 and also does not fall under the exclusion clause under Section 65B(44)(b) of the Finance Act, 1994 confirmed the service tax amount of Rs.15,27,690/- for the

period from April 2013 to March 2016. Aggrieved by this order, the appellant is in appeal before us.

2. The Learned Counsel submits that referring to the definition of declared services under Section 66E of the Finance Act, 1994 submits that the payments received for premature termination of employment is not a consideration for any service but it is compensatory in nature, hence falls outside the scope of service under Section 65 of the Finance Act, 1994. He also relied on the decisions in the case of **Biocon Ltd. vs. CCT, Karnataka 2024 (24) CENTAX 327 (Tri.-Bang)** dated 14.06.2024 and **M/s. Rajasthan Rajya Vidyut Prasaran Nigam Ltd. vs. CGST, Jodhpur-I: 2022 (1) TMI 909 CESTAT-New Delhi.**

3. The Learned Authorised Representative (AR) for the Revenue reiterated the findings of the learned Commissioner (A).

4. Heard both sides. The issue stand settled by various decisions of this Tribunal on the ground that the compensation paid for failure under a contract cannot be taken as consideration for any service. The Board Circular No.178/10/2022 dated 03.08.2022 also clarified that such payments will not constitute consideration and hence not taxable. In view of the above, there is no merit in the impugned order and the same is set aside.

Appeal is allowed.

(Operative portion of the order was pronounced
in Open Court on conclusion of hearing.)

(P.A. AUGUSTIAN)
MEMBER (JUDICIAL)

(R. BHAGYA DEVI)
MEMBER (TECHNICAL)