CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
BANGALORE

REGIONAL BENCH - COURT NO. 1

Service Tax Appeal No.593 of 2012

(Arising out of Order-in-Original No.19/2011 dated 21.12.2011 passed by the Commissioner of Central Excise and Service Tax, Mangalore).

Vathika International Travels,
B-3, City Plaza, Kudmal Ranga Rao Road,
Mangalore-575 003.

Appellant(s)

VERSUS

Commissioner of Customs,
Central Excise and Service Tax,
7th Floor, Trade Centre,
Bunts Hostel Road,
Dakshina Kannada-575 003.

Respondent(s)

APPEARANCE:

Mr. Raghavendra C.R, Advocate for the Appellant.

Mr. Rajashekar, 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. 21101 /2026

DATE OF HEARING: 02.06.2026

DATE OF DECISION: 24.09.2026

PER: P.A. AUGUSTIAN

The issue in the present appeal is regarding demand of service tax on international package tour, domestic package tour related to cost of air ticket and service tax on cancellation charges. During audit of the records maintained by the

Appellant, it is observed that the Appellant had failed to pay service tax. Accordingly, show cause notice was issued on 18.04.2011 and Adjudication authority as per the Order-in-Original dated 30.11.2011 confirmed the demand with interest and also imposed penalties under various provisions of law. Aggrieved by said order, present appeal is filed.

2. When the appeal came up for hearing, Learned Counsel for the Appellant submits that the issue regarding service tax liability on outward booking is no more res integra and the issue was considered by this Tribunal and as per Final Order No. 20984/2025 dated 12.06.2025 it is held that since it is consumed by tourist consumer beyond the Indian territory, they are not liable to levy and collection of service tax under the provisions of the Act. In this regard, Learned Counsel relied on the "Board Circular No. 117/11/2009-S.T., dated 30-10-2009 and following decisions:-

i. **Cox and Kings vs. CST [2014 (35) STR 817 (Tri-Del)] [para 18(1 & m)] Civil Appeal against the above order is dismissed reported in Commissioner v. Cox & Kings India Ltd. [2015 (39) STR J308 (SC)]**

ii. **M/s Cox & Kings Limited (formerly known as Cox and Kings (India) Limited) v. Commissioner (TAR) Mumbai [2023 (10) TMI 1388 CESTAT MUMBAI - LB]**

iii. **Amber Travel Services V. Commissioner of Central GST and Central Excise, Jaipur [(2023) 9 Centax 181 (Tri. - Del)] [paras 5-9]**

iv. **Creative Travels Pvt Ltd Commissioner of Service Tax [Service Tax Appeal No.: 20671 of 2014] [paras 14-17]"**

3. As regarding the demand against the cost of Air tickets as to be part of gross value for claiming abetment, Learned Counsel draw our attention to the definition of Air Travel service and the sample copies of the invoices raised on the appellant by SH Tours (Singapore) with corresponding invoices raised by appellant on Indian passengers. Learned Counsel further submits that even if the service tax is levied, it would be only on the commission earned by the Appellant as a sub agent and as per the provision of law, Air travel agent have two options; one to pay 12.36% on commission earned or to pay 0.6% on Air ticket as per Rules 6(7) of the Service Tax Rule, 1994. Further submits that the issue was settled as per the decision in the matter of **TSI Yatra Pvt Ltd v. Commissioner of Central Excise, Goods and Service Tax, Gurugram [(2025) Centax 371 (Tri.-Chan)].** Learned Counsel also draw our attention to the decision in the matter of **HI Tour Mamallapuram Pvt. Ltd. v. Commissioner of Service Tax [(2023) 13 Centax 151 Mad)].** Learned Counsel further submits that the cost of Air ticket is a reimbursable expenses and as per the decision of Supreme Court in the matter of **M/s Union of India vs M/s Inter Continental Consultants and Technocrafts Pvt. Ltd. [2018 (10) G.S.T.L 401 (S.C.)]**, "Reimbursement of ticket charges from the customers cannot be subjected to service tax.

4. As regarding service tax demanded on 'cancellation charges', since levy of service tax can be imposed only when service is provided and not on all charges collected towards `cancellation' in the form of damages or penal charges. When the services are 'cancelled' or 'withdrawn', the same cannot be termed as 'provision of taxable service of tour operator service'. In this regard, Learned Counsel draw our attention to CGST

Circular No. 178/10/2022-GST dated 03.08.2022 and also relied on the following decisions:-

(i) Lemon Tree V. Hotel Commissioner, Goods and Service Tax, Central Excise & Customs [(2021) 127 taxmann.com 247 (New Delhi-Cestat)]

(ii) M/s. Nimbus Motors Pvt. Ltd. v. Commissioner of Central Goods & Service Tax, Noida [2025 (5) TMI 1996 Cestat Allahbad]

(iii) M/s. Limited Divine Autotech Private V. Commissioner of Central Tax [ST Appeal No. 53525 of 2018]

5. Learned Counsel further submits that substantial part of demand is also barred by limitation and there is no reason or justification or allegation that the Appellant had suppressed the facts with an intention to evade payment of tax and Appellant was under the bonafide believe that they are not liable to pay service tax on outbound tours as per Board Circular dated 30.10.2009 and Trade Notices issued in 1997. In this regard, Learned Counsel draw our attention to the copy of the registration certificate and ST-3 returns and submits that in the present case, date of filing ST-3 returns for the period of 2007-2008 was 09.04.2008 and for 2008-09, it was on 21.04.2009. However, the show cause notice issued only on 18.04.2011 and the entire period from 2007-2009 are barred by limitation. In this regard, Learned Counsel relied on the following decisions:-

i. **Reliance Jio InfoComm Ltd. Vs. Commissioner of CGST & Central Excise, Belapur [2024 (9) TMI 239 CESTAT MUMBAI]**

ii. **Indian Railway Catering Tourism Ltd. Vs. Commissioner of Service Tax, Delhi-I [(2025) 30 Centax 76 (Tri.-Del)]**

iii. **Bharat Hotels Commissioner Ltd. Vs. of C.Ex. (Adjudication) [2018 (12) G.S.T.L. 368 (Del.)]**

iv. **EPC International Pvt. Ltd. Vs. Union of India [2023 (384) E.L.T. 31 (Cal.)]**

v. **Mahanagar Telephone Nigam Ltd. Vs. Union of India [2023 (73) G.S.T.L. 310 (Del.))**

6. Learned Authorized Representative (AR) for the revenue reiterated the finding in the impugned order.

7. Heard both sides. As regarding the demand against service tax liability on outward booking, we find that it is consumed by tourist consumer beyond the Indian territory and they are not liable to levy. The facts of the present case are squarely covered by the decision of the Larger Bench of the Tribunal in the matter of **M/s. COX and Kings Limited (supra)**. As regarding the demand of service tax on booking cancellation charges, we find that as per the decision of the Tribunal in the case of **Comet Car Sales & Service Pvt. Ltd., Final Order No.12675-12679/2024 dated 12.11.2024**, booking cancellation charges received by the Appellant is in the nature of compensation and not consideration for service. Hence, no Service Tax is chargeable thereon. As regarding inclusion cost of ticket in domestic packaged tour, we find that as per the judgment of Hon'ble Supreme Court in the matter of **M/s. Inter Continental Consultants and Technocrafts Pvt. Ltd (supra)**, reimbursement of ticket charges from the customers cannot be subjected to service tax. Further as regarding the demand by invoking the extended period of limitation, we find that date of filing ST-3 returns for the period of 2007-2008 was 09.04.2008 and for 2008-09, it was on 21.04.2009. However, the show

cause notice issued only on 18.04.2011 and in the absence of any reason to allege fraud, suppression or willful negligence to pay service tax, the demand for entire period from 2007-2009 are barred by limitation.

8. In view of the above, we hold that the demand as per the impugned order is unsustainable and is liable to be dropped. Accordingly, appeal is allowed with consequential relief, if any, in accordance with law.

(Order pronounced in Open Court on 24.09.2026)

(P. A. AUGUSTIAN)
MEMBER (JUDICIAL)

(R. BHAGYA DEVI)
MEMBER (TECHNICAL)

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