CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHANDIGARH

REGIONAL BENCH - COURT NO. I

Excise Appeal No. 60121 of 2018

[Arising out of Order-in-Appeal No. 645/CE/Appl-II/Delhi/2016 dated 31.03.2017 passed by the Commissioner (Appeals), Central Goods & Service Tax, Faridabad]

Commissioner of Central Excise- Faridabad-I ……**Appellant**
Block-D, New CGO Complex, NH-IV, NIT, Faridabad

VERSUS

M/s Knorr-Bremse India Pvt. Ltd. ……**Respondent**
51/4 KM Stone, Delhi Mathura Road, Vill & P.O. Baghola, Palwal, Haryana

APPEARANCE:

Shri Anurag Kumar and Ms. Amita Gupta, Authorized Representative for the Appellant

Shri Amar Pratap Singh and Shri Priyam Gandhi, Advocates for the Respondent

CORAM: HON'BLE MR. S. S. GARG, MEMBER (JUDICIAL)
HON'BLE MR. P. ANJANI KUMAR, MEMBER (TECHNICAL)

FINAL ORDER NO. 61743/2025

DATE OF HEARING: 16.10.2025
DATE OF DECISION: 09.12.2025

P. ANJANI KUMAR:

Revenue is in appeal against the Order in Original dated 10.10.2017 passed by Commissioner, GST, Faridabad.

2. Brief facts of the case are that the respondents, M/s Knorr Bremse India Pvt. Ltd. are registered as manufacturers of Airbrake system and parts thereof for railways and as a service provider. On

conduct of an audit for the financial year 2014-15 it appeared to the revenue that the appellants have taken CENVAT Credit of the service tax paid in respect of the services availed by them from M/s VVS Concast Ltd. and others in realization of money from their buyer; it appeared that the services have not been utilized by the appellants directly or indirectly, in or relation to the manufacturing of the final products or clearance of final products up to the place of removal; therefore, these services do not qualify as input services under Rule 2(l) of CENVAT Credit Rules,2004. Accordingly, a show cause notice dated 04.01.2017 was issued to the appellants demanding service tax credit of Rs. 2,13,82,960 along with interest and penalty; Learned Commissioner dropped the proceedings initiated holding that the respondent is incurring cost in getting the financial services that is collection of receivables through a private company offering "cash management services"; the cost incurred by the respondent goes into the final products manufactured and cleared by the respondents and therefore, the services qualify to be in input service for availing credit.

3. Shri Anurag Kumar and Ms. Amita Gupta, authorized representatives for the revenue reiterate the grounds of appeal and submit that the said services do not qualify to be input services as per rule 2(l)of CENVAT Credit Rules; they submit that the learned adjudicating authority erred in following the decision the Hon'ble High Court in the case of M/s Willis processing services (India Ltd.)2017(9)T.M.I.1563 Bombay and M/s Ultratech Cement Ltd. 2010(260)E.L.T.369(Bom.); though both the cases hold that the cost of any input service that forms part of the cost of the final

product would be eligible for credit; these judgments are not applicable for the reason that in the instant case the goods have already been sold at the predetermined price and the services of collection of sale proceeds have no bearing on the price of the final product; moreover, these judgments being delivered before 1.07.2012 have no relevance to the impugned period.

4. Shri Amar Pratap Singh, learned counsel for the respondent submits that the services on which credit has been availed by the respondent are in the nature of "business auxiliary services" similar to "cash management services" covered under "banking and other financial services"; the services utilized are those provided are similar to the services provided by banks or similar institutions i.e. collection of receivables, execution of payments, managing liquidity; these services fall under the scope of banking and other financial services defined under Sec 65(12) of the Finance Act,1994. Learned Counsel further submits that CBEC vide DOF No. 334/1/2007-TRU dated 28.02.2007 clarified that cash management services provided by banks and other financial institutions fall under the scope of taxable services.

5. Learned Counsel for the respondents submit that the services are of financial nature such as billing and collection of receivables fall under business of auxiliary services and therefore they are covered by the definition under Sec 2(l) of CENVAT Credit rules 2004. Learned Counsel takes us through the definition of input service under Rule2(l) of CENVAT Credit rules and submits that the said services have intricate nexus with the production of goods as they help in maintaining the cash flow of the respondent which in turn

helps in promotion and sales of goods manufactured and in purchase of inputs. He relies on Vodafone India Ltd. 2025 (7) TMI 842, Bharti Hexacom Ltd. final order dated 27.04.2018 (service tax appeal no. 50620 of 2018), M/s Bajaj Finance 2017 SCC Online CESTAT 6473 and M/s Ambica Overseas 2011 SCC Online P&H.

6. Learned Counsel further submits that the department proposed to invoke extended period on the allegation that but for the audit, the alleged wrongful utilization of the CENVAT Credit would not have come to the knowledge of the department; the present case pertains to the period 2011-12 and 2015-16 and audit was conducted even for the years before 2014-15 and no objection was raised; therefore, extended period cannot be invoked and consequently no interest and penalty is payable when demand itself is not sustainable.

7. Heard both sides and perused the records of the case. We find that learned Commissioner finds that the department on the one hand levying the service tax on the service providers of the respondent treating the "collection of receivables" as a financial service and at the same time denying the credit to respondent holding that it's not a financial service as provided by bank or financial institution. Learned Commissioner relies on the cases cited above and finds that in the instant case the respondent is incurring cost in getting the financial services i.e. "collection of receivables" through private company offering "cash management services"; this cost goes into final product manufactured by the respondent; hence, the services would qualify for CENVAT Credit. We find that the respondents are no doubt incurring some expenditure in collecting

the receivables. Any prudent manufacture or a businessman would take into account all the expenditure incurred byhim for the purposes of arriving at the price of product he is manufacturing or trading. No businessman would leave the expenses unaccounted. It is fallacy of the Appellant- Revenue that the expenses are not included in the costing of the final product as these are incurred after the clearance of the goods manufactured. It is not the one to one linkage of each transaction but the overall expenditure incurred by an appellant over a period of time that requires to be considered. Moreover, revenue has not conducted any analysis how the costing of the appellant under such circumstances it should be naïve to presume that the expenses incurred on this count are not included in the assessable value of the goods cleared by the respondent. To that extent we find that the impugned order is reasoned and acceptable.

8. We further find that Kolkata Bench of the Tribunal in the case of M/s Vodafone India Ltd. (Supra) held that:

> 13. Regarding denial of CENVAT Credit of Rs. 23,81,507, I find that the appellant has engaged various service providers to collect dues from post-paid customers as well as from customers/subscribers who use e-top services. I do not agree with the findings of the lower authorities that the said services are posterior in nature. I agree with the submission of the appellant that without engaging such recovery agents for timely collection of such dues from customers, they would not be able to run their business and provide output services. I find that the collection agent services are imperative input services directly used in relation to provision of their output service namely, telecommunication services.
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> 13.1 I find that the issue is no longer res integra, as the issue has already been decided in favour of the appellant by CESTAT, Kolkata in their own case, Vodafone Idea Ltd v. Commissioner of CGST & Central Excise, (Kolkata South Commissionerate 2023(3) TMI 575- CESTAT Kolkata)……..

9. In view of the above, we find that there is no merit in the appeal filed by the revenue and therefore the appeal is dismissed.

(Order pronounced in the open court on 09.12 .2025)

(S. S. GARG)
MEMBER (JUDICIAL)

(P. ANJANI KUMAR)
MEMBER (TECHNICAL)

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