

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI**

REGIONAL BENCH – COURT No. I

Service Tax Appeal No. 40093 of 2016

(Arising out of order in appeal no. 288/2015 (STA-II) dated 30.10.2015 passed by the
Commissioner of Service Tax (Appeals-II), Chennai)

M/s. Interlace India Pvt. Ltd.,

40, Sapthagiri Colony,
Jafferkhanpet, Ashok Nagar,
Chennai – 600 083.

.... Appellant

VERSUS

The Commissioner of GST and Central Excise,

Chennai South Commissionerate
MHU Complex, No.692, Anna Salai,
Nandanam, Chennai-600 035.

....Respondent

APPEARANCE:

Shri Manoj Niranjana G., Consultant for the Appellant

Shri. N. Satyanarayana, Authorised Representative for the Respondent

CORAM:

HON'BLE MR. M. AJIT KUMAR, MEMBER (TECHNICAL)

HON'BLE MR. AJAYAN T.V., MEMBER (JUDICIAL)

FINAL ORDER No.41318/2025

DATE OF HEARING: 28.07.2025

DATE OF DECISION: 13.11.2025

Per AJAYAN T.V.

Interlace India Private Limited. The appellant herein has taken exception to the order in appeal number 288/2015 (STA-II) dated 30.10. 2015 whereby the appellate authority had rejected the appeal preferred by the appellant and after the order in original number 155 of 2011 dated 30.11.2011.

2. The brief facts are that the appellant is engaged in providing maintenance and repair services for program logic controlled operations at thermal power stations. During audit of the Appellant's accounts by the internal audit group of Chennai Service Tax Commissionerate, it was noticed that the appellant had availed Cenvat Credit on certain ineligible input services and capital goods. Hence, show cause notice dated 16.04.2010 demanding Cenvat Credit of Rs.31,47,282/- allegedly

wrongly availed and utilized during the period April 2008 to March 2009 was issued.

3. After due process of law, the adjudicating authority, vide the Order in Original No. 155/2011 dated 30.11.2011, dropped the demand of cenvat credit of Rs.18,57,263/- and confirmed demand of Cenvat credit of Rs.11,65,237/- availed on bills that were not in the name of the appellant and a Cenvat credit of Rs.1,24,782/- availed on 'works station'. Aggrieved by the same, the appellant filed an appeal before the Commissioner of Service Tax (Appeals-II). The appellate authority, however, rejected the appeal and agreed by the same, having preferred an appeal; the appellant is now before the Tribunal.
4. Shri. Manoj Niranjan, G, learned consultant, appearing on behalf of the appellant, submitted that the credit of Rs.11,65,237/- in respect of the bill issued by the service provider M/s. Karuppaiyah Sons, Chennai who had in fact provided the said services to appellant, was denied as the invoice was addressed to the architect from M/s. Uma Shankar & Associates, Chennai whom the appellant had engaged to supervise the construction activities of the service provider. As regards the denial of credit of Rs.1,24,782/- invoice issued by Fuego Furniture Pvt. Ltd, Bangalore, the Ld. Consultant submits that the credit was denied on the ground that the workstation was classifiable under CETH 9403 and is not a specified goods within the definition of capital goods under Rule 2a of the Cenvat Credit Rules, 2004.
5. In this regard, the Learned Consultant submits that the appellant had given the contract of construction work to M/s. Karuppiah and Sons. As per normal commercial practice, the appellant had engaged their architect M/s. Uma Shankar Associates to supervise the construction activities of the contractor M/s. Karuppiah and Sons and had authorised the said Architect to check and approve the periodical bills submitted. Learned Consultant submits that, as can be seen from the annexure to the show cause notice, the appellant had taken Cenvat Credit on three bills and while the first two bills raised by M/s. Karuppaiyah Sons in the name of the appellant was allowed, the credit taken on the third bill, though it was on the account of the appellant whose name and Siruseri Plant address was duly incorporated, was merely denied because it was

addressed to the appellant's architect who was entrusted to check and approve the bill. Learned Consultant further submits that when it is not disputed that the final bill was on the appellant's account and the payment for the services received with respect to the construction done by Karuppaiyah Sons, as approved by the architect, was also directly made by the appellant to the said service provider, the denial of Cenvat Credit was not proper. Learned Consultant emphasized that from the said bill the appellant's name is very clearly reflected along with the Siruseri Plant address. Ld. Consultant also submitted averments in writing by the concerned parties, namely, M/s. Umashankar Associates, averring that they have not claimed any cenvat credit against the invoices issued by Karuppaiyah Sons which was issued for the project related to the appellant including the Final invoice No.12 dated 08.05.2008 and a certification dated 11.07.2025 issued by Karuppaiyah Sons averring that the final invoice No.12 dated 08.05.2008 was inadvertently raised in the name of M/s. Umashankar & Associates instead of the appellant and that later they had corrected the invoice in the name of the appellant.

6. As regards the denial of Cenvat Credit of Rs.1,24,782/- taken on the workstations that were specifically designed and supplied by M/s. Fuego Furniture, the only objection of the department was that the supplier had cleared the goods in semi-knocked-down condition from his factory on payment of duty indicating the goods as furniture. Ld Consultant submitted that what is termed as furniture is actually an equipment used to house the computers and other sophisticated control equipment necessary for the appellant to provide his services to the thermal power station. Hence, the credit taken on such equipment required for the appellant's usage in the maintenance service is legal and ought to be allowed.
7. Shri N. Satyanarayana, Learned Authorized Representative, appeared for the respondent and reiterated the findings of the Learned Appellate Authority.
8. Heard both sides and perused the appeal records and the case laws provided as relied upon.

9. The only issues that arise for our consideration is whether the demand of cenvat credit as upheld by the appellate authority is tenable.
10. The plea of the appellant is that it had taken Cenvat Credit on three bills and while the first two bills raised by M/s. Karuppiah and Sons in the name of the appellant was allowed, the credit taken on the third bill, though it was on the account of the appellant whose name and Siruseri Plant address was duly incorporated, was merely denied because it was addressed to the appellant's architect who was entrusted to check and approve the bill. Learned Consultant further submits that when it is not disputed that the final bill was on the appellant's account and the payment for the services received with respect to the construction done by M/s. Karuppiah and Sons, as approved by the architect, was also directly made by the appellant to the said service provider, the denial of Cenvat Credit was not proper. Learned Consultant emphasized that from the said bill the appellant's name is very clearly reflected along with the Siruseri Plant address. It has also been averred in writing by the concerned parties, namely, M/s. Umashankar Associates, averring that they have not claimed any cenvat credit against the invoices issued by Karuppaiyah Sons which was issued for the project related to the appellant including the Final invoice No.12 dated 08.05.2008 and a certification dated 11.07.2025 issued by Karuppaiyah Sons averring that the final invoice No.12 dated 08.05.2008 was inadvertently raised in the name of M/s. Umashankar & Associates instead of the appellant and that later they had corrected the invoice in the name of the appellant
11. We note the Hon'ble High Court of Gujarat has in the decision in Vimal Enterprise v Union of India, 2006 (195) ELT 267 (Guj), observed as under:

"18...If on facts, it is possible to find out that the transaction is genuine and *bona fide* transaction, the identity of the supplier is established, the document showing duty paid inputs is supported by the facts, and the records of the supplier show that the supplier has purchased duty paid goods before resale and passed on the credit of duty, there is no reason why the benefit should be denied. Once the object for which a provision is enacted is satisfied merely venial or technical breach by itself should not permit the authorities to adopt a stand which frustrates the object for which the entire scheme of Modvat has been framed. The endeavour

must be to ensure that the scheme is made effective and not frustrated. In other words, the goods, which have been subjected, to duty when used as inputs for manufacture of final product, should not be made to bear duty once again as that would have a cascading effect not intended by legislature in so far as the ultimate consumer is concerned. Therefore, even approaching from the view point of ensuring that the object with which the provision has been enacted is satisfied, if the facts of the present case are tested, the answer would be that the petitioner was entitled to of the Modvat credit, the petitioner having done all that was possible within its powers and nothing further remained to be done so far as the petitioner was concerned."

12. We observe, that the Appellate Authority has denied the credit on the apprehension whether the appellant alone had availed the impugned cenvat credit. Given the circumstances explained by the appellant, and considering the fact that the Bill No.12 indicates that it is in relation to the Appellant's facility at Sirusrei, Chennai, and taking into account the fact that the said Bill was the Final bill in conjunction with the Ra Bill 1 and Ra Bill 2 part on which the credit was allowed to the appellant, we find the denial of credit on a mere suspicion that it might have been utilized by another, without any concrete evidence that it had been done so, may not have been the correct approach in these circumstances. The efforts, as observed by the Hon'ble High Court in the decision of Vimal Enterprises supra, should have been to ensure that the cenvat scheme is not frustrated and it was incumbent on the authorities to have guided the appellant as what is expected of the appellant to remedy the perceived fault. It is not in dispute that the services were rendered to the appellant and that payment for the said services received was made by the appellant. Given that the matter has been agitated till this forum and is now supported with the averments of the service provider who has stated that it was an inadvertent error which they had since been corrected, and when such averment is duly corroborated by the averment of M/s. Umashankar & Associates that they have not availed the cenvat credit on the said Final invoice No.12 dated 08.05.2008, considering also the efflux of time, we are of the firm opinion that such peculiar facts and circumstances warrant that the benefit be extended to the appellant. Accordingly, we set aside the findings in the impugned

order to the extent of the demand raised in respect of the bill issued by the service provider M/s. Karuppaiah Sons, Chennai.

13. As regards the denial of cenvat credit on the furniture supplied under cover of the invoice issued by Fuego Furniture Pvt. Ltd, Bangalore, on the ground that the workstation was classifiable under CETH 9403 and is not a specified goods within the definition of capital goods under Rule 2a of the Cenvat Credit Rules, 2004, we find that such denial of credit has been rightly made and warrants no interference at our hands. However, given the aforesaid circumstances, in the light of the fact that we have allowed the cenvat credit availed on the bill issued by the service provider M/s. Karuppaiah Sons and considering that the credit on the workstation has been availed by the appellant on a misconception as to their entitlement, we are of the considered view that the entire penalties imposed are liable to be set aside.
14. The impugned order in appeal is modified to the extent of our observations above.

The appeal is partly allowed in the above terms.

(Order pronounced in open court on 13.11.2025)

(AJAYAN T.V.)
MEMBER (JUDICIAL)

(M.AJIT KUMAR)
MEMBER (TECHNICAL)