CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH - COURT No. I

Service Tax Appeal No. 41465 of 2014
(Arising out of order in appeal no. SLM-ST-APP-95/2014 dated 21.03.2014. passed by Commissioner of C. Ex. (Appeals), Salem)

M/s. Samrat Constructions **.... Appellant**
(Formerly VRP Constructions),
85/90, New Turmeric Commercial Complex,
Vettuvapalayam Main Street, Sempampalayam,
Nasiyanur, Erode – 638 107.

VERSUS

Commissioner of GST and Central Excise **...Respondent**
Salem Commissionerate,
No.1, Foulkes Compound
Anai Medu, Salem 636 001

APPEARANCE:
Ms. Aparna, Advocate for the Appellant
Ms. Anandalakshmi Ganeshram, Authorized Representative for the Respondent

CORAM :

HON'BLE MR. M. AJIT KUMAR, MEMBER (TECHNICAL)
HON'BLE MR. AJAYAN T.V, MEMBER (JUDICIAL)

FINAL ORDER No.40110/2026

DATE OF HEARING: 03.09.2025
DATE OF DECISION:20.01.2026

Per Ajayan T.V.

M/s. Samrat Constructions (formerly known as VRP Constructions), is the appellant herein and is challenging the Order in Appeal No. SLM-ST-APP-95/2014 dated 21-03-2014.

2. The relevant facts are that the Appellant is alleged to be a service provider of Supply of Tangible Goods service and Management, Maintenance, or Repair service and Dredging Service. On verification of the Appellant's accounts for the period 1-4-2011 to 31-3-2012, it was observed that the appellant had entered into a sub-contract with M/s. Renaatus Projects (P) Ltd., Erode for rendering services of improvements to South Buckingham Canal, like widening and deepening, construction of flood protection wall, fencing, providing

inlet arrangement, providing access ramp for maintenance, widening waterways or bridges, etc., from Adyar South Lock to Okkiyam Maduvu, (from 0m to 10,500m - reach I & II) package V. The Department was of the opinion that the type of work carried out by the Appellant in the South Buckingham Canal, a backwater, is taxable under the category of "dredging service", and therefore the Appellant is liable to pay service tax on the amounts received towards this work. The Department issued a show cause notice dated 4-4-2013, demanding service tax for the Dredging Service rendered by the appellant, along with applicable interest and proposing imposition of penalties.

3. After due process of law, the Adjudicator confirmed the demand along with applicable interest and imposed penalties under section 76 and 77 of the Finance Act, 1994. Aggrieved by the same, the Appellant preferred an appeal before the Commissioner of Central Excise (Appeals), Salem. The Appellate Authority however, rejected the Appellant's contention and finding that the definition of dredging as provided in section 65 (36a) of the Finance Act is an inclusive definition and that the activities specified are only indicative and not exhaustive, the Appellate Authority went on to hold that the activities of the Appellant clearly fall under dredging services as rightly held by the adjudicator. Consequently, the Appellate Authority rejected the Appeal and upheld the order of the Adjudicator.

4. Ms. Aparna, Ld. Advocate appearing on behalf of the Appellant contended that the definition as provided in the Finance Act would attract service tax only in case there is a dredging in any river, port, harbour, backwater or estuary. In the present case, the Appellant was engaged in dredging only a particular stretch of the Buckingham Canal, which, by no stretch of imagination is a river, or a port or a harbour, or estuary. It was also contended that the canal is not a backwater. Reliance was placed on the decision of this tribunal in **Ramalingam Construction Company (P) Ltd versus CCE & ST, Salem, 2018 (7) TMI, 620, CESTAT Chennai** in support of such contentions.

5. Ms. Anandalakshmi Ganeshram, Ld. Authorised Representative appearing for the Respondent, reiterated the findings in the impugned order. Ld. AR submits that the decision relied upon by the appellant has been appealed against by the revenue and notice has been issued in the matter, as reported in **Commissioner Vs. Ramalingam Construction Company (P) Ltd 2019 (25) GSTL J155 (SC).**

6. Heard both sides, perused the appeal records and the decision submitted.

7. Whether the activity with respect to the work undertaken by the appellant pertaining to Buckingham Canal amounts to dredging service is the only issue that arises for our consideration.

8. We find that a coordinate bench of this tribunal has earlier considered the issue regarding activities, similar to that which have been undertaken by the appellant in the present appeal, which were alleged to be dredging services carried out in Buckingham Canal, in the decision in **Ramalingam Construction Company (P) Ltd versus CCE & ST, Salem, 2018 (7) TMI, 620, CESTAT Chennai**. We find that this tribunal, after extensively dwelling on the same, had decided the matter in favour of the appellant therein. The relevant portions of the decision are as under:-

"9.1 **Dispute on activity alleged to be dredging Services**

Name of the Projects :

1. Southern Basin Package VII (Velacherry) – Rs.2,52,64,423
2. Package I (Kodungaiyur) – Rs.3,44,49,740
3. Package III (Buckingham canal) – Rs. 8,26,33,444/-
4. Package II (Maduravoyal) – Rs. 85,17,042/-
3. South Buckingham Canal- Rs.21,53,012/-

Period : 2010 – 2013

Total Demand : Rs.15,30,17,661/-

Impugned Order: 08/2013 dt. 07.10.2013, 05/2014 dt. 28.03.2014, 04/2015 dt. 30.04.2015, 5/2014 dt. 28.03.2014

Appeals : ST/40066/2014, ST/41559/2014, ST/41748/2015

'Dredging service', defined in Section 65 (36a) of the Finance Act, 1994 reads as under:

(36a) "dredging" includes removal of material including, silt, sediments, rocks, sand, refuse, debris, plant or animal matter in any excavating, cleaning, deepening, widening or lengthening, either permanently or temporarily, of any river, port, harbour, backwater or estuary;

9.2 Thus, as per the definition in the Finance Act, 1994, the following key ingredients must be present for the activity to fall in the fold of 'dredging service' :-

An activity like removal of material like silt, sediments, rocks, sand, refuse, debris, plant or animal matter;

Such removal activity is done **in any** excavating, cleaning, deepening, widening or lengthening, either permanently or temporarily,

Such 'dredging' is done in a river, port, harbour, backwater or estuary.

9.3 From the above analysis, it emerges that to constitute dredging, the activity should encompass both removal of material like silt etc. and only related to or while excavating, cleaning etc. of a river, port, harbour, backwater or estuary. By implication, similar activity when done for lakes, ponds or canals cannot be brought under the definition of "dredging" for the purposes of Section 65 (36a) ibid.

9.4 To better understand the activity of dredging, it will useful to analyse the meaning and etymology of the word as featuring in various dictionaries:

9.4.1 As per the Merriam-Webster Online Dictionary 'Dredging (Verb)' means, to :

to dig, gather, or pull out with or as if with a dredge. (see[2] DREDGE) - dredging oysters in the bay – often used with up

- *Dredge up silt from the canal bottom*

civil engineering : to deepen (a waterway) with a machine that removes earth usually by buckets on an endless chain or a suction tube : to deepen with a dredge (see[2] DREDGE 2)

A 'Dredger (Noun)' is described as :

1. : an apparatus usually in the form of an oblong iron frame with an attached bag net used especially for gathering fish and shellfish

2. civil engineering : a machine for removing earth usually by buckets on an endless chain or a suction tube

*3. nautical : a **barge** used in **dredging***

On origin and etymology, the dictionary opines that the word *Dredge has emanated from Old English *drecge: akin to Old English dræge dragnet, dragan to draw.*

9.4.2 As per the Collins English Online Dictionary "Dredge" (Verb) means :

When people dredge a harbour, river, or other area of water, they remove mud and unwanted material from the bottom with a special machine in order to make it deeper or to look for something.

The word 'dredging' (Noun) is explained as:

The process of clearing a channel or harbour by using a dredge

A 'Dredger (Noun)' is described as:

a machine, in the form a bucket ladder, grab or suction device, used to remove material from a riverbed, channel etc.

The Origin of the word 'dredge' is explained as :

prob.<MDu dregge, akin to drag

A 'Dredger' is defined as:

A dredger is a boat which is fitted with a special machine that is used to increase the size of harbours, rivers, and canals.

9.4.3 As per the Oxford Online Dictionary 'Dredge (Verb)' means, to :

1 Clear the bed of (a harbour, river, or other area of water) by scooping out mud, weeds, and rubbish with a dredge.

'the lower stretch of the river had been dredged'

'the dredging and deepening of the canal'

1.1 Bring up or clear (something) from a river, harbour, or other area of water with a dredge.

'mud was dredged out of the harbour'

The word 'Dredge (Noun)' is described as :

An apparatus for bringing up objects or mud from a river or seabed by scooping or dragging

The origin of the word is explained as :

Late 15th century (as a noun; originally in dredge-boat): perhaps related to Middle Dutch dregghe 'grappling hook'

The word Dredged (Noun) is defined as :

A boat designed for dredging harbours or other bodies of water.

9.4.4. As per the Macmillan Online Dictionary 'Dredge (Verb)' means, to :

1. *to remove dirt and sand from the bottom of a river or lake*

Synonyms and related words

***To dig**: dig out, dig up, dig...*

a. to look for something at the bottom of a river or lake using a dredger

Synonyms and related words

***To search for something or someone**:*

go through look out for, seek out....

A 'Dredger (Noun)' is described as :

1. a boat with equipment for removing dirt and sand from the bottom of a river or lake

Synonyms and related words

***Types of boat or ship**: barge , boat, bowser...*

2. a container used for shaking something such as sugar or flour onto something

Synonyms and related words

***Crockery used for serving and pouring food and drinks**:*

bowl, breadbasket, cafeteria...

9.4.5 As per the Cambridge Online English Dictionary, the word 'Dredge (Verb)' means to :

- *remove unwanted things from the bottom of the river, lake, etc. using a boat or special device :*

They have to dredge the canal regularly to keep it open

- *search an area of water by dredging :*

The police are dredging the lake ***for*** *his body.*

They dredged ***up*** *(=brought to the surface) all sorts of rubbish from the bottom of the river.*

A “Dredger (Noun)”is described as:

- *A boat or a device that is used to dredge rivers, lakes etc.*

9.5 The combined take away from these definitions and etymology is that dredging an activity that involves clearing, deepening of water way, clearing bed of a harbour, river etc. of unwanted mud, material etc. from the bottom, with a dredger, which is a machine that removes earth and such material by scooping, grabbing or suctioning. Since dredging is related to water bodies or harbour, the dredge or dredger is necessarily fitted on to a barge, boat or ship, as the case may be. It is interesting to note that while some dictionary meanings of ‘dredging’ include removal of such unwanted material from bottom of a lake, canal also, however, the definition of ‘dredging’ in Section 65 (36a) of the Finance Act, 1994, restricts the scope of such activity only to a river, port, harbour, backwater or estuary.

9.6 It then appears to reason that not only are the two essentialities of the definition of ‘dredging’ under Section 65 (36a) of the Act namely, removal of material and such removal related to or while excavating, cleaning etc., required to be present in tandem, but also, such activity will require the use of a boat, ship etc. equipped with a dredger, or, at the very least, there has to be use of dredging apparatus for enabling the activity.

9.7 We now intend to test our increased understanding of the nature and scope of dredging to adjudge whether the activity performed by the assessee will fall within the scope of “dredging” for the purpose of the Finance Act, 1994.

9.8 The projects undertaken by the assessees which have been alleged to be conduct of dredging activities are (1) Southern Basin Package VII (Velacherry), (2) Package I (Kodungaiyur), (3) Package III (Buckingham canal), (4) Package II (Maduravoyyal) & (5) South Buckingham Canal.

9.9 We find, that all these projects involve Buckingham canal or various drainage channels flowing from Velacherry towards that canal.

We find that in respect of Southern Basin Package, assessees have only undertaken widening, deepening and construction of flood protection wall using cement and steel.

In respect of Package I (Kodungaiyur), the assessee has been entrusted with construction of diversion channel from Kolathur tank to Madavaram Tank and widening the construction of flood protection wall to OtteriNullah.

In respect of Package III (Buckingham Canal) assessee is widening and deepening construction for flood and storm water and fencing the same and providing inlet arrangements.

In respect of Package II (Madhuravoyal), assessee has undertaken drainage of storm water to Cooum, in the shape of a trapezium wherein bottom and both sides were fully packed with concrete for free flow of waste affluent or the storm water and drain of excess rain water.

In respect of the project South Buckingham Canal also, they have carried out similar work and connected with draining of storm water to Cooum involving packing of bottom and both sides with concrete.

9.10 The adjudicating authorities have reached a facile conclusion that OtteriNullah is a river. On researching the matter, we find that the said Nullah is nothing but a East-West water way which runs through North Chennai and it is seen as a major outlet for effluent water in North Chennai to flow into the Buckingham Canal. Surely, OtteriNullah cannot be peremptorily promoted to the status of a river. The adjudicating authorities have similarly arrived at conclusions that other channels like Veerangalodai are rivers, along with an even more inexplicable finding that drains are the tributaries thereof. We are not able to fathom how these conclusions have been arrived. Even the Buckingham Canal to which water way these projects are providing inlet/outlet etc., is only a canal built in the late 19th Century by the British. The Buckingham Canal, Veerangalodai drainage course channel, Kolathur Tank, Madhavaram Tank, Kodhungaiyur drain, OtteriNullah and other water channels / drains will not certainly fit into the nomenclature of a 'river, 'port', 'harbour, 'backwater' or 'estuary' for the purpose of the definition of "Dredging Services" in Section 65 (36a) of the Act. While assessee has certainly performed the works of deepening, widening and construction of flood protection walls etc. using cement and steel, there are no attendant contracts to "dredge" From the facts and records there is also no narration that boats or ships equipped with dredgers or for that matter, any dredging apparatus or equipment was used by the assessees for clearing or deepening these water bodies.

9.11 Viewed in this light, the activities of the assessee in respect of the above mentioned projects cannot surely fall within the scope of "dredging services" for the purpose of the Finance Act, 1994. In the event, those part of the impugned

> orders relating to Appeals ST/40066/2014, ST/41559/2014, & ST/41748/2015 which concluded that the works performed by assessees related to the aforesaid projects fall within the scope of 'Dredging services" and have demanded service tax under that service category cannot be sustained and will have to be set aside, which we hereby do. Appeals made in this regard are allowed. So ordered."

9. We find that although the said decision is stated to have been appealed by the revenue in the Apex Court, no stay in respect of the said final order has been produced before us. We are therefore bound by the aforesaid decision of the coordinate bench and respectfully following the same, we hold that the activities undertaken by the appellant pertaining to Buckingham Canal cannot be considered to be "Dredging Services" so as to be exigible to tax under the Finance Act, 1994. Therefore, the impugned Order in Appeal cannot sustain and is liable to be set aside. Ordered accordingly.

The appeal is allowed with consequential relief(s), in law, if any.

(Order pronounced in open court on 20.01.2026)

(AJAYAN T.V.)
Member (Judicial)

(M. AJIT KUMAR)
Member (Technical)

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