CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH - COURT No. III

Service Tax Appeal No. 42064 of 2015

(Arising out of Order-in-Appeal No.138/2015 (STA-II) dated 07.07.2015 passed by Commissioner of Service Tax (Appeals-II), 26/1, Mahatma Gandhi Marg, Nungambakkam, Chennai 600 034.)

M/s.Tamilnadu Power Finance and Infrastructure Development Co. Ltd. **.... Appellant**
No.490/3-4, Anna Salai,
Nandanam,
Chennai 600 035.

VERSUS

The Commissioner of GST & Central Excise **... Respondent**
Chennai South Commissionerate,
MHU Complex, No.692, Anna Salai,
Nandanam,
Chennai 600 035.

APPEARANCE :

Shri S. Suresh Chandrasekar, Advocate for the Appellant
Smt. Anandalakshmi Ganeshram, Authorized Representative for the Respondent

CORAM :

HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)

FINAL ORDER No.40313/2026

DATE OF HEARING : 25.02.2026
DATE OF DECISION : 03.03.2026

Brief facts as could be gathered from the impugned order are that Appellant is a registered service provider of Banking & Financial Service providing the financing for hire purchase on which they pay service tax. They also collect funds, deposits from the Public and lend the same to Tamil Nadu Electricity Board (TNEB) on interest, on which service tax is not paid. The Appellant have availed cenvat credit on input services like Advertisement, Telephone, Courtiers etc., which are common for the above taxable and non-taxable services. As per Rule 6 of the Cenvat Credit Rules, 2004 and it is alleged that common input services are used for providing taxable service and exempt services and hence, cenvat credit attributable to the exempt/non-taxable service was required to be reversed/paid. However, verification of the records of the Appellant by the jurisdictional departmental officers revealed that the Appellant had not reversed the proportionate cenvat credit attributable to their exempt/non-taxable service. Hence, Show Cause Notice dt. 09.03.2011 was issued to the Appellant proposing recovery of proportionate cenvat credit of Rs.1,34,714/- for the period from April, 2008 to January, 2011. Upon adjudication of

SCN, the Adjudicating passed the Order-in-Original No.22/2012 dt. 30.03.2012 (i) confirming the demand of Rs.1,34,714/- under Rule 14 of the Rules, read with Section 73 of the Act (ii) along with appropriate interest under Section 75 of the Act; and (iii) imposing equal penalty under Section 78 of the Act. Aggrieved by the Order-in-Original, the Appellant filed an Appeal before Commissioner (Appeals) who vide the impugned order-in-Appeal No.138/2015 (STA-II) dt. 07.07.2015 upheld the Order-in-Original. Hence, the present Appeal has been filed by Appellant before Tribunal.

2. Heard Shri S. Satish Chandrsekar, ld. Advocate for the Appellant and Smt. Anandalakshmi Ganeshram, Ld. Assistant Commissioner for the Revenue.

3. First and the foremost issue is, 'whether the interest earned by the company is relevant for the purposes of valuation of consideration, for levy of service tax?'. I find that in terms of Rule 6 (2) (iv) of the Service Tax (Determination of Value) Rules, 2006 the value of any taxable service does not include interest on loans. It is thus

clear that the interest earned becomes non-taxable. It is referred to in the context of a measure for levy of tax, but *per se* is non-taxable. This is also clear from the introduction of negative list [Section 66D(n)] effective from 01.07.2012 as to the intention of the Government in treating interest earned as non-taxable; same is hence not chargeable to service tax. Hence, I am of the view that there was no service at all, for which reason the First Appellate Authority has introduced very conspicuously the words 'other service', without specifying the nature of that 'other service' and therefore, there was no service at all in the case on hand to be termed 'exempted service'.

4. This being so, I am of the view that the Appellant had rendered undoubtedly a taxable service in the form of financial services, but it did not render any exempt services, to be hit by the provisions of Rule 6 of Cenvat Credit Rules, 2004. *Arguendo*, even if the version of the Revenue is accepted, but however, there is no finding in any of the orders of the Commissioner or the Adjudicating Authority to the effect that they were unable to arrive at the taxable income, nor is there any finding as the Adjudicating Authority having any difficulty in proper valuation. In view of

the above, I am of the view that in the facts and circumstances of this case, the provisions of Rule 6 is not all applicable and hence, the addition made cannot sustain.

5. In view of the above, I do not find any reason to sustain the impugned order for which reason, the same is set aside. Appeal stands allowed with consequential benefits, if any, as per law.

(Order pronounced in open court on 03.03.2026)

sd/-

(P. DINESHA)
Member (Judicial)

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