CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH - COURT No. I

Service Tax Appeal No. 40699 of 2016

(Arising out of order in appeal no. 374/2015 (STA–II) dated 29-12-2015 passed by Commissioner of Service Tax (Appeals-II), Chennai)

M/s. GR Thanga Maligai .... **Appellant**
No.136, (104) Usman Road,
T. Nagar, Chennai 600 017.

VERSUS

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

APPEARANCE :

Ms. Radhika Chandrashekar, Advocate for the Appellant
Ms. Rajini Menon, 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.40407/2026

DATE OF HEARING: 25.11.2025
DATE OF DECISION 20.03.2026

Per AJAYAN T.V.

G.R.Thanga Maligai (GRT), the appellant herein, has called into question the Order-in-Appeal No. 374/2015 (STA–II) dated 29-12-2015, whereby the appellate authority has, except for setting aside the penalties imposed under section 77, upheld the order of the adjudicating authority confirming the demand of service tax along with appropriate interest and imposing penalty under section 78 of the act.

2. Facts of the case, in brief, are that the appellant is engaged in the sale of gold jewelry. On the basis of information furnished by the appellant, upon being called for, the department observed that the appellant has entered into 'Co-Op Partner Agreement' with World Gold Council (WGC) to work jointly to promote the sale of 22 karat, gold jewelry by means of advertisement in the media. WGC agreed to share a part of payment obligation in respect of the activity on condition that the activity is in accordance with WGC strategy and incorporates the WGC element as Strap-line, Logo. Visuals, Film, Script, Soundtrack and Ad Design and is personalized in such a way that it does not interfere with the WGC advertising campaign and is otherwise in accordance with the terms of the said Agreement. The WGC contribution will be made on media expenses which will include Print, TV and to the extent of 25% of the 'Total Spends', as approved by WGC. WGC has given GRT a nonexclusive right to use the marks in connection with the promotional advertising of gold jewelry. GRT is to submit the supplier's invoice for the activity to WGC for making its contribution.

3. The department was of the view that the services provided by the appellant to WGC, by incorporating the logo and the name of the council in the advertisement in terms of the aforesaid agreement, appears to be classifiable under 'Sponsorship Service' vide section 65 (99a) of the Finance Act 1994 read with section 65 (105) (zzzn). Hence, a show cause notice dated 10-10-2012 was issued to GRT demanding service tax and proposing imposition of penalties. After due process of law, the adjudicator, vide Order-in-Original No.43/2014 dated 23-6-2014, held that the services provided by the appellant is classifiable under sponsorship service and confirmed the demand of service tax of Rs.15,58,279/- and imposed equivalent penalty under section 78 of the Finance Act. Aggrieved, the appellant preferred an appeal before the appellate authority, who has vide the impugned order upheld the demand as stated above. Hence this appeal.

4. Ms. Radhika Chandrasekhar, Ld. advocate appearing for the appellant contended that please the appellant is engaged in the sale of gold jewelry and the World Gold Council, London is an organization of gold

mining companies incorporated with an aim to maximize demand for gold across the world. The WGC has liaison offices in Chennai and Mumbai. The appellant had entered into a Co-Op Partner Agreement with WGC in terms of which the WGC agreed to share the cost of media expenses to the extent of 25 % of total media expenditure incurred by the appellant. The department has made the demand on the basis of the statement of Mr. Sachin Menon representing the WGC liaison office, Mumbai it was argued by the counsel that the agreement costs was for joint sharing of media costs between the parties to the agreement and does not establish a service provider and client relationship between the appellant and WGC. Furthermore, both the appellant's name and WGC's name were used in the advertisement campaigns and there was no question of any sponsorship services being provided. It was also contended that the payments were received in Indian Rupees from the liaison office of WGC in India. The ledger accounts, copy of the cheque received from WGC and the covering letter sent by WGC would clearly show that all payments made by WGC were received from their Indian offices and their contribution was settled in INR only. The appellant has also sought for cross-examination of Mr. Sachin Menon and based on the statement the service tax was demanded as the statement was opposed to the factual position. Ld. Counsel further contended that both the lower authorities had not granted the opportunity of cross-examination which was requested.

5. The Ld. Counsel further submits that, without prejudice to the earlier submissions, that the expenses incurred in the course of their arrangement is partly borne by the appellant and partly reimbursed by WGC. Such reimbursements being in the nature of cost sharing are not a consideration for services rendered. Section 67 indicates that service tax is leviable only on the gross amount charged for the services provided and the advertisement expenses reimbursed by WGC do not form part of the consideration for providing taxable service. It is submitted that the show cause notice, the OIO and the OIA accepts that the amounts have been reimbursed in terms of the agreement. For the proposition that reimbursement of the cost/expenses cannot be regarded as consideration, reliance was placed on the decisions in

Commissioner of Central Goods and Service Tax, Navi Mumbai Vs Hindustan Construction Company Ltd (2025) 27 Centax 300 (S.C.), Hindustan Construction Company Ltd. Versus Commissioner of Central Goods and Service Tax, Navi Mumbai (2025) 27 Centax 299 (Tri-Bom), Gujarat State Fertilizers and Chemicals Vs Commissioner 2017 5 SCC 198, and *Union of India Vs. Intercontinental Consultants and Technocrats Pvt. Ltd. 2018 (10) G.S.T.L. 401 (S.C.).*

6. Drawing attention to the provisions of section 65(99a) and section 65 (105) (zzzn), the Ld. Counsel argued that the arrangement of the appellant with WGC cannot be treated as sponsorship in view of the fact that no event was named after WGC and no payment was made for displaying WGC logo or trading name. The payment is made only for proportionate media cost benefiting both the parties. There is no exclusive or priority booking rights given to WGC and no prizes or trophies were sponsored. Reliance was placed on CBEC Circular dated 28-02-2006, which clarified the scope of sponsorship services. The Ld. Counsel argued that as per the said circular, service tax on sponsorship services is applicable only when such services are provided to a body corporate or a partnership firm, whereas WGC is neither a body corporate nor a partnership firm, as it is a federation comprising various gold mining companies as its members.

7. Ld. Counsel further said that section 66A is applicable when the service is provided by a foreign company and received by an Indian party on payments made by the Indian party. In the instant case, the appellant has not received any payment other than the amount from the liaison office of WGC India as representing the sharing of costs in terms of the agreement. The fact that the appellant has adduced evidence is evident from the appellant's reply to the show cause notice. It is also argued that the SCN is barred by limitation as none of the ingredients for invoking extended period is present. It was therefore contended that penalty was also not imposable and hence it was prayed that the appeal be allowed. Reliance was also placed on the decisions in, *Hindustan Construction Company Ltd. Vs. Commissioner STA 87231 of 2017, and Seher Versus Commissioner of Service Tax STA 52708/2016*.

8. Ms. Rajni Menon, Ld. Authorised Representative, appearing for the department reiterated the findings in the impugned order and also placed reliance on the decision in *M/s. Brightest Circle Jewellery Private Limited versus CST Mumbai, 2018-TIOL-44-CESTAT-MUM*.

9. Heard both sides and also perused the materials available on record. The sole issue that arises for determination is whether the appellant can be said to be receiving sponsorship from WGC and thus providing taxable service in relation to such sponsorship.

10. At the outset, the relevant statutory provisions as it existed during the subject period is reproduced below:

    a) Section 65(99a) of the Finance Act, 1994 as amended defines 'sponsorship' as under:

    > “Sponsorship includes naming an event after the sponsor displaying the sponsor's company logo or trading name, giving the sponsor exclusive or priority booking rights, sponsoring prizes or trophies for competition, but does not include any financial or other support in the form of donations or gifts, given by the donors subject to the condition that the service provider is under no obligation to provide anything in return to such donors”.

    > Section 65(105)(zzzn) as it stood upto 30.06.2010, defined 'taxable service' from 2006 as under:

    > “Taxable service” means any service provided or to be provided to any body corporate or firm, by any person receiving sponsorship in relation to such sponsorship, in any manner, but does not include services in relation to sponsorship of sports events".

    > From 01.07.2010, Section 65(105)(zzzn) defined taxable service" as under:

    > "Taxable service" means any service provided or to be provided to any person by any other person receiving sponsorship in relation to such sponsorship, in any manner,

but does not include services in relation to sponsorship of sports events."

11. Bearing the above in mind, when we examine the Appeal records the undisputed facts are that the SCN states that it is seen from the Co-op Agreement that the Appellant and WGC would work jointly to promote the sale of 22 karat gold jewellery by means of advertisement in the media and that WGC has agreed to share a part of payment obligation in respect of the activity on condition that the activity is in accordance with WGC strategy and incorporates the WGC element as Strap-line, Logo, Visuals, Film, Script, Soundtrack and Ad Design and is personalized in such a way that it does not interfere with the WGC advertising campaign and is otherwise in accordance with the terms of the agreement. It is also stated that the WGC contribution will be made on media expenses which will include Print, TV and to the extent of 25% of the 'Total Spends' as approved by WGC. WGC has given the appellant a nonexclusive right to use the marks in connection with the promotional advertising of gold jewellery. The appellant is to submit the supplier's invoice for the activity to WGC for making its contribution. The SCN goes on to state that on examination of the copies of advertisement which the Appellant has produced as requested, the logo of WGC and the words "World Gold Council" is seen incorporated in the advertisement. This is the premise on which the SCN goes on to allege that the services provided by the Appellant to WGC by incorporating the 'logo and the name of the council' in the advertisement in terms of the 'Co-Op Partner Agreement' appears to be classifiable under 'Sponsorship Service'.

12. We find from the impugned order that it acknowledges the fact that the Appellant has entered into a 'Co-op Partner Agreement' with WGC for promoting sale of 22 k karat gold jewelry by means of advertisement in the media. and that the appellant receives 25% of the expenses related to WGC approved advertisements and that the WGC logo is duly incorporated in such advertisements. However, the Appellate Authority holds that the said activity of display of logo etc.

fell under the inclusive definition of sponsorship service and that the contentions on cost sharing is dismissed as conditions that are normally imposed by any service receiver.

13. It is elementary that for a transaction to attract service tax, there must be an identifiable service provider and a service receiver. The transaction between the two should reflect a provision of a taxable service as defined under the Finance Act by the service provider to the service recipient and that too for a consideration.

14. When we examine the admitted facts pertaining to the arrangement between the Appellant and WGC what is discernible is an understanding to collaborate and work jointly to promote the sale of 22 karat gold jewellery by means of advertisement in the media. The fact that the expenditure incurred is being shared between both the parties at a specified percentage as can be gleaned from the agreement fixing the contribution of WGC to the extent of 25% of the 'Total Spends' is indicative only of a cost sharing in a joint effort at promotion of such jewellery that is intended to pay dividend to both parties to the agreement. The fact that the Appellant is required to provide the invoice of the vendor who undertakes the activity of such promotion advertising in order for WGC to part with its contribution is indicative of the fact that the Appellant is not providing any service to WGC, rather the expenses incurred in such promotional advertising by engaging the services of a vendor who provides the service of advertisement, is merely being agreed to be shared, with the WGC requiring proof by nature of the invoice of the vendor to release its share of the contribution towards the common cause. Thus, the provision of a sponsorship service as per the definition reproduced above by the appellant to WGC, and that too for a consideration, is absent in the said arrangement.

15. In the aforesaid circumstances, we are of the considered opinion that the Appellant does not render any service, much less the alleged services of sponsorship, when they jointly work in terms of the said Co-Op Agreement. The amount received by the appellant is not a

consideration for any service and is clearly the share of the expenses incurred for the promotional advertisement services availed from a third party. Our aforesaid view is also fortified by the decision in ***Hindustan Construction Company Ltd v. Commissioner of CGST, (2025) 27 Centax 299 (Tri-Bom)*** which is seen affirmed by the Honourable Supreme Court as reported in ***Commissioner of CGST, Navi Mumbai v. Hindustan Construction Company Ltd, (2025) 27 Centax 300 (SC).***

16. The decision relied upon by the Ld. A.R. is one that was rendered exparte and based on facts as discerned from the Appeal records therein that the foreign party was a promoter of the business of the appellant therein and as such is clearly distinguishable from the facts and circumstances of this case.

17. In view of our discussions and for the aforesaid reasons, we set aside the impugned order.

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

(Order pronounced in the open court on 20.03.2026)

(AJAYAN T.V.)
Member (Judicial)

(M. AJIT KUMAR)
Member (Technical)

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