CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL

CHENNAI

REGIONAL BENCH - COURT No. I

Service Tax Appeal No.41098 of 2017

(Arising out of Order-in-Original No.CHN-SVTAX-002-COM-27-2016-17, dated 02.03.2017 passed by Commissioner of Service Tax -II, Newry Towers, No.2054 – 1, II Avenue, Anna Nagar, Chennai 600 040)

M/s. TVS Credit Services Ltd. **.... Appellant**
Jayalakshmi Estate,
29, Haddows Road,
Chennai-600 006.

VERSUS

Commissioner of GST & Central Excise **... Respondent**
Chennai North Commissionerate
29/1, Mahatma Gandhi Road
Nungambakkam, Chennai – 600 034

WITH

Service Tax Appeal No.41131 of 2019

(Arising out of Order-in-Appeal No.107/2019 (CTA-I) (CN), dated 19.03.2019, passed by the Commissioner of GST & Central Excise (Appeals – I), 26/1, Mahatma Gandhi Marg, Nungambakkam, Chennai 600 034)

M/s. TVS Credit Services Ltd. **.... Appellant**
Jayalakshmi Estate,
29, Haddows Road,
Chennai-600 006.

VERSUS

Commissioner of GST & Central Excise **... Respondent**
Chennai North Commissionerate
29/1, Mahatma Gandhi Road
Nungambakkam, Chennai – 600 034

WITH

Service Tax Appeal No.40191 of 2023

(Arising out of Order-in-Appeal No.05 & 06/2022 (CTA-I), dated 05.01.2023, passed by the Commissioner of GST & Central Excise (Appeals – II), 26/1, Mahatma Gandhi Marg, Nungambakkam, Chennai 600 034)

M/s. TVS Credit Services Ltd. **.... Appellant**
Jayalakshmi Estate,
29, Haddows Road,
Chennai-600 006.

VERSUS

Commissioner of GST & Central Excise **... Respondent**
Chennai North Commissionerate
29/1, Mahatma Gandhi Road
Nungambakkam, Chennai – 600 034

AND

Service Tax Appeal No.40267 of 2023

(Arising out of Order-in-Appeal No.05 & 06/2022 (CTA-I), dated 05.01.2023, passed by the Commissioner of GST & Central Excise (Appeals – II), 26/1, Mahatma Gandhi Marg, Nungambakkam, Chennai 600 034)

M/s. TVS Credit Services Ltd. **.... Appellant**
Jayalakshmi Estate,
29, Haddows Road,
Chennai-600 006.

VERSUS

Commissioner of GST & Central Excise **... Respondent**
Chennai North Commissionerate
29/1, Mahatma Gandhi Road
Nungambakkam, Chennai – 600 034

APPEARANCE :

Shri Raghav Rajeev, Advocate for the Appellant
Shri M. Selvakumar, Authorized Representative for the Respondent

CORAM :

HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)
HON'BLE MR. AJAYAN T.V., MEMBER (JUDICIAL)

FINAL ORDER Nos.41002-41005/2026

DATE OF HEARING : 26.03.2026
DATE OF DECISION : 08.09.2026

Per: Shri Ajayan T.V.

These four appeals, preferred by M/s. TVS Credit Services Limited, Chennai, the appellant herein, are interconnected and involve a common question of law. They are accordingly heard together and decided by this common order. The appeal ST/41098/2017 is treated as the lead matter and the facts set out are as detailed below.

2. The appellant is a registered service provider and providing Banking and Financial Services. The Audit officers, during verification of the appellant's records, noticed that the appellant was engaged in the activity of lending money for the purchase of vehicles, on a hypothecation basis, to its customers. The appellant paid service tax on charges such as the processing fee, documentation fee and administrative fee collected from its customers for extending the loan, but did not pay service tax on the service of extending the loan itself, that service being specified in the

negative list under Section 66D(n)(i) of the Finance Act, 1994. The appellant availed the services of recovery agents to recover the loan from defaulting customers and to repossess the vehicles. The recovery agents paid service tax on the charges received by them for the services rendered to the appellant, under the category of Business Auxiliary Services. With effect from 11.07.2014, in terms of Notification No.30/2012-ST dated 20.06.2012, as amended by Notification No.10/2014-ST dated 11.07.2014, the appellant paid service tax on the charges of the recovery agents under reverse charge.

3. It was noticed that, during the period from July 2011 to March 2015, the appellant had availed CENVAT credit of the service tax paid on services received from the recovery agents. The credit was availed on the invoices issued by the recovery agents and on the e-payment challans evidencing the service tax paid by the appellant under reverse charge. The appellant availed only fifty percent of the credit of the service tax paid on the charges raised by the recovery agents, in terms of Rule 6(3B) of the CENVAT Credit Rules, 2004.

4. Rule 3(1) of the CENVAT Credit Rules, 2004 entitles a provider of output service to take credit of the service tax paid on any input service. Prior to 01.04.2011, 'input service' was defined under Rule 2(l), ibid., as any service used by a provider of taxable service for providing an output service, and included the various services mentioned therein. The definition was amended with effect from 01.04.2011, by Notification No.3/2011-C.E.(N.T.) dated 01.03.2011, and the expression 'activities relating to business' in the inclusive part of the definition was omitted. It therefore appeared to the Department that, for the period after 01.04.2011, the appellant was eligible to avail CENVAT credit only on the input services used for providing its output services.

5. The Department was of the view that in the instant case, the appellant's output service was money lending, falling under the category 'Banking and Financial Services'. The services of recovery agents are not required for extending the loan; they come into play only when the borrower defaults on repayment of the loan amount, by way of equated monthly instalments or otherwise. The provision of the appellant's output service is thus complete before the input service of the recovery agent is availed,

the necessity for availing it arising only consequent to, and after, provision of the output service. It therefore appeared to the Department that the recovery agent's service was not used by the appellant in providing its output service, and was, at best, a service relating to its business. It further appeared that the service was not of the nature of any of the services mentioned in the inclusive part of the definition under Rule 2(l), ibid., and hence fell outside the scope of 'input service' under Rule 2(l) of the CENVAT Credit Rules, 2004. It therefore appeared that the credit of Rs.2,03,91,255/-, availed on the invoices/GAR challans in respect of the recovery agents' services for the period from July 2011 to March 2015, was ineligible and inadmissible.

6. It further appeared to the Department that the appellant had contravened the provisions of Rule 3(1) read with Rule 2(l) of the CENVAT Credit Rules, 2004. The availment of CENVAT credit on the recovery agents' services was not disclosed to the Department in any manner, and was not declared in the periodical ST-3 returns filed by the appellant. The availment of this ineligible credit would have gone unnoticed but for the verification carried out by the officers during the compliance check. It therefore appeared that the appellant had availed and utilised CENVAT credit of the service tax paid on the recovery agents' service in deliberate violation of the provisions of law, with intent to evade payment of service tax, thereby warranting invocation of the extended period under the proviso to Section 73(1) of the Finance Act, 1994, for demand of service tax.

7. A show cause notice, No.04/2016 dated 29.01.2016, was accordingly issued to the appellant, disallowing and demanding the ineligible credit of Rs.2,03,91,255/- under Rule 14 of the CENVAT Credit Rules, 2004 read with the proviso to Section 73(1) of the Finance Act, 1994, together with interest under Section 75, ibid., and proposing a penalty under Rule 15(3) of the CENVAT Credit Rules, 2004 read with Section 78 of the Finance Act, 1994.

8. The Adjudicating Authority, after due process of law, held, *inter-alia*, as under:

    a) To qualify as input service the main criterion is that the services should have been used for providing an output service as defined under Rule 2(p) of Cenvat Credit Rules, 2004. Even in the case of collection agent, the service is availed only after advancing the loan and there is no evidence on record to prove that the subject service has been used for providing any taxable output service. Hence irrespective of the fact that some of the services covered in the demand might be relating to collection agents and not recovery agents as claimed by the appellant, in as much as the services were not used for providing output service, they cannot be construed as input services.

b) that the nature of business of banking/financial companies including non-banking financial companies is such that a substantial amount of earning is through investments or by way of interest and there has been difficulty in ascertaining the exact amount of credit relating to the common input services under the provisions of Rule 6(2) and 6(3). Rule 6(3B) was introduced by the Government for this reason as is evident from the rational of the Circular D.O.F. No.334/3/2011-TRU dated 28th February 2011. From the above discussion, inescapable inference is that Rule 6 operates subject to Rule 3 only, and Rule 6(3B) does not override Rule 3, ibid. In the instant case, inasmuch as the subject services of the recovery agents do not qualify as input services, taking shelter under the non-obstante clause in Rule 6(3B) is of no help to the appellant.

c) that the CENVAT credit of fifty percent of the service tax paid on the charges raised by the recovery agents during the period July 2011 to March 2015, and availed by the appellant, is not admissible, inasmuch as the subject services of the recovery agents are not used for providing the output service, and the appellant is not eligible to avail/utilise the credit. The CENVAT credit availed is neither proper nor legal, and is liable to be recovered under Rule 14 of the CENVAT Credit Rules, 2004. The appellant is liable to pay appropriate interest under Rule 14 of the CENVAT Credit Rules, 2004 read with Section 75 of the Finance Act, 1994. The appellant has contravened the provisions of the CENVAT Credit Rules, 2004, viz., Rule 3 thereof, inasmuch as the appellant has taken inadmissible CENVAT credit.

d) That the availment of cenvat credit on the services of recovery agents was not disclosed to the department in any manner and was also not declared in the periodical ST-3 returns. Had the intention of the appellant been bonafide, it would have sought clarification from the department. The availment of ineligible credit would have gone unnoticed but for the verification carried out by the officers during compliance verification. Therefore, it is held that the above omissions and commissions of the appellant amount to suppression of facts with intention to evade payment of service tax, and that the extended period of demand under the proviso to Section 73(1) of the Finance Act, 1994, read with Rule 14 of the CENVAT Credit Rules, 2004, is rightly invokable in this case.

9. Shri Raghav Rajeev, Ld. Advocate appearing on behalf of the appellant contended that the dispute pertained to eligibility to avail cenvat credit on procurement of collection agent service. Ld. Counsel submitted that the issue in all four appeals is common, namely, the eligibility of the appellant to avail CENVAT credit of the service tax paid, under reverse charge, on the commission paid to its recovery/collection agents, only the quantum varying from appeal to appeal. It was contended that Rule 3(1) of the CENVAT Credit Rules, 2004 ('CCR') entitles a provider of output service to take credit of the service tax paid on "any input service", Drawing attention to the definition of "input service" for the material period, under Rule 2(l) of the CCR it was urged that the recovery/collection agent's service is covered both by the "means" clause and by the "includes" clause of this definition, and is accordingly an eligible input service.

10. On the "means" clause, Ld. Counsel pointed out that the findings recorded in the impugned Order-in-Original, at paragraphs 4.5 and 4.11 thereof, themselves record that the service of the recovery agent was availed by the appellant in relation to its business of lending finance, and that such service is essential for running that business. It was contended that, once the Adjudicating Authority so finds, the "means" clause of Rule 2(l) stands satisfied, and that the impugned order proceeds thereafter to an inconsistent conclusion.

11. Reliance was placed on ***Bajaj Finance Ltd. v. Commissioner of Central Excise, Pune-I, 2018 (10) GSTL 251 (Tri.-Mum.)***, stated to be on facts identical to the present case. There too, the appellant had extended loans for the purchase of vehicles on hypothecation, repayable by instalments, and had engaged recovery agents to realise dues and repossess the hypothecated vehicle on default, availing CENVAT credit on the recovery agent's service. The Department's objection, that the recovery agent's service did not qualify as an input service, was rejected by the Tribunal, which held that the service of lending is not confined to disbursement of the loan but extends to, and includes, recovery of the amount lent, this being one of the vital parts of the overall activity of lending, and that the recovery agent's service therefore falls within the "means" clause of Rule 2(l). Ld. Counsel added that the same view was reiterated by the Tribunal, for a subsequent period, in the same appellant's case: ***Bajaj Finance Ltd. v. Commissioner of Service Tax, Pune, 2019 (6) TMI 1593 - CESTAT Mumbai***. The Department's reliance on an earlier stay order in Bajaj Finance, ***2014 (35) STR 367***, it was submitted, is misconceived: that order records no more than a prima facie view at the interlocutory stage, and stands superseded by the final decision of the very same Tribunal, in the very same appeal, which decided the matter on merits in the appellant's favour.

12. Ld. Counsel submitted that Order-in-Appeal Nos.5 and 6 of 2023, in the appellant's own case, had taken the view that the decision in Bajaj Finance (2018) carries no precedential value, since the Department did not carry it in further appeal on account of the monetary limit prescribed for filing appeals. This, it was contended, runs contrary to law: a decision of the Tribunal continues to bind subordinate authorities, and to hold the field as a precedent, so long as it has not been reversed or set aside by a superior forum, and non-filing of a further appeal on grounds of monetary limit does not detract from it. Reliance was placed on ***Varun Beverages v. Commissioner of Customs, GST, Jaipur, 2022 (2) TMI 731 - CESTAT New Delhi***, and ***Prem Henna Pvt. Ltd. v. Commissioner of Central GST & Central Excise, Jodhpur, 2025 (1) TMI 664***.

13. The ratio in Bajaj Finance (2018), it was submitted, has since been consistently applied. The Delhi Bench of this Tribunal, in ***Commissioner, CGST, Jaipur v. Bharti Hexacom India Ltd., 2023 (5) TMI 5 - CESTAT Delhi***, is stated to have applied it to allow credit on commission paid to collection agents engaged by a telecom service provider to recover dues from subscribers, rejecting the objection that such service was availed only after completion of the output service. Ld. Counsel also relied on ***Vodafone Essar Cellular Ltd. v. Commissioner of Central Excise, 2018 (9) TMI 985 - CESTAT Chennai***, and ***Vodafone Idea Ltd. v. Commissioner of GST & Central Excise, Coimbatore, 2025 (8) TMI 1656***. Most pertinently, it was submitted that, in ***Cholamandalam Investment & Finance Company Ltd. v. Commissioner of GST & Central Excise, 2026 (3) TMI 1070 - CESTAT Chennai***, on facts stated to be closely similar to the present case, this very Tribunal categorically held that the service of a recovery agent engaged by an NBFC qualifies as an input service under Rule 2(l) of the CCR, and that the ratio of that decision squarely applies here.

14. Without prejudice to the foregoing, it was submitted that the recovery/collection agent's service also independently falls within the "includes" limb of Rule 2(l), being a service rendered in relation to "security" and to "financing". The vehicle financed by the appellant, it was pointed out, is offered by the borrower as security for repayment, and the recovery agent is engaged, on default, precisely to enforce that security by repossessing the vehicle, which amounts to a service in relation to security. Reliance was placed on the definition of "security" in Aiyar's Judicial Dictionary (9th Edn.) as "anything that makes the money more assured in its payment or more readily recoverable", not confined to a document creating a charge on specific property but extending to personal security as well, and on Section 172 of the Indian Contract Act, 1872, which recognises the bailment of goods as security for payment of a debt as a "pledge". It was further submitted that, the Adjudicating Authority having himself found the recovery agent's activity to be essential for running the appellant's lending business, the same service is equally one rendered in relation to financing, and is thus independently covered by the "includes" clause as well. Reliance in this regard was also

placed on ***Bajaj Finance Ltd. v. Commissioner of Central Excise, Pune-I, 2018 (10) GSTL 251 (Tri.-Mum.)***.

15. On a separate ground, it was submitted that the impugned Order-in-Original travelled beyond the scope of the show cause notice. Show cause notice No.4/2016 dated 29.01.2016, it was pointed out, confined the allegation to whether the recovery agent's service was "used for providing" the appellant's output service within Rule 2(l), and neither invoked Rule 2(p) of the CCR nor called upon the appellant to show cause why its lending activity, in so far as the consideration therefor is represented by interest, should not be treated as falling outside the definition of "output service". The impugned order, it was submitted, for the first time held that the appellant's output activity of lending finance, being represented by interest and thus outside the levy under Section 66D(n) of the Finance Act, 1994, does not qualify as an "output service" under Rule 2(p) of the CCR, a finding stated to be wholly beyond the scope of the notice and on which the appellant had no opportunity to be heard. Reliance was placed on ***Commissioner of Central Excise, Nagpur v. Ballarpur Industries Ltd., 2007 (215) ELT 489 (S.C.)***, and ***Commissioner of Central Excise, Bhubaneswar-I v. Champdany Industries Ltd., 2009 (241) ELT 481 (S.C.)***, for the proposition that a show cause notice is the foundation of proceedings for levy and recovery of duty and tax, and that an authority cannot travel beyond it to sustain a demand on an allegation never put to the noticee.

16. Order-in-Appeal No.107/2019 dated 19.03.2019, in the appellant's own case, had taken the view that this was not beyond the scope of the notice, since an examination of entitlement to credit under Rule 2(l) "automatically" requires an examination of whether the underlying activity qualifies as an output service under Rule 2(p). This reasoning, Ld. Counsel submitted, is incorrect: the dispute raised in the show cause notice was confined to whether the recovery agent's service satisfied the "means" or "includes" clause of Rule 2(l) qua the appellant's admitted output activity of lending, the character of that activity itself as an output service never having been put in issue.

17. It was further submitted that the Department's interpretation of Rule 2(p) and Rule 6(3B) of the CCR is, in any event, incorrect. The appellant's lending activity, besides the interest component, also comprised processing, documentation and administrative charges on which service tax was admittedly paid, a fact recorded even at paragraph 4 of the show cause notice, so that the activity of extending loans could not be treated as falling wholly outside the definition of "output service". Reliance was placed on Rule 6(3B) of the CCR, which, as it stood prior to its amendment with effect from 01.04.2016 by Notification No.13/2016-C.E.(N.T.) dated 01.03.2016, read:

   "Notwithstanding anything contained in sub-rules (1), (2) and (3), a banking company and a financial institution including a non-banking financial company, engaged in providing services by way of extending deposits, loans or advances, shall pay for every month an amount equal to fifty per cent. of the CENVAT credit availed on inputs and input services in that month."

   It was also submitted that the amended provision w.e.f 01.04.2016 read as under:

   "Rule 6(3B): A banking company and a financial institution including a non-banking financial company, engaged in providing services by way of extending deposits, loans or advances, in addition to options given in sub-rules (1), (2) and (3), shall have the option to pay for every month an amount equal to fifty percent of the CENVAT credit availed on inputs and input services in that month."

18. Rule 6(3B), it was submitted, is a special, non-obstante provision enacted for banks and NBFCs engaged in extending loans, entitling such an appellant to fifty percent of the CENVAT credit earned by it, notwithstanding Rule 6(1), (2) and (3); the appellant, being such an NBFC, had rightly restricted its credit to that extent. It was contended that, were the Department's view, that lending does not qualify as an output service at all, to be accepted, Rule 6(3B) would be rendered wholly otiose and nugatory qua NBFCs engaged in the lending business, an interpretation impermissible in law.

19. On limitation, it was submitted that the extended period could not have been invoked in relation to show cause notice No.4/2016 dated

29.01.2016. The availment of the credit, it was submitted, stood duly reflected in the appellant's ST-3 returns, so that no suppression could be attributed to it, reliance being placed on ***Indian Oil Petronas v. Commissioner of GST & Central Excise, Chennai, 2025 (12) TMI 944 - CESTAT Chennai***. It was further submitted that the appellant had acted under the bona fide belief that it was entitled to the credit, which in law precludes invocation of the extended period, reliance being placed on ***Padmini Products v. Collector of Central Excise, Bangalore, 1989 (8) TMI 80 - Supreme Court***. Lastly, it was submitted that the issue involved a bona fide question of interpretation of the CCR, on which the extended period cannot be invoked, relying on ***International Merchandising Company, LLC v. Commissioner of Service Tax, New Delhi, (2023) 3 SCC 641***. On this basis it was prayed that the penalty imposed be also set aside.

20. Shri M. Selvakumar, Ld. Authorised Representative, appearing for the Respondent, reiterated the findings recorded in the impugned orders. He submitted that, once the recovery agent's service is, on the Adjudicating Authority's own reasoning, availed only consequent to and after completion of the output activity of lending, it cannot be treated as a service "used for providing" that output service within the "means" clause of Rule 2(l); and that non-disclosure of the credit availed on the recovery agent's service, in the periodical returns, justified invocation of the extended period.

21. We have heard the rival submissions and perused the materials on record.

22. The issues that arise for our determination are:

(i) Whether the service tax paid by the appellant on commission to its recovery/collection agents constitutes "input service" within the meaning of Rule 2(l) of the CCR, so as to render the CENVAT credit thereon admissible;

(ii) Whether the finding in the impugned Order-in-Original, that the appellant's lending activity, in so far as consideration therefor is represented by interest, does not qualify as an "output service" under Rule 2(p) of the CCR, travelled beyond the scope of the show cause notice;

(iii) Whether the extended period of limitation under the proviso to Section 73(1) of the Finance Act, 1994 was rightly invoked in relation to show cause notice No.4/2016 dated 29.01.2016; and

(iv) Whether the penalties imposed in the impugned orders are sustainable.

23. Rule 3(1) of the CCR permits a provider of output service to take credit of the service tax paid on “any input service”, “input service” being defined, for the relevant period, under Rule 2(l) has two independent limbs: the “means” clause, covering any service used by the provider of output service “for providing” an output service, and the “includes” clause, covering specified categories of service, among them services used in relation to “security” and “financing”, whether or not they separately satisfy the means clause.

24. The short question is whether the service of a recovery or collection agent, engaged by an NBFC to recover instalments in default and, where necessary, to repossess the vehicle hypothecated as security, is a service used “for providing” the appellant's output service of lending. The Adjudicating Authority answered this in the negative, on the reasoning that the output service of lending stands complete on disbursement of the loan, and that recovery, being consequent upon default, is a subsequent and severable activity that cannot be said to be “for providing” an output service already rendered.

25. We are unable to accept this reasoning. The business of lending money, whether by a bank or an NBFC, is not exhausted by the singular act of disbursement. It is, of its nature, a continuing exposure that remains open until the amount lent, together with the return thereon, is realised, whether by voluntary repayment or, on default, by recovery and enforcement of the security furnished for the loan. The possibility of default, and the consequent need for recovery, is not an extraneous contingency but an inherent and inseparable incident of the business of extending credit itself. To treat recovery as a wholly discrete activity, disconnected from lending, is to fragment artificially what is, commercially and functionally, a single continuous activity, and does not,

in our view, accord with how the business of lending money is or can be understood.

26. This view finds support in ***Bajaj Finance Ltd. v. Commissioner of Central Excise, Pune-I, 2018 (10) GSTL 251 (Tri.-Mum.)***, where, on facts stated to be materially identical to those before us, the Tribunal held that the service of lending is not limited to disbursement of the loan but extends to, and includes, recovery of the amount lent, this being one of the vital parts of the overall lending activity, and that the recovery agent's service accordingly falls within the "means" clause of Rule 2(l). We find that the same view was reiterated for a subsequent period in the same appellant's case; that the Delhi Bench of this Tribunal, in ***Commissioner, CGST, Jaipur v. Bharti Hexacom India Ltd., 2023 (5) TMI 5 - CESTAT Delhi***, applied like reasoning to a telecom service provider's collection agents; and that this Tribunal itself, in ***Cholamandalam Investment & Finance Company Ltd. v. Commissioner of GST & Central Excise, 2026 (3) TMI 1070 - CESTAT Chennai***, on facts of an NBFC engaging recovery agents closely paralleling the present case, has categorically taken the same view.

27. Judicial discipline requires a coordinate Bench of this Tribunal to follow an earlier decision on identical facts unless persuaded that it warrants reconsideration by a Larger Bench; no such case has been made out before us, nor do we ourselves see reason to take a different view. We would only add that the circumstance that the Revenue did not carry the decision in Bajaj Finance (2018) in further appeal, reportedly on account of the monetary limit prescribed for filing appeals, does not detract from its precedential value or its binding character on subordinate authorities so long as it has not been set aside by a competent superior forum; a decision of this Tribunal does not lose its character as a precedent merely because it went unchallenged for reasons unconnected with its correctness.

28. We are accordingly of the view that the service of the recovery/collection agents engaged by the appellant, for recovery of instalments in default and enforcement of the security furnished by way of hypothecation of the financed vehicle, is a service used by the appellant "for providing" its

output service of lending, within the "means" clause of Rule 2(l) of the CCR.

29. That finding is sufficient to dispose of the issue in the appellant's favour. We may, however, also observe, without resting our conclusion upon it that the same service would, in our view, equally qualify under the "includes" clause of Rule 2(l) as a service rendered in relation to "security" and to "financing". The vehicle financed by the appellant stands hypothecated to it as security for repayment, and the engagement of the recovery agent, on default, is directed at nothing other than enforcement of that very security. That the Adjudicating Authority has himself found the recovery agent's activity to be essential to the conduct of the appellant's lending business reinforces the conclusion that such service is also one rendered in relation to financing. Thus, on the first issue, we unequivocally find in favour of the appellant and against the Revenue that the CENVAT credit availed on the service tax paid on commission to recovery/collection agents is a credit on an eligible input service.

30. Given our finding on Issue (i), which independently and fully disposes of the demand of ineligible credit raised in each of the four appeals, we do not consider it strictly necessary to render a conclusive finding on the second issue, though there cannot be any quarrel with the settled position in law that a show cause notice constitutes the foundation of proceedings for levy and recovery of duty and tax, and that an adjudicating or appellate authority cannot travel beyond its scope to sustain a demand on a ground never put to the noticee. See ***Commissioner of Central Excise, Nagpur v. Ballarpur Industries Ltd., 2007 (215) ELT 489 (S.C.)***, and ***Commissioner of Central Excise, Bhubaneswar-I v. Champdany Industries Ltd., 2009 (241) ELT 481 (S.C.)***. Show cause notice No.4/2016 dated 29.01.2016, on the record before us, proceeds on the allegation that the recovery agent's service was "not used by the appellant in providing the output services" and was, in substance, a service relating to the appellant's business falling outside the inclusive part of Rule 2(l) as it stood after 01.04.2011; it does not, on its face, allege that the appellant's lending activity itself, in so far as consideration therefor is represented by interest, falls outside the definition of "output service" under Rule 2(p).

31. Given our finding on Issue (i), the demand raised in show cause notice No.4/2016 fails in its entirety on merits, and the question of limitation, strictly, does not survive for consideration. We address it nonetheless, since it was argued, and since our finding here bears also on the sustainability of penalty.

32. The proviso to Section 73(1) of the Finance Act, 1994 permits invocation of the extended period only where the non-levy, non-payment or, as here, the availment of ineligible credit is by reason of fraud, collusion, wilful mis-statement, suppression of facts, or contravention of the provisions of the Act or the Rules with intent to evade payment of tax. Something more than a mere omission, or an interpretation of the law that does not ultimately find favour, is required: there must be a positive act of concealment, or a deliberate withholding of information that the appellant knew was required to be furnished. The finding in the impugned Order-in-Original, that non-disclosure of the credit availed on recovery agent's service in the ST-3 returns, without more, evidences suppression with intent to evade, does not, in our view, meet this threshold, more so where, as the appellant contends, the credit stood reflected in its returns and where the prescribed ST-3 format does not otherwise call for a service-wise break-up of the credit availed.

33. We are conscious that the question whether recovery or collection agent's service qualifies as an eligible input service has been the subject of divergent views over the years, including the interim, prima facie view expressed in the stay order in Bajaj Finance itself, before being authoritatively settled, at least at the level of this Tribunal, in the appellant's favour. Such divergence is itself indicative of a genuine and arguable question of interpretation, on which the extended period cannot be invoked. The decision in ***International Merchandising Company, LLC v. Commissioner of Service Tax, New Delhi, (2023) 3 SCC 641*** refers in this regard. We would also refer, in this connection, to our own recent decision in ***M/s. Sundaram Finance Ltd. v. Commissioner of GST & Central Excise, Chennai, 2026 (6) TMI 9 - CESTAT Chennai (Final Order No.40659/2026 dated 29.05.2026)***, where, on a kindred controversy involving the availability of CENVAT credit to an NBFC, we held that an interpretational dispute of this kind, absent a positive act establishing suppression or intent to evade, does not justify

invocation of the extended period, and that Rule 6(3B) of the CCR, being a non-obstante provision applicable to a banking company, financial institution or NBFC engaged in extending deposits, loans or advances, overrides the restrictions in Rule 6(1), (2) and (3).

34. We accordingly hold that the extended period of limitation under the proviso to Section 73(1) of the Finance Act, 1994 was not validly invokable in relation to show cause notice No.4/2016 dated 29.01.2016, and that the demand thereunder, to the extent it falls beyond the normal period of limitation, is barred by time. Given our findings above, the penalty imposed in the impugned Order-in-Original dated 02.03.2017 under Rule 15(3) of the CCR read with Section 78 of the Finance Act, 1994 cannot survive: there being no ineligible credit and no suppression established, the foundation for penalty fails on both counts. The penalties imposed under Section 76 of the Finance Act, 1994 in the Orders-in-Appeal impugned in Appeal Nos.ST/41131/2019, ST/40267/2023 and ST/40191/2023 too cannot be sustained in light of our findings above.

35. For the foregoing reasons, the orders impugned in these appeals are set aside and the appeals are allowed.

The appellant shall be entitled to consequential relief, in law, if any.

(Order pronounced in the open court on 08.09.2026)

(AJAYAN T.V.)
Member (Judicial

(VASA SESHAGIRI RAO)
Member (Technical)

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