IN THE CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH – COURT No. I

Service Tax Appeal No. 41436 of 2015

(Arising out of Order-in-Appeal No. 104/2015 (STAX-II) dated 01.04.2015 passed by Commissioner of Service Tax (Appeals-II), No. 26/1, Mahatma Marg, Nungambakkam, Chennai – 600 034)

M/s. SPI Technologies India Private Limited **...Appellant**
No. 117/1, Arihant e-Park,
Lal Bahadur Shashtri Road,
Adayar,
Chennai – 600 020.

Versus

Commissioner of GST and Central Excise **...Respondent**
Chennai South Commissionerate,
Newry Towers,
No. 2054, 12th Main Road,
Anna Nagar,
Chennai – 600 040.

APPEARANCE:

For the Appellant : Mr. G. Arunmozhi, Advocate
For the Respondent : Mr. N. Satyanarayana, Authorized Representative

CORAM:

HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

DATE OF HEARING : 07.08.2026
DATE OF DECISION : 08.09.2026

FINAL ORDER No. 41014 / 2026

Order:-

This appeal has been filed by M/s. SPI Technologies India Pvt. Ltd. against Order-in-Appeal No. 104/2015 (STAX-II) dated 01.04.2015 passed by the Commissioner of Service Tax (Appeals-II), Chennai, whereby part rejection of the appellant's refund claim under Rule 5 of the CENVAT Credit Rules, 2004 was upheld. The change in cause title from M/s. Laser World (P) Ltd. to M/s. SPI Technologies India Pvt. Ltd. was allowed by this Tribunal *vide* Miscellaneous Order No. 40832/2025 dated 04.08.2025. As such, M/s. SPI Technologies India Pvt. Ltd. is hereinafter referred to as "the appellant" and the said Order-in-Appeal as "the impugned order".

2. The brief facts, as culled out from the records, are that the appellant, engaged in providing Business Auxiliary Service, filed a refund claim of Rs.29,94,464/- under Rule 5 for January 2010 to March 2010 towards accumulated and unutilised CENVAT credit on input services used for exported output services. The adjudicating authority sanctioned Rs.22,47,988/- and rejected Rs.7,46,476/-, comprising Rs.4,76,014/- relating to Group Insurance and Club Services and Rs.2,48,860/- relating to services pertaining to a period after 31.03.2010. The rejection was upheld in appeal. Aggrieved by the impugned order, the appellant is before this Tribunal.

3. The Ld. Advocate Shri G. Arunmozhi for the Appellant submitted that Rule 2(l) of CCR 2004, as applicable

during the material period, had a wide ambit and included activities relating to business; a direct one-to-one nexus with the exported output service was not required. Group Insurance was taken for employees in the course of business and Club Services were stated to have been used for business purposes. Reliance was placed on *CCE, Nagpur v. Ultratech Cement Ltd., 2010 (260) E.L.T. 369 (Bom.); Reliance Industries Ltd. v. Commissioner, Central Excise & Service Tax (LTU), Mumbai, 2015 (11) TMI 969 (CESTAT Mumbai); M/s. Tata Teleservices (Maharashtra) Ltd. v. Commissioner, Service Tax, Mumbai-II, 2024 (3) TMI 1407 (CESTAT Mumbai-LB); M/s. Emco Ltd. v. Commissioner of Central Excise, Mumbai-III, 2023 (5) TMI 379 (CESTAT Mumbai); M/s. Vinayak Steels Ltd. v. CCE & ST, Hyderabad, 2017 (7) TMI 346 (CESTAT Hyderabad);* and *Warburg Pincus India Pvt. Ltd. v. Commissioner of Service Tax-I, Mumbai, Appeal Nos. ST/86694, ST/86695, ST/86697 & ST/86698/2017, decided on 13.03.2018*. It was further submitted that credit already availed could not be denied in a refund proceeding without following the prescribed procedure and that the later-period services could not be rejected merely on that ground if otherwise eligible.

4. *Per Contra*, the Ld. Authorized Representative Shri N. Satyanarayana supported the impugned order and submitted that Group Insurance and Club Services were employee-welfare/personal services and the appellant had not established their use in providing the exported service. It was also submitted that Rs.2,48,860/- related to a period after 31.03.2010 and was therefore not refundable in the claim for January to March 2010.

5. I have carefully considered the records, the rival submissions and the authorities relied upon by the appellant. The following two questions arise for determination: -

i. Whether Group Insurance and Club Services were eligible as CENVAT credit under Rule 2(l) as it stood during the material period and, consequently, refundable under Rule 5?

ii. Whether Rs.2,48,860/- relating to services pertaining to a period after 31.03.2010 could form part of the refund claim for January to March 2010?

6. I have considered the records, the impugned order, the rival submissions and the decisions relied upon by the appellant. The refund period was from January 2010 to

March 2010. Rule 2(l) as then applicable was materially wider than the amended definition with effect from 01.04.2011 whereby "activities relating to business" got deleted. The claim must therefore be tested against the law prevailing during the material period.

7. On Group Insurance, the appellant relied upon *CCE, Nagpur v. Ultratech Cement Ltd., 2010 (260) E.L.T. 369 (Bom.), Reliance Industries Ltd. v. Commissioner, Central Excise & Service Tax (LTU), Mumbai, 2015 (42) S.T.R. 384 (Tri.-Mumbai)* and the Larger Bench decision in *M/s. Tata Teleservices (Maharashtra) Ltd. v. Commissioner, Service Tax, Mumbai-II, 2024 (16) Centax 160 (Tri.-LB).* In Ultratech Cement Ltd. (*supra*), the Hon'ble Bombay High Court held that the expression "activities relating to business" in the pre-01.04.2011 definition of "input service" was of wide import and was not confined to services directly used in manufacture. In Reliance Industries Ltd. (*supra*), this Tribunal allowed CENVAT credit on insurance premium paid in respect of group insurance/mediclaim policies covering existing and retired employees, relying, inter alia, upon Rule 2(l) and also on the decision in Millipore India Ltd. The Larger Bench in Tata Teleservices (Maharashtra) Ltd. (*supra*), while specifically considering group medical and accident insurance policies for

employees and their family members for the period prior to 01.04.2011, held that such services could fall within the expression “activities relating to business” and did not require proof of an integral connection with the manufacturing process.

8. The lower authorities rejected the Group Insurance component principally on the ground that it was an employee-welfare/personal service and lacked direct or indirect nexus with the exported output service. In view of the statutory position and the above decisions, that reasoning adopted cannot be sustained merely because the insurance covered employees. I therefore hold that Group Insurance was not excluded from Rule 2(l) during the material period. The corresponding amount is eligible for refund under Rule 5, subject to verification of the precise amount and fulfilment of the remaining statutory requirements.

9. As regards Club Services, the appellant relied upon *M/s. Vinayak Steels Ltd. v. CCE & ST, Hyderabad, 2017 (7) TMI 346 (CESTAT Hyderabad), M/s. Emco Ltd. v. Commissioner of Central Excise, Mumbai-III, 2023 (5) TMI 379 (CESTAT Mumbai)* and Ultratech Cement (*supra*). In

Vinayak Steels Ltd. (*supra*) and Emco Ltd. (*supra*), club membership was allowed for the pre-01.04.2011 period where evidence established business use, including entertaining customers and business/sales meetings. Thus, club membership was not per se excluded, but its business use had to be established.

10. In the present case, the impugned order recorded that the Club Services were used by employees for health, fitness and recreational activities and treated such use as personal welfare. Although the appellant asserted business use, no material has been shown establishing use for entertaining customers, business meetings, sales meetings or comparable business activities of the kind established in Vinayak Steels Ltd. (*supra*) and Emco Ltd. (*supra*). Those decisions are therefore distinguishable on facts. The wider principle in Ultratech Cement (supra) does not dispense with proof that the particular service satisfies Rule 2(l). The Club Service component is consequently not established as eligible.

11. The appellant also relied upon Warburg Pincus India Pvt. Ltd. v. Commissioner of Service Tax-I, Mumbai, Appeal Nos. ST/86694, ST/86695, ST/86697 &

ST/86698/2017, decided on 13.03.2018, to contend that a refund authority could not simply deny credit already availed without the prescribed adjudicatory procedure. That principle does not answer the separate question whether services pertaining to a later period could form part of the refund claim for January to March 2010.

12. The disputed Rs.2,48,860/- admittedly related to services pertaining to a period after 31.03.2010. A Rule 5 refund for January to March 2010 can cover only eligible accumulated credit available for that refund period. The appellant has not established that this amount formed part of the eligible accumulated balance for the relevant period. Its inclusion in the present refund claim cannot therefore be allowed. This finding is confined to the refund claim for January to March 2010.

13. In the result, the decisions relied upon by the appellant support Group Insurance under the pre-01.04.2011 statutory regime, whereas Vinayak Steels Ltd. (*supra*) and Emco Ltd. (*supra*) do not assist the Club Service claim in the absence of evidence of actual business use. Warburg Pincus

(*supra*) does not alter the conclusion regarding credit pertaining to a subsequent period.

14. The impugned Order-in-Appeal No. 104/2015 (STAX-II) dated 01.04.2015 is set aside to the extent it rejects the Group Insurance component merely on the ground that it was an employee-welfare service or lacked a direct nexus with the exported output service. The matter is remanded to the adjudicating authority only to verify the precise Group Insurance amount and sanction consequential refund under Rule 5, subject to the remaining statutory requirements. The rejection of the Club Service component and Rs.2,48,860/- relating to services after 31.03.2010 is upheld.

15. The appeal is accordingly partly allowed by way of remand in the above terms, with consequential relief, if any, in accordance with law.

(Order pronounced in open court on 08.09.2026)

Sd/-
(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

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