

**CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD**

REGIONAL BENCH - COURT NO. – I

Service Tax Appeal No. 30932 of 2018(Arising out of **Order-in-Original** No.GUN-EXCUS-000-COM-009-17-18-S.Tax dated
28.03.2018 passed by Commissioner of Central Tax, Guntur)**M/s Srinivasa Out Sourcing
Services Pvt Ltd.,**H.No. 8/241, 1st Floor,
Ashok Nagar, MG Road,
Industrial Estate,
Vijayawada,
Andhra Pradesh – 520 007.

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APPELLANT*VERSUS***Commissioner of Central Tax
Guntur**P.B.No. 331, C.R.Building,
Kannavari Thota, Guntur,
Andhra Pradesh – 522 004.

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RESPONDENT**AND****Service Tax Appeal No. 30933 of 2018**(Arising out of **Order-in-Original** No.GUN-EXCUS-000-COM-009-17-18-S.Tax dated
28.03.2018 passed by Commissioner of Central Tax, Guntur)**Shri L. Subbarami Reddy, Ex-Director
M/s Srinivasa Out Sourcing
Services Pvt Ltd.,**H.No. 8/241, 1st Floor,
Ashok Nagar, MG Road,
Industrial Estate,
Vijayawada,
Andhra Pradesh – 520 007.

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APPELLANT*VERSUS***Commissioner of Central Tax
Guntur**P.B.No. 331, C.R.Building,
Kannavari Thota, Guntur,
Andhra Pradesh – 522 004.

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RESPONDENT**APPEARANCE:**

Shri L. Venkateswara Rao, Advocate for the Appellant.

Shri V. Srikanth Rao, Authorized Representative for the Respondent.

**CORAM: HON'BLE Mr. A.K. JYOTISHI, MEMBER (TECHNICAL)
HON'BLE Mr. ANGAD PRASAD, MEMBER (JUDICIAL)****FINAL ORDER No. A/30044-30045/2026**Date of Hearing: 09.12.2025
Date of Decision: 27.01.2026

[ORDER PER: ANGAD PRASAD]

M/s Srinivasa Outsourcing Services Ltd., and Shri L. Subbarami Reddy, Director of M/s Srinivasa Outsourcing Services Ltd., have filed these two appeals against the Order-in-Original dated 28.03.2018 (impugned order) passed by the Commissioner of Central Tax, Guntur. Since, both the appeals are related to same Order-in-Original, therefore both the appeals are taken up simultaneously to decide together.

2. The facts in brief are that the appellant is engaged in providing cleaning services, sanitation services, manpower supply services etc., to the Government of Andhra Pradesh through M/s Andhra Pradesh Health and Medical Housing & Infrastructure Development. The appellant entered into agreements with various Government Hospitals including Government Mental Care Hospital, Visakhapatnam for providing above mentioned services.

3. The appellant had not paid service tax on the value of the cleaning and sanitation services provided to Government Hospital, since these services were exempted from service tax by virtue of Notification No. 25/2012-ST dated 20.06.2012.

4. A show cause notice no. 41/2017-18 dated 16.06.2017 has been issued against the appellant for the period 01.07.2012 to 31.03.2016.

5. The appellant furnished detailed reply vide letter dated 20.07.2017 and contested that the sanitation services provided by them to Government Hospital are in the nature of public health and sanitation conservancy and exempted from service tax under above mentioned notification.

6. Learned Commissioner vide impugned order held that the services referred by the appellant would fall under the category "taxable services" in terms of Section 65B(51) of the Finance Act, 1994 and also denied the

benefit of Notification No. 25/2012-ST dated 20.06.2012 and confirmed the demand of service tax amounting to Rs. 3,40,56,246/- along with the applicable interest under Section 73(2) read with Section 75 of the Finance Act and also imposed penalty of Rs. 5,000/- under Section 77 of the Finance Act. Learned Commissioner also imposed penalty equal to service tax and Rs. 10,000/- penalty on Shri L. Subbarami Reddy, Director of the appellant company M/s Srinivasa Outsourcing Services Ltd., under Section 78 of the Finance Act 1994.

7. M/s Srinivasa Outsourcing Services Ltd., and Shri L. Subbarami Reddy, Director of M/s Srinivasa Outsourcing Services Ltd., on being aggrieved by the impugned order, filed above appeals respectively before the Tribunal.

8. Learned Counsel for the appellant submits that the appellant awarded work/contract of sanitation and cleaning of various Government Hospitals run by the State Government either directly or through A.P. Health and Medical Housing and Infrastructure Development Corporation. Hospital is directly run by the State Government and therefore these services related to Government only. Section 65B(26A) of the Finance Act with effect from 14.05.2015 defined the word Government as follows:

"Government means the Departments of the Central Government, a State Government and its Departments and a Union Territory and its Departments, but shall not include any entity whether created by a Statute or otherwise, the accounts of which are not required to be kept in accordance with Article 150 of the Constitution or the Rules made thereunder".

9. Prior to 14.05.2015, as per General Clauses Act, the term 'Government', covers State Government and hence the hospitals run by a State Government are the Government hospitals. As per Notification No. 25/2012-ST dated 20.06.2012 these services are exempted. The relevant para of the Notification is reproduced below:

25. Services provided to Government, a local authority or a Governmental authority by way of –

(a) carrying out any activity in relation to any function ordinarily entrusted to a municipality in relation to water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation; or

As per above provisions, the services which are provided to Government, a Local Authority or a Government Authority by way of carrying out any activity in relation to any function, or merely entrusted to a Municipality in relation to water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation are exempted services.

10. Learned Counsel for the appellants also submits that the issue is no longer res-integra in as much as the Tribunal Ahmedabad Bench, in the case of Commissioner of Central Excise and Service Tax, Bhavnagar Vs D.G. Nakrani [2025 (32) CENTAX 227 (Tri-Ahmd)] and extended the benefit of service tax exemption under above exemption notification. The Department filed appeal against the order of Ahmedabad Tribunal before the Hon'ble Supreme Court. Hon'ble Supreme Court dismissed the appeal filed by the Revenue.

11. Learned Counsel for the appellants also relied on the decision of other Co-ordinate Bench Ahmedabad in the case of Commissioner of Central Excise and Service Tax, Bhavnagar Vs M.J Solanki [2025 (26) CENTAX 121 (Tri-Ahmd)]. The Co-ordinate Bench held that the cleaning and housekeeping services provided by the respondent to Government Hospitals and other Government entities during the period April 2012 to March 2016 are eligible for service tax exemption under the above notification. The Revenue filed an appeal before the Hon'ble Supreme Court and Hon'ble Supreme Court upheld the order of the Tribunal.

12. Learned Counsel for the appellant submits that the issue involved is interpretation of notification benefit to the services of cleaning and sanitation provided by the appellant to Government Hospitals. The appellants were under the bonafide belief that the above services are eligible for tax exemption since these services were provided by them to the Government Hospitals in relation to public health and sanitation conservancy. Extended period of limitation is not invocable where the issue involved is interpretational. He relied on the following decisions:

i) Sujana Metal Products Ltd., [2011 (273 ELT 112 (Tri-Bang))] which was upheld by the Hon'ble Supreme Court in the case of Commissioner Vs Sujana Metal Products Ltd., [2016 (342) ELT A115]

ii) Anjuman Islahul Muslimin [2019 (27) GSTL 685 (Tri-All)]

iii) Principal Commissioner of Customs Vs Felox Technologies India Pvt Ltd., [2025 (29) CENTAX 252 (SC)]

13. Learned AR has re-iterated the findings given by the Adjudicating Authority.

14. We have heard the articulate and detailed arguments of the Learned Counsel for the Appellant Shri L. Venkateswara Rao as well as Learned AR for the Respondent Shri V. Srikanth Rao and have considered the impugned order along with the submissions made in appeal and during the course of arguments.

15. The issue is, whether the cleaning and sanitation services provided by the appellant to Government Hospital would fall under the taxable service and exempted from the service tax vide Notification No. 25/2012-ST dated 20.06.2012. The agreement is between the appellants and the Superintendent, Government Medical Care Hospital, Visakhapatnam. The scope of work is of maintaining sanitation and hygiene within hospital

buildings and premises and include cleaning of hospital including floor, toilets, sinks, bathrooms, drainage and sewerage etc; dusting the furniture, work station etc., and disposal of waste i.e. both normal waste and bio-waste. Section 65B(51) define taxable service means any service on which service tax is leviable under Section 66B. The Department of Revenue issued exemption Notification No. 25/2012-ST dated 20.06.2012. Relevant entry of above notification is at Serial No. 25 as thus:

"Services provided to Government, a Local Authority or a Governmental Authority by way of – (a) carrying out any activity in relation to any function ordinarily entrusted to a Municipality in relation to water supply, public health, sanitation conservancy, solid waste management or slum improvement and upgradation; or

b).....

Further, Department of Revenue, substituted entry no. 25 in above notification by Notification No. 6/2014-ST dated 11.07.2014 as under:

(viii) in entry 25, for item (a), the following item shall be substituted, namely:-

" (a) water supply, public health, sanitation conservancy, solid waste management or slum improvement and up-gradation; or"

16. It is clear from the above notification that the exemption is available to services which are provided to Government, a Local Authority or a Governmental Authority by way of any activity which are mentioned in above notification. The appellants are providing the above services to Government Medical Care Hospital, Visakhapatnam. The hospitals are run by the State Government. Therefore, above mentioned notification is applicable in the instant case. The Learned Commissioner mis-read the above notification.

17. The Ahmedabad Tribunal in the case of D.G. Nakrani, *supra*, held as follows:

"27. We find that in the present matter, revenue demanded the service tax from the respondent for providing cleaning services to Government hospitals, courts, local authorities, Government undertakings etc. We find that the cleaning and housekeeping services are essential parts of sanitation conservancy and waste management and respondent are eligible for exemption under Sl. No. 25(a) of the Mega Notification No. 25/2012-ST dated 20/06/2012 for cleaning and housekeeping service provided to Government Hospitals and other Government entities. Accordingly, the demand of service tax with respect to services provided to Government entities cannot be sustained and rightly dropped by the Ld. Adjudicating Authority."

The Tribunal also held on the issue of invoking extended period as follows:

"29. We are of the opinion that whether the respondent is entitled for the benefit of exemption notification or not depends on the interpretation of the exemption notification and on the contrary, to a very large extent, their interpretation is found correct. Thus, it is evident that there is not even an iota of evidence to even suggest that there was any willful misstatement or suppression of facts on the part of the respondent. Consequently, extended period is not invokable in this case. Therefore, we do not find any reason to interfere with the order."

In view of the foregoing discussion and findings, the impugned order is upheld. Revenue's appeal is dismissed."

The Revenue filed an appeal against the above order before the Hon'ble Supreme Court. Hon'ble Supreme Court vide order dated 16.12.2024 upheld the order of the Tribunal.

18. The Ahmedabad Tribunal in the case of M.J. Solanki, *supra* also held that the cleaning and house-keeping services provided by the respondent to Government Hospitals and other Government entities are eligible for service tax exemption under above mentioned notification. Being aggrieved, the Revenue filed an appeal before the Hon'ble Supreme Court. Hon'ble Supreme Court dismissed the appeal on ground of delay as well as merits both.

19. The Superintendent of the Government Hospital being Head of the hospital had entered into agreement on behalf of the Government with the appellant for providing such services and therefore Superintendent is empowered for such agreement.

20. The above services are eligible for tax exemption and the issue involved is interpretation of the notification benefit to the services of cleaning and sanitation provided by the appellant to Government Hospital. In these facts and circumstances, extended period of limitation is not invocable. There is no any fraud, collusion or wilful default or any type of suppression of facts. Therefore, question of invocation of limitation does not arise. Hon'ble Supreme Court in the case of Principal Commissioner of Customs Vs Felox Technologies India Pvt Ltd., [2025 (29) CENTAX 252 (SC)], wherein, held that the issue of eligibility of benefit of exemption being interpretational in nature, extended period of limitation could not have been invoked for raising duty demand.

21. As per discussion, *supra*, there is no tax liability on merits. Since, no any tax liability therefore, imposing of penalty cannot be sustained.

22. Therefore, in view of the above, we find that the impugned order cannot be sustained and appeals must be allowed and accordingly we set aside the impugned order.

23. Appeals are allowed.

(Order pronounced in the open court on 27.01.2026)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

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