CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD
REGIONAL BENCH - COURT NO. – I

Service Tax Appeal No. 30646 of 2018
(Arising out of **Order-in-Appeal** No.HYD-SVTAX-RRC-APP-165-17-18(APP-I) dated 27.12.2017 passed by Commissioner of Customs & Central Tax (Appeals-I), Hyderabad)

M/s VBC Projects .. **APPELLANT**
Flat No.301, H.No.3-22,
Dream Home Apartments,
Chaitanyapuri,
Hyderabad,
Telangana – 500 060.

VERSUS

Commissioner of Central Tax .. **RESPONDENT**
Rangareddy - GST
Posnett Bhavan,
Ramkoti,
Hyderabad,
Telangana – 500 001.

APPEARANCE:
Shri Y. Sreenivasa Reddy, Advocate for the Appellant.
Shri K. Raji Reddy, 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/30063/2026

Date of Hearing: 12.01.2026
Date of Decision: 12.01.2026

[ORDER PER: ANGAD PRASAD]

M/s VBC Projects (hereinafter referred to as appellant) has filed this appeal against the Order-in-Appeal No. HYD-SVTAX-RRC-APP-165-17-18 (APP-I) dated 27.12.2017 passed by Learned Commissioner (Appeals-I), Hyderabad.

2. The fact, in brief is that the appellant is a work contractor and executed job of construction of roads and other constructions to Special Economic Zone (SEZ) Developers during the period from April 2011 to March 2015. The developers issued work orders to the appellant for construction of roads and showing the service tax as nil, as the supplies were to SEZ. The Department

issued a Show Cause Notice dated 27.10.2016 demanding service tax on these services provided to the SEZ Developers on the grounds that the appellant had not produced Form – A1 from the Developers evidencing that the services were to be used for authorized services. The demand was made for the period beyond limitation on the ground that the appellant had issued invoices showing nil tax, but not showing any applicable notification and not declared the supplies in the ST-3 returns that the supply of services to SEZ were exports and not liable to tax. The Original Authority confirmed the demand holding that it is a settled law that the services rendered to SEZ units are exempted from taxation, but since the conditions are not followed, exemption cannot be extended.

3. On appeal, the First Appellate Authority confirmed the demand on a different ground that the appellant is required to pay tax as he had not complied with the Section 26(2) of the SEZ Act 2005. Aggrieved by the impugned order, appellant filed this appeal before CESTAT.

4. Learned Counsel for the appellants submits that the only ground on which the demand was made is that the appellant failed to produce Form – A1 from the client to claim the exemption notification. This compliance is not required, as held in several decisions, as follows:

i) M/s Maha Shiv Shakti Steel Rolling Mills Pvt Ltd., Vs Commissioner of Cental Tax, Rangareddy – GST [2025 (11) TMI 840 – CESTAT-Hyderabad]

ii) Mast Global Business Services India Pvt Ltd., Vs Commissioner of Central Tax, Bangalore [2018 (9) TMI 258-CESTAT-Bangalore]

iii) Mahindra Engineering Services Ltd., Vs CCE, Pune [2015 (38) STR 841 (Tri-Mumbai)]

5. Learned Counsel for the appellant submits that Hon'ble High Court of Telangana and Andhra Pradesh in the case of M/s GMR Aerospace Engineering Ltd., and Another Vs Union of India and Others [2019 (8) TMI 748-Telangana & Andhra Pradesh HC], which was upheld by Hon'ble Supreme Court in the case of Union of India and Anr Vs M/s GMR Aerospace Engineering Ltd., and Others [2019 (7) TMI 1975 – SC order], held that the demand on the supplies to SEZ is not sustainable for the reason that Section 26(2) of SEZ Rules 2005 does not prescribe any such condition of producing certificate for claiming the exemption.

6. Learned AR reiterates the findings of the Learned Commissioner in the impugned order.

7. Heard Learned Counsel for the appellant Shri Y. Sreenivasa Reddy and Learned AR for the Respondent Shri K. Raji Reddy and perused the records.

8. We find that there is no dispute that the appellant had provided the service to the SEZ unit. The lower Authorities denied the benefit on the ground that Form-A1 was not provided during the relevant period. Hence, they had not fulfilled the conditions of the notification.

9. Hon'ble Telangana High Court in the case of M/s GMR Aerospace Engineering Ltd., supra, whereby, interalia, set aside the notification in question that was the notification no. 9/2009-ST dated 03.03.2009 as amended by Notification No. 15.2009-ST dated 20.05.2009, 17/2011-ST dated 01.03.2011, 40/2012-ST dated 20.06.2012 and 12/2013-ST dated 01.07.2013, which regulated the exemption to services provided to SEZ units, required furnishing of Form – A1 and Form – A2. Similar notifications on the same have been relied upon in SCN for the demand and confirmed. We also note that the M/s GMR Aerospace Engineering Ltd., judgment has been further

upheld by the Hon’ble Supreme Court. Therefore, in view of the same, there is no basis on insisting for furnishing Form – A1 for confirming the demand and we therefore find that the impugned order is not sustainable under law and therefore appeal is liable to be allowed.

10. Appeal allowed with consequential relief, if any, as per law.

(Operative part of this order was pronounced
in court on conclusion of the hearing)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

Jaya