CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD

REGIONAL BENCH - COURT NO. – I

Service Tax Appeal No. 30039 of 2019
(Arising out of **Order-in-Original** No.HYD-EXCUS-003-COM-001-18-19 dated 23.08.2018 passed by Commissioner of Central Tax & Central Excise, Hyderabad)

M/s Electronics Corporation of India Ltd., .. **APPELLANT**
Post : ECIL,
Cherlapally,
Hyderabad,
Telangana - 500 062.

VERSUS

Commissioner of Central Tax Secunderabad – GST .. **RESPONDENT**
Kendriya Shulk Bhavan,
L.B. Stadium Road,
Basheerbagh,
Hyderabad,
Telangana- 500 004.

APPEARANCE:
Shri P.V.B. Chary, Advocate for the Appellant.
Shri B. Subash Chandra Bose, 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/30068/2026

Date of Hearing: 03.02.2026
Date of Decision: 03.02.2026

[ORDER PER: ANGAD PRASAD]

M/s Electronics Corporation of India Ltd., (hereinafter referred to as appellant) are in appeal against the Order-in-Original dated 23.08.2018, whereby, the Adjudicating Authority has confirmed the demand of Rs. 1,96,22,132/- (impugned order).

2. The issue involved in this appeal is that the appellant had received certain amount from some of the supplier of goods as well as provider of services for not supplying the goods within the stipulated time as well as for not providing the services during warranty period. Therefore, in terms of the

provisions in the contract, certain amount was paid as liquidated damages by the said supplier of goods as well as provider of services to the appellant. Department felt that this would be covered within the category of declared service under Section 66E(e) of the Finance Act, 1994 as it is an act of tolerance. Accordingly, the demand was raised which was later on confirmed by the Adjudicating Authority along with penalty under Section 78 of Finance Act, 1994.

3. Learned Advocate, apart from explaining the brief fact of the case, submits that the issue is no longer res-integra in terms of catena of judgments passed by the Hon'ble Tribunal at Hyderabad as well as by Co-ordinate Benches at other places. He is relying on the following judgments:

> i) M/s Brahmos Aerospace Pvt Ltd., Vs CC, Hyderabad vide Final Order No. A/30419/2025 dated 08.10.2025
>
> ii) Bharat Dynamics Ltd., Vs Commissioner of Central Tax, Hyderabad vide Final Order No. A/30202/2025 dated 16.06.2025
>
> iii) Bharat Heavy Electricals Ltd., Vs Commissioner of Central Tax, Medchal vide Final Order No. A/30064/2025 dated 21.02.2025
>
> iv) South Eastern Coalfields Ltd., Vs CCE & ST, Raipur
> [2021 (55) GSTL 549 (Tri-Del)]
>
> v) Ispat Industries Ltd., CCE, Raigad [2006 (199) ELT 509 (Tri-Mum)]

4. On the other hand Learned AR reiterates the findings of Adjudicating Authority.

5. Heard both the sides and perused the records.

6. We find that the issue involved in this appeal lies within a narrow compass as to whether the consideration received in the form of liquidated damages can be subjected to Service Tax under the category of declared

service or otherwise. We have perused the judgments relied upon by the appellant. We find that the issue is no longer res-integra in view of various judgments cited supra. We also find that this Bench has recently examined this issue in the case of M/s Brahmos Aerospace Pvt Ltd., Vs Commissioner of Customs, Hyderabad, supra, wherein, relying on earlier judgments including the judgments in the case of South Eastern Coalfields Ltd., Vs CCE & ST, Raipur, supra, it was held that no Service Tax can be levied on the such amount and accordingly set aside the order. Therefore, we find force in the submission made by the Learned Advocate and accordingly set aside the impugned order. Since, we have decided the issue on merit, we have not examined the issue of limitation or imposition of penalty.

7. Appeal allowed.

(Dictated and pronounced in open court)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

Jaya