

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

REGIONAL BENCH - COURT NO. – I

Service Tax Appeal No. 30107 of 2019

(Arising out of **Order-in-Appeal** No. VIZ-EXCUS-001-APP-296-17-18 dated 22.03.2018
passed by Commissioner of Customs, Central Excise & Service Tax (Appeals),
Visakhapatnam)

M/s Dr Reddys Laboratories Ltd.,

..

APPELLANT

FTO Process Unit – 2, Sy. Nos. 70 & 73,
Devunipalavalalsa (V), Ranasthalam (M),
Srikakulam District,
Andhra Pradesh - 532 409.

VERSUS

**Commissioner of Central Tax
Visakhapatnam – GST**

..

RESPONDENT

Port Area,
Visakhapatnam,
Andhra Pradesh – 530 035.

APPEARANCE:

Shri B. Seshagiri Rao, Advocate for the Appellant.

Shri B. Sangameshwar 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/30319/2026

Date of Hearing: 23.02.2026

Date of Decision: 12.06.2026

[ORDER PER: ANGAD PRASAD]

The present appeal has been filed by M/s Dr. Reddy's Laboratories Ltd., against the Order-in-Appeal No. VIZ-EXCUS-001-APP-296-17-18 dated 22.03.2018, whereby, the Learned Commissioner (Appeals) upheld the Order-in-Original rejecting the refund claims aggregating to Rs. 33,98,948/- filed by the appellant under Notification No. 12/2013-ST dated 01.07.2013 in respect of services received for authorised operations in their Special Economic Zone (SEZ) unit.

2. The facts, in brief, are that the appellant M/s Dr Reddy's Laboratories Ltd., established a unit in the Special Economic Zone (SEZ) at Srikakulam District for manufacture of Pharmaceuticals and active Pharmaceutical ingredients. The unit was duly approved by the competent SEZ Authorities and was engaged in authorised operations as approved under the provisions of the Special Economic Zones Act, 2005.

3. During the period January, 2015 to November, 2015 the appellant received various taxable services including Customs House Agent Services, Rent-a-cab service, Transport Services and Works Contract Services for use in connection with the authorised operations of the SEZ unit. Service tax was paid either by the service providers or by the appellant under Reverse Charge Mechanism (RCM) as applicable.

4. Thereafter, the appellant filed a refund claim of Rs. 34,70,994/- under Notification No. 12/2013-ST dated 01.07.2013. The Adjudicating Authority sanctioned a part of the refund and rejected an amount of Rs. 33,98,949/- on various grounds such as mismatch of invoices, non-submission of original invoices, incomplete address in invoices and non-inclusion of certain services in the approved list of services.

5. The Commissioner (Appeals) upheld the rejection. Aggrieved by the said order, the appellant is before this Tribunal.

6. Learned Counsel for the appellant submits that the rejection of refund is based on procedural and technical deficiencies despite the fact that receipt of services, payment of service tax and utilisation of such services for authorised operations are not disputed. It is submitted that in respect of Customs House Agency Services received from M/s Mayuri Associates, the

Lower Authorities ignored documentary evidence establishing that service tax had in fact been paid and that the services were used for import of materials required for the SEZ unit. Regarding the amount pertaining to M/s Savani Carrying Pvt Ltd., it is submitted that service tax liability was discharged under RCM and copies of service tax payment, challans, accounting records and supporting documents were produced before the Authorities.

7. With regard to Rent-a-cab services, it is submitted that service tax was admittedly discharged under RCM and complete documentary evidence was produced. Merely, because the service provider mentioned the appellant's address, substantive benefit cannot be denied.

8. In respect of Works Contract Services received from M/s Afita Construction Pvt Ltd., for piling works relating to Harmone Block, it is argued that the services were received during establishment of the SEZ unit and were integrally connected with the authorised operations. Service tax was paid on the full value of service and the construction activity formed part of the infrastructure necessary for carrying out the approved operations.

9. Learned Counsel further submits that Section 51 of the SEZ Act, 2005 gives overriding effect to the provision of the SEZ Act over other laws. Therefore, once the services are used for authorised operations, refund cannot be denied on hyper-technical grounds.

10. Reliance is placed on the following decisions:

- i. Divi's Laboratories Ltd., Vs Commissioner of Central Tax, Visakhapatnam – GST [2021 (54) GSTL 400 (Tri-Hyd)]

- ii. GMR Aerospace Engineering Ltd., Vs Union of India [2019 (31) GSTL 596 (AP)]
- iii. SRF Ltd., Vs Commissioner of Customs, Central Excise & Service Tax, LTU, New Delhi [2022 (64) GSTL 489 (Tri-Del)]
- iv. Harman Connected Services Corporation India Pvt LTd., Vs Commissioner of Central Tax, Bengaluru East [2021 (49) GSTL 11 (Tri-Bang)]
- v. Cummins Turbo Technology Vs Commissioner of Customs, Cental Excise & Central Tax, Indore [2023 (12) CENTAX 334 (Tri-Del)]
- vi. Intas Pharmaceuticals Ltd., Vs Commissioner of Service Tax, Ahmedabad [2022 (64) GSTL 216 (Tri-Ahmd)]
- vii. Reliance Ports and Terminals Ltd., Vs Commissioner of Central Excise & Service Tax, Rajkot [2015 (40) STR 200 (Tri-Ahmd)]
- viii. Neeraj Insulation Contractors Vs Commissioner of Central Excise & Service Tax, Vadodara – I [2025 (26) CENTAX 233 (Tri-Ahmd)]

11. The Learned Authorised Representative reiterates the findings of the Lower Authorities and submits that Notification No. 12/2013-ST is a conditional notification and all conditions prescribed therein are required to be fulfilled strictly. It is argued that that several invoices were defective, original documents were not produced in certain cases and some services were not included in the approved list of services.

12. We have carefully considered the submissions of both the sides and perused the records.

13. The short issue involved is, whether refund of the service tax paid on services admittedly used in connection with the authorised operations of the appellant's SEZ unit can be denied on account of procedural deficiencies in

documentation. At the outset, it is relevant to note that the object of the SEZ Act, 2005 is to grant fiscal benefits and tax exemptions to units established in SEZ for carrying out authorised operations. Section 26 of the SEZ Act grants exemption from taxes and duties in respect of services used for authorised operations. Further, Section 51 of the SEZ Act gives overriding effect to its provisions over any inconsistent provisions contained in other laws. The records reveal that the receipt of services by the appellant and utilisation thereof for the SEZ unit have not been disputed by the Revenue. The payment of service tax is also not disputed. The rejection has essentially been made on procedural grounds.

14. We find that the refund relating to Customs House Agency Services (CHA) has been rejected mainly on the ground of mismatch in invoices. The appellant has explained that the invoices consisted of reimbursement made as pure agent and taxable agency charges on which service tax was paid. Documentary evidence showing payment of service tax and utilisation of services for import activities has been placed on record. Once the essential ingredients, namely receipt of service, payment of service tax and nexus with authorised operations, stand established, denial of refund merely on account of invoice presentation or clerical discrepancies cannot be sustained.

15. In respect of services received from M/s Savani Carrying Pvt Ltd., we find that the appellant discharged service tax liability under RCM and produced challans, evidencing payment of tax. The Lower Authorities have not disputed the tax payment. Where the tax has been paid directly to the Government under RCM and the services have been utilised for authorised operations, substantive benefit cannot be denied merely because original invoices were not available for a small portion of the claim.

16. The refund relating to Rent-a-cab services was rejected because the appellant's address was affixed by rubber stamp and certain corrections were made in the invoices. We find that there is no dispute regarding receipt of services, payment of service tax under RCM and utilisation of services in connection with the SEZ unit. The objection of the Revenue is purely technical.

17. The settled law is that procedural infractions which do not affect the substantive eligibility of a claimant cannot be made the basis for denial of exemption of refund. The purpose of invoice is to establish identity of recipient, nature of service and the payment of tax. These requirements stand substantially satisfied in the present case.

18. The major portion of the refund pertains to Works Contract Services received from M/s Afita Construction Pvt Ltd., for piling works of Hormone Block. The Lower Authorities rejected the claim on the ground that the description appearing in invoices was not specifically reflected in the approved list of services. We are unable to agree with the reasoning adopted by the Lower Authorities.

19. The Appellant was in the process of establishing and developing the SEZ unit. Construction and piling activities undertaken for creation of infrastructure necessary for the approved manufacturing unit are intrinsically connected with authorised operations. The expression "used for authorised operations" cannot be interpreted in a narrow or restrictive manner so as to defeat the very purpose of the SEZ scheme. If the infrastructure itself is created for carrying out approved operations, the services utilised for such creation necessarily bear direct nexus with authorised operations. The Revenue has not disputed that the Hormone Block formed part of the

appellant's SEZ unit. Once such factual position is accepted, denial of refund merely because the exact description appearing in the invoice does not identically match the wording used in the approved list would amount to elevating form over substance.

20. The decisions relied upon by the appellant consistently hold that benefits available to SEZ units cannot be denied on procedural or technical grounds when the substantive conditions stand satisfied.

21. The ratio emerging from the judicial pronouncements is that the objective of the SEZ scheme must be given effect and refund claims should be examined from the standpoint of actual use of service for authorised operations rather than a strict adherence to procedural formalities. Applying the said principles to the facts of the present case, we find that the appellant has successfully established receipt of services, payment of service tax and utilisation thereof for authorised operations of its SEZ unit.

22. In view of the above discussions, we hold that (i) the services in question were received and utilised for authorised operations of the appellant's SEZ units; (ii) payment of service tax has not been disputed by the Revenue; (iii) rejection of refund on account of procedural deficiencies such as invoice discrepancies, rubber stamp corrections, non-availability of some original invoices and variation in description of services is not sustainable; (iv) the provisions of the SEZ Act, 2005 and the beneficial scheme of the exemption available to SEZ units require a liberal and purposive interpretation; (v) the appellant is entitled to refund of the service tax paid in respect of disputed services.

23. Accordingly, the impugned order is set aside and appeal filed by the appellant is allowed with consequential relief, if any, as per law.

(Pronounced in the open court on 12.06.2026)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

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