CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
HYDERABAD

REGIONAL BENCH - COURT NO. – I

Service Tax Appeal No. 23665 of 2014
(Arising out of **Order-in-Original** No.HYD-EXCUS-002-COM-025-14-15 dated 28.08.2014 passed by Commissioner of Customs, Central Excise & Service Tax, Hyderabad)

M/s Aurobindo Pharma Ltd., .. **APPELLANT**
1st Floor, Plot No. 11,
Survey No. 9,
The Water Mark Building,
Hi Tech City, Kondapur,
Hyderabad,
Telangana – 500 084.

VERSUS

Commissioner of Central Excise .. **RESPONDENT**
& Service Tax
Hyderabad - II
Kendriya Shulk Bhavan,
L.B Stadium Road,
Basheerbagh, Hyderabad,
Telangana – 500 004.

APPEARANCE:
Shri D.V. Subba Rao, Advocate for the Appellant.
Shri V.R. Pavan Kumar, 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/30472/2026

Date of Hearing: 29.07.2026
Date of Decision: 25.08.2026

[ORDER PER: ANGAD PRASAD]

This appeal is directed against Order-in-Original No. HYD-EXCUS-002-COM-025-14-15 dated 28.08.2014, whereby, the Adjudicating Authority conformed the demands of Service Tax, along with interest and penalties, principally under the categories of "Banking and Other Financial Services" and "Scientific or Technical Consultancy Services", in respect of the period 2011-12 and 2012-13 (up to June, 2012).

2. Heard the Learned Counsel for the appellant and the Learned Authorized Representative for the Revenue and perused the records with submissions.

3. The dispute essentially involves the following two issues;

i) Whether the appellant, being an exporter of goods, can be regarded as recipient of services rendered by foreign banks/intermediary banks involved in transmission of export proceeds remitted by foreign buyer and, consequently, whether Service Tax is payable by the appellant under Reverse Charge Mechanism on the charges deducted by such foreign banks / intermediaries; and

ii) Whether the services received from foreign entities, namely M/s DADA Consultancy and M/s Pharpe Dr. D.R. Iban, in connection with preparation/compilation of documents and obtaining regulatory approvals for Pharmaceutical products are classifiable as "Scientific or Technical Consultancy Services".

4. **Demand on Foreign Bank Charges**

The appellant is a manufacture-exporter of Pharmaceutical products. The foreign buyers remit the consideration for exported goods through banking channels. In the course of transmission of such remittance, one or more foreign / intermediary banks may be involved. These banks deduct their charges and remit the balance amount, which ultimately reaches the appellant's bank in India.

5. Revenue proceeded on the premise that, since the charges of such foreign banks ultimately reduce the amount received by the appellant and since transmission through banking channels facilities receipt of export

proceeds by the appellant, the appellant must be treated as the recipient of the services rendered by such foreign banks. On that basis, Service Tax has been demanded under Reverse Charge Mechanism.

6. We find that the very same issue had arisen in the appellant's own case for the earlier period 2006-07 to 2010-11 and was decided by this Tribunal in Aurobindo Pharma Ltd., Vs Commissioner of Central Excise and Service Tax, Hyderabad – III, Final Order No. 30919/2020 dated 09.09.2020. In that case, this Tribunal examined the liability in respect of deductions made by foreign banks while transmitting export proceeds and set aside the demand.

7. The factual matrix for the present period is not shown to be materially different. No material has been produced by Revenue to demonstrate that the appellant had engaged the foreign banks, entered into any contractual arrangement with them, or was otherwise under an obligation to pay consideration to such foreign banks for any service rendered to it.

8. Merely because the appeal ultimately bears the economic impact of deduction of certain charges in the chain of remittance, it cannot automatically we concluded that there exists a service provider-service recipient relationship between the foreign intermediary bank and the appellant. For levy under Reverse Charge, the taxable relationship contemplated under the Finance Act, 1994 must first be established.

9. The foreign buyer remits the export consideration through its banking arrangements. The intervention of corresponding/intermediary banks in transmission of funds is essentially part of the inter-bank arrangement for transfer of money. In the absence of evidence showing that such foreign

banks were engaged by the appellant for rendering services to it, the appellant cannot be fastened with Service Tax merely because the amount ultimately credited to its account is net of certain bank charges.

10. We also find support for this proposition from the subsequent decision relied upon by the appellant, including Eastman Exports Global Clothing Pvt Ltd., Vs Commissioner of Central Excise & Service Tax, Coimbatore (2025) 26 Centax 71 (Tri.-Mad), wherein, the Tribunal hold that amounts with held/deducted in the course of receipt of export proceeds would not attract Service Tax in the absence of the requisite service provider-recipient relationship.

11. In view of the above and, more importantly, in view of the decision in the appellant's own case for the immediately presiding period, which has not been shown to have been reversed or stayed by any higher judicial forum, we find no justification to take a different view for subsequent period involved herein.

12. Accordingly, the demand of Service Tax under Banking and Other Financial Services on charges deducted by foreign/intermediary banks is not sustainable and is liable to be set aside.

13. **Scientific or Technical Consultancy Services**

The second issue relates to payments made by the appellant to M/s DADA Consultancy and M/s Pharpe Dr. D.R. Iban.

14. The appellant manufacturers and exports Pharmaceutical products. For marketing such products in overseas jurisdictions, approvals of the concerned regulatory authorities are required. For obtaining such approvals, applications containing dossiers relating to product composition,

specifications, analytical results and other particulars to be filed with the regulatory authorities.

15. For the purpose, the appellant engaged the aforesaid foreign entities for compilation and preparation of clinical and non-clinical overviews and other documentation necessary for filing applications before the regulatory authorities.

16. The Revenue has classified these activities as “Scientific or Technical Consultancy Services”, mainly on the reasoning that the consultant possessed technical/scientific expertise, their team consisted of professionals from Pharmaceutical and Biomedical fields, and preparation of regulatory documents necessarily involved examination of scientific and technical particulars relating to the products.

17. The appellant, on the other hand, submits that these agencies merely complied already available data and published material and prepared regulatory dossiers/forms. They did not undertake any independent scientific research, experimentation or technical study on the appellant’s products nor did they render advice in any discipline of science or technology.

18. We find that this issue also stands covered by the decision of this Tribunal in the appellant’s own case in Final Order No. 30919/2020 dated 09.09.2020. While dealing with the very same foreign service providers and substantially identical activities, the Tribunal followed the decision in IPCA Laboratories Ltd., Vs Commissioner of Central Excise & Service Tax, LTU, Mumbai, 2019 (21) G.S.T.L. 502 (Tri.-Mumbai), and held that services relating to obtaining permissions/registrations and meeting regulatory

requirements for marketing Pharmaceutical products abroad cannot, merely on that account, be classified as Scientific or Technical Consultancy Services.

19. The essential character of the service has to be determined from the nature of the activity actually undertaken and not merely from the professional qualifications of the persons rendering the service. Possession of scientific or technical expertise by such consultant does not ipso facto make every activity undertaken by such consultant a “Scientific or Technical Consultancy Service”.

20. For the taxable service in question, there must be advice, consultancy or scientific/technical assistance rendered by a scientist, technocrat or a science or technology institution/organization in a discipline of science or technology. Preparation and compilation of documentation for regulatory filings from information already available with the appellant or in published literature cannot, without anything further, be equated with Scientific or Technical Consultancy.

21. It is also significant that, as submitted by the appellant, Service Tax in respect of these payments had been discharged under the category of Management or Business Consultant Service, and the amount so paid was appropriated in the impugned order while simultaneously confirming the demand by reclassifying the very activity under Scientific or Technical Consultancy Service. Once the classification adopted by Revenue itself is found not sustainable, the consequential demand cannot survive.

22. The ratio of the appellant’s own earlier decision squarely applies to the present period, there being no demonstrated change either in the nature of the services or in the material in the facts. We, therefore, hold that the

services rendered by M/s DADA Consultancy and M/s Pharpe Dr. D.R. Iban for preparation/compilation of regulatory dossiers and assistance in obtaining approvals cannot be classified under Scientific or Technical Consultancy Service. Consequently, the demand under this end is also liable to be set aside.

23. Once the substantive demands of Service Tax under the aforesaid heads are held to be not sustainable, the consequential demands of interest and penalties cannot survive. Even otherwise, in so far as the allegation regarding Scientific or Technical Consultancy Services is concerned, the record indicates that the appellant had been discharging Service Tax treating the activity under another taxable category. The dispute was thus essentially one of classification and interpretation. Such circumstances also do not warrant imposition of penalty for alleged short payment arising merely on account of a different classification adopted by Revenue.

24. The appellant has further raised a specific contention regarding computation of penalty under Section 76 of the Finance Act, 1994 in view of the amendment effective from 08.04.2011. However, since the substantive demands themselves are being set aside, it is unnecessary to examine this issue independently.

25. In view of the forgoing discussion, we hold that;

(a) The appellant cannot be treated as recipient of the services rendered by foreign/intermediary banks merely because such banks deducted charges while transmitting export proceeds from foreign buyers; consequently, the demand under Banking and Other Financial Services on reverse charge basis is set aside;

(b) The services rendered by M/s DADA Consultancy and M/s Pharpe Dr. D.R. Iban in relation to preparation/compilation of regulatory documentation and assistance for obtaining overseas regulatory approvals do not fall within the ambit of Scientific or Technical Consultancy Services; Consequently, the demand under the said category is also set aside; and

(c) The consequential demands of interest and penalties are also set aside.

26. Accordingly, the impugned order is set aside and the appeal is allowed with consequential relief, if any, in accordance with law.

(Pronounced in the open court on 25.08.2026)

(A.K. JYOTISHI)
MEMBER (TECHNICAL)

(ANGAD PRASAD)
MEMBER (JUDICIAL)

Shirisha