

**IN THE CUSTOMS, EXCISE & SERVICE TAX APPELLATE
TRIBUNAL, KOLKATA**

REGIONAL BENCH – COURT NO.2

Service Tax Appeal No. 75982 of 2024

(Arising out of Order-in-Original No. 34/ST/Commissioner/2023-24 dated 28.03.2024 passed by Commissioner, Central Tax (Audit), Patna-1)

M/s Indian Pac Consulting Private Limited

(Godrej Water Side, Tower 1, 11th Floor, Unit No. 1102 & 1103,
Plot No. DP-5, Sector V, Salt Lake City,
Kolkata-700091, West Bengal)

Appellant

VERSUS

Commr. of CGST & CX, Patna

(4th Floor, Central Revenue Building (Annexe), Bir Chand Patel Path,
Patna, Bihar-800001)

Respondent

APPEARANCE:

Shri B. L. Narsimhan, Advocate, Shri Deepro Sen, Advocate, Shri Shovit
Betel, Advocate for the Appellant

Shri S. Chitkara & Shri S. K. Dikshit, Authorized Representative for the
Respondent

CORAM:

HON'BLE MR. R. MURALIDHAR, MEMBER (JUDICIAL)

HON'BLE MR. K. ANPAZHAKAN, MEMBER (TECHNICAL)

FINAL ORDER NO.77567/2025

Date of Hearing : 25.09.2025

Date of Pronouncement: 17.10.2025

ORDER [PER R. MURALIDHAR]

The Appellant is a private limited company registered with the Service Tax department holding Registration No. AADC18016QSD001, engaged in providing Management & Business Consultancy services, event management services, market research services, management consultant services, opinion poll services etc., and helps in finding target persons for its customers i.e., the political parties during the election campaign. The Appellant filed its ST-3 Returns showing the

gross amount received from the political parties and claimed deduction in respect of the reimbursable expenses as a "pure agent" and paid Service Tax on the net amount which is the management fee received as a consideration for the services provided. After exchange of various correspondence on the turnover, P&L accounts and Balance sheet, the SCN dated 20-07-2021 was issued. The demand of Rs.7,28,32,738 was raised by invoking the extended period provisions, by comparing Form 26AS, ST-3 Returns and audited financial statements of the Appellant. The appellants made detailed submissions about the reimbursements received by them, which are not part of the consideration so as to qualify for valuation under Service Tax. The demand was also raised in respect of Legal Services availed by the appellant, on the ground that they were not paying the Service Tax on Reverse Charge basis. The appellant explained that though the expenditure was booked under 'Legal Expenses', the same was incurred towards payment made to various consultants, who had actually charged and paid the Service Tax on forward charge basis. The appellants also made their pleadings on time bar aspect of the demand, since all the facts were properly disclosed in the ST 3 Returns. However, the Adjudicating authority, after due process, has confirmed the demand. Being aggrieved with the impugned Order, the appellant is before the Tribunal.

2. The Ld Counsel, appearing on behalf of the appellant, makes the following submissions:

2.1 During the relevant period, the Appellant had entered into agreements with various political parties such as Janata Dal United (JDU) in the State of Bihar, Indian National Congress (INC) for State of Punjab and Uttar Pradesh and YSR Congress Party in the State of Andhra Pradesh for providing its services for an agreed consideration referred to as the management fee.

2.2 Since the Appellant is providing management consulting, event management services, etc. relating to elections to various political parties, therefore, it is a natural corollary for those parties to route all the campaign expenses through them for effective management of their campaigning activities. Accordingly, the said expenses were initially incurred by the Appellant and later, such expenses were reimbursed by the political parties.

2.3 The Appellant filed its ST-3 returns showing the gross amount received from the political parties and claimed deduction in respect of the reimbursable expenses as a "pure agent" and paid service tax on the net amount which is the management fee received as a consideration for the services provided.

2.4 It is submitted that the entire demand in the instant case has been raised merely on the ground of difference in tax paid as per ST-3 return and tax payable arrived at by taking gross receipts from Forms 26AS. It is submitted that ST-3 return and Form 26AS are non-comparable as

the same are being reported under two separate legislations and are suited for the purpose of recording completely unrelated information.

2.5 It is submitted that it is settled position of law that demand of service tax cannot be raised merely by comparing Form 26AS and ST-3 returns without undertaking any further investigation. In this regard reliance is placed on the following rulings:

- ***Rakesh Singhal vs. Commissioner of Central Excise and ST, Rohtak, Final Order No. 60621/2025 dated 23.06.2025- CESTAT Chandigarh***
- ***Indian Machine Tools Manufacturers Association vs. The Commissioner of Central Excise, Panchkula Final Order No. 60403/2023 dated 18.09.2023- CESTAT Chandigarh***
- ***PS Construction vs. Commissioner of Central Excise, Panckula Final Order No. 60330/2024 dated 25.06.2024- CESTAT Chandigarh***
- ***M/s. Rishu Enterprises vs. Commissioner of CGST & CE, Dibrugarh, 2024 (2) TMI 566 – CESTAT KOLKATA,***

2.6 It is submitted that the arrangement with the political parties (service recipients) was as follows:

- For the campaign management and consultancy services provided – agreed consideration was given, and

- For various campaigning and promotional activities undertaken such as various advertisement on TV, newspaper, social media, hoardings and banner, the Appellant used to incur the expenditure on half of the recipient which was reimbursed by the service recipient at actuals.

2.7 The Appellant claimed deduction of these reimbursable expenses in its ST-3 returns since they were acting as a “pure agent” of the service recipients i.e., political parties.

2.8 Explanation 1 to Rule 5 and Rule 5(2) of the Service Tax (Determination of Value) Rules, 2006 deals with “pure agent”. Relevant portion of the provision is extracted hereunder:

“(2) Subject to the provisions of sub-rule (1), the expenditure or costs incurred by the service provider as a pure agent of the recipient of service, shall be excluded from the value of the taxable service if all the following conditions are satisfied, namely:-

- (i) the service provider acts as a pure agent of the recipient of service when he makes payment to third party for the goods or services procured;*
- (ii) the recipient of service receives and uses the goods or services so procured by the service provider in his capacity as pure agent of the recipient of service;*
- (iii) the recipient of service is liable to make payment to the third party;*
- (iv) the recipient of service authorises the service provider to make payment on his behalf;*

- (v) the recipient of service knows that the goods and services for which payment has been made by the service provider shall be provided by the third party;*
- (vi) the payment made by the service provider on behalf of the recipient of service has been separately indicated in the invoice issued by the service provider to the recipient of service;*
- (vii) the service provider recovers from the recipient of service only such amount as has been paid by him to the third party; and*
- (viii) the goods or services procured by the service provider from the third party as a pure agent of the recipient of service are in addition to the services he provides on his own account.*

Explanation 1.- *For the purposes of sub- rule (2), "pure agent" means a person who-*

- (a) enters into a contractual agreement with the recipient of service to act as his pure agent to incur expenditure or costs in the course of providing taxable service;*
- (b) neither intends to hold nor holds any title to the goods or services so procured or provided as pure agent of the recipient of service;*
- (c) does not use such goods or services so procured; and*
- (d) receives only the actual amount incurred to procure such goods or services."*

2.9 It is submitted that in the instant case the Appellant satisfies the definition of a pure agent for the following reasons: (This is with reference to agreement with JDU dated 02-05-2015)

Definition of Pure Agent	Relevant Clauses in the Agreement with JDU
(a) enters into a contractual agreement with the recipient of service to act as his pure agent to incur expenditure or costs in the course of providing taxable service.;	3.1 In accordance with the terms of this Agreement, Indian PAC shall use reasonable commercial efforts, to find and introduce the target persons to the JDU as per JDU'srequirements during the election campaign. It is also agreed that India PAC shall coordinate, negotiate, receive, finalize, execute and deal with the transaction on behalf of the JDU, relating to procurement of goods and / or services as may be required by JDU during the election campaign.
(b) neither intends to hold nor	3.3 Notwithstanding anything contained

holds any title to the goods or services so procured or provided as pure agent of the recipient of service.	anywhere in this agreement, INDIAN PAC shall not claim any right, title or ownership of whatsoever nature in and in relation to the transactions and/or goods/services procured by virtue of the transactions at any time.
(c) does not use such goods or services so procured; and	3.4 (c) It shall not use any goods or services procured by virtue of the transactions for its own purposes in any manner.
(d) receives only the actual amount incurred to procure such goods or services.	4.3 INDIAN PAC shall be separately paid and/or advance paid such amount as may be incurred or required to be incurred in relation to the transactions, as per terms of this agreement, subject to following terms and conditions: - (c) JDU shall reimburse the aforesaid amounts to INDIAN PAC either upon INDIAN PAC producing appropriate documentation in relation to such expenditures or JDU may provide an advance to INDIAN PAC for incurring the expenditures on behalf of JDU and INDIAN PAC shall accordingly provide JDU with the appropriate accounts and documentation for such expenditures.

2.10 Therefore, as can be seen from the above agreement clauses, the Appellant has satisfied all the condition given in Rule 5(2) for claiming deduction as a pure agent. Hence, the allegation of the department is baseless and the impugned OIO is liable to be set aside.

2.11 It is submitted that the Appellant is not liable to pay tax under RCM as the Appellant has not incurred any legal charges during the FY 2015-16. Accordingly, the Impugned Order confirming demand to the extent of Rs.14,36,019/- on the alleged legal charges of Rs.99,03,579/- for the FY 2015-16 is liable to be set aside.

2.12 With respect to the FY 2016-17, it is submitted that the total expenses shown towards legal and professional charges as per the P&L Account is Rs.1,19,010/-. It is submitted that out of Rs.1,19,010/-, an amount of Rs.46,000/- pertains to consultant fees with respect to services rendered by a consultant which were subject to tax under forward charge basis (i.e., the consultant paid tax under forward charge) and not legal charges. Although, it has been recorded as legal and professional charges but the same is only for consultant fees, on which the Appellant is not liable to pay service tax under RCM.

2.13 It is submitted that since Rs.46,000/- has been incurred towards consultant fees, the Appellant is liable to pay tax on the legal charges of Rs.73,010/- (Rs.1,19,010/- less Rs.46,000/-) under RCM. Accordingly, the Appellant duly paid the liability of service tax under RCM on Rs.73,010/- @ 15% i.e., Rs.10,952/- on account of legal and professional charges.

2.14 Further, for the FY 2017-18 (up to June 2017), it is submitted that the Impugned Order has computed the demand of service tax by taking the total expenditure incurred under legal charges declared in P&L Account for the FY 2017-18. In this regard, the Appellant submits that the computation of demand for the FY 2017-18 is incorrect as the said demand for the period April-June 2017 has been computed by taking the total expenditure incurred in FY 2017-18. Whereas the period in dispute is concerned only from April to June 2017. Even otherwise, it is

submitted that the Appellant is not liable to pay service tax under RCM for the FY 2017-18.

2.15 In the instant case, demand has been raised by invoking extended period of limitation under *proviso* to Section 73(1) of the Finance Act, 1994 only on 20-07-2021 or the period FY 2015-16, 2016-17 and FY 2017-18 (till June).

2.16 The ST-3 returns have been filed on the following dates during the disputed period:

Period	Due Date	Date when return filed
Apr – Sep 15	25-10-2015	25-07-2016
Oct 15 - March 16	29-04-2016	11-08-2016
Apr – Sep 16	25-10-2016	28-11-2017
Oct 16 - March 17	30-04-2016	28-11-2017
Apr – June 17	28-08-2017	05-02-2019

2.17 Under Section 73(1) of the Finance Act, 1994 (normal period of limitation) the demand could have been raised till 28-02-2020¹. It is submitted that as per Section 73(6)(i) of the Finance Act, 1994, period of limitation has to be calculated from the due date of filing return when returns are not filed within stipulated period. In this regard, reliance is placed on ***M/s. Right Resource Management Service vs. Comm of CGST, Dehradun, 2023 (11) TMI 100 - CESTAT NEW DELHI.***

2.18 It is submitted that it is the responsibility of the department to scrutinize the Returns filed by the assessee, hence suppression cannot be alleged against the Appellant. Reliance in this regard has been

placed on ***GD Goenka Private Limited vs. Commissioner of CGST, Delhi South Final Order No. 51088/2023 dated 21.08.2023-CESTAT New Delhi***

2.19 LATE FEES OF RS. 20,000/- FOR DELAYED FILING OF RETURN IS NOT IMPOSABLE. It is submitted that no penalty can be imposed in the instant case since the service tax liability for the period Apr to June 2017 is Nil.

As per 3rd proviso to Rule 7(1) to the Service Tax Rules, 1994, if the gross amount of service tax payable is nil, the Central Excise officer may, on being satisfied that there is sufficient reason for not filing the return, reduce or waive the penalty. Therefore, it is submitted that no late is fees is imposable.

3. In view of the above submissions, the appellant prays that the impugned order may be set aside and the appeal may be allowed.

4. The Ld A R, representing the Revenue submits that though the appellant has collected huge amounts from the clients, they have been paying the Service Tax only on a part of such collections. The appellants have not produced proper documents to the effect that the amounts being claimed by them are towards '*reimbursement expenses*' only. The Revenue had to verify their ST 3 Returns, comparing the same with the annual turnover being shown by them in their P & L Accounts and Balance Sheets to get the knowledge that they were receiving much more amount as consideration than what was being declared in the ST 3 Returns. Therefore, he justifies the confirmed demand.

5. Heard both the sides in detail. Perused the Appeal papers and the other documents placed before us.

6. Admittedly, the present proceedings have been initiated based on the Form 26AS of the Income Tax Returns, which would show the consideration received by the appellant on account of the services provided by them. When the amounts shown in the Form 26AS was compared with the amounts being shown in the ST 3 Returns, the Revenue found that there was a huge gap. This gap was taken as the additional consideration received by the appellant, so as to demand the Service Tax on this amount. As pointed out by the appellant, mere comparison of the ST3 Return with the turnover shown in IT Return would not be sufficient to come to a conclusion that the figures shown in the IT Returns are to be taken as the consideration value for payment of Service Tax.

7. This Tribunal in the case of **Piyush Sharma Vs. Commissioner of CGST & Excise, Patna I vide Final Order No.77332/2023 dated 17th October, 2023**, has held as under :

“10. In this case, the appellant has contended that the demand has been raised on the basis of Form-26AS supplied by the Income Tax department. Although summons were issued to the appellant and the appellant did not join the proceedings, therefore, the demand has been raised on the basis of Form-26AS. Admittedly, no investigation has been conducted in this case at the end of the appellant by the adjudicating authority. Being the appellant a registered service provider and filing their Service Tax returns, in that circumstances, the demand cannot be raised on the basis of Form-26AS obtained from the Income Tax Department. Further, the adjudication order has been passed ex parte.

11. Moreover, the show cause notice has been issued to the appellant by invoking extended period of limitation and some of the demand pertains to beyond five years and in this case, the demand has to be calculated in terms of Valuation Rules, 2006. The issue in this case is whether the appellant is eligible for the benefit of Notification No.30/2012-ST dated 20.06.2012 or not? 12. In that circumstances, we hold that extended period of limitation is not invocable. Moreover, on the basis of Form-26AS, no demand is sustainable against the appellant. “

8. Coming to the issue of the additional amount received by the appellant, we have gone through the Agreements between the appellant and their clients. Some of the relevant clauses are reproduced below:

3.1 In accordance with the terms of this Agreement, Indian PAC shall use reasonable commercial efforts, to find and introduce the target persons to the JDU as per JDU's requirements during the election campaign. It is also agreed that India PAC shall coordinate, negotiate, receive, finalize, execute and deal with the transaction on behalf of the JDU, relating to procurement of goods and / or services as may be required by JDU during the election campaign.

4.3 INDIAN PAC shall be separately paid and/or advance paid such amount as may be incurred or required to be incurred in relation to the transactions, as per terms of this agreement, subject to following terms and conditions: -

(c) JDU shall reimburse the aforesaid amounts to INDIAN PAC either upon INDIAN PAC producing appropriate documentation in relation to such expenditures or JDU may provide an advance to INDIAN PAC for incurring the expenditures on behalf of JDU and INDIAN PAC shall accordingly provide JDU with the appropriate accounts and documentation for such expenditures.

9. Therefore, the Agreements treat the appellant as the pure agent of the client and clearly provide for reimbursing the expenses incurred on

behalf of the clients on 'actuals' basis. In the case of **UOI Vs Intercontinental Consultants & Technocrats Pvt Ltd – vide order dated 7th March 2018**, the Hon'ble Supreme Court, affirming the judgement of the High Court, has held as under:

(24) In this hue, the expression 'such' occurring in Section 67 of the Act assumes importance. In other words, valuation of taxable services for charging service tax, the authorities are to find what is the gross amount charged for providing 'such' taxable services. As a fortiori, any other amount which is calculated not for providing such taxable service cannot a part of that valuation as that amount is not calculated for providing such 'taxable service'. That according to us is the plain meaning which is to be attached to Section 67 (unamended, i.e., prior to May 01, 2006) or after its amendment, with effect from, May 01, 2006. Once this interpretation is to be given to Section 67, it hardly needs to be emphasised that Rule 5 of the Rules went much beyond the mandate of Section 67. *We, therefore, find that High Court was right in interpreting Sections 66 and 67 to say that in the valuation of taxable service, the value of taxable service shall be the gross amount charged by the service provider 'for such service' and the valuation of tax service cannot be anything more or less than the consideration paid as quid pro qua for rendering such a service.*

10. Though the above judgement is rendered in the context of the earlier provisions, even subsequent to the amendment with effect from 14.05.2015, the ratio would still be applicable so long as the reimbursement clause is properly recorded in the Agreement / Contract

and the reimbursement is based on the actuals incurred by the service provider, when he acts as 'pure agent'. In the present case, there is no counter by the Revenue to the effect that the appellant has not charged the 'actuals' as reimbursement, or has not acted as a 'pure agent'. The extract of the Agreement given above proves that both these conditions are fulfilled by the appellant. Therefore, we take the view that the ratio of the Apex Court's judgement would be applicable in the present case.

11. In view of the above discussions, we hold that the appeal succeeds on merits in respect of the confirmed demand on reimbursements received by them.

12. We have also gone through some of the ST 3 Returns annexed by the appellant in support of their arguments. We find that the appellant has shown the Gross Value received from the client and after deducting the value of reimbursement, they have shown the value on which the Service Tax has been paid. This fact is also acknowledged at Para 4 of the SCN and Para 1.8 of OIO which read as under:

4. Whereas, it is apparent from the 3rd data shared by the Income Tax Department for the relevant period that the value for the TDS is greater than the value declared in ST-3 returns as well as P & L Accounts for the corresponding period, therefore, Service Tax liability has been determined on the basis of value of TDS during the relevant period. Accordingly, the details of the calculation of Service Tax liability upon the noticee are given in the table below:-

TABLE-C										
Financial Year	Taxable Value as per 26AS	Taxable Value as per 26AS (Rate wise)	Applicable rate of Service Tax	Service Tax payable as per Col. B	Period of ST-3 return	Gross Value	Deduction claimed as pure agent	Taxable Value	Service Tax paid as per ST-3 Return	Differential Service Tax Recoverable
A	B	C	D	E	F	G	H	I	J	K
2015-16	191165000	2500000	12.36%	309000	Apr-Sep'2015	112000000	112000000	0	0	25504443
		183665000	14.00%	25713100	Oct'15-Mar'16	17806812	8440000	9366812	1242657	
		5000000	14.50%	725000						
2016-17	290000000	20000000	14.50%	2900000	Apr-Sep'2016	116150000	115000000	1150000	169500	42945826
		270000000	15.00%	40500000	Oct'16-Mar'17	193793827	191896000	1897827	284674	
2017-18 (upto June, 2017-18)	300000000	300000000	15.00%	45000000	April-June, 2017-18	200000000	200000000	0	0	45000000
Total	511165000	511165000		74647100		459750639	447336000	12434639		7,29,50,269

Note: The noticee have claimed deduction of huge amount under the category of 'Pure Agent' in the ST-3 returns but he has not submitted any requisite documents related to pure agent. Therefore, amount reflected in ST-3 returns in the column of Pure Agent has not been considered for deduction.

5. Whereas, from the above table, it appears that the noticee have not paid Service Tax

1.8 Further on perusal of ST-3 Returns of the relevant period, it appears that the noticee has declared Rs.45,97,50,639/- as gross receipt under the category of "Management or business consultant service for the period April, 2015 to June, 2017, however Rs. 44,73,36,000/- out of the said gross receipt was claimed as deduction from taxable value on account of "pure agent charges".

13. This shows that far from suppression, the appellants were clearly revealing the procedure being adopted by them for arriving at the Assessable Value. A proper scrutiny of the ST 3 would easily reveal that the Gross Value [inclusive of the reimbursements] and Net Value [excluding the reimbursement] have been shown.

14. It has been consistently held that even in the self-regime, the scrutiny of the Returns is still required to be taken up by the Revenue as has been specified in the CBEC Manual. A case for reference is the Allahabad High Court's decision in the case of **CCE Noida Vs Accurate Chemical Industries – 2014(310) ELT 441(All)**, wherein the High Court has held as under:

5. Admittedly, a show cause notice was issued on 16 August 2007 beyond the prescribed period of one year but the Revenue sought to invoke the extended period of limitation under the proviso to Section 11A(1) of the Act. The Tribunal observed that during the period in question, the assessee had not sold any part of its products to independent buyers and the entire stock was transferred to M/s. Accurate Transformers Limited. Consequently, these clearances were liable to be treated as being made to a related person for its captive use and under Rule 9 read with Rule 8 of the Central Excise Valuation Rules, 2000, the duty was payable on 110%/115% of the cost of production, whereas it was paid on a lower value. On the invocation of the extended period of limitation, the Tribunal held that the assessee had duly filed ER-1 returns on a monthly basis. Under the circulars of the Central Board of Excise and Customs, the Range Officer was required to carry out a detailed scrutiny of the ER-1 returns and if this had been done, the short payment would have been detected. There was no evidence of any collusion between the assessee and the jurisdictional Central Excise Officers. The short payment was detected when an audit team visited the premises and examined the records but this, as the Tribunal held, could have been detected even by the jurisdictional Range Officer much earlier. In the circumstances, it was held that there was no suppression of fact or wilful misstatement on the part of the assessee and no ground was, therefore, available for invoking the extended period of limitation. In addition, the Tribunal observed that in the present case, the situation was revenue neutral since, in the facts of the case, the entire duty paid by the assessee in respect of the clearances of MS tanks and radiators to its transformer unit was available to the transformer unit as Cenvat credit. In other words, the Cenvat credit was

available not to a third party buyer of the assessee's manufactured goods but to the assessee itself in its transformer unit. Since the situation was revenue neutral, this was an additional ground which weighed with the Tribunal to hold that the extended period could not be invoked.

6. Having considered the judgment of the Tribunal, we see no reason to interfere with the finding of fact that if a scrutiny had been made by the Range Officer of the ER-1 returns, that would have revealed that the assessee had cleared its MS tanks and radiators to the owning company for the manufacture of transformers. This indicated that there was no fraud, collusion, misstatement or suppression of facts. Besides, since the situation was revenue neutral, no intent to evade the payment of duty could be ascribed to the assessee. Once, there was no intent to evade the payment of duty, the Tribunal was justified in coming to the conclusion that the extended period of limitation under the proviso to Section 11A(1) of the Act, would not be attracted. Hence, no substantial question of law arises in the appeal. It is, accordingly, dismissed.

15. In the case of **GD Goenka Private Limited vs. Commissioner of CGST, Delhi South Final Order No. 51088/2023 dated 21.08.2023- CESTAT New Delhi**, has held as under :

25. *To sum up:*

a) The appellant assessee was required to file the ST 3 Returns which it did. Unless the Central Excise officer calls for documents, etc., it is not required to provide them or disclose anything else.

b) It is the responsibility of the Central Excise Officer with whom the Returns are filed to scrutinise them and if necessary, make the best judgment assessment under section 72 and issue an SCN under Section 73 within the time limit. If the officer does not do so, and any tax escapes assessment, the responsibility for it rests on the officer.

c) Although the Central Excise Officer is empowered to scrutinise all the Returns call for records and if necessary, make the best judgment assessment, if, as per the instructions of CBIC, the officer does not conduct a detailed scrutiny of same Returns and as a result is unable to discover any short payment of tax within the period of limitation, neither the assessee nor the officer is responsible for such loss of revenue. Such a loss of Revenue is the risk taken by the Board as a matter of policy.

d) Extended period of limitation cannot be invoked unless there is evidence of fraud or collusion or wilful misstatement or suppression of facts or violation of the provisions of Act or Rules with an intent.

e) Intentional and wilful suppression of facts cannot be presumed because (a) the appellant was operating under self-assessment or (b) because the appellant did not agree with the audit and claimed that CENVAT credit was admissible; or (c) because the appellant did not seek any clarification from the Revenue; or (d) because the officer did not conduct a detailed scrutiny of the Returns and the availment of CENVAT credit which is alleged to be inadmissible and was discovered only during audit.

16. In the present case, we have seen that the Returns reveal the fact that the value adopted by the appellant is less than the gross value. But still no action has been taken by the Revenue after scrutiny of the Return to question the huge difference between these values, till the SCN was issued in 20.07.2021 demanding the Service Tax for the period 2015-16 to 2017-18.

17. We find that for the factual matrix of the present case, the cited decisions are squarely applicable. Hence, we hold that the extended period could not have been invoked. The confirmed demand in respect of the extended period gets set aside on account of time-bar

18. Coming to the demand on account of non-payment of Service Tax on RCM basis for the payments made under the heading "*Legal Charges*", the appellants have made efforts to show that major amount has been paid to 'consultants', who are not providing any service under the category of 'Legal Services'. The appellants have also brought in evidence to the effect that these consultants have discharged the Service Tax for the services rendered by them. We find that the Revenue has not rebutted the claim of the appellant effectively while confirming the demand under this heading. Be that as it may, we also find force in their argument that the Service Tax, if payable / paid would be 'Input Services' for the appellant in terms of Rule 2 (I) of the CCR 2004. This will give rise to a situation of revenue neutrality. In case of such revenue neutrality, it has been consistently held that the appellant cannot be fastened with the allegation of suppression with an intent to evade Service Tax payment. In the case of **Nirlon Ltd Vs CCE Mumbai – 2015 (320) ELT 22 (SC)**, the Supreme Court has held as under:

9. We have ourselves indicated that the two types of goods were different in nature. The question is about the intention, namely, whether it was done with bona fide belief or there was some mala fide intentions in doing so. It is here we agree with the contention of the learned Senior

Counsel for the appellant, in the circumstances which are explained by him and recorded above. It is stated at the cost of repetition that when the entire exercise was revenue neutral, the appellant could not have achieved any purpose to evade the duty

10. Therefore, it was not permissible for the respondent to invoke the proviso to Section 11A(1) of the Act and apply the extended period of limitation.

19. Therefore, in the case of the demand of Legal Services, applying the ratio of the above decision of the Supreme Court, we hold that the confirmed demand is not sustainable on account of time-bar.

20. The appellant has not brought in any plausible explanation towards the delayed filing of ST 3 Return, for which Late Fee of Rs.20,000 has been imposed. We hold that this late fee is required to be paid by the appellant.

21. To Summarize :

(a) The Copies of the Agreements and the transactions details show that the appellants have acted as 'pure agent'. Hence, for the reimbursements received by them on actual basis, no Service Tax is payable. The demand has been quantified based on the comparison of the ST 3 Return value and the I T Returns value, without verifying the actual situation by going through the documentary evidence placed by the appellant. The demand is set aside on this ground, on merits.

(b) The appellant has shown the details of Gross Value and Net Value [which is taken for payment of Service Tax] in the ST 3

Returns. Hence, the allegation of suppression fails. Hence, the extended period demand gets set aside on account of time bar.

(c) The demand on account of Legal Charges incurred is set aside on account of Revenue neutrality.

(d) Late fee of Rs.20000 is required to be paid by the appellant

22. The impugned Order is set aside and the Appeal stands allowed [except for the Late fee component]. The appellant would be eligible for consequential relief, if any, as per law.

(Order pronounced in the open court on 17/10/2025.)

Sd/-
(K. Anpazhakan)
Member (Technical)

Sd/-
(R. Muralidhar)
Member (Judicial)

Pooja