

**IN THE CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
EASTERN ZONAL BENCH: KOLKATA**

REGIONAL BENCH – COURT NO. 2

Service Tax Appeal No. 76596 of 2016

(Arising out of Order-in-Original No. 01/COMMR./LTU/KOL/2016-17 dated 01.06.2016 passed by the Commissioner of Service Tax, Large Taxpayer Unit, KendriyaUtpad Shulk Bhawan, 180, Shantipally, Rajdanga Main Road, Kolkata – 700 107)

M/s.UCO Bank

10, BTM Sarani, Kolkata GPO,
Kolkata – 700 001

: Appellant

VERSUS

Commissioner of Service Tax

Large Taxpayer Unit, Kolkata
KendriyaUtpad Shulk Bhawan,
180, Shantipally, Rajdanga Main Road,
Kolkata – 700 107

: Respondent

AND

Service Tax Appeal No. 76597 of 2016

(Arising out of Order-in-Original No. 01/COMMR./LTU/KOL/2016-17 dated 01.06.2016 passed by the Commissioner of Service Tax, Large Taxpayer Unit, KendriyaUtpad Shulk Bhawan, 180, Shantipally, Rajdanga Main Road, Kolkata – 700 107)

Mr. Anil Kumar

10, BTM Sarani, Kolkata GPO,
Kolkata – 700 001

: Appellant

VERSUS

Commissioner of Service Tax

Large Taxpayer Unit, Kolkata
KendriyaUtpad Shulk Bhawan,
180, Shantipally, Rajdanga Main Road,
Kolkata – 700 107

: Respondent

APPEARANCE:

Asmee Mangla Paul and A. Agarwal Paul, Chartered Accountants,
For the Appellant(s)

Smt. K. Kalpana, Authorized Representative,
For the Respondent

CORAM:

HON'BLE SHRIR. MURALIDHAR, MEMBER (JUDICIAL)

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

FINAL ORDER NO. 77603-77604/2025

DATE OF HEARING / DECISION: 17.10.2025

ORDER:[PER SHRI K. ANPAZHAKAN]

Briefly stated facts of the case are that UCO Bank (herein after referred as the Appellant') is a Public Sector Bank (nationalized bank) engaged under the category of 'banking and other financial service' as defined under erstwhile Section 65(12) of the Finance Act. As per the Banking Regulation Act, 1949 (BR Act') and the Deposit Insurance and Credit Guarantee Corporation Act, 1961 ("DICGC Act'), the appellant is required to get its deposits insured with the Deposit Insurance and Guarantee Corporation ('DICGC'), a wholly owned subsidiary of the RBI. The Appellant availed Cenvat Credit of the Service Tax charged by DICGC for such insurance premiums. The Appellant exercised the option under Rule 6(3B) of the Cenvat Credit Rules, 2004 ('CCR') and reversed 50% of the Cenvat Credit availed.

1.1. On basis of intelligence received, the Appellant was served with two Show Cause Notices:

(i) F.No. Va/05/2013-14 BZU/KRU/1062, SCN No. 26/2014-15 dated 27.05.2014 ('SCN-1) - for the period April 2012 to May 2013. The said Notice proposed denial of Cenvat Credit Rs. 25,32.81,723 availed by the appellant in respect of insurance services availed from DICGC, on the ground that the same does not have any nexus with the output services rendered by the Appellant. Out of the above amount, Cenvat Credit Rs. 7,33,99,059/- was proposed as ineligible on the ground that the invoices based on which the said credit availed by the appellant did not contain mandatory particulars. The notice also proposed to demand interest and

penalty under the CCR read with the Finance Act in respect of aforesaid amounts.

(ii) C. No. IV(9)24/LTUK/UCO/SCN/2015/1317 dated 17.04.2015 ('SCN-2') - May 2012 to May 2014. The said notice proposed denial of Cenvat Credit Rs. 11,88,97,382 availed in respect of insurance services availed from DICGC as the same did not have nexus with the output services rendered by the Appellant. The notice also proposed interest and penalty under the CCR read with the Finance Act in respect of aforesaid amount.

1.2. The aforesaid SCNs were adjudicated vide a common Order in Original bearing 010 No. 01/COMMR/LTU/KOL/2016-17 dated 01.06.2016 ('Impugned Order') wherein the demands raised in the notices were confirmed. Personal penalty Rs. 1,00,000/- was also imposed on Sh. Anil Kumar, General Manager (Finance) and CFO of the Appellant.

1.3. Aggrieved against the denial of Cenvat credit and demand of interest and imposition of penalty, the Appellant has filed Service Tax Appeal No. 76596 of 2016. Sh. Anil Kumar, General Manager (Finance) and CFO of the Appellant filed Service Tax Appeal No. 76597 of 2016, against imposition of penalty of Rs.1,00,000/- on him. As both the appeals emanated from the same Order-in-Original, both the appeals are taken up together for decision by a common order.

2. In their submissions against the confirmation of the demands. the Appellant raised the following grounds:

Cenvat Credit on insurance premium paid to DICGC is eligible and cannot be denied

The appellant submits that it has been alleged in the impugned order that the activity of extending deposits or loans is not an output service in line with Section 66D of the Finance Act. Accordingly, it has been alleged that the impugned service of insurance premium is not used to provide any output service and therefore Cenvat Credit is disallowed. In this regard, the appellant has made the following submissions:

2.1. Once 50% reversals under Rule 6(3B) are done, no dispute arises

The Appellant submits that it is not in dispute that after accepting the deposits there are number of services on which the banks have to pay service tax under "banking and other financial services". The input services of a bank are used for all its outward services including "lending" activity which is not chargeable to service tax as well as these other services like loan processing fees, documentation charges, folio charges, SMS charges on which service tax is charged and paid. For this reason, the Appellant has exercised option under Rule 6(3B) of the CCR and has carried out reversals of 50% of entire Cenvat Credit. Therefore, once such an option is exercised by the Appellant, the Respondents cannot argue that since one of the output service of the Appellant is not taxable, it is not eligible for entire Cenvat Credit

2.2. It is submitted that the entire rationale of Rule 6(3B) of the CCR is that banks do not have to individually analyze nexus of each input service with their output services. Rather, on lumpsum basis they can reverse 50% Cenvat Credit which will cater to the requirement of reversal for exempt services.

Reliance is placed on Instruction DOF No. 334/3/2011-TRU dated 28.02.2011, which explains the amendments in Rule 6 of the CCR done by Finance Bill, 2011, wherein it has been provided as under

"1.16 A substantial part of the income of a bank or a life insurance company is from investments or by way of interest in which a number of inputs and input services are used. There have been difficulties in ascertaining the amount of credit flowing into earning these amounts. Thus a banking company or a financial institution, including NBFC, providing banking and financial services are being obligated to pay an amount equal to 50% of the credit availed. In case of services relating to life insurance or management of ULIPs such amount will be equal to 20% of credit availed. Other options of payment of amount under Rule 6 shall not be available for these taxpayers."

2.3. Further, the Larger Bench of CESTAT in the case of South India Bank v. CC,CE&ST, 2020 (41) GSTL 609 (Tri-LB) also held that once reversals as per Rule 6(3B) of the CCR are made by the taxpayer, it is irrelevant to determine as to which part of such input service is used for provision of taxable output service and which has been used for provision of exempted service.

2.4. Issue is no longer res-integra as the Larger Bench of CESTAT has already allowed Cenvat Credit on such services

The Appellant submits that there are number of services on which it pays Service Tax. The insurance services categorically fall in definition of "input service" under Rule 2(1) of the CCR. The Larger Bench of CESTAT in the case of South India Bank (supra) has already held that insurance premium

paid to DICGC would qualify as 'input service" as it falls within the main clause of such definition. The decision of the Larger Bench of CESTAT was approved by the Hon'ble Kerala High Court in the case of PCCT&CE South India Bank, 2023 (157) taxmann.com (Kerala) and has also been followed by the Hon'ble Bombay High Court in the case of Bank of Maharashtra v. CCGST&CE, 2020 (42) GSTL 491 (Bom.). Similar judgment was also passed in the case of Tamil Nadu State Apex Co-op. Bank v. CGST&CE, 2021 (50) GSTL 437 (Tri-Mad.)

2.5. In this regard, the appellant further submits that the correctness of the decision of Larger Bench in the case of South India Bank (supra) was doubted by CESTAT, Mumbai in the case of Bank of America v. Principal Commissioner, ST Appeal No. 88202/2019 in light of ruling of Hon'ble Supreme Court in the case of Commissioner v. Dilip Kumar & Company, 2018 (361) ELT 577 (SC) for which reference was once again made to the Larger Bench. The Larger Bench re-constituted in the case of Bank of America National Association v. PCCGST&CE, (2025) 26 Centax 50 (Tri-LB) held that decision of Dilip Kumar & Company (supra) will have no application to present case and that decision rendered by earlier Larger Bench in the case of South India Bank is correct.

2.5 DICGC premium is required to be paid as a statutory obligation

The appellant submits that a Banking Company holding license under Section 22 of the BR Act is mandatorily required to obtain registration with DICGC for payment of insurance premium. In this regard, Section 10 and 11 of the DICGC Act

respectively requires existing and new Banking Company to register with the DICGE as an insured bank. Section 15 of the DICGC Act requires payment of insurance premium to DICGC at rates specified. In terms of Section 15A, if banks fail to pay premium for three consecutive periods, their registration as an insured bank gets cancelled. Section 22(4) of the BR Act provides for situations wherein license of Banking Company may be cancelled viz.

1) Company ceases to carry on banking business in India: or

(1) The Company at any time fails to comply with any of conditions imposed; or

iii) Interest of depositors is not prejudiced in any manner

2.6. One of the core functions of a bank is to accept deposits from the public and to ensure continuity in accepting deposits and operations, it is essential for banks to register with DICGC and pay premium thereof. The banks in this way protect interest of depositors because non-payment of premium and subsequent withdrawal of protection provided by DICGC may lead to loss of confidence of depositors in banks. Therefore, perusal of above indicates that insurance premium paid by the Appellant to DICGC is in nature of statutory obligation under the DICGC Act read with the BR Act as non-compliance will lead to cancellation of its license under Section 22 of the BR Act. It is a settled proposition that Cenvat Credit allowed on activities which are in nature of statutory obligation. [CCE v. PNB Metlife India Insurance Co. Limited, 2015 (39) STR 561 (Kar.); ACE Designers Limited v. CCE&C, 2017 (50) STR 35 (Tri-Bang.);

CCE v. Suzuki Motorcycle, 2017 (47) STR 85 (Tri-Chan.))

2.6. Thus, the appellant submits that Cenvat Credit on such insurance premium paid to DICGC is not deniable in light of mandate from the BR Act read with the DICGC Act and settled jurisprudence. Accordingly, the appellant submits that the denial of Cenvat credit confirmed in the impugned order is not sustainable.

3. Regarding the denial Cenvat Credit of Rs.7,33,99,059 in respect of invoice dated 30.05.2013 on the premise that same is not in accordance with Rule 9, 4(7) of the CCR as it did not contain the assessable value, tax payable, the appellant submits that the credit eligible to the appellant cannot be denied on such procedural infirmities. In this regard, the Appellant submits that there is no dispute that they have received services and the tax has been paid on the input services. Hence, there is no loss to the Revenue and accordingly Cenvat Credit should not be denied on such a procedural lapse, if any. In support of this claim, the appellant placed their reliance on the ruling in case of Nando's Karnataka Restaurants Private Limited v. CCE, (2025) 32 Centax 236 (Tri-Chan.) wherein Cenvat Credit was allowed to Branch, despite the bill of entry was in the name of Head office. Reliance is also placed on the ruling rendered in the case of Hindustan Coca Cola Beverages Private Limited v CCE&ST, 2016 (343) ELT 1016 (Tri-Cal.) wherein there was an undisputed fact that goods were received and used for manufacturing activities, this Tribunal has held that Cenvat Credit cannot be denied for minor procedural lapses in invoice. Similar

ruling was also passed in the case of Modern Petrofils v. CCE, 2010 (20) STR 627 (Tri-Ahmd).

4. In view of the above submissions, the appellant submitted that the denial of Cenvat Credit in the impugned order is not sustainable and hence the same is liable to be set aside.

5. The Ld. A.R. reiterated the findings in the impugned order.

6. Heard both sides and perused the appeal documents.

7. Regarding the denial of Cenvat Credit on insurance premium paid to DICGC, we observe that in the impugned order the said credit was denied to the appellant on the ground that the same does not have any nexus with the output services rendered by the Appellant. In this regard, we observe that one of the core functions of a bank is to accept deposits from the public and to ensure continuity in accepting deposits and operations. It is essential for banks to register with DICGC and pay premium thereof. The banks in this way, protect interest of depositors because non-payment of premium and subsequent withdrawal of protection provided by DICGC may lead to loss of confidence of depositors in banks. Therefore, perusal of above indicates that insurance premium paid by the Appellant to DICGC is in nature of statutory obligation under the DICGC Act read with the BR Act, as non-compliance will lead to cancellation of its license under Section 22 of the BR Act.

7.1. In the impugned order it is alleged that the activity of extending deposits or loans is not an output service in line with Section 66D of the Finance

Act. Accordingly, it has been alleged that the impugned service of insurance premium is not used to provide any output service and therefore Cenvat Credit is disallowed.

7.2. In this regard, we find that after accepting the deposits, there are number of services on which the banks have to pay service tax under "banking and other financial services". The input services of a bank are used for all its outward services including "lending" activity which is not chargeable to service tax as well as these other services like loan processing fees, documentation charges, folio charges, SMS charges on which service tax is charged and paid. For this reason, the Appellant has exercised option under Rule 6(3B) of the CCR and has carried out reversals of 50% of entire Cenvat Credit. Therefore, once such an option is exercised by the Appellant, the Respondents cannot argue that since one of the output service of the Appellant is not taxable, it is not eligible for entire Cenvat Credit

7.3. We observe that the entire rationale of Rule 6(3B) of the CCR is that banks do not have to individually analyse nexus of each input service with their output services. Rather, on lumpsum basis they can reverse 50% Cenvat Credit which will cater to the requirement of reversal for exempt services. Reliance is placed on Instruction DOF No. 334/3/2011-TRU dated 28.02.2011, which explains the amendments in Rule 6 of the CCR done by Finance Bill, 2011, wherein it has been provided as under:

"1.16 A substantial part of the income of a bank or a life insurance company is from investments or by way of interest in which a number of inputs and input services are

used. There have been difficulties in ascertaining the amount of credit flowing into earning these amounts. Thus a banking company or a financial institution, including NBFC, providing banking and financial services are being obligated to pay an amount equal to 50% of the credit availed. In case of services relating to life insurance or management of ULIPs such amount will be equal to 20% of credit availed. Other options of payment of amount under Rule 6 shall not be available for these taxpayers."

7.4.. Further, the Larger Bench of CESTAT in the case of South India Bank v. CC,CE&ST, 2020 (41) GSTL 609 (Tri-LB) also held that once reversals as per Rule 6(3B) of the CCR are made by the taxpayer, it is irrelevant to determine as to which part of such input service is used for provision of taxable output service and which has been used for provision of exempted service. For ready reference, the relevant para of the said decision is extracted below:

44. The basic activity of a banking company, as contemplated under the definition of "banking", either under the Deposit Insurance Act or the Banking Regulation Act, is to accept deposits from the public, which deposits are used for the purpose of lending or investment by the banks. Thus, the main activity of a banking company is to mobilise the resources received by the banks in the form of deposits from the public for the purpose of lending or investment. These deposits, thus generate returns for the banks. A part of the returns is given by the banks to the depositors as a consideration, which consideration is normally in the form of interest.

45. What also needs to be noticed is that the lending and investment portfolio of banks are required to be funded by deposits and the funds of the shareholders. The Credit Deposit ratio is the percentage of how much the banks lend out of the deposits they have mobilised and also indicates

how much of the core funds of the banks are being utilised for lending. A higher ratio indicates more reliance on deposits for lending. In such circumstances, the raising of deposits is an important function of the banks. In other words, the acceptance of deposits is not only a pre-requisite for lending but is also necessary for the banks since the entire activity undertaken by the bank begins with the acceptance of deposits, without which the subsequent activities of lending or investment cannot be undertaken by the banks.

46. All banks have also to obtain a licence from the Reserve Bank of India under Section 22 of the Banking Regulation Act. It also needs to be noticed that it is a compulsory for all banks who have obtained a licence from the Reserve Bank of India under Section 22 of the Banking Regulation Act to register themselves with the Deposit Insurance Corporation. The registration of the banks with the Deposit Insurance Corporation is not optional for the banks. The payment of premium, therefore, to the Deposit Insurance Corporation is a statutory obligation of the banks. The banks this way, protect the interest of the depositors because non-payment of premium and subsequent withdrawal of the protection provided by the Deposit Insurance Corporation may lead to loss of confidence of the public in the banks and ultimately loss of deposits.

47. A licence is issued to the banks by the Reserve Bank of India under Section 22 of the Banking Regulation Act subject to such conditions as the Reserve Bank of India may think fit to impose. Sub-section (3) of Section 22 provides that before granting any licence, the Reserve Bank of India may require certain conditions to be fulfilled to ensure that the carrying of banking business by such banks will not be prejudicial to the public interest or the interest of the depositors. Section 22(4) enumerates the circumstances under which the licence granted to a banking company can

be cancelled by the Reserve Bank of India and they are as follows :

(i) if the company ceases to carry on banking business in India;

or

(ii) if the company at any time fails to comply with any of the conditions imposed upon it under sub-section (1);

or

(iii) if at any time, any of the conditions referred to in sub-section (3) and sub-section (3A) is not fulfilled :

48. *Thus, the first condition under which the Reserve Bank of India can cancel the licence granted to a banking company is when the bank ceases to carry on banking business in India. This implies that banks must accept deposits for the purpose of lending and for the purpose of accepting deposits, the banks have to obtain registration with the Deposit Insurance Corporation and, therefore, pay premium for the insurance. It, therefore, follows that if a banking company fails to pay the premium amount to the Deposit Insurance Corporation, it would not be able to retain its registration with the Deposit Insurance Corporation, which may ultimately also lead to the cancellation of the licence granted to the banking company by the Reserve Bank of India under Section 22 of the Banking Regulation Act.*

49. *The third condition under which the Reserve Bank of India can cancel the licence of the banking company is when the Reserve Bank of India comes to a conclusion that the interest of the depositors is being prejudiced by a banking company. The interest of depositors is protected by the Deposit Insurance Corporation and in case premium is not paid by the banks for insuring the deposits, the registration with the Deposit Insurance Corporation can be*

cancelled and so would the interest of the depositors as their deposits will not have the cover of insurance. Thus, if the interest of the depositors is not sufficiently protected then under the third requirement the licence of the bank can also be cancelled by the Reserve Bank of India.

50. It cannot, therefore, be doubted that the insurance service received by the banks from the Deposit Insurance Corporation is not only mandatory but is also commercially expedient. In fact, without this service the banks may not be able to function at all.

51. Premium is paid by the banks to the Deposit Insurance Corporation for providing the insurance service for which the banks pay service tax. It is this service tax paid by the banks on the insurance service received by the banks from the Deposit Insurance Corporation that is the bone of contention between the parties.

52. It is not in dispute that after accepting the deposits there are number of services on which the banks have to pay service tax under “banking and other financial services”. These services are in connection with both the “accepting” of deposits and “lending” activity of the banks. Banks would be able to lend only if they accept deposits. It has been seen that without payment of insurance premium on the outstanding deposits, banks will not be able to function or render any output service of “banking and other financial services” and the licence granted to the banks by the Reserve Bank of India can be cancelled.

53. Thus, the service rendered by the Deposit Insurance Corporation to the banks would fall in the main part of the definition of “input service”, which is any service used by a provider of output service for providing an output service. Once this service falls in the main part of the definition of “Input service”, it would not be necessary to examine whether the service would be covered by the inclusive part

of the definition. It has also been noted that the service is not excluded from the definition of “input service”.

54. The contention of the Department is that “accepting” of deposits is covered under Section 66D(n) of the Finance Act which contains the negative list. As noticed above, the negative list comprises, under sub-clause (n) of Section 66D, services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount. The issue is whether extending deposits would mean the activity of accepting deposits. The activity of accepting deposits would be an activity where the banks receive deposits from the customers in the form of savings account, recurring deposits, for which the banks pay interest to the customers. On the other hand, the extending of deposits would be an activity of a bank giving its surplus money in the form of deposit to another person, where the consideration received would be in the form of interest. This would be a case where in the course of banking activities, one bank makes a deposit with another bank for which it receives consideration in the form of interest. It is this consideration received by the banks in the form of interest which has been specified under Section 66D(n) of the Finance Act in the negative list of services. Thus, in case of accepting deposits, the banks have to pay interest to the customers, whereas while extending deposits, the banks receive interest from other banks. It is for this reason that inter-bank deposits are not included in the returns filed by the banks with the Deposit Insurance Corporation for calculating the premium payable. The banks cannot avail credit of service tax on any amount of interest earned on extending of deposits. It is, therefore, not possible to accept the contention of the Department that “accepting” of deposits is covered under Section 66D(n) of the Finance Act.

55. The Assessable deposits, on which the premium is calculated, not only includes deposits such as savings,

fixed, current, recurring, etc., but also certain balances appearing in the account of the banks such as credit balances in cash credit accounts, margin held against letters of credit, guarantees, bills purchased, etc., un-presented drafts and payment orders, provident fund balances relating to staff held by bank before they are transferred to Provident Fund Commissioner, amount representing pay orders/bankers cheques/demand drafts issued by closing deposit accounts with or without reference to depositors, but remaining unpaid etc. Thus, the contention of the Department that insurance premium is paid only on the deposits of the customers cannot also be accepted.

56. It has also been submitted by Learned Counsel appearing for banks that even if it is assumed that some part of the deposit is not used for providing “output service”, then too the banks are still entitled for the credit availed on the insurance service provided by the Deposit Insurance Corporation as the banks have reversed 50% of the total Cenvat credit taken in terms of Rule 6(3B) of the 2004 Rules. This Rule 6(3B) provides that notwithstanding anything contained in sub-rules (1), (2) and (3), a banking company and a financial institution including a non-banking financial company, engaged in providing services by way of extending deposits, loans or advances shall pay for every month an amount equal to 50% of the Cenvat credit availed on inputs and input services in that month. The Circular dated 28 February, 2011 issued by the Central Board of Excise and Customs explains the reason behind the abovementioned amendment. It has been stated that since substantial part of the income of a bank is from investments or by way of interest in which a number of inputs and input services are used and as there have been difficulties in ascertaining the amount of credit flowing into earning these amount, a banking company providing banking and financial services is obligated to pay an amount equal to 50% of the credit availed in terms of Rule

6(3B). This sub-rule (3B) has, therefore, been introduced with a view to disallow the credit of input and input services attributable to interest/investment income earned by banking companies. Having regard to the fact that it is difficult to ascertain the actual amount of input and input services used in earning interest income, sub-rule (3B) provides for reversal of 50% of input and input services.

57. Thus, the reversal has been made, banks are entitled for credit of the entire amount of service tax paid on input service having nexus with the provisions of output service and it is irrelevant as to which part of the input service is used for provision of taxable output service and which part has been used for provisions of exempted service. Having made reversal under Rule 6(3B), the banks have duly complied with the 2004 Rules and hence they are entitled to avail Cenvat credit on the insurance service received from the Deposit Insurance Corporation.

58. It would now be useful to examine decisions on this issue.

59. In *Commissioner of Central Excise, Bangalore v. PNB Metlife India Insurance Co. Ltd.* [[2015 \(39\) S.T.R. 561 \(Kar.\)](#)], the issue that came up for consideration before the Karnataka High Court was whether an assessee can avail Cenvat credit of service tax paid on re-insurance services by treating the said service as an “input service”. PNB Metlife India Insurance Company was carrying on life insurance business and on the insurance policy issued by it, service tax was charged from the customers. It also procured re-insurance service from overseas insurance companies and availed Cenvat credit of service tax paid on such services received by it. This Cenvat credit was denied by the Department for the reason that re-insurance service cannot be considered as an “input service” since it takes place after the insurance policy is issued. The Karnataka High Court examined whether Cenvat credit availed and utilized by the insurance company on service tax paid for

re-insurance service is an “input service” for the output service of insurance that the company was providing and held that the process of issuance of the policy by the insurer and subsequent procurement of re-insurance policy from another company, which is a statutory requirement, is an integral part of the entire process and the insurance process does not come to end merely on the issuance of the insurance policy since it continues till the existence of the term of the policy. The High Court noted that since re-insurance has to be taken under Section 101A of the Insurance Act, it is a statutory obligation and, therefore, has to be considered as having nexus with the “output service” and, therefore, would be an “input service”, for which Cenvat credit can be availed. The portion of the judgment of the High Court pertaining to this aspect is reproduced below :

“6. Having heard the Learned Counsel for the parties and in the fact of this case, we are of the opinion that the order of the Tribunal does not require any interference. Rule 2(1) of the Cenvat Credit Rules, 2004 provides that ‘Input Service’ means service used by a provider of taxable service for providing an ‘Output Service’. The submission of the Learned Counsel for the appellant that once the Insurance Policy is issued by the Insurer, the transaction comes to an end (and would not depend on the reinsurance policy) and as such the service provided would not come within the ambit of input service, is not worthy of acceptance. The process of issuance of an Insurance Policy by the insurer and subsequent procurement of reinsurance policy from another company (which is a statutory requirement) is an integral part of the total process. The process of insurance does not come to an end merely on the issuance of the Insurance Policy by the insurer. In fact, it continues till the existence of the term of the policy. The re-insurance is taken by the Insurer immediately after the insurance policy is issued, as is required under Section 101A of the Insurance Act, 1938. Since re-insurance is a

statutory obligation, and the same is coterminus with the Insurance policy issued by the respondent, we are of the opinion that the stand taken by the Tribunal is correct that the transfer of a portion of the risk of the re-insurance has to be considered as having nexus with the output service, since the re-insurance is a statutory obligation and the same is coterminus with the Insurance Policy. We only reiterate that the issuance of insurance policy by insurer, and then taking of reinsurance by it, is a continuous process, and in the facts of the present case, it cannot be said that the same would not be an 'input service' eligible for Cenvat credit within the meaning of Rule 2(l) of the Cenvat Credit Rules, 2004.

7. We may further add that the Service Tax is levied for certain service rendered and the provision of giving the Cenvat credit is so that there may not be double taxation. If a person has collected service tax, no doubt the same has to be deposited, but if in the process of the same transaction he has paid some service tax, which is necessary for its business, then he is entitled to the Cenvat credit to the extent of service tax which has been paid by it. In the present case, if the entire Service Tax which is collected by the insurer, while selling its insurance policies, has to be deposited without being given the credit of the tax which is paid by it while procuring a policy of re-insurance as (mandatorily required in law), the same would be against the ethos of Cenvat credit policy, as the same would amount to double taxation, which is not permissible in law."

60. It needs to be noted that the aforesaid decision of the Karnataka High Court in PNB Metlife India has been accepted by the Central Board of Excise and Customs in the Circular dated 16 February, 2018. The relevant paragraphs 8 and 8.1 are reproduced below :

"8. Decision of the Hon'ble High Court of Karnataka at Bangalore dated 9-4-2015 in the case of M/s. PNB Metiife

India Insurance Company Ltd. Bangalore [2015 (39) S.T.R. 561 (Kar.)]

8.1 Department has accepted the aforementioned order of the Hon'ble High Court of Karnataka. The issue examined in the order was, whether Reinsurance is an input service which is used for providing output service, namely, insurance and whether Cenvat Credit taken on re-insurance service is admissible. Hon'ble High Court held that re-insurance is a statutory obligation and the same is co-terminus with the insurance policy. Issuance of insurance policy by insurer, and then taking of re-insurance by it, is a continuous process. Re-insurance is, therefore, an input service."

61. In the present appeals also, in order to render any output service under the category of "banking and other financial services", it is necessary for a bank to register itself with the Deposit Insurance Corporation and pay premium after registration. A bank, without obtaining registration and without payment of insurance premium on the deposits outstanding, cannot render any "output service" of "banking and other financial service".

62. The decision of the Tribunal in *Shriram Life Insurance Company Ltd. v. Commissioner of Customs, Central Excise and Service Tax, Hyderabad [2019-TIOL-1087-CESTAT-HYD]* also needs to be referred to. The appellant provided life insurance services for which it had to statutorily invest the premiums collected in approved securities. The issue that arose before the Tribunal was whether such investments in securities can be considered as an exempted service as a result of which Cenvat credit was required to be reversed under Rule 6 of the 2004 Rules. The Tribunal found that the activity undertaken by the Appellant of issuing unit linked policy or any instrument was covered under life insurance business and the Insurance Act made it obligatory for an insurance company to make investments. Any insurance company which did not

comply with this requirement could be disqualified from undertaking insurance business. Thus, the investment activity undertaken by the Appellant was held to be an integral part of life insurance service. The Tribunal also found that since the service rendered by the Appellant was a taxable service, it could not be said that the Appellant was rendering an exempted service. The Appellant was, therefore, held entitled to avail Cenvat credit.

63. It, therefore, follows from the discussion made above and the aforesaid decisions that banks can avail Cenvat credit of the service tax paid by the banks on the premium amount paid to Deposit Insurance Corporation for the insurance service rendered by the Deposit Insurance Corporation to the banks.

64. This view has been taken by the Tribunal in State Bank of Bikaner. However, in ICICI Bank a contrary view was taken. For “all the reasons stated above, it is not possible to accept the view taken by the Division Bench of the Tribunal in ICICI Bank.

65. The reference is, accordingly, answered in the following terms :

“The insurance service provided by the Deposit Insurance Corporation to the banks is an “input service” and Cenvat credit of service tax paid for this service received by the banks from the Deposit Insurance Corporation can be availed by the banks for rendering ‘output services’.”

7.5. We observe that there are number of services on which the appellant pays Service Tax. The insurance services categorically fall in definition of "input service" under Rule 2(1) of the CCR. The Larger Bench of CESTAT in the case of South India Bank (supra) has already held that insurance premium paid to DICGC would qualify as 'input service' as it falls within the main clause of such

definition. The decision of the Larger Bench of CESTAT was approved by the Hon'ble Kerala High Court in the case of PCCT&CE South India Bank, 2023 (157) taxmann.com (Kerala) and has also been followed by the Hon'ble Bombay High Court in the case of Bank of Maharashtra v. CCGST&CE, 2020 (42) GSTL 491 (Bom.). Similar judgment was also passed in the case of Tamil Nadu State Apex Co-op. Bank v. CGST&CE, 2021 (50) GSTL 437 (Tri-Mad.)

7.6. Thus, by relying on the ratio of the decisions cited supra, we hold that Cenvat Credit availed by the appellant on the insurance premium paid to DICGC is not deniable, in light of mandate from the BR Act read with the DICGC Act and settled jurisprudence. Accordingly, we set aside the denial of Cenvat credit confirmed in the impugned order.

8. Regarding the denial Cenvat Credit of Rs. 7,33,99,059 ineligible on the ground that the invoices based on which the said credit availed by the appellant did not contain mandatory particulars in accordance with Rule 9, 4(7) of the CCR as it did not contain the assessable value, tax payable. In this regard, we observe that there is no dispute that they have received services and the tax has been paid on the input services. Thus, we observe that there is no loss to the Revenue and accordingly Cenvat Credit should not be denied on such a procedural lapse, if any. In support of this claim, we place our reliance on the ruling in case of Nando's Karnataka Restaurants Private Limited v. CCE, (2025) 32 Centax 236 (Tri-Chan.) wherein Cenvat Credit was allowed to Branch, despite the bill of entry was in the name of Head office. Reliance is also placed on the ruling rendered in the case of Hindustan Coca Cola Beverages Private Limited v. CCE&ST, 2016 (343)

ELT 1016 (Tri-Cal.) wherein there was an undisputed fact that goods were received and used for manufacturing activities, this Tribunal has held that Cenvat Credit cannot be denied for minor procedural lapses in invoice. The relevant part of the said decision is reproduced below for ready reference:

“4. Heard both sides and perused the case records. The issue involved in this appeal is whether appellant is eligible to take Cenvat credit on the invoices in which serial numbers are hand-written and not pre-printed. It is the case of the Revenue that pre-printed serial numbers on the invoices is a mandatory requirement and hand-written serial numbers will not be acceptable as per Himachal Pradesh High Court’s case law in the case of Commissioner of Central Excise v. Spectra Electronics Pvt. Ltd. (supra). On the other hand appellant has relied upon the Larger Bench decision in the case of Commissioner of Central Excise, Ahmedabad v. Satyen Dyes (supra), where credit has been held to be admissible even on hand-written serial numbers on the invoices. Both the Larger Bench judgment in the case of Commissioner of Central Excise, Ahmedabad v. Satyen Dyes (supra) and Himachal Pradesh High Court’s case law in the case of Commissioner of Central Excise v. Spectra Electronics Pvt. Ltd. (supra), were with respect to invoices issued under Rule 52A(6) and Rule 57GG of the Central Excise Rules, 1944. It is observed that under Rule 11(2) of the Central Excise Rules, 2002 (effective from 28-9-2004) following is prescribed :-

(2) The invoice shall be serially numbered and shall contain the registration number, name of the consignee, description, classification, time and date of removal, mode of transport and vehicle registration number, rate of duty, quantity and value, of goods and the duty payable thereon.

4.1 *From the above requirement it is not mandatory that the invoices issued under Central Excise Rules, 2002*

should be pre-printed. At the same time it is also observed that under Rule 9(2) of the Cenvat Credit Rules, 2004, Cenvat credit shall not be denied on the grounds that any of the documents mentioned in sub-rule (1) does not contain all the particulars required to be contained under these Rules. In case there is any discrepancy then the same can be verified from the jurisdictional Central Excise Officer, having jurisdiction over the supplier of the inputs, to ensure that the appropriate Central Excise duty has been paid on inputs. In the light of the above observations, under the provisions of existing Central Excise Rules 11(2) it is not mandatory to have pre-printed invoices. It is not the case of the Revenue that the duty-paid inputs have not been received by the appellant and further not utilized in the manufacture of the finished goods. It is now a well-settled legal proposition that minor procedural lapses cannot be made the basis for denying Cenvat credit. Accordingly Cenvat credit on the basis of invoices having hand-written serial numbers cannot be denied to the appellant”.

8.1. We also find that similar ruling was also passed in the case of *Modern Petrofils v. CCE, 2010 (20) STR 627 (Tri-Ahmd)*. By applying the ratio of the decisions cited supra, we hold that cenvat credit cannot be denied on the procedural ground that the said invoices did not contain mandatory particulars in accordance with Rule 9, 4(7) of the CCR. Accordingly, we set aside the impugned order disallowing the credit.

9. Regarding the Personal penalty Rs. 1,00,000/- imposed on Sh. Anil Kumar, General Manager (Finance) and CFO of the Appellant, we observe that the penalty was imposed on him on the ground that he was instrumental in taking the inadmissible

cenvat credit. In view of the findings in the proceeding paras, it has been held that the appellant is eligible for the credit and there is no infirmity in availing the credit by the appellant. Accordingly, we hold that penalty Rs.1,00,000/- imposed on Sh. Anil Kumar, General Manager (Finance) and CFO of the Appellant is not sustainable and hence we set aside the same.

10. In view of the above findings, we set aside the impugned order and allow the appeal filed by the appellant, with consequential relief, if any, as per law.

(Operative part of the order was pronounced in open court)

Sd/-

(R. MURALIDHAR)
MEMBER (JUDICIAL)

Sd/-

(K. ANPAZHAKAN)
MEMBER (TECHNICAL)

Sdd/T.K.