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

REGIONAL BENCH – COURT NO. 2

Service Tax Appeal No. 75594 of 2016

(Arising out of Order-in-Appeal No. 08/GHY/CE(A)/GHY/16 dated 31.01.2016 passed by the Commissioner (Appeals) Customs, Central Excise & Service Tax (NER) Customs House, Nilamani Phukan Path Christian Basti Guwahati-781005)

M/s. The Central Bank of India (Guwahati Branch) **: Appellant**
Rahaman Manzil, 1st Floor,
M. L. Neharu Road, Panbazar, Guwahati-781001

VERSUS

Commissioner of CGST & Central Excise, Guwahati **: Respondent**
Customs House, Nilamani Phukan Path Christian Basti
Guwahati-781005

APPEARANCE:

Shri Anand Desai, Advocate for the Appellant

Shri P. Das, Authorized Representative for the Respondent

CORAM:

HON’BLE SHRI R. MURALIDHAR, MEMBER (JUDICIAL)
HON’BLE SHRI K. ANPAZHAKAN, MEMBER (TECHNICAL)

FINAL ORDER NO.77712/2025

DATE OF HEARING / DECISION: 10.11.2025

Order: [PER SHRI R. MURALIDHAR]

The appellant is providing 'treasury services' to the Reserve Bank of India (RBI). On the ground that the commission received by them from the Reserve Bank of India is liable to Service Tax, proceedings were initiated against the appellant.

2. After due process, the ld. adjudicating authority confirmed the demand.

3. Being aggrieved, the appellant is before the Tribunal.

4. The Ld. Consultant appearing on behalf of the appellant submits that admittedly, the issue pertains to the commission received by the appellant on account of the treasury activities taken up on behalf of the Reserve Bank of India. He submits that this issue is no more res integra and cites the case law of *Canara Bank v. CST, Bangalore [2012 (6) TMI 274 - CESTAT, Bangalore]* wherein the Tribunal has held that such a demand is not legally sustainable; it is pointed out that against this order, the Revenue had preferred an appeal before the Hon'ble Supreme Court and the Hon'ble Supreme Court has upheld the order passed by the Tribunal as reported *CST, Bangalore v. Canara Bank [2023 (5) TMI 137 - Supreme Court].*

5. In view of the above cited case law, the Ld. Consultant for the appellant prays that the appeal be allowed.

6. The Ld. Authorized Representative of the Revenue reiterates the findings of the lower authorities and justifies the confirmed demand.

7. Heard both sides, perused the appeal papers and the case-law cited before us.

8. We find that the issue before us is squarely covered by the decision of the Tribunal in the case of *Canara Bank v. CST, Bangalore [2012 (6) TMI 274 - CESTAT, Ahmedabad]*, which has been affirmed by the Hon'ble Supreme Court. The Tribunal in its order has held as under: -

> "*45. Appointment of Agents.*
>
> *(1) Unless otherwise directed by the Central Government with reference to any place, the Bank may, having regard to public interest, convenience of banking, banking development and such other factors which in its opinion are relevant in this*

regard, appoint the National Bank, or the State Bank or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1980, or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, as its agent at all places, or at any place in India for such purposes as the Bank may specify.

(2) When any bank is appointed by the Bank as its agent under sub-section (1) to receive on behalf of the Bank any payment required to be made into the Bank, or any bill, hundies or other securities required to be delivered into the Bank, under any law or rule, regulations or other instructions having the force of law, the same may be paid or delivered into the bank so appointed as the agent of the Bank.

12. From the above it can be seen that RBI have the right to transact Government business and allow an agent to perform its function. From the Agreement also it is quite clear that Canara Bank have been appointed as an agent. We find ourselves in Agreement with the submissions made by Id. Chartered Accountant that the decision of Hon ble Supreme Court on this issue would be applicable to the facts and circumstances of the case. The decision was rendered on this issue in the case of State of Madras Vs. Cement Allocating Co-ordinating Organisation dt. 1.9.1971.

9. The Hon'ble Supreme Court in their Order as reported in *CST, Bangalore v. Canara Bank [2023 (5) TMI 137 - Supreme Court].* has held as under: -

"The question of law sought to be urged by the Commissioner of Service Tax in these appeals is

whether the respondent-scheduled Banks are eligible to claim exemption from payment of service tax in accordance with notification 22/2006-ST dated 31.03.2006, on the commission received by them in the Reserve Bank of India, for rendering banking or financial services.The revenue had urged unsuccessfully before the Tribunal that the commission received by the Scheduled Banks, from the Reserve Bank of India for rendering certain services were classifiable as banking or financial services under Section 65 (12). The revenue contended that the services so rendered could not be the subject matter of the notification as the notification exempted only according to it provided by the Reserve Bank of India. The relevant parts of the notification reads as follows:

> *"G.SR. (E)- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) and supersession of the notification of the Government of India in the Ministry of Finance, (Department of Revenue) No. 7/2006-Service Tax dated the 1st March, 2006, except as respects things done or omitted to be done before such supersession, the Central Government, on being satisfied that it is necessary in the public interest so do do, hereby exempts the following taxable services from the whole of the service tax leviable thereon under section 66 of the said Finance Act, namely:*
>
> *1. taxable services provided or to be provided to any person, by the Reserve Bank of India;*
>
> *2. taxable services provided or to be provided by any person, to the Reserve Bank*

> *of India when the service tax for such services is liable to be paid by the Reserve Bank of India under sub-section (2) of section 68 of the said Finance Act read with rule 2 of the Service Tax Rules, 1994;*
> *3. taxable services received in India from outside India by the Reserve Bank of India under section 66A of the Finance Act, 1994."*

The tribunal referred the issue to a larger Bench in view of differing opinions rendered by various Benches. By the impugned orders, the Tribunal concluded that the services rendered by the Scheduled Banks as statutory agent under Section 45 of the Reserve Bank of India Act, 1934 and also the other activities of the Scheduled Banks involving statutory functions on behalf of the Reserve Bank of India, were not taxable with regard to the terms of the notification.

The opinion of the findings of the CESTAT are in accordance with the judgment of this Court in State of Madras vs. Cement Allocation Coordinating Organisations, 1971 (2) SCC 587. The Court had said on that occasion that the acts of the agent are also attributable to the principal. This principle is also embodied in Section 65 (7) of the Finance Act, 1994.

In view of the above, having regard to these facts, this Court is of the opinion that the reasoning of the tribunal with respect to the activities of the scheduled Banks, so far as scheduled banks perform activities as statutory agent of the Reserve Bank of India under Section 45 of the Reserve Bank of India Act, 1934 are concerned do not call for any interference. The appeals are accordingly dismissed."

10. Considering the detailed view taken by the Tribunal as well as the Hon'ble Supreme Court, we set aside the impugned order and allow the appeal filed by the appellant.

11. The appellant would be eligible for consequential relief, if any, as per law.

(Operative part of Order was pronounced in Open court)

(R. MURALIDHAR)
MEMBER (JUDICIAL)

(K. ANPAZHAKAN)
MEMBER (TECHNICAL)

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