



सत्यमेव जयते

आयुक्त(अपील) का कार्यालय,
Office of the Commissioner (Appeal),
 केंद्रीय जीएसटी, अपील आयुक्तालय, अहमदाबाद
Central GST, Appeal Commissionerate, Ahmedabad
 जीएसटी भवन, राजस्वमार्ग, अम्बावाडी अहमदाबाद ३८००१५.
 CGST Bhavan, Revenue Marg, Ambawadi, Ahmedabad 380015
 ☎ 07926305065- टेलीफैक्स 07926305136



DIN : 20211164SW0000000EFD

स्पीड पोस्ट

क फाइल संख्या : File No : GAPPL/COM/STP/289/2021 / 11705 70 11709

ख अपील आदेश संख्या Order-In-Appeal Nos. AHM-EXCUS-003-APP-57/2021-22
 दिनांक Date : 12-11-2021 जारी करने की तारीख Date of Issue 30.11.2021

आयुक्त (अपील) द्वारा पारित
 Passed by **Shri Akhilesh Kumar**, Commissioner (Appeals)

ग Arising out of Order-in-Original No. AHM-CEX-003-ADC-PMR-008-20-21 दिनांक: 24.12.2020
 issued by Additional Commissioner, CGST & Central Excise, Gandhinagar Commissionerate

ध अपीलकर्ता का नाम एवं पता Name & Address of the Appellant / Respondent

M/s Gujarat State Electricity Corporation Ltd.
 GSECL TPS Gandhinagar, Thermal Power Station,
 Gandhinagar, Gujarat-382041

कोई व्यक्ति इस अपील आदेश से असंतोष अनुभव करता है तो वह इस आदेश के प्रति यथास्थिति नीचे बताए गए सक्षम अधिकारी को अपील या पुनरीक्षण आवेदन प्रस्तुत कर सकता है।

Any person aggrieved by this Order-In-Appeal may file an appeal or revision application, as the one may be against such order, to the appropriate authority in the following way :

भारत सरकार का पुनरीक्षण आवेदन :

Revision application to Government of India :

- (i) केंद्रीय उत्पादन शुल्क अधिनियम, 1994 की धारा अंतर्गत नीचे बताए गए मामलों के बारे में पूर्वोक्त धारा को उप-धारा के प्रथम परन्तुक के अंतर्गत पुनरीक्षण आवेदन अधीन सचिव, भारत सरकार, वित्त मंत्रालय, राजस्व विभाग, चौथी मंजिल, जीवन दीप भवन, संसद मार्ग, नई दिल्ली : 110001 को की जानी चाहिए।
- (ii) A revision application lies to the Under Secretary, to the Govt. of India, Revision Application Unit Ministry of Finance, Department of Revenue, 4th Floor, Jeevan Deep Building, Parliament Street, New Delhi - 110 001 under Section 35EE of the CEA 1944 in respect of the following case, governed by first proviso to sub-section (1) of Section-35 ibid :
- (iii) यदि माल की हानि के मामले में जब ऐसी हानिकार खाने से किसी भण्डागार या अन्य कारखाने में या किसी भण्डागार से दूसरे भण्डागार में माल ले जाते हुए मार्ग में, या किसी भण्डागार या भण्डार में चाहे वह किसी कारखाने में या किसी भण्डागार में हो माल की प्रक्रिया के दौरान हुई हो।
- (iv) In case of any loss of goods where the loss occur in transit from a factory to a warehouse or to another factory or from one warehouse to another during the course of processing of the goods in a warehouse or in storage whether in a factory or in a warehouse.

(क) भारत के बाहर किसी राष्ट्र या प्रदेश में निर्यातित माल पर या माल के विनिर्माण में उपयोग शुल्क कच्चे माल पर उत्पादन शुल्क के रिबेट के मामलों में जो भारत के बाहर किसी राष्ट्र या प्रदेश में निर्यातित है।

(A) In case of rebate of duty of excise on goods exported to any country or territory outside India of on excisable material used in the manufacture of the goods which are exported to any country or territory outside India.

(ख) यदि शुल्क का भुगतान किए बिना भारत के बाहर (नेपाल या भूटान को) निर्यात किया गया माल हो।

(B) In case of goods exported outside India export to Nepal or Bhutan, without payment of duty.

अंतिम उत्पादन की उत्पादन शुल्क के भुगतान के लिए जो ड्यूटी क्रेडिट मान्य की गई है और ऐसे आदेश जो इस धारा एवं नियम के मुताबिक आयुक्त, अपील के द्वारा पारित वो समय पर या बाद में वित्त अधिनियम (नं.2) 1998 धारा 109 द्वारा नियुक्त किए गए हो।

(c) Credit of any duty allowed to be utilized towards payment of excise duty on final products under the provisions of this Act or the Rules made there under and such order is passed by the Commissioner (Appeals) on or after, the date appointed under Sec.109 of the Finance (No.2) Act, 1998.

(1) केन्द्रीय उत्पादन शुल्क (अपील) नियमावली, 2001 के नियम 9 के अंतर्गत विनिर्दिष्ट प्रपत्र संख्या ईए-8 में दो प्रतियों में, प्रेषित आदेश के प्रति आदेश प्रेषित दिनोंक से तीन मास के भीतरमूल-आदेश एवं अपील आदेश की दो-दो प्रतियों के साथ उचित आवेदन किया जाना चाहिए। उसके साथ खाता इ.का मुख्य शीर्ष के अंतर्गत धारा 35-इ में निर्धारित फी के भुगतान के सबूत के साथ टीआर-6 चालान की प्रति भी होनी चाहिए।

The above application shall be made in duplicate in Form No. EA-8 as specified under Rule, 9 of Central Excise (Appeals) Rules, 2001 within 3 months from the date on which the order sought to be appealed against is communicated and shall be accompanied by two copies each of the OIO and Order-In-Appeal. It should also be accompanied by a copy of TR-6 Challan evidencing payment of prescribed fee as prescribed under Section 35-EE of CEA, 1944, under Major Head of Account.

(2) रिविजन आवेदन के साथ जहाँ संलग्न रकम एक लाख रुपये या उससे कम होतो रुपये 200/- फीस भुगतान की जाए और जहाँ संलग्नरकम एक लाख से ज्यादा हो तो 1000/- की फीस भुगतान की जाए।

The revision application shall be accompanied by a fee of Rs.200/- where the amount involved is Rupees One Lac or less and Rs.1,000/- where the amount involved is more than Rupees One Lac.

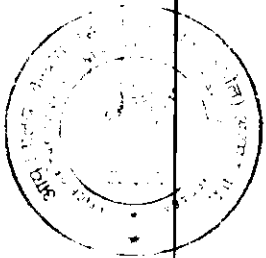
सीमा शुल्क, केन्द्रीय उत्पादन शुल्क एवं सेवा कर अपीलीय न्यायाधिकरण के प्रति अपील:-
Appeal to Custom, Excise, & Service Tax Appellate Tribunal.

(1) केन्द्रीय उत्पादन शुल्क अधिनियम, 1944 की धारा 35-बी/35-इ के अंतर्गत:-

Under Section 35B/ 35E of CEA, 1944 an appeal lies to :-

(क) उपरिलिखित परिच्छेद 2 (1) क में बताए अनुसार के अलावा की अपील, अपीलो के मामले में सीमा शुल्क, केन्द्रीय उत्पादन शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण(सिस्टेट) की पश्चिम क्षेत्रीय पीठिका, अहमदाबाद में 2ndमाला, बहुमाली भवन ,असरवा ,गिरधरनागर,अहमदाबाद-380004

(a) To the west regional bench of Customs, Excise & Service Tax Appellate Tribunal (CESTAT) at 2nd floor, Bahumali Bhawan, Asarwa, Girdhar Nagar, Ahmedabad : 380004. in case of appeals other than as mentioned in para-2(i) (a) above.



The appeal to the Appellate Tribunal shall be filed in quadruplicate in form EA-3 as prescribed under Rule 6 of Central Excise(Appeal) Rules, 2001 and shall be accompanied against (one which at least should be accompanied by a fee of Rs.1,000/-, Rs.5,000/- and Rs.10,000/- where amount of duty / penalty / demand / refund is upto 5 Lac, 5 Lac to 50 Lac and above 50 Lac respectively in the form of crossed bank draft in favour of Asstt. Registrar of a branch of any nominate public sector bank of the place where the bench of any nominate public sector bank of the place where the bench of the Tribunal is situated.

- (3) यदि इस आदेश में कई मूल आदेशों का समावेश होता है तो प्रत्येक मूल आदेश के लिए फीस का भुगतान उपर्युक्त ढंग से किया जाना चाहिए इस तथ्य के होते हुए भी कि लिखा पढ़ी कार्य से बचने के लिए यथास्थिति अपीलीय न्यायाधिकरण को एक अपील या केन्द्रीय सरकार को एक आवेदन किया जाता है।

In case of the order covers a number of order-in-Original, fee for each O.I.O. should be paid in the aforesaid manner notwithstanding the fact that the one appeal to the Appellant Tribunal or the one application to the Central Govt. As the case may be, is filled to avoid scriptoria work if excising Rs. 1 lacs fee of Rs.100/- for each.

- (4) न्यायालय शुल्कअधिनियम 1970 यथासंशोधित की अनुसूची-1 के अंतर्गत निर्धारित किए अनुसार उक्त आवेदन या मूलआदेश यथास्थिति निर्णयन प्राधिकारी के आदेश में से प्रत्येक की एक प्रतिपर रु.6.50 पैसे कान्यायालय शुल्क टिकट लगा होना चाहिए।

One copy of application or O.I.O. as the case may be, and the order of the adjournment authority shall a court fee stamp of Rs.6.50 paise as prescribed under scheduled-I item of the court fee Act, 1975 as amended.

- (5) इन और संबंधित मामलों को नियंत्रण करने वाले नियमों की ओर भी ध्यान आकर्षित किया जाता है जो सीमा शुल्क, केन्द्रीय उत्पादन शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण (कार्याविधि) नियम, 1982 में निहित है।

Attention is invited to the rules covering these and other related matter contended in the Customs, Excise & Service Tax Appellate Tribunal (Procedure) Rules, 1982.

- (35) सीमा शुल्क, केन्द्रीय उत्पादन शुल्क एवं सेवाकर अपीलीय न्यायाधिकरण(सिस्टेट), के प्रतिअपीलो के मामले में कर्तव्यमांग(Demand) एवं दंड(Penalty) का 10% पूर्व जमा करना अनिवार्य है। हालांकि, अधिकतम पूर्व जमा 10 करोड़ रुपए है।(Section 35 F of the Central Excise Act, 1944, Section 83 & Section 86 of the Finance Act, 1994)

केन्द्रीय उत्पाद शुल्क और सेवाकर के अंतर्गत, शामिल होगा "कर्तव्य की मांग"(Duty Demanded)-

- (i) (Section) खंड 11D के तहत निर्धारित राशि;
- (ii) लिया गलत सेनवैट क्रेडिट की राशि;
- (iii) सेनवैट क्रेडिट नियमों के नियम 6 के तहत देय राशि.

⇒ यह पूर्व जमा 'लंबित अपील' में पहले पूर्व जमा की तुलना में, अपील दाखिल करने के लिए पूर्व शर्त बना दिया गया है.

For an appeal to be filed before the CESTAT, 10% of the Duty & Penalty confirmed by the Appellate Commissioner would have to be pre-deposited, provided that the pre-deposit amount shall not exceed Rs.10 Crores. It may be noted that the pre-deposit is a mandatory condition for filing appeal before CESTAT. (Section 35 C (2A) and 35 F of the Central Excise Act, 1944, Section 83 & Section 86 of the Finance Act, 1994)

Under Central Excise and Service Tax, "Duty demanded" shall include:

- (lxxxviii) amount determined under Section 11 D;
- (lxxxix) amount of erroneous Cenvat Credit taken;
- (xc) amount payable under Rule 6 of the Cenvat Credit Rules.

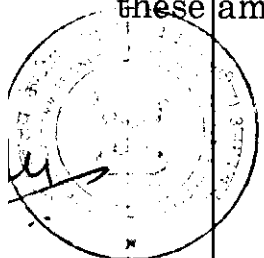
इस आदेश के प्रति अपील प्राधिकरण के समक्ष जहाँ शुल्क अथवा शुल्क या दण्ड विवादित हो तो माँग किए गए शुल्क के 10% भुगतान पर और जहाँ केवल दण्ड विवादित हो तब दण्ड के 10% भुगतान पर की जा सकती है।

In view of above, an appeal against this order shall lie before the Tribunal on payment of 10% of the duty demanded where duty or duty and penalty are in dispute, or penalty, where penalty alone is in dispute."

ORDER-IN-APPEAL

The present appeal has been filed by M/s. Gujarat State Electricity Corporation Limited, GSECL TPS Gandhinagar Thermal Power Station, Gandhinagar (hereinafter referred to as the appellant) against Order in Original No. AHM-CEX-003-ADC-PMR-008-20-21 dated 24.12.2020 [hereinafter referred to as "*impugned order*"] passed by the Additional Commissioner, CGST, Gandhinagar Commissionerate [hereinafter referred to as "*adjudicating authority*"].

2. Briefly stated, the facts of the case is that the appellant were holding Service Tax Registration No. AAACG6864FST002 for payment of service tax on taxable services as defined under sub-section (44) read with sub-section (51) of Section 65B of the Finance Act, 1994. Intelligence gathered by the officers of Directorate General of Goods and Service Tax Intelligence (hereinafter referred to as DGGI) indicated that the appellant was collecting penal charges towards penalties and delayed payment charges from its various contractors/suppliers but were not paying service tax on the amount so collected which appeared to be taxable w.e.f. 01.07.2012. It appeared that the said amounts collected were in the nature of penal charges for tolerating an act or a situation and thus would constitute a 'Declared Service' as per Section 66E(e) of the Finance Act, 1994. Accordingly, the appellant were liable to pay service tax. During the course of investigation, it was also noticed that the said appellant was collecting rental charges for quarters allotted to their contractors and were also collecting hire charges from contractors for renting cranes. However, the appellant was not paying service tax on these amounts collected by them.

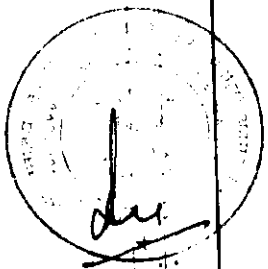


2.1 On conclusion of investigation, the appellant was issued a Show Cause Notice bearing No. DGGI/SZU/36-18/2019-20 dated 15.04.2019 seeking to :

- Determine the act of tolerance performed by them to their suppliers/contractors, who delayed/defaulted in supply of goods/execution of work as declared service under Section 66E(e) of the Finance Act, 1994 and demand and recover the service tax amounting to Rs.53,12,157/- under the proviso to Section 73 (1) of the Finance Act, 1994;
- Determine the activity of renting quarters to their contractors as declared service under Section 66E(a) of the Finance Act, 1994 and demand and recover the service tax amounting to Rs.8,73,832/- under the proviso to Section 73 (1) of the Finance Act, 1994;
- Determine the activity of renting cranes to their contractors as declared service under Section 66E(f) of the Finance Act, 1994 and demand and recover service tax amounting to Rs.820/- under the proviso to Section 73(1) of the Finance Act, 1994;
- Demand and recover interest under Section 75 of the Finance Act, 1994 in respect of all the above services;
- Impose penalty under Section 76, 77 and 78 of the Finance Act, 1994.

2.2 The said SCN was adjudicated vide the impugned order wherein :

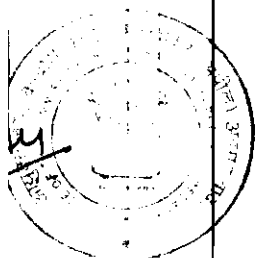
- The act of tolerance performed by them to their suppliers/contractors, who delayed/defaulted in supply of goods/execution of work was determined as declared service under Section 66E(e) and demand of service tax amounting to Rs.53,12,157/- was confirmed under the proviso to Section 73 (1) of the Finance Act, 1994;



- The activity of renting quarters to their contractors was determined as declared service under Section 66E(a) of the Finance Act, 1994 and demand of service tax amounting to Rs.8,73,832/- was confirmed under the proviso to Section 73(1) of the Finance Act, 1994;
- The activity of renting cranes to their contractors was determined as declared service under Section 66E(f) of the Finance Act, 1994 and service tax amounting to Rs.820/- was confirmed under the proviso to Section 73(1) of the Finance Act, 1994;
- Interest was also ordered under Section 75 of the Finance Act, 1994;
- Penalty amounting to Rs.61,86,809/- was imposed under Section 78 of the Finance Act, 1994;
- Penalty amounting to Rs.10,000/- was imposed under Section 77 of the Finance Act, 1994;

3. Aggrieved with the impugned order, the appellant has filed the instant appeal on the following grounds:

- i) The impugned order is ex-facie bad in law in as much as the same is passed contrary to the facts of the case. On this single ground, the impugned order deserves to be quashed and set aside.
- ii) They rely upon the decision of the Hon'ble Tribunal in the case of South Eastern Coalfields Vs. Commissioner of C.Ex. & Service Tax. Any amount charged which has no nexus with the taxable service and is not a consideration for the service provided does not become part of the value which is taxable under Section 67.
- iii) The activity of providing immovable property on rent undertaken by them is not service as it is covered under the negative list under Section 66D(m) of the Finance Act,

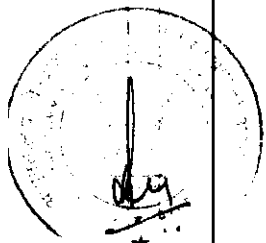


1994. The quarters allotted are residential dwellings and are not used for commercial purpose. Hence, Service tax is not applicable.

- iv) The issue involved is that of substantial interpretation of the statutory provisions. Every non-payment/non-levy does not attract extended period. They were always under a bonafide belief that the tender fees and write off of security deposits does not amount to consideration as no service was received and therefore not liable to service tax.

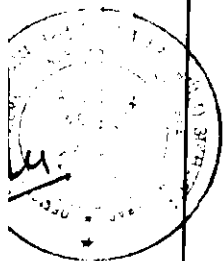
3.1 The appellant have also filed written submission on 12/10/2021 wherein they, interalia, stated that :

- a) It follows from the decisions of the Hon'ble Supreme Court in Bhayana Builders and Intercontinental Consultants and the decision of the Hon'ble Tribunal in Bhayana Builders that consideration must flow from the service recipient to the service provider and should accrue to the benefit of the service provider and that the amount charges has necessarily to be a consideration for the taxable service provided under the Finance Act.
- b) The activities that are contemplated under Section 66E(e) are when one party agrees to refrain from an act, or to tolerate an act or a situation, or to do an act, are activities where the agreement specifically refers to such an activity and there is a flow of consideration for this activity.
- c) They rely upon the decisions of the Hon'ble Tribunal in the case of 1) South Eastern Coalfields Ltd Vs. Commissioner of C.Ex. & Service Tax and 2) M.P. Poorva Kshetra Vidyut Vitran Co Ltd. Vs. Principal Commissioner of Service Tax.
- d) The penalty emerged from the transaction pertaining to supply on which Excise/VAT has already been charged by



the supplied. Once excise/service tax has been paid in toto on the original transaction, then levying tax once again would amount to double taxation.

- e) As per clause (f) of Section 66D of the Finance Act, 1994, no service tax is payable on any process amounting to manufacture or production of goods.
- f) No separate contract has been entered for recovering penalty. There is no binding proposal to tolerate the delay/deficiency in the supply/service. The recovery is for breach of contract and not execution of some promises/proposals under the contract. The penalty recovered from contractors/suppliers cannot be termed as consideration received for charging service tax.
- g) As per Section 66D (m) of the Finance Act, 1994, services by way renting of residential dwelling for use as residence is in the negative list of services. Hence, service tax is not applicable in the residential unit used for the purpose of residence.
- h) The residential quarters are specifically let out for use by the employees of the contractors. The quarters allotted are residential dwellings and not used for any commercial purposes. They are purely used for residential purpose. The nature of the contracting parties or the occupation of the occupant has no relevance to decide the scope of the tax entry.
- i) They rely upon the decision in the case of Senior Accounts Officer, M.P.Power Generating Co Pvt Ltd Vs. CCE, Bhopal. They also rely upon OIA No. VAD-EXCUS-002-APP-551-2019-20 dated 20.3.2020 in their own case passed by the Commissioner (Appeals), Vadodara.
- j) They had rented out hydra cranes to contractors and recovered nominal amount of Rs.5500/- from them. Since,



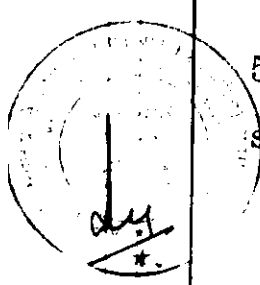
they are not hiring cranes regularly and the amount collected was nominal, service tax is not applicable.

4. Personal Hearing in the case was held on 28.10.2021 through virtual mode. Ms. Neeta Vs. Ladha, CA, appeared on behalf of the appellant for the hearing. She reiterated the submissions made in appeal memorandum.

5. I have gone through the facts of the case, submissions made in the Appeal Memorandum, and submissions made at the time of personal hearing and material available on records. I find that the issues for decision before me are :-

- A) Whether the charges recovered towards penalties and delayed payment charges collected by the appellant from Contractors/Suppliers is a consideration for provision of taxable service of 'agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act' and chargeable to service tax under Section 66E(e) of the Finance Act, 1994 ?
- B) Whether the rental charges collected by the appellant for quarters allotted to contractors is a consideration for taxable service of 'Renting of Immovable Property and chargeable to service tax under Section 66E (a) of the Finance Act, 1994?
- C) Whether hire charges collected for renting of cranes collected by the appellant is a consideration for taxable service of 'Supply of tangible goods' and chargeable to service tax under Section 66E (f) of the Finance Act, 1994?

5.1 I find that the demand for service tax in respect of the services as enumerated above are all pertaining to the period from



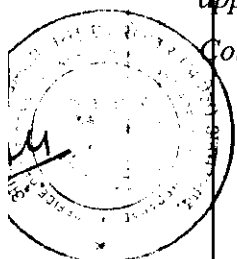
October, 2013 to June, 2017. Therefore, the demand pertains to the period post the introduction of the Negative List of Services from 01.07.2012.

5.2 As regards the first issue, I find that it has been alleged in the SCN issued to the appellant that the penalty amount recovered by them from their Contractors/Suppliers was paid as consideration for the non-performance/delayed performance, which appeared to fall under Section 66E (e) of the Finance Act, 1994 as a declared service.

5.2 I find from the case records that the appellant had recovered penalty amounts from suppliers/contractors as detailed in SCN, when there was a delay in supply of materials/services by the suppliers/contractors as per the terms and conditions of the contract/agreement. The issue, therefore, to be decided is whether recovery of penalty from suppliers/contractors falls under the category of declared services viz. *"Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act"* as provided in Section 66E (e) of the Finance Act, 1994.

5.3 I find that a similar issue has been decided by me earlier vide OIA No. AHM-EXCUS-002-APP-17/2021-22 dated 17/09/2021 in the case of M/s.Hi Tech Industry. The relevant part of this OIA is reproduced as under :-

"I find that the first point to be decided in the instant case is as to whether the amount of booked under Order Cancellation Income by the appellant would amount to a consideration as envisaged in the service tax law or not and then only the question of taxability arises in the matter. The department is contending that the said amount is nothing but a consideration for tolerating the act of not performing the contractual obligation by the buyers of the appellant. At this juncture it is relevant to refer to Section 53 of the Indian Contract Act which reads as under:

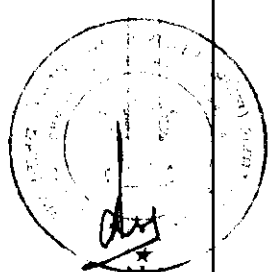


"When a contract contains reciprocal promises and one party to the contract prevents the other from performing his promise, the contract becomes voidable at the option of the party so prevented; and he is entitled to compensation from the other party for any loss which he may sustain in consequence of the non-performance of the contract."

From the above legal provision, it is amply clear that what is provided therein is the entitlement of a compensation to the party who was prevented from performing the contract for any loss which he may sustain as a consequence of the non-performance of the contract. The nature of relief envisaged in the said provision is clearly defined as a compensation for the affected party for any loss which he may sustain on account of the act of the other party. Merely because there is a mutual agreement on the amount of compensation in the event of a breach of promise/agreement, the compensation does not take the colour of consideration, as contended by the department. What is to be understood is the distinction between the terms "consideration" and "compensation". Consideration is not defined under service tax law but as per provisions of Indian Contract Act, it means a promise made by the promisee in reciprocation. Whereas the compensation is something which is awarded to the sufferer on account of breach of the contract by the other party. The definition of the term 'service' as given in Section 65B(44) of the Act envisages "consideration" and not "compensation". I find that the amount forfeited/penalty by the buyers of the appellant is in the nature of a compensation and not consideration as contended by the department.

10. *It is a fact accepted by the department too that the amount forfeited/penalty is for tolerating the act of not performing the contractual obligation. Therefore, such a transaction is clearly in the nature as envisaged in Section 53 of the Indian Contract Act and hence the amount so received would definitely amount to a compensation. Mere receipt of money which is in the nature of a compensation cannot be treated as consideration for any activity. Further, when it is established that the transaction in the case is in the nature of compensation against a breach of contract as envisaged in Section 53 of the Indian Contract Act, the contention that there was an act of tolerating the act of not performing the contractual obligation by the service provider is not sustainable.*

11. *I am, therefore, of the considered view that the amount booked as Order Cancellation income which is infact forfeiture of amounts/penalty paid by the buyers of the appellant in the present case is in the nature of a compensation as envisaged in Section 53 of the Indian Contract Act, 1872 for non performance of the contractual obligations. Such a transaction, being*



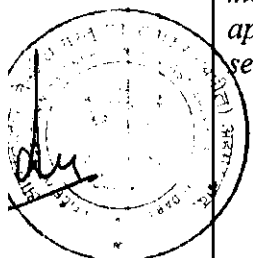
compensation against breach of contractual obligations, does not per se amount to a consideration and does not per se constitute any service or declared service as envisaged under Section 65B (44) and Section 66E(e) of the Act. When there is no consideration, there is no element of service as defined under the Act and consequently there cannot be any question of service tax in the matter.

12. I find that the Kolkata Regional Bench of Hon'ble Tribunal in their decision dated 25.10.2019 in Service Tax Appeal No.ST/76339 of 2018 (DB) in the case of M/s Amit Metaliks Ltd., Durgapur Vs. The Commissioner of Central Goods and Services Tax, Bolpur, has dealt with a similar kind of situation as in the present case and it was held that :

27. As far as the compensation received from M/s Amit Mines is concerned, the Show Cause Notice mentions the leviability of Service tax on the amount received towards the compensation for non supply of the agreed quantity of manganese ore under Section 66 E(e) of Finance Act which is even otherwise is purely the transaction sale of the iron ore to the Appellant by M/s Amit Mines. Thus, the compensation amount is towards default on the sale of the goods. The sale could not be effected and, therefore, Appellant received the liquidated damage by way of raising the debit note which was honoured by M/s AML. Thus, this amount of compensation/ liquidated damage cannot be treated as service under Section 66 E(e) of the Act. The demand is thus not sustainable on this aspect also.

13. The appellant have also relied upon a few decisions in support of their stand. I find that the decision dated 22.12.2020 of the Hon'ble Tribunal in the case of M/s.South Eastern Coalfields Vs. Commissioner of Central Excise and Service Tax, Raipur is applicable to the present case. In said the case the issue was the collection of an amount towards compensation/penalty from the buyers of coal on the short lifted/un-lifted quantity of Coal; collected amount towards compensation/penalty from the contracts engaged for breach of terms and conditions; and collected amount in the name of damages from the suppliers for breach of the terms and conditions of the contract. The department contended that this amount was taxable as a declared service under Section 66E (e) of the Finance Act, 1994. The Hon'ble Tribunal held that :-

" 43. It is, therefore, not possible to sustain the view taken by the Principal Commissioner that penalty amount, forfeiture of earnest money deposit and liquidated damages have been received by the appellant towards consideration for tolerating an act leviable to service tax under section 66(E) (e) of the Finance Act."



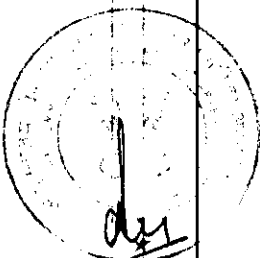
14. The appellant have also relied upon the decision in the case of *M.P. Poorva Kshetra Vidyut Vitran Co. Ltd. Vs. Principal Commr., CGST & C. EX., Bhopal* reported at 2021 (46) G.S.T.L. 409 (Tri. - Del.). In the said case the appellant was collecting an amount towards liquidated damages from the contractors and suppliers when they failed to ensure compliance of the terms of the contract within the time stipulated and the appellant was also recovering amount from consumers for theft and un-authorized use of electricity. According to the Department, this amount was not included in Section 66D(k) of the negative list and so a show cause notice was issued to the appellant mentioning therein that the penalty amount and the amount collected towards theft of electricity by the appellant was towards consideration for tolerating an act and covered as a "declared service" under Section 66E(e) of the Finance Act w.e.f. July 1, 2012. It was held by the Hon'ble Tribunal that :

"Thus, for all those reasons stated above, it is not possible to sustain the order passed by the Principal Commissioner confirming the demand of service tax on the amount collected towards liquidated damages and theft of electricity. The order dated December 31, 2018 is accordingly set aside and the appeal is allowed".

15. In the case of *M/s.K.N. Food Industries Pvt Ltd, Vs. Commissioner of CGST and Central Excise*, reported at 2020 (38) G.S.T.L. 60 (Tri. - All.) the Hon'ble Tribunal had held that :

"In the present case apart from manufacturing and receiving the cost of the same, the appellants were also receiving the compensation charges under the head ex-gratia job charges. The same are not covered by any of the Acts as described under Section 66E(e) of the Finance Act, 1994. The said sub-clause proceeds to state various active and passive actions or reactions which are declared to be a service namely; to refrain from an act, or to tolerate an act or a situation, or to do an act. As such for invocation of the said clause, there has to be first a concurrence to assume an obligation to refrain from an act or tolerate an act etc. which are clearly absent in the present case. In the instant case, if the delivery of project gets delayed, or any other terms of the contract gets breached, which were expected to cause some damage or loss to the appellant, the contract itself provides for compensation to make good the possible damages owing to delay, or breach, as the case may be, by way of payment of liquidated damages by the contractor to the appellant. As such, the contracts provide for an eventuality which was uncertain and also corresponding consequence or remedy if that eventuality occurs. As such the present ex-gratia charges made by M/s. Parle to the appellant were towards making good the damages, losses or injuries arising from "unintended" events and does not emanate from any obligation on the part of any of the parties to tolerate an act or a situation and cannot be considered to be the payments for any services.

5. In view of the foregoing, we find no reasons to uphold the impugned orders. Inasmuch as the appeal stands allowed on merits, the plea of limitation is not being adverted to."

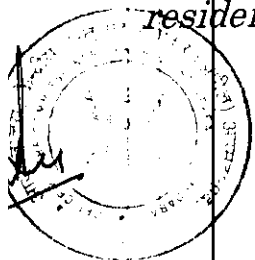


16. *In the light of the above decisions of the Hon'ble Tribunal, I find that the contention of the department is not sustainable. Having found no merit in the contention of department for raising demand in the matter, I am not going into the merits of appellant's other contentions in the matter."*

5.4 I find that the facts involved in the present appeal are similar to that in the above case. I further find that there is no change in the legal provisions nor has there been any judicial ruling contrary to the aforesaid orders. That being so, I do not find any reason to take a different view in the matter. Hence, following my above decision on similar facts as well as the judicial pronouncements cited in the OIA supra, it is held in the present case also that the amount of penalty collected by the appellant from their contractors/suppliers is not a consideration and neither has any service in terms of Section 66E (e) of the Finance Act, 1994 been provided by the appellant. Consequently no service tax is payable by the appellant on the penalty recovered by them from their contractors/suppliers. The demand confirmed in the impugned order is not legally sustainable.

6. The second issue is that of service tax on rental charges for quarter allotted by the appellant to contractors. It has been alleged in the SCN issued to the appellant that the rental charges collected by them for quarters allotted to the contractors is a consideration for taxable service of 'Renting of Immovable Property and chargeable to service tax as Declared Service under Section 66E(a) of the Finance Act, 1994.

6.1 In this regard, I find that the Negative List of Services is as per Section 66D of the Finance Act, 1994 and sub-section (m) of the said Section 66D reads as "*services by way of renting of residential dwelling for use as residence*". I further find that

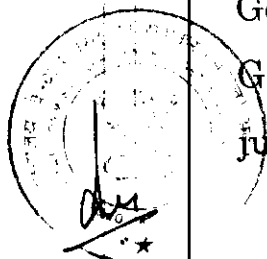


'renting' is defined under Section 65B (41) of the Finance Act, 1994. The same is reproduced as under :

“ “ renting” means allowing, permitting or granting access, entry, occupation, use or any such facility, wholly or partly, in an immovable property, with or without the transfer of possession or control of the said immovable property and includes letting, leasing, licensing or other similar arrangements in respect of immovable property”.

6.2 I find from the above provisions Section 65B(41) of the Finance Act, 1994 that renting of immovable property is covered within the ambit of taxable service. However, in the negative list of services, Section 66D (m) of the Finance Act, 1994 specifically covers renting of residential dwelling for use as residence. I find that there is no allegation by the department that the immovable property rented out by the appellant is not a residential dwelling. I further find that it is also not alleged by the department that the quarters i.e. residential dwelling are not used for any purpose other than as residence, albeit by the employees of the contractors of the appellant. I find that there is no ambiguity in the wordings of sub-section (m) of Section 66D of the Finance Act, 1994. The only requirement for the service to be covered under its scope is that the residential dwelling rented out should be used as residence. When these two conditions i.e. it has to be a residential dwelling and rented for use as residence, are satisfied, it would be covered by the scope of Section 66D (m) of the Finance Act, 1994. Consequently, rental charges collected for renting of quarters to the contractors is not chargeable to service tax.

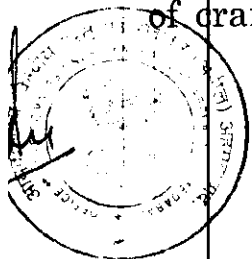
6.3 I also find that a similar view was held by the Hon'ble Tribunal in the case of Senior Accounts Officer, M.P. Power Generating Co Pvt Ltd Vs. CCE, Bhopal, reported in 2017 (4) GSTL 199 (Tri.-Del.). The Hon'ble Tribunal had at para 7 of their judgement held that :



"7. Admittedly, the residential quarters of the appellants have been given on rent for occupation of the employees of the contractors. The Revenue contends that the employees of the contractors staying in such accommodation will help in furtherance of business or commerce of the appellants as well as the contractors. In this connection, we refer to the statutory definition as reproduced above. Explanation-I to the tax entry explains the scope of the term, "for use in course or furtherance of business or commerce". It includes use of space in an immovable property as factories, office, buildings, warehouses, theatres, exhibition halls and multiple use buildings. Admittedly, in the present case, the property has not been used for any one of these purposes. It is to be considered whether the employees of the contractors using the property for residential accommodation and attending to the contract work can be considered as usage of property in course or furtherance of business or commerce. We find such interpretation is not tenable. Such inference will virtually cover large number of pure residential accommodations under the tax net of renting of immovable property only on the ground that the person occupying the residential accommodation happens to be involved in business or commerce. We are of the opinion that the actual usage of the property for a particular purpose will decide the nature, either 'residential' or used in 'furtherance of commerce or business'. The nature of contracting parties or the occupation of the occupant has no relevance to decide the scope of the tax entry."

6.4 I find that the above decision of the Hon'ble Tribunal was in the context of the provision of Finance Act, 1994 prior to the introduction of the Negative List of Services from 01.07.2012. However, I find that ratio of the above judgement is applicable to the facts of the present case in as much as the quarters rented to their contractors by the appellant is not for furtherance of commerce or business but for residential use by the employees of the contractors. I am, therefore, of the considered view that the demand for service tax on rental charges collected by the appellant for renting quarters to the contractors is neither sustainable nor legally tenable.

7. As regards the issue of hiring charges collected by the appellant for renting of cranes to their contractors, I find that it has been alleged in the SCN that the appellant had provided hydra cranes/JCB to the contractors and recovered hire charges for these activities. It was alleged that the hire charges for renting of cranes/JCB collected by the appellant is a consideration for



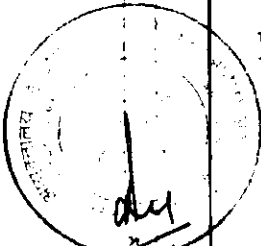
taxable service of 'Supply of tangible goods' and chargeable to service tax under Section 66E (f) of the Finance Act, 1994.

7.1 The provisions of Section 66E (f) of the Finance Act, 1944 are reproduced as under :-

"transfer of goods by way of hiring, leasing, licensing or in any such manner without transfer of right to use such goods".

In the instant case the appellant are hiring out their hydra cranes/JCB to their contractors and collecting hire charges for the same. The cranes/JCB are given to the contractors only for use and the ownership remains with the appellant. Further, the hiring by the contractors does not involve any transfer of right to use. I, therefore, find that this is a supply of tangible goods without change in ownership of the goods or without transfer of right to use. In lieu of the appellant allowing the contractors use of the cranes/JCB owned by them, the appellant are paid hiring charges by the contractors. This is clearly a consideration received by them from the contractors and is chargeable to service tax as it is not covered by either the Negative list of Services under Section 66D of the Finance Act, 1994 nor by any exemption notification.

7.2 The appellant have argued that they had recovered nominal charges for hiring the hydra cranes to their contractors. Since they are not hiring cranes regularly and the amount collected was nominal, service tax is not applicable. I do not find any merit in this contention of the appellant. As a taxable service has undisputedly been provided and consideration received, the same is liable to service tax unless exempted. Accordingly, I hold that the appellant are liable to pay service tax on the crane/JCB hiring charges collected by them. Needless to say that since the appellant have neither declared the hiring charges as taxable

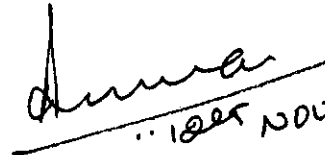


income in the returns filed by them nor have they paid the service tax, they are therefore, liable to pay the service tax along with interest and penalty.

8. In view of the above discussions, I set aside the demand in respect of the penal charges collected by the appellant from their contractors/suppliers. I also set aside the demand in respect of the rental charges collected for renting quarters to their contractors. Since the demand does not survive, the question of interest and penalty does not arise. I uphold the confirmation of demand for service tax along with interest and penalty in respect of the hiring charges received by the appellant for renting of cranes to their contractors.


9. अपीलकर्ता द्वारा दर्ज की गई अपील का निपटारा उपरोक्त तरीके से किया जाता है।

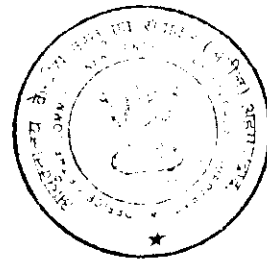
The appeal filed by the appellant stands disposed off in above terms.


 .. 11th November, 2021 ..
 (Akhilesh Kumar)
 Commissioner (Appeals)

Date: .11.2021.

Attested:


 (N.Suryanarayanan. Iyer)
 Superintendent(Appeals),
 CGST, Ahmedabad.



BY RPAD / SPEED POST

To

M/s. Gujarat State Electricity Corporation Limited,
 GSECL TPS Gandhinagar Thermal Power Station,
 Gandhinagar

Appellant

The Additional Commissioner,

Respondent

CGST & Central Excise,
Commissionerate : Gandhinagar

Copy to:

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2. The Commissioner, CGST, Gandhinagar.
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