

IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION  
Civil Appeal No.6149/2013

CST-BANGALORE

Appellant(s)

VERSUS

CANARA BANK

Respondent(s)

WITH

C.A. No. 5159/2019

D.No.7557/2022 @ C.A. Nos. /2023

C.A. No. 9386-9390/2019

C.A. No. 2908/2019

D.No.30965/2019 @ C.A. No. /2023

C.A. No. 6763/2014

C.A. No. 9981/2017

C.A. No. 1848/2018

C.A. No. 3015/2017

O R D E R

Delay condoned.

Leave granted in Diary No. 7557/2022 and Diary No. 30965/2019.

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.S.R. (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 1<sup>st</sup> 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.

Pending application (s), if any, are stand disposed of.

..... J  
(S. RAVINDRA BHAT)

..... J  
(DIPANKAR DATTA)

NEW DELHI;  
JANUARY 25, 2023.

S U P R E M E C O U R T O F I N D I A  
RECORD OF PROCEEDINGS

Civil Appeal No.6149/2013

CST-BANGALORE

Appellant(s)

VERSUS

CANARA BANK

Respondent(s)

WITH

C.A. No. 5159/2019 (XVII-A)

IA No. 76740/2019 - EX-PARTE STAY)

Diary No(s). 7557/2022 (XVII-A)

( IA No.46426/2022-EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT and IA No.46425/2022-CONDONATION OF DELAY IN FILING APPEAL)

C.A. No. 9386-9390/2019 (XVII-A)

( IA No.178525/2019-EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT and IA No.178524/2019-STAY APPLICATION and IA No.178523/2019-CONDONATION OF DELAY IN FILING APPEAL)

C.A. No. 2908/2019 (XVII-A)

(FOR ADMISSION and IA No.37067/2019-EX-PARTE STAY and IA No.37066/2019-CONDONATION OF DELAY IN FILING APPEAL)

Diary No(s). 30965/2019 (XVII-A)

( IA No.147986/2019-CONDONATION OF DELAY IN FILING and IA No.147987/2019-STAY APPLICATION)

C.A. No. 6763/2014 (III)

C.A. No. 9981/2017 (XVII-A)

IA No. 61622/2017 - STAY APPLICATION)

C.A. No. 1848/2018 (XII-A)

(IA No.14421/2018-STAY APPLICATION)

C.A. No. 3015/2017 (III)

Date : 25-01-2023 This appeal was called on for hearing today.

CORAM : HON'BLE MR. JUSTICE S. RAVINDRA BHAT  
HON'BLE MR. JUSTICE DIPANKAR DATTA

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Mr. Surya Prakash, Adv.  
Mr. Arjun Bhatia, Adv.  
Ms. Akshata Joshi, Adv.  
Ms. Astha Gumber, Adv.

UPON hearing the counsel the Court made the following  
O R D E R

The appeals are dismissed in terms of the signed order.

Pending application(s), if any, also stand disposed of.

(ARUSHI SUNEJA)  
SENIOR PERSONAL ASSISTANT

(MATHEW ABRAHAM)  
COURT MASTER (NSH)

(Signed order is placed on the file.)