

**IN THE CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL  
CHENNAI**

REGIONAL BENCH – COURT NO. III

**Service Tax Appeal No. 40702 of 2016**

(Arising out of Order-in-Original No. 551A/2015 dated 22.12.2015 passed by the Commissioner of Central Excise & Service Tax, Large Taxpayer Unit, 1775, Jawaharlal Nehru Inner Ring Road, Anna Nagar Western Extension, Chennai – 600 101)

**M/s. Indian Overseas Bank**  
763, Anna Salai, Chennai – 600 002

**: Appellant**

**VERSUS**

**The Commissioner of Central Excise & Service Tax : Respondent**  
Large Taxpayer Unit,  
1775, Jawaharlal Nehru Inner Ring Road,  
Anna Nagar Western Extension, Chennai – 600 101

**WITH**

**Service Tax Appeal No. 40703 of 2016**

(Arising out of Order-in-Original No. 551A/2015 dated 22.12.2015 passed by the Commissioner of Central Excise & Service Tax, Large Taxpayer Unit, 1775, Jawaharlal Nehru Inner Ring Road, Anna Nagar Western Extension, Chennai – 600 101)

**Shri S. Chockalingam, Former Chief Financial Officer : Appellant**  
**M/s. Indian Overseas Bank**  
763, Anna Salai, Chennai – 600 002

**VERSUS**

**The Commissioner of Central Excise & Service Tax : Respondent**  
Large Taxpayer Unit,  
1775, Jawaharlal Nehru Inner Ring Road,  
Anna Nagar Western Extension, Chennai – 600 101

**APPEARANCE:**

Ms. Shwetha Vasudevan, Advocate for the Appellant

Ms. K. Komathi, Authorized Representative for the Respondent

**CORAM:**

**HON'BLE MRS. SULEKHA BEEVI C.S., MEMBER (JUDICIAL)**  
**HON'BLE MR. P. ANJANI KUMAR, MEMBER (TECHNICAL)**

**FINAL ORDER NOS. 40224-40225 / 2022**

DATE OF HEARING: 08.06.2022

DATE OF DECISION: **10.06.2022**

**Order : Per Hon'ble Ms. Sulekha Beevi C.S.**

The issue involved in both these appeals being the same, they are heard together and are disposed of by this common order.

2. Brief facts are that on the basis of intelligence received that the appellant-bank had wrongly availed CENVAT Credit in respect of the Service Tax paid on deposit insurance service provided by Deposit Insurance and Credit Guarantee Corporation (hereinafter referred to as 'DICGC'), investigation was initiated by the Kochi Regional Unit of the Directorate General of Central Excise Intelligence (DGCEI). Scrutiny of documents and statements recorded indicated that the credit availed on the Service Tax paid on deposit insurance service is ineligible.

3. Accordingly, Show Cause Notice was issued proposing to disallow the wrongly availed credit and also to recover the same along with interest and also for imposing penalty. After due process of law, the Original Authority vide order impugned herein confirmed the demand, interest and imposed penalty, including a separate penalty on the Former Chief Financial Officer of M/s. Indian Overseas Bank, Anna Salai, Chennai – 600 002 (one of the appellants herein). Aggrieved, the appellants are now before the Tribunal.

4.1 Ms. Shwetha Vasudevan, Learned Counsel, appeared and argued on behalf of the appellants. She submitted that the question involved is whether the appellant-bank can avail credit of the Service Tax on the deposit insurance service provided by DICGC. She explained that DICGC is a subsidiary of the Reserve Bank of India and has been set up under the Deposit Insurance and Credit Guarantee Corporation Act, 1961 ('DICGC Act' for short) for insuring deposits and guaranteeing of credit

facilities. That in the event of a bank failure / winding up / liquidation of a bank, the DICGC protects bank deposits that are payable to depositors. As per Section 15 of the DICGC Act, every insured bank has to pay premium at the rate notified by them. That the appellant has paid Service Tax on the basis of the premium / fees paid by them to DICGC to insure the deposits. That this is an input service for the appellant-bank and the appellant has correctly availed credit of the Service Tax paid to DICGC

4.2 It is submitted by the Learned Counsel for the appellants that the issue is no longer *res integra* as the same is covered by the decision of the Larger bench of the Tribunal in the case of *M/s. South Indian Bank v. Commissioner of Customs, Central Excise and Service Tax, Calicut* reported in 2020 (41) G.S.T.L. 609 (Tribunal - L.B.). Further, that the Tribunal, in the appellant's own case as reported in 2021 (1) T.M.I. 754 - CESTAT, Chennai, has followed the above decision of the Larger Bench to hold that such services qualified as 'input service' and the credit of the Service Tax paid on such services is eligible.

5. Ms. K. Komathi, Learned Authorized Representative for the respondent, supported the findings in the impugned order.

6. The issue that arises for our consideration is whether the credit availed by the appellant-bank on the Service Tax paid on the basis of the premium paid to DICGC for insuring deposits is eligible for CENVAT Credit or not.

7. The said issue was considered by the Larger Bench of the Tribunal in the case of *M/s. South Indian Bank (supra)* wherein it was held that insurance service provided by DICGC to the banks is an input service and the credit of Service Tax is eligible. In the appellant's own case (*supra*), the Tribunal, for a different period, has

followed the decision of the Larger Bench and held that the credit is eligible.

8. Following these decisions, we have no hesitation to hold that the credit of the Service Tax paid on the basis of premium paid to DICGC is eligible. The impugned order disallowing the credit and confirming the demand, interest and penalty is set aside.

9. The appeals are allowed with consequential reliefs, if any, as per law.

(Order pronounced in the open court on **10.06.2022**)

Sd/-  
**(SULEKHA BEEVI C.S.)**  
MEMBER (JUDICIAL)

Sd/-  
**(P. ANJANI KUMAR)**  
MEMBER (TECHNICAL)

Sdd