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Crl.OP(MD)No.22161 of 2025

BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

Judgment Reserved on : 06.11.2025

Judgment Delivered on : 29.01.2026

Coram:

THE HONOURABLE MR.JUSTICE **P.VELMURUGAN**
and
THE HONOURABLE MRS.JUSTICE **L.VICTORIA GOWRI**

C.M.A.(MD).Nos.1174 to 1182 of 2021

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The Commissioner of Service Tax,
Central Excise and GST,
Office of the Commissioner of Service Tax,
Central Excise and GST,
No.1, Williams Road, Cantonment,
Trichirappalli-620 001. .. Appellant in all the Appeals

Vs.

M/s.Lakshmi Vilas Bank,
Corporate Office,
Salem Road, Kathapara,
Karur-639 006. .. Respondent in C.M.A.(MD).1174 of 2021

M/s.City Union Bank,
Administrative Office,
No.24-B, Gandhi Nagar,
Kumbakonam-612 001. .. Respondent in C.M.A.(MD).No.1175 of 2021



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M/s.The Karur Vysya Bank Ltd.,
Central Office,
Finance & Control Department,
Post Box No.21, Erode Road,
Karur - 639 001.

.. Respondent in C.M.A.(MD).No.1176 of 2021

M/s.City Union Bank,
Administrative Office,
No.24-B, Gandhi Nagar,
Kumbakonam-612 001.

.. Respondent in C.M.A.(MD).No.1177 of 2021

M/s.City Union Bank,
Administrative Office,
No.24-B, Gandhi Nagar,
Kumbakonam- 612 001.

.. Respondent in C.M.A.(MD).No.1178 of 2021

M/s.The Karur Vysya Bank Ltd.,
Central Office,
Finance & Control Department,
Post Box No.21, Erode Road,
Karur - 639 001.

.. Respondent in C.M.A.(MD).No.1179 of 2021

M/s.The Karur Vysya Bank Ltd.,
Central Office,
Finance & Control Department,
Post Box No.21, Erode Road,
Karur - 639 002.



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M/s.Lakshmi Vilas Bank,
Corporate Office,
Salem Road,
Kathapara,ai,
Karur-639 006.

.. Respondent in C.M.A.(MD).No.1180 of 2021

.. Respondent in C.M.A.(MD).No.1181 of 2021

M/s.The Kaarur Vysya Bank Ltd.,
Central Office,
Finance & Control Department,
Post Box No.21, Erode Road,
Karur - 639 002.

.. Respondent in C.M.A.(MD).No.1182 of 2021

Civil Miscellaneous Appeal (MD).No.1174 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/42289/2017 is concerned.

Civil Miscellaneous Appeal (MD).No.1175 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/42371/2015 is concerned.

Civil Miscellaneous Appeal (MD).No.1176 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise &



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Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/40416/2018 is concerned.

Civil Miscellaneous Appeal (MD).No.1177 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/41250/2018 is concerned.

Civil Miscellaneous Appeal (MD).No.1178 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/41249/2018 is concerned.

Civil Miscellaneous Appeal (MD).No.1179 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/42288/2017 is concerned.

Civil Miscellaneous Appeal (MD).No.1180 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/42484/2015 is concerned.

Civil Miscellaneous Appeal (MD).No.1181 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise &



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Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/40592/2018 is concerned.

Civil Miscellaneous Appeal (MD).No.1182 of 2021 is filed under Section 35-G of the Central Excise Act, to set aside the common Final Order No.40832-40843/2020-ST, dated 29.10.2020 of the Customs, Excise & Service Tax Tribunal, Chennai, insofar as the CESTAT Appeal No.ST/41653/2019 is concerned.

For appellant in all the appeals : Mr.N.Dilip Kumar,
Senior Standing Counsel for Customs,
CGST and Excise

For respondent in
C.M.A.(MD).1174 and 1181 of 2021: Mr.Harish Bindu Madhavan

For respondent in
C.M.A.(MD).1180, 1176, 1182,
1179 of 2021 : M/s.Krithika Jeganath for
M/s.Lakshmi Kumaran and
Sridharan Associates

For respondent in
C.M.A.(MD).No.1175, 1177 and
1178 of 2021 : M/s.Tanmayee Rajkumar
for M/s.King and Patridge



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COMMON JUDGMENT

P.VELMURUGAN, J

These appeals have been filed by the Revenue, praying that the common Final Order No. 40832–40843/2020 dated 29.10.2020, passed by the Customs, Excise & Service Tax Appellate Tribunal, Chennai, be set aside, and that the Orders-in-Original passed by the Adjudicating Authority, which disallowed and recovered the CENVAT credit availed by the respondent-banks on the service tax paid for DICGC premium, be restored, together with interest and penalties.

2. The brief facts leading to the present appeal are that the respondent-banks, all insured institutions under the Deposit Insurance and Credit Guarantee Corporation Act, 1961 (“DICGC Act”), are mandatorily required to register with the DICGC and pay periodic premiums to insure the deposits accepted by them from the public. On such premium, service tax



was payable and was in fact paid by the banks. The banks availed CENVAT credit of this service tax on the footing that the service constituted an "input service" under Rule 2(l) of the CENVAT Credit Rules, 2004. Pursuant to intelligence gathered by the DGCEI investigations were initiated and show-cause notices were issued to many banks proposing denial and recovery of this CENVAT credit. In substance, the notices alleged that deposit-insurance is not connected with taxable output services of banks. The adjudicating authority thereafter passed detailed orders confirming the proposals and demanded recovery of the disputed credit, interest and penalty.

3. The Appellate Authority (Commissioner of Appeals) concurred with the findings of the Adjudicating Authority.

4. The Tribunal, while placing reliance on the Larger Bench decision of the CESTAT, Bangalore, in ***South Indian Bank vs. CC, Kozhikode*** [(2020) TIOL 861 CESTAT Bang LB], which was also followed in ***Yes Bank Ltd. vs. CST, Mumbai*** [(2020) TIOL 1538 CESTAT MUM], held that the insurance service provided by the Deposit Insurance Corporation to the banks constitutes an input service, and that CENVAT credit of service tax



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paid on such service can be availed by the banks for rendering their output services. In view of this, the Tribunal concluded that nothing survives against the respondent-assessee and the appeals were allowed.

5. Challenging the common order passed by the Tribunal, the Revenue has filed the present appeals.

6. In the grounds of appeals, the following substantial questions of law are raised:-

(i) Whether the insurance service provided by the Deposit Insurance & Credit Guarantee Corporation to the Banks is an 'input service' specifically for the purpose of CENVAT Credit Rules, 2004 ?

(ii) Whether the CENVAT credit can be availed by the Banks in respect of service tax paid for such insurance service received by the Banks from the Deposit Insurance & Credit Guarantee Corporation ?

(iii) Whether the CESTAT is correct in holding that the CENVAT Credit availed by the assessee-Banks as eligible in respect of service tax paid on deposit insurance service provided by DICGC, following the ratio of the judgment in



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Larger Bench Order of the CESTAT, Bengaluru, on similar facts and circumstances ?

(iv) Whether the CESTAT is correct in setting aside the Order-in-Originals and deciding the matter in favour of assessee-Banks, even when deposit insurance is covered neither by the main part, nor the inclusive part of the definition of input service ?

(v) Whether the CESTAT is correct in setting aside the Order-in-Originals and deciding the matter in favour of the assessee-Banks, even when acceptance of deposits cannot be treated as a 'service', as defined in Section 65(B)(44) of the Finance Act, 1994 as no consideration is charged by the Bank?

(vi) Whether the CESTAT is correct in setting aside the Order-in-Originals and deciding the matter in favour of the assessee-Banks, even when deposit insurance premium is linked only to deposits and has no nexus with any other service rendered by the Bank ?

(vii) Was the CESTAT right in placing reliance on the judgment of the High Court of Karnataka in the case of PNB Metlife India Insurance Co. Ltd. and the CESTAT judgment in the case of Shriram Life Insurance Company Ltd., without discerning the ratio-decidenti of those judgments, to conclude that the Banks can avail CENVAT credit on the premium amount paid to Deposit Insurance Corporation for the insurance service, ignoring the fundamental differences



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between the facts of those cases and the facts of the instant case ?

7. Mr.N.Dilip Kumar, learned Senior Standing Counsel appearing for the appellant-Revenue submitted that the present appeals have been filed challenging the common Final Order passed by the Tribunal, whereby the Tribunal allowed CENVAT credit on the service tax paid on deposit insurance premium remitted to the Deposit Insurance and Credit Guarantee Corporation (DICGC). It was submitted that the Tribunal committed a serious error in law in holding that the said insurance service qualifies as an "input service" under Rule 2(l) of the CENVAT Credit Rules, 2004. It was contended that acceptance of deposits by banks is a transaction in money and does not constitute a "service" within the meaning of Section 65B(44) of the Finance Act, 1994, as no consideration is charged for such activity. Consequently, acceptance of deposits cannot be treated as a taxable output service. The learned Senior Standing Counsel submitted that the deposit insurance service provided by DICGC has a direct nexus only with the activity of acceptance of deposits, which itself falls outside the purview of service tax, and therefore the essential requirement of nexus with a taxable output service is absent. It was further submitted that the premium paid to



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DICGC is a statutory obligation imposed on banks under the Deposit Insurance and Credit Guarantee Corporation Act, 1961, intended solely to safeguard the interests of depositors, and the cost of such insurance cannot be passed on to customers as consideration for any taxable service. Hence, the said insurance service cannot be regarded as having been used for providing taxable output services rendered by the banks. It was contended that the Tribunal misapplied the definition of “input service” and ignored the restrictive scope of Rule 2(l), particularly after the amendment deleting the expression “activities relating to business”. Accordingly, it was submitted that the impugned common order of the Tribunal is unsustainable in law and liable to be set aside, and the Orders-in-Original passed by the Adjudicating Authority, as confirmed by the Appellate Authority, deserve to be restored.

8.1. Mr.Harish Bindu Madhavan, learned counsel appearing for the respondent–assessee in C.M.A.(MD)No.1174 and 1181 of 2021, submitted that the common Final Order passed by the Customs, Excise and Service Tax Appellate Tribunal does not suffer from any legal infirmity and warrants no interference by this Court. The learned counsel submitted that all banking companies accepting deposits from the public are statutorily mandated,



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under the provisions of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 and the regulatory framework issued by the Reserve Bank of India, to insure such deposits with the Deposit Insurance and Credit Guarantee Corporation (DICGC) and to pay insurance premium thereon together with applicable service tax. Without such registration and payment of premium, a bank cannot legally continue to carry on the business of banking. It was contended that the insurance service provided by DICGC is indispensable for the respondent to render taxable output services under the category of "banking and other financial services". The learned counsel submitted that the service in question clearly satisfies the definition of "input service" under Rule 2(l) of the CENVAT Credit Rules, 2004, as it is a service used by the provider of output service for providing such output service. The absence of such insurance would result in cancellation of registration and cessation of banking operations altogether.

8.2. The learned counsel further submitted that the issue involved in the present appeals is no longer res integra. The Tribunal has rightly followed the Larger Bench decision of the CESTAT in ***South Indian Bank vs. Commissioner of Customs, Central Excise and Service Tax, Kozhikode*** [(2020) TIOL 861 CESTAT Bang LB], which has been



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subsequently affirmed by the Kerala High Court in the case of **Principal Commissioner of Central Tax & Central Excise, Cochin vs. M/s.South Indian Bank Ltd. and M/s.Catholic Syrian Bank Ltd** [(2022) (12) TMI 1479]. The learned counsel pointed out that the said judgment has conclusively held that the insurance service provided by DICGC qualifies as an input service and that CENVAT credit of service tax paid thereon is admissible to banks.

8.3. Reliance was also placed on the decision of the Bombay High Court in Commissioner of **The Commissioner of CGST & Central Excise, Mumbai Central Commissionerate Vs. Yes Bank Ltd., and Indusind Bank Ltd.**, [(2023) (9) TMI 1378] wherein the Court declined to entertain similar appeals filed by the Revenue and held that no substantial question of law arises once the Larger Bench decision of the Tribunal has been upheld by a High Court.

8.4. Accordingly, learned counsel submitted that the impugned common order of the Tribunal is in consonance with the statutory provisions and binding precedents, that no substantial question of law arises for



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consideration in the present appeals, and therefore prayed that the appeals filed by the Revenue be dismissed.

9.1. Mr.M/s.Krithika Jeganath, learned counsel appearing for the respondent–assessee in C.M.A.(MD)Nos.1176, 1179, 1180 and 1182 of 2021, submitted that the argument of the Revenue that acceptance of deposits is a transaction in money and therefore not a taxable service is misplaced and does not affect the respondent’s eligibility to avail CENVAT credit on the service tax paid on the premium remitted to the Deposit Insurance and Credit Guarantee Corporation (DICGC).

9.2. The learned counsel submitted that banking is a single and integrated activity. The business of banking necessarily begins with the acceptance of deposits, which are then used for lending and investment. Without deposits, a bank cannot carry on any banking operations or provide any banking or financial services. Therefore, acceptance of deposits cannot be viewed separately from the overall banking activity of the respondent. It was further submitted that under the provisions of the Deposit Insurance



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and Credit Guarantee Corporation Act, 1961, every bank is mandatorily required to obtain deposit insurance from DICGC and to pay the prescribed premium. Without such insurance, the registration of the bank is liable to be cancelled, and the bank would not be permitted to continue its banking business. Thus, the insurance service provided by DICGC is essential for the respondent to function as a bank and to provide banking and financial services.

9.3. The learned counsel submitted that the service tax paid on the DICGC premium qualifies as an input service under Rule 2(l) of the CENVAT Credit Rules, 2004, as the service is used by the respondent for providing its banking and financial services. The fact that acceptance of deposits may not be taxable by itself does not disentitle the respondent from availing credit, since the insurance service is connected with the business of banking as a whole. It was also submitted that the respondent-bank has complied with Rule 6(3B) of the CENVAT Credit Rules by reversing the prescribed percentage of credit. Once such reversal is made, denial of credit on the remaining portion would result in double taxation, which is not permissible in law.



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9.4. The learned counsel further submitted that the issue is no longer res integra, as the Tribunal has rightly followed the Larger Bench decision in ***South Indian Bank Ltd.***, which has been affirmed by the Hon'ble Kerala High Court and followed by the Hon'ble Bombay High Court; therefore, the impugned order passed by the Tribunal is legal, proper, and in accordance with settled law. Accordingly, it was submitted that no substantial question of law arises for consideration in the present appeals and that the appeals filed by the Revenue are liable to be dismissed.

10. Ms.Tanmayee Rajkumar, learned counsel appearing for the respondent-assessee in C.M.A.(MD) Nos.1175, 1177 and 1178 of 2021, adopted the submissions advanced by the learned counsel appearing for the other respondent-assessees. She further submitted that the impugned common order passed by the Tribunal is fully supported by binding precedents and correctly applies the statutory provisions governing CENVAT credit. The learned counsel contended that the mandatory deposit insurance provided by DICGC is inseparable from the lawful conduct of banking operations and, therefore, the service tax paid on the premium squarely



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qualifies as input service under Rule 2(l) of the CENVAT Credit Rules, 2004. Accordingly, she submitted that no substantial question of law arises for consideration in these appeals and prayed that the appeals filed by the Revenue be dismissed.

11. In reply, the learned Senior Standing Counsel appearing for the appellant–Revenue submitted that although the order passed by the Larger Bench of the Tribunal was affirmed by the Kerala High Court in ***Principal Commissioner of Central Tax v. South Indian Bank Ltd., (supra)*** upholding the availment of CENVAT credit on the service tax paid on deposit insurance services, the Revenue has preferred a Special Leave Petition before the Hon'ble Supreme Court, which is presently pending consideration.

12. We have heard the learned counsel appearing on either side and carefully perused the materials placed on record.

13. The issue that arises for consideration in these appeals is whether the service tax paid by the respondent–banks on the deposit insurance premium remitted to the Deposit Insurance and Credit Guarantee



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Corporation qualifies as an “input service” under Rule 2(I) of the CENVAT Credit Rules, 2004. We find that this issue is no longer res integra.

14. The very same question was examined in detail by the Larger Bench of the CESTAT in ***South Indian Bank Ltd. v. Commissioner of Customs, Central Excise and Service Tax*** [2020 (6) TMI 278], wherein, after an exhaustive analysis of the provisions of the DICGC Act, the nature of banking business, and the scope of the definition of “input service”, it was held that deposit insurance is a statutory and mandatory requirement for banks and that the service tax paid on such insurance premium is eligible for CENVAT credit. The Larger Bench categorically held that without such insurance, a bank cannot lawfully carry on banking operations and render taxable banking and financial services.

15. The said Larger Bench decision has been affirmed by the Kerala High Court in ***Principal Commissioner of Central Tax & Central Excise, Cochin v. South Indian Bank Ltd. and Catholic Syrian Bank Ltd.*** [2022 (12) TMI 1479]. The High Court agreed in full with the findings of the Larger Bench and rejected the Revenue’s attempt to isolate the activity of acceptance of deposits from other allied banking services. It was held that while acceptance of deposits is a money transaction, the statutory obligation to insure such deposits forms part of the banking business and



does not fall within the negative list. The Court further held that the insurance service provided for insuring deposits is an "input service" and that CENVAT credit of service tax paid thereon is admissible. For better appreciation, the relevant portion of the judgment is extracted hereunder:-

"12. We have examined the view from the perspective of questions raised before us. To conclude precisely, the larger bench has taken each one of the circumstances at both the ends i.e. while availing the services and providing services, the practice/procedure and the provisions of law had rendered the view on the entitlement of assessee for availing the credit. We are in full agreement with the view of the larger bench in all fours.

13. The argument of Mr.Sreelal Warriar disjuncts allied services provided by the assessee under one umbrella and expands the meaning of 'extending' as including activities related to acceptance of deposits and consequential assurance or services provided by the bank. Such construction not only cause violence to the clear expression but would act contrary to the intended expressions in Section 66D.

14. It can be construed from a plain reading of section 66D that the negative list is compiled of the services stated therein and is relied on to bring the assessee within the negative list is clause-(n) i.e. services by way of extending deposits, loans, advances etc. in so far as the consideration is represented by way of interest or discount. The expression used in clause-(n) begins with the words 'extending deposits, loans or advances', and such activity is represented by way of interest or deposit of money. The determining word in the clause is '**extending** deposits, loans or advances etc.' 'Extending deposits' literally understood is the deposits, loans etc. extended by the assessee. The acceptance of deposits is a pure and simple money transaction. But the realm in which the controversy operates is after receiving the deposits from public, the assessee is under statutory obligation to insure the deposits received for conducting the bank business and extends under law services on which service tax is paid. The services provided by the assessee are not falling within the negative list. Therefore, there is relatability on a hostile consideration of business in banking between the services availed and services rendered. The suggestion of revenue would compartmentalise the activities in an odd way only to deny the claim of CENVAT credit and we are not persuaded, firstly, by the argument now canvassed before us and secondly, upon taking note of the applicable sections in this behalf. The payment of premium on



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insurance together with service tax for valid and correct reasons has been held by the larger bench as follows:

"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".

15. The substantial questions raised are not tenable, and the findings recorded by the larger bench have already considered these issues. Two questions argued before this Court are answered against the Revenue and in favour of the assessee. Hence C.E. Appeal No.1 of 2021 is dismissed.

For the view taken in the preceding paras, the questions raised in the appeals are answered against the revenue and in favour of the assessee. Hence the appeals stand dismissed."

16. The above view has also been consistently followed by other High Courts, including the Bombay High Court in ***Commissioner of CGST & Central Excise v. Yes Bank Ltd. and IndusInd Bank Ltd.*** [2023 (9) TMI 1378]. Though the learned Senior Standing Counsel appearing for the Revenue submitted that a Special Leave Petition has been filed against the judgment of the Kerala High Court, mere pendency of such proceedings does not dilute or suspend the legal position laid down therein. In the absence of any stay or contrary decision by the Hon'ble Supreme Court, the judgment of the Kerala High Court continues to hold the field and deserves full acceptance and application.



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17. In view of the settled legal position, we hold that the Tribunal applied the law and followed authoritative precedents in allowing CENVAT credit on the service tax paid on the DICGC insurance premium. The substantial questions of law framed by the Revenue are answered against it. Consequently, the impugned common Final Order of the Tribunal requires no interference, and all appeals filed by the Revenue are dismissed. No costs.

(P.V.J.,) (L.V.G., J)
29 / 01 / 2026

Index : Yes/no.
Speaking Order : Yes/no.
Neutral Case Citation: Yes/no.

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To

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1. The CESTAT,
No.26, Sashtri Bhavan Annexe Building,
Haddows Road Chennai.
2. The Commissioner of Central Excise and Service Tax,
Tiruchirappali.
3. The Commissioner of Service Tax,
Central Excise and GST,
Office of the Commissioner of Service Tax,
Central Excise and GST,
No.1, Williams Road, Cantonment,
Trichirappalli-620 001.
4. The Record Keeper,
E.R. Section,
Madurai Bench of Madras High Court, Madurai.



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P.VELMURUGAN, J
and
L.VICTORIA GOWRI, J
r n s

Pre-delivery common judgment
in C.M.A.(MD).Nos.1174 to 1182 of 2021

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