

**No service tax payable on interest free security deposits taken from customer towards trading of shares**

The CESTAT bench of Ahmedabad (“**the Tribunal**”) in the case of ***Marwadi Shares & Finance Ltd. v. C.C.E &S.T.-Rajkot (Service Tax Appeal No. 12087 of 2017)*** held that the Service Tax is not liable to be paid on the amount collected from the customer as interest free security deposit against trading of shares which is subsequently refunded without utilization.

**Facts:**

Marwadi Shares & Finance Ltd. (“**the Appellant**”) collected sum of money as interest free security deposits towards trading of shares which would be subsequently refunded without utilization.

The revenue demanded the service tax on the security deposit taken by the Appellant on the above transaction.

**Issue:**

Whether the Appellant is liable to pay service tax on the deposit taken by the Appellant from their customer as security deposit against towards trading of shares, which would be subsequently refunded without utilization?

**Held:**

The Tribunal held that:

- The Tribunal in the same case of the Appellant in past has passed an order No. A/10338-10339/2022 dated April 12, 2022 wherein the Tribunal held that *“Interest free deposits” did not represent value of any taxable service. The said deposit amount was kept with the Appellant as security deposit to adjust the amount in case of any*

*default in making payment by the client. The said deposit amount also refundable to client.*

- Therefore, allowing the Appeal filed by the Appellant held that the amount collected by the Appellant as security deposit from its customers towards trading of shares which will be subsequently refunded without utilization would not be liable to Service Tax.

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