

IN THE INCOME TAX APPELLATE TRIBUNAL "SMC"
(Virtual Court Hearing) BENCH KOLKATA

Before Shri Sanjay Garg, Judicial Member

I.T.A. No.557/Kol/2021
Assessment Year: 2019-20

Jiya Exim Pvt. Ltd.....Appellant
Zone 10, Plot No.906,
Kolkata Leather Complex,
Bantala, South 24 Parganas,
W.B-743502.
[PAN: AAACF4391E]

vs.

ITO, Ward-5(1), Kolkata.....Respondent

Appearances by:

Shri J.M Thard, Advocate, appeared on behalf of the appellant.

Shri Gautam Mondal, Sr. DR, appeared on behalf of the Respondent.

Date of concluding the hearing : February 01, 2022

Date of pronouncing the order : February 01, 2022

Hearing through Video Conferencing

ORDER

The present appeal has been preferred by the assessee against the order dated 10.11.2021 of the National Faceless Appeal Centre [hereinafter referred to as 'CIT(A)'] passed u/s 250 of the Income Tax Act (hereinafter referred to as the 'Act'). The assessee in this appeal has taken the following grounds of appeal:

“1.FOR that the appeal order dtd. 10.11.2021 passed by the Ld. CIT(A), NFAC is wrong, arbitrary and bad in law.

2. FOR that the Ld. CIT(A), NFAC was wrong in confirming the adjustment made in the intimation u/s 143(1)(a) of Rs.2,66,028/- in respect of employees contribution of PF and ESI though it was paid before filing the Income Tax Return.

3. FOR that the Ld. CIT(A), NFAC was wrong and unjustified in disregarding the decisions of Supreme Court and High Courts, in particular jurisdictional High Court decisions quoted in written submission.

4 FOR that the Ld. CIT(A), NFAC was wrong and unjustified in holding that amendments in sec.36(1)(va) and sec.43B by Finance Act, 2021 is explanatory.

5. FOR that the Ld. CIT(A), NFAC was wrong and unjustified in not quoting the full Explanatory Notes to Finance Bill, 2021. At the end of Explanatory note of both amended

sections it is written "These amendments will take effect from 1 April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years"

6. Since "Notes on Clauses" and "Memorandum Explaining The Provisions In The Finance Bill 2021" clearly state that the amendments in respect of sec.36(1)(va) and 43B will apply to assessment year 2021-22 and subsequent assessment years, then the order of Ld. CIT(A), NFAC is void and is liable to be cancelled.

7. FOR that the appellant craves leave to alter, amend, modify any of the grounds and/or take additional grounds before or at the time of hearing of this appeal."

2. At the outset, the ld. Counsel for the assessee has submitted that there was a delay in depositing employee's as well as employer's contribution to the Employee's Provident Fund/ESI fund. However, the amount was deposited before the due date of the filing of the return. The ld. Counsel has submitted that this issue is squarely covered by the decision of the Hon'ble Jurisdictional Calcutta High Court in the case of CIT, Kolkata vs. M/s Vijay Shree Limited 43 taxman.com 396(Cal) which has been further followed by the Coordinate Calcutta Bench of this Tribunal in the case of Harendra Nath Biswas vs. DCIT in ITA No.186/Kol/2021 by the order dated 16.07.2021. The ld. DR could not show any decision contrary to the case law cited by the ld. Counsel for the assessee.

3. I find that the issue is covered in favour of the assessee as the assessment year involved is AY 2017-18 and the Explanation-5 inserted by Finance Act, 2021 to section 43B w.e.f. 01.04.2021 is not applicable to the assessment year under consideration. The relevant portion of the Coordinate Bench decision of the Tribunal in the case of Harendra Nath Biswas vs. DCIT (supra) for the sake of reference is reproduced as under:

" 2. The sole grounds of appeal raised by the assessee is against the Ld. CIT(A) in confirming the action of AO who disallowed/added back a sum of Rs. 1,10,62,263/- on account of delayed deposit of employees contribution to PF and ESI u/s 36(1)(va) read with Section 2(24)(x) of the Income Tax Act, 1961 (hereinafter referred to as the Act) despite the assessee contributing/depositing the same before the due date of filing of return of income u/s 139(1) of the Act.

3. Brief facts of the case is that the CPC while processing the return disallowed/added Rs. 1,10,62,263/- on the ground that employees contribution to employees provident fund (EPF) and ESI fund has been deposited beyond the due date applicable under the provision of ESI Act, 1948 and EPF Act by invoking the provision of Section 36(1)(va) of the Act. Aggrieved by this disallowance, the assessee filed the appeal before the national Faceless Appeal Centre (NFAC), Delhi where the Ld. CIT(A)

has taken note of the assessee's submission that no disallowance was warranted in respect of delayed deposit of employees contribution to EPF /ESI fund since the assessee has deposited the employees contribution in respect of both these Acts (EPF & ESI Act) before filing the return of income and relied on the various judicial decision including that of the jurisdictional Hon'ble High Court of Calcutta in the case of CIT vs. Vijayshree Ltd. in [2014] 43 taxman.com 396(Cal). However the Ld. CIT(A) did not accept the contentions of the assessee in this regard and by relying on the Explanation-5 below section 43B which was brought in by Finance Act, 2021 to deny the claim of assessee. Therefore, the assessee is before us by preferring this appeal.

4. We have heard both the parties and perused the record. First of all we do not countenance this action of the Ld. CIT(A) for the simple reason that the Explanation 5 was inserted by the Finance Act, 2021, with effect from 01.04.2021 and relevant assessment year before us is AY 2019-20. Therefore the law laid down by the Jurisdictional Hon'ble High Court will apply and since this Explanation-5 has not been made retrospectively. So we are inclined to follow the same and we reproduce the order of Hon'ble Calcutta High Court in the case of Vijayshree Ltd. supra wherein the Hon'ble Calcutta High Court has taken note of the Hon'ble Supreme Court decision in CIT vs. Alom Extrusion Ltd. reported in 390 ITR 306. The Hon'ble Calcutta High Court's decision in Vijayshree Ltd. supra is reproduced as under:

"This appeal is at the instance of the Revenue and is directed against an order dated 28th April, 2011 passed by the Income Tax Appellate Tribunal, "A" Bench, Kolkata in ITA No. 1091/Kol/2010 relating to assessment year 2006-07 by which the Tribunal dismissed the appeal preferred by the Revenue against the order of CIT(A).

The only issue involved in this appeal is as to whether the deletion of the addition by the AO on account of Employees 'Contribution to ESI and PF by invoking the provision of Section 36(1)(va) read with Section 2(24)(x) of the Act was correct or not.

It appears that the Tribunal below, in view of the decision of the Supreme Court in the case of Commissioner of Income Tax vs. Alom Extrusion Ltd., reported in 2009 Vol.390 ITR 306, held that the deletion was justified.

Being dissatisfied, the Revenue has come up with the present appeal.

After hearing Mr. Sinha, learned advocate, appearing on behalf of the appellant and after going through the decision of the Supreme Court in the case of Commissioner of Income Tax vs. Alom Extrusion Ltd., we find that the Supreme Court in the aforesaid case has held that the amendment to the second proviso to the Sec 43(B) of the Income Tax Act, as introduced by Finance Act, 2003, was curative in nature and is required to be applied retrospectively with effect from 1st April, 1988.

Such being the position, the deletion of the amount paid by the Employees' Contribution beyond due date was deductible by invoking the aforesaid amended provisions of Section 43(B) of the Act.

We, therefore, find that no substantial question of law is involved in this appeal and consequently, we dismiss this appeal.

Urgent xerox certified copy of this order, if applied for, be supplied to the parties subject to compliance with all requisite formalities.”

In the light of the aforesaid discussion we do not accept the Ld. CIT(A)'s stand denying the claim of assessee since assessee delayed the employees contribution of EPF & ESI fund and as per the binding decision of the Hon'ble High Court in Vijayshree Ltd. (supra) u/s 36(1)(va) of the Act since assessee had deposited the employees contribution before filing of Return of Income. Therefore, the assessee succeeds and we allow the appeal of the assessee.”

4. In view of the above proposition of law and the issue being squarely covered in favour of the assessee, the impugned order of the ld. CIT(A) is set aside. The appeal of the assessee is hereby allowed and the impugned addition made by the lower authorities is ordered to be deleted.

5. In the result, the appeal of the assessee stands allowed.

Kolkata, the 1st February, 2022.

Sd/-
[Sanjay Garg]
Judicial Member

Dated: 01.02.2022.

RS

Copy of the order forwarded to:

1. Jiya Exim Pvt. Ltd
2. ITO, Ward-5(1), Kolkata
3. CIT(A)-
4. CIT- ,
5. CIT(DR),

//True copy//

By order

Sr.PS/D.D.O, Kolkata Benches