

आयकर अपीलीय अधिकरण, जयपुर न्यायपीठ, जयपुर
IN THE INCOME TAX APPELLATE TRIBUNAL, JAIPUR BENCHES,"B" JAIPUR

डॉ. एस.सीतालक्ष्मी, न्यायिक सदस्य एवं श्री राठोड कमलेश जयन्तभाई, लेखा सदस्य के समक्ष
BEFORE: DR. S. SEETHALAKSHMI, JM & SHRI RATHOD KAMLESH JAYANTBHAI, AM

आयकर अपील सं. / ITA. No. 47/JP/2022
निर्धारण वर्ष / Assessment Years : 2018-19

Rajesh Motors Motocorp Private Limited A-1 Transport Nagar, Agra Road, Jaipur.	बनाम Vs.	Deputy Commissioner of Income Tax, Circle-4, Jaipur.
स्थायी लेखा सं./जीआईआर सं./PAN/GIR No.: AAECA7314G		
अपीलार्थी / Appellant		प्रत्यर्थी / Respondent

निर्धारिती की ओर से / Assessee by : Shri P.C. Godha (C.A.)
राजस्व की ओर से / Revenue by : Smt. Runi Pal (Addl.CIT)

सुनवाई की तारीख / Date of Hearing : 09/03/2022
उदघोषणा की तारीख / Date of Pronouncement : 14/03/2022

आदेश / ORDER

PER: DR. S. SEETHALAKSHMI, J.M.

The appeal is filed by the assessee arising out of order of Id. CIT(A) in ITBA/NFAC/S/250/2021-22/1037888207(1) vide order dated 17.12.2021 for the assessment year 2018-19.

2. The assessee has raised the following grounds:-

"1. Whether on the facts and in the circumstances of the case and in law, the Ld. CIT(A) has erred in confirming the disallowance of Rs. 1,69,855/- u/s 36(1)(va) of the I tax Act, 1961

by wrongly upholding that the CPC is within its statutory power to make such adjustment u/s 143(1)(a)(iv) of the Act, as the statutory auditor himself has disallowed the impugned amount and the claim of the Appellant was against the Audit Report, which is against the facts of the case.

2. Whether on the facts and in the circumstances of the case and in law, the Ld. CIT(A) has erred in confirming the addition of Rs. 1,69,855/- u/s 36(1)(va) of the I.tax Act, 1961 towards late crediting the amount of employees contribution to PF and ESI u/s 36(1)(va) or u/s 43B of the act, as the same was deposited before the due date of filing the return of income u/s 139(1) of the Act.

3. Whether on the facts and in the circumstances of the case and in law, the Ld. CIT(A) has erred in deciding that the amendments made to Section 36(1)(va) and Section 43B by the Finance Act, 2021 is to be taken retrospective.

4. The Appellant craves permission to add, alter, amend, modify and/or delete any ground or grounds of Appeal on or before the date of hearing.”

2. That the order passed by the learned CIT NFAC is bad in law as well as on facts.

3. Briefly the facts of the case are that the assessee filed its return of income on 25.03.2019 declaring total income of Rs. 1,59,94,193/- which was processed U/s 143(1) of the IT Act and in terms of intimation dated 13.11.2019 issued by CPC, it made disallowance of Rs. 1,69,855/- towards employee's contribution towards ESI and PF. On appeal, the Id. CIT(A), NFAC has confirmed the disallowance made U/s 143(1) on account of assessee's failure to

pay the employee's contribution of PF/ESI within the prescribed due dates as per Section 36(1)(va) of the Act.

4. Now the assessee is in appeal.

5. The contention of the Ld. Counsel for the assessee was that the issue under consideration is squarely covered vide common order dated 27/09/2021 passed by the ITAT, Jodhpur Bench in ITA No. 59/Jodh/2021 for the assessment years 2015-16 in the case of Mohangarh Engineers and Construction Company Vs. DCIT and in the case of Bikaner Ceramics Private Limited, Bikaner Vs. ADIT, CPC, Bangaluru, in ITA No. 60/Jodh/2021 for the A.Y. 2019-20 and in the case of M/s Mohanlal Khatri vs. ACIT in ITA No. 144/JP/2021 dated 29.11.2021 for the assessment year 2018-19.

6. On the other hand, the ld. CIT-DR only relied on the order of ld. CIT(A) and stated that ld. CIT(A) has passed exhaustive order explaining the provisions of the Act.

7. We have considered the rival contention and perused the orders of the authorities and the material available on record. Admitted facts of the present case are that the payments of PF & ESI contribution relating employee's contribution are before the due date of filing of return of income U/s 139(1) of the Act. We have noted that the issue under consideration is covered by the decision of the Coordinate Bench in case of M/s Mohanlal Khatri vs. ACIT in ITA No. 144/JP/2021 order dated 29.11.2021 (Supra) wherein it is held as under:-

“7. I have considered the submissions of both the parties and perused the material available on record. In the present cases, it is noticed that an identical issue having similar facts has already been adjudicated by the ITAT, Jodhpur Bench in the aforesaid referred to cases, wherein one

of us is author of the order dated 27/09/2021. In the said order it has been held vide paras 7 to 11 in ITA No. 59/Jodh/2021 for the assessment years 2015-16 in the case of Mohangarh Engineers and Construction Company Vs. DCIT and in the case of Bikaner Ceramics Private Limited, Bikaner Vs. ADIT, CPC, Bangaluru, in ITA No. 60/Jodh/2021 for the A.Y. 2019-20 as under:-

7. We have considered the submission of both the parties and perused the material available on record.

8. In the present cases, it is not in dispute that the assessee deposited the contribution of PF & ESI belated in terms of section 36(1)(va) of the Act, however, the said deposits were made prior to filing of return of income u/s 139(1) of the Act.

8.1 Identical issue with the similar facts have already been adjudicated by the various Benches of the ITAT.

8.2 In the case of Harendra Nath Biswas vs DCIT Kolkata, ITA No. 186/Kol/2021 for the A.Y. 2019-20, similar issue has been decided vide order dated 16.7.2021 by the ITAT 'B' Bench, Kolkata. The Relevant findings have been given in para 4 of the said order, which read as under;-

“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.”

9. Similar view has been taken by the ITAT Hyderabad ‘SMC’ Bench in ITA No. 644/Hyd./2020 for the AY 2019-20 in the case of Salzgitter Hydraulics Private Ltd, Hyderabad vs ITO vide order dt 15.6.2021. The relevant findings given in para 2 of the said order read as under:-

“2. Coming to the sole substantive issue of ESI/PF disallowance of Rs.1,09,343/- and Rs.3,52,622/-, the assessee's and revenue's stand is that the same has been paid before the due date of filing sec. 139(1) return and after the due date prescribed in the corresponding statutes; respectively. I notice in this factual backdrop that the legislature has not only incorporated necessary amendments in Sections 36(va) as well as 43B vide Finance Act, 2021 to this effect but also the CBDT has issued Memorandum of Explanation that the same applies w.e.f. 1.4.2021 only. It is further not an issue that the

forergoing legislative amendments have proposed employers contributions; disallowances u/s 43B as against employee u/s 36 (va) of the Act; respectively. However, keeping in mind the fact that the same has been clarified to be applicable only with prospective effect from 1.4.2021, I hold that the impugned disallowance is not sustainable in view of all these latest developments even if the Revenue's case is supported by the following case law.

- (i) CIT vs. Merchem Ltd, [2015] 378 ITR 443(Ker)*
 - (ii) CIT vs. Gujarat State Road Transport Corporation (2014) 366 ITR 170 (Guj.)*
 - (iii) CIT vs. South India Corporation Ltd. (2000) 242 ITR 114 (Ker)*
 - (iv) CIT vs. GTN Textiles Ltd. (2004) 269 ITR 282 (Ker)*
 - (v) CIT vs. Jairam & Sons [2004] 269 ITR 285 (Ker)*
- The impugned ESI/PF disallowance is directed to be deleted therefore.”*

10. On an identical issue, this Bench of the Tribunal vide order dated 12.8.2021 in the case of Mohangarh Engineers and Construction Company, Jodhpur & Others vs CPC, Banglore in ITA No. 5/Jodh/2021 and others held vide para 13 to 18 as under:-

“13. We have heard the rival contentions and perused the material available on record. On perusal of the details submitted by the assessee as part of its return of income, it is noted that the assessee has deposited the employees's contribution towards ESI and PF well before the due date of filing of return of income u/s 139(1) and the last of such deposits were made on 16.04.2019 whereas due date of filing the return for the impugned assessment year 2019-20 was 31.10.2019 and the return of income was also filed on the said date. Admittedly and undisputedly, the employees's contribution to ESI and PF which have been collected by the assessee from its employees have thus

been deposited well before the due date of filing of return of income u/s 139(1) of the Act.

14. The issue is no more res integra in light of series of decisions rendered by the Hon'ble Rajasthan High Court starting from CIT vs. State Bank of Bikaner & Jaipur (supra) and subsequent decisions.

15. In this regard, we may refer to the initial decision of Hon'ble Rajasthan High Court in case of CIT vs. State Bank of Bikaner & Jaipur wherein the Hon'ble High Court after extensively examining the matter and considering the various decisions of the Hon'ble Supreme Court and various other High Courts has decided the matter in favour of the assessee. In the said decision, the Hon'ble High Court was pleased to held as under:

“20. On perusal of Sec.36(1)(va) and Sec.43(B)(b) and analyzing the judgments rendered, in our view as well, it is clear that the legislature brought in the statute Section 43(B)(b) to curb the activities of such tax payers who did not discharge their statutory liability of payment of dues, as aforesaid; and rightly so as on the one hand claim was being made under Section 36 for allowing the deduction of GPF, CPF, ESI etc. as per the system followed by the assesseees in claiming the deduction i.e. accrual basis and the same was being allowed, as the liability did exist but the said amount though claimed as a deduction was not being deposited even after lapse of several years. Therefore, to put a check on the said claims/deductions having been made, the said provision was brought in to curb the said activities and which was approved by the Hon'ble Apex Court in the case of Allied Motors (P) Ltd. (supra).

21. A conjoint reading of the proviso to Section 43-B which was inserted by the Finance Act, 1987 made effective from 01/04/1988, the words numbered as clause (a), (c), (d), (e) and (f), are omitted from the above proviso and, furthermore second proviso was removed by Finance Act, 2003 therefore, the deduction towards the employer's contribution, if paid, prior to due date of filing of return can be claimed by the assessee. In our view, the explanation appended to Section 36(1)(va) of the Act further envisage that the amount actually paid by the assessee on or before the due date admissible at the time of submitting return of the income under Section 139 of the Act in respect of the previous year can be claimed by the assessee for deduction out of their gross total income. It is also clear that Sec.43B starts with a notwithstanding clause & would thus override Sec.36(1) (va) and if read in isolation Sec. 43B would become obsolete. Accordingly, contention of counsel for the revenue is not tenable for the reason aforesaid that deductions out of the gross income for payment of tax at the time of submission of return under Section 139 is permissible only if the statutory liability of payment of PF or other contribution referred to in Clause (b) are paid within the due date under the respective enactments by the assesseees and not under the due date of filing of return.

22. We have already observed that till this provision was brought in as the due amounts on one pretext or the other were not being deposited by the assesseees though substantial benefits had been obtained by them in the shape of the amount having been claimed as a deduction but the said amounts were not deposited. It is pertinent to note that the respective Act such as PF etc. also provides that the amounts can be paid later on subject to payment of interest and other consequences and to get benefit under the Income Tax Act, an assessee ought to have actually deposited the entire amount as also to adduce

evidence regarding such deposit on or before the return of income under sub-section (1) of Section 139 of the IT Act.

23. Thus, we are of the view that where the PF and/or EPF, CPF, GPF etc., if paid after the due date under respective Act but before filing of the return of income under Section 139(1), cannot be disallowed under Section 43B or under Section 36(1)(va) of the IT Act.”

16. The said decision has subsequently been followed in CIT vs. Jaipur Vidyut Vitran Nigam Ltd. (supra), CIT vs. Udaipur Dugdh Utpadak Sahakari Sangh Ltd. (supra), and CIT vs Rajasthan State Beverages Corporation Limited (supra). In all these decisions, it has been consistently held that where the PF and ESI dues are paid after the due date under the respective statutes but before filing of the return of income under section 139(1), the same cannot be disallowed under section 43B read with section 36(1)(va) of the Act.

17. We further note that though the ld. CIT(A) has not disputed the various decisions of Hon'ble Rajasthan High Court but has decided to follow the decisions rendered by the Hon'ble Delhi, Madras, Gujarat and Kerala High Courts. Given the divergent views taken by the various High Courts and in the instant case, the fact that the jurisdiction over the Assessing officer lies with the Hon'ble Rajasthan High Court, in our considered view, the ld CIT(A) ought to have considered and followed the decision of the jurisdictional Rajasthan High Court, as evident from series of decisions referred supra, as the same is binding on all the appellate authorities as well as the Assessing officer under its jurisdiction in the State of Rajasthan.

18. In light of aforesaid discussion and in the entirety of facts and circumstances of the case, the addition by way of

adjustment while processing the return of income u/s 143(1) amounting to Rs 4,38,530/- so made by the CPC towards the delayed deposit of the employees's contribution towards ESI and PF though paid well before the due date of filing of return of income u/s 139(1) of the Act is hereby directed to be deleted as the same cannot be disallowed under section 43B read with section 36(1)(va) of the Act in view of the binding decisions of the Hon'ble Rajasthan High Court. “

11. Since the facts of the present cases are identical to the facts involved in the aforesaid referred to cases, therefore respectfully following the earlier orders as referred to herein above of the different Benches of the ITAT, the impugned additions made by the Assessing Officer and sustained by the Ld. CIT(A) on account of deposits of employees contribution of ESI & PF prior to filing of the return of income u/s 139(1) of the Act, in both the years under consideration prior to the amendment made by the Finance Act, 2021 w.e.f. 1.4.2021 vide Explanation 5, are deleted.

8. Since the facts involved in the present case are identical to the facts involved in the case of Mohangarh Engineers and Construction Company Vs. DCIT (supra) and in the case of Bikaner Ceramics Private Limited, Bikaner Vs. ADIT, CPC, Bangaluru (supra). So respectfully following the aforesaid referred to order, the disallowances sustained by the Ld. CIT(A) are deleted.”

8. By considering the totality of the facts and the various judicial pronouncements, we are of the view that the amendment brought in the statute i.e., by Finance Act, 2021, the provisions of Section 36(1)(va) r.w.s. 43B of the Act amended by inserting explanation 2 is prospective and not retrospective. Hence, the amended provisions of Section 43B r.w.s. 36(1)(va) of the Act are not applicable for the assessment year under consideration i.e. 2018-19 but will apply from assessment year 2021-22 and subsequent assessment years. Hence, this issue raised in assessee's appeal is allowed.

In the result, the appeal of the assessee is allowed.

Order pronounced in the open Court on 14 /03/2022.

Sd/-

(राठोड कमलेश जयन्तभाई)
(RATHOD KAMLESH JAYANTBHAI)
लेखा सदस्य / Accountant Member

Sd/-

(एस.सीतालक्ष्मी)
(Dr. S. Seethalashmi)
न्यायिक सदस्य / Judicial Member

जयपुर / Jaipur

दिनांक / Dated:- 14/03/2022.

***Santosh**

आदेश की प्रतिलिपि अग्रेषित / Copy of the order forwarded to:

1. अपीलार्थी / The Appellant- Rajesh Motors Motocorp Private Limited, Jaipur.
2. प्रत्यर्थी / The Respondent- DCIT, Circle-4, Jaipur.
3. आयकर आयुक्त / CIT
4. आयकर आयुक्त / CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, जयपुर / DR, ITAT, Jaipur.
6. गार्ड फाईल / Guard File { ITA No.47/JP/2022 }

आदेशानुसार / By order,

सहायक पंजीकार / Asst. Registrar