

IN THE INCOME TAX APPELLATE TRIBUNAL "B"
BENCH KOLKATA

Before Shri Sanjay Garg, Judicial Member and Shri Girish Agrawal, Accountant Member

I.T.A. No.132/Kol/2022
Assessment Year: 2019-20

Aradhana Investments Ltd.....Appellant
5, Middleton Row,
Kolkata-700071.
[PAN:AAECA1808K]

vs.

CPC (ACIT Cent. Cir-2(1), Kolkata).....Respondent

Appearances by:

Shri Soumitra Choudhury, Advocate, appeared on behalf of the appellant.
Shri Ranu Biswas, Addl. CIT-DR, appeared on behalf of the Respondent.

Date of concluding the hearing : July 18, 2022

Date of pronouncing the order : July 18, 2022

ORDER

Per Sanjay Garg, Judicial Member:

The present appeal has been preferred by the assessee against the order dated 10.12.2021 of the Commissioner of Income Tax (Appeals)-20, Kolkata [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 on the facts of the case, the order passed by the Ld. C.I.T.(A) on 10.12.2021 is completely arbitrary, unjustified and illegal.

2. For that on the facts and circumstances of the case, no hearing notice has been issued for the assessment year 2019-20 and the grounds of decision of appeal is mentioned relating to assessment year 2018-19, because no scrutiny assessment selected or no order passed u/s. 143(3) for the assessment year 2019-20, as such e-proceeding closed after passing the appellate order, therefore, order passed by the Ld. C.I.T.(A) is completely arbitrary, unjustified and illegal.

3. For that on the facts of the case, that while issuing intimation u/s. 143(1) could not deny the adjustment claimed by the assessee as the same does not come within the ambit of 'an incorrect claim apparent from any information in the return', therefore, enhanced the gross total income made by the CPC was without jurisdiction which is confirmed by the Ld. CIT(A), as such his finding is completely arbitrary, unjustified and illegal.

4. For that on the facts of the case, that while processing the return u/s. 143(1) of the I.T. Act, the A.O. (CPC) was wrong in not considering the facts that the payment was made towards contribution of PF of Rs.96,593/- before filing of the return u/s. 139(1) of the I.T. Act on 15.09.2019 allowable u/s.36(1)(va)/43B covered by various Court's judgements, and no finding by the Ld. CIT(A) in appellate order which is completely arbitrary, unjustified and illegal.

5. For that the amendment brought in by Finance Act, 2021 on this issue has been held to be prospective in nature in the case of Shri Harendra Nath Biswas (supra), therefore, Bench reiterate the same view that the amendment/explanation brought in by Finance Act, 2021 with effect from 01.04.2021 on this issue is prospective; and taking note that the relevant assessment year i.e. 2019-20 the ibid explanation brought in by Finance Act, 2021, cannot be used/applied to unsettle the settled position of law passed by the Hon'ble jurisdictional High Court in the case of Vijayshree Ltd. (supra), since there is no retrospective legislative over-ruling. Therefore, no finding in appellate order by the Ld. CIT(A) which is completely arbitrary, unjustified and illegal.

6. For that on the facts of the case, the A.O. (CPC) was wrong in making addition on adjustments u/s. 40A amounting to Rs.152,790/- under head Business or profession, but the assessee has already added the same in returned income as per Tax Audit Report, thus the A.O. (CPC) is computing double addition, and no finding by the Ld. CIT(A) in appellate order which is completely arbitrary, unjustified and illegal.

7. For that the appellant reserves the right to adduce any further ground or grounds, if necessary, at or before the hearing of the appeal.”

2. A perusal of the above grounds of appeal shows that the assessee mainly has raised two issues in this appeal.

3. The first issue is relating to the disallowance made by the Assessing Officer u/s 43B of the Income Tax Act on account of late deposit of contribution to Provident Fund.

At the outset, the Id. 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 Id. 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 Id. DR could not show any decision contrary to the case law cited by the Id. Counsel for the assessee.

We 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."

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.

4. The second issue is relating to the addition made by the Assessing Officer on account of adjustment u/s 40A of the Act of Rs.1,52,790/-.

At the outset, the ld. Counsel for the assessee has brought to page 7 of the paper-book which is a copy of the computation of income filed along with return of income to show that the assessee had suo moto disallowed the aforesaid amount and has added back to his income for the purpose of computation of income tax. The submission of the ld. Counsel is that the Assessing Officer has again made the addition of the same amount which amounts to double taxation of the same amount.

The ld. DR, on the other hand, invited our attention to the order of the CIT(A) and has submitted that as per the observations of the CIT(A), the aforesaid addition has already

been dropped by the Assessing Officer in the assessment proceedings carried out u/s 143(3) of the Act.

On the other hand, the Id. AR has submitted that no scrutiny assessment u/s 143(3) has been carried out for the assessment year under consideration.

After considering the rival arguments, we direct that irrespective of the fact that whether any scrutiny assessment u/s 143(3) of the Act has been carried out or not, the Assessing Officer will examine the contention of the assessee that the aforesaid amount of Rs.1,52,790/- has already been suo moto added back in the computation by the assessee and if the contention of the assessee is found correct, then the Assessing Officer will obviously not make any double addition of the same amount. With the above observation, this grounds of appeal of the assessee is treated as allowed for statistical purposes.

5. In the result, the appeal of the assessee stands allowed for statistical purposes.

Kolkata, the 18th July, 2022.

Sd/-
[Girish Agrawal]
Accountant Member

Sd/-
[Sanjay Garg]
Judicial Member

Dated: 18.07.2022.

RS

Copy of the order forwarded to:

1. Aradhana Investments Ltd
2. CPC (ACIT Cent. Cir-2(1), Kolkata)
3. CIT(A)-
4. CIT- ,
5. CIT(DR),

//True copy//

By order

Assistant Registrar, Kolkata Benches