

**IN THE INCOME TAX APPELLATE TRIBUNAL  
INDORE BENCH, INDORE**

**BEFORE MS. MADHUMITA ROY, JUDICIAL MEMBER**  
**AND**  
**SHRI B.M. BIYANI, ACCOUNTANT MEMBER**

**ITA No.82/IND/2022**  
**Assessment Year: 2018-19**

Madhuram Pulses Pvt. Ltd. Indore	<b><u>Vs.</u></b>	ACIT 5(1) Indore
(Appellant / Assessee)		(Respondent/ Revenue)
<b>PAN: AABCM 1270 G</b>		
Assessee by	None	
Revenue by	Shri Ashish Porwal, Sr. DR	
Date of Hearing	16.09.2022	
Date of Pronouncement	20.09.2022	

**ORDER**

**Per B.M. Biyani, A.M.:**

Feeling aggrieved by appeal-order dated 30.03.2022 passed by Ld. Commissioner of Income-Tax, National Faceless Appeal Centre, Delhi [**Ld. CIT(A)**], which in turn arises out of order dated 17.10.2019 passed by Ld. CPC, Bengaluru [**Ld. AO**] u/s 143(1) of Income-tax Act, 1961 [**the Act**] for Assessment Year [**AY**] 2018-19, the assessee has filed this appeal.

2. At the time of hearing, none appeared on behalf of assessee. However, on perusal of Grounds of Appeal, it is found that the issue raised by assessee is covered in its favour by pre-existing decisions. Hence the case was proceeded with for hearing on the basis of material held on record and after hearing the Ld. DR.

3. By means of various grounds raised in appeal-memo, which we do not want to reproduce for the sake of brevity, the sole grievance of assessee in

this appeal relates to the disallowance of Rs. 92,895/- u/s 36(1)(va) of the Act in respect of delayed payment of Employee's contributions to PF / ESI.

4. It is observed that the Ld. AO has made the disallowance without appreciating that though the assessee had not deposited the employees' contributions to PF / ESI upto the due dates prescribed under the PF / ESI laws, yet the assessee had deposited the same to the respective funds within the time permitted u/s 43B of the Act i.e. upto the due date u/s 139(1) for filing the return of income and hence no disallowance is attracted in view of numerous decisions of Hon'ble High Courts favouring the assessee. Some of the decisions are mentioned below:

- (a) Hon'ble Delhi High Court in AIMIL Limited (2010) 321 ITR 508.
- (b) Hon'ble Allahabad High Court in Sagun Foundary Pvt. Ltd. Vs. CIT 145 DTR 265
- (c) Hon'ble Rajasthan High Court in CIT Vs. Rajasthan State Beverages Corporation Ltd. / Rajasthan State Ganganagar Sugar Mill (2017) 250 Taxman 32

5. It is further observed that the issue is squarely covered in favour of the assessee by decision of this very Bench of ITAT in the case of **Nataraj Dal Mill, Indore vs. ACIT ITA No. 153/IND/2021 order dated 06.12.2021.**

6. It is further observed that even otherwise the impugned disallowance is debatable in nature and outside the scope of section 143(1)(iv) of the Act invoked by the Ld. AO and therefore also not sustainable, as held by **ITAT, Visakhapatnam Bench in M/s. S.V. Engineering Constructions India (P) Limited vs. DCIT (ITA No.130/Viz/2021) order dated 23.09.2021.**

7. Ld. DR, however, relied upon the orders of lower authorities. He submitted that in following decisions it has been held that once the employees' contributions are paid after the due dates under PF / ESI laws,

disallowance is attracted even if the assessee has made payments within the time allowed u/s 43B i.e. upto the due date u/s 139(1) for filing of return:

- (a) Hon'ble Gujarat High Court in CIT vs. Gujarat State Road Transport Corporation, (2014) 41 taxmann.com 100
- (b) Hon'ble Gujarat High Court in Pr. CIT vs. M/s Suzlon Energy Ltd. (2020) 115 taxmann.com 340
- (c) Hon'ble Kerala High Court in CIT Vs. Merchem Ltd. (2015) 378 ITR 443

8. Ld. DR further submitted that the Finance Act, 2021 has also inserted Explanation 2 to Section 36(1)(va) and Explanation 5 to Section 43B as under:

**Section 36(1)(va):**

***“Explanation 2.—For the removal of doubts, it is hereby clarified that the provisions of [section 43B](#) shall not apply and shall be deemed never to have been applied for the purposes of determining the "due date" under this clause;***

**Section 43B:**

***“Explanation 5.—For the removal of doubts, it is hereby clarified that the provisions of this section shall not apply and shall be deemed never to have been applied to a sum received by the assessee from any of his employees to which the provisions of sub-clause (x) of clause (24) of [section 2](#) applies.”***

The Ld. DR submitted that with the introduction of these amendments, it is very much clear that the due dates specified in section 43B shall not apply. According to the Ld. DR, the impact would be such that if the employees' contributions are paid after the due dates under the PF / ESI laws, disallowance would happen. The Ld. DR further submitted that the words “... ***shall be deemed never to have been applied*** ...” appearing in these

newly inserted Explanations clearly demonstrate that the amendments, though inserted from 01.04.2021, are clarificatory in nature and hence they would apply retrospectively. Therefore, according to the Ld. DR the amendments are applicable to the assessment-year involved in the present appeal too and hence the disallowance made by Ld. AO is very much in accordance with the law.

9. With these submissions, the Ld. DR argued that the Ld. AO has rightly disallowed the employees contributions to PF / ESI not paid by the assessee upto due dates under the PF / ESI laws and therefore the disallowance must be upheld.

10. We have considered the submission of Ld. DR and also perused the relevant materials available on record. Before proceeding further we would like to mention that the assessee has deposited the impugned contributions of Rs. 92,895/- to the PF / ESI, though after due date under PF / ESI law but within the time allowed u/s 43B i.e. upto the due date u/s 139(1) for filing return of income and there is no dispute on this point by revenue.

11. Regarding the judicial decisions, we observe that there are divergent views of Hon'ble High Courts on the allowability of employees' contributions to PF / ESI paid after due dates under the PF / ESI laws but within the time allowed u/s 43B. However, there is no decision of Hon'ble jurisdictional High Court of Madhya Pradesh on this issue. In this situation, we are mindful of the decision in **Vegetable Products Ltd. 88 ITR 192** wherein the Hon'ble Supreme Court has held that if two reasonable constructions of a taxing provision are possible, that construction which favours the assessee must be adopted. In view of this, the decisions favouring the assessee shall get preference over the decisions against the assessee. Being so we hold that the employees contributions paid after due date under PF / ESI law but within the time allowed u/s 43B, are allowable as deduction.

12. Regarding the amendments made through Finance Act, 2021, it is specifically mentioned by the legislature that the amendments are effective

from 01.04.2021. Further the **Memorandum explaining the Provisions in the Finance Bill, 2021** clearly prescribes thus:

***“These amendments will take effect from 1<sup>st</sup> April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.”***

Thus, the legislature itself has categorically stated that the amendments shall apply to *the assessment year 2021-22 and subsequent assessment years*. Therefore these amendments are not applicable to the assessment-years preceding the assessment-year 2021-22 i.e. not applicable upto assessment-year 2020-21. This has also been held so in several decisions of ITAT Benches including following:

- (a) ITAT Kolkata in Harendra Nath Biswas Vs. DCIT, ITA No. 186/Kol/2021 for A.Y. 2019-20, order dated 16.07.2021
- (b) ITAT Hyderabad in Salzgitter Hydraulics Private Limited Vs. ITO, ITA No. 644/Hyd/2020 for A.Y. 2019-20, order dated 15.06.2021
- (c) ITAT Jodhpur in Akbar Mohammad Vs. ACIT, CPC, Bangalore ITA No. 108 & 109 / Jodh / 2021 for A.Y. 2018-19 and 2019-20, order dated 31.01.2022

13. It is also noteworthy that this Bench has recently decided several appeals, a few mentioned hereunder, wherein the similar disallowance made by Ld. AO has been deleted:

- (a) ITA No. 175 / Ind / 2021 Shri Virendra Kumar Tiwari Vs. CIT(A), NFAC, order dated 30.03.2022
- (b) ITA No. 184 / Ind / 2021 M/s Prestige Fabricators Pvt. Ltd. Vs. ACIT-4(1), Indore order dated 30.03.2022
- (c) ITA No. 223 / Ind / 2021 Kamal Kumar Jain Vs. DCIT, CPC, Bangalore, order dated 30.03.2022

14. In view of foregoing discussion, we observe that employees' contributions to PF / ESI paid after due date under PF / ESI laws but within the time allowed u/s 43B i.e. upto the due date u/s 139(1) for filing of return is allowable as deduction in computing taxable income of business and the assessee had rightly claimed the same. Therefore the Ld. AO as well as Ld. CIT(A) were not justified in disallowing the claim of the assessee. We therefore delete the disallowance made by Ld. AO and confirmed by Ld. CIT(A).

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

*Order pronounced in Open Court on 20/09/2022.*

Sd/-

**(Madhumita Roy)**  
Judicial Member

Sd/-

**(B.M. Biyani)**  
Accountant Member

**Indore**

Dated : 20.09.2022

**Patel/Sr. PS**

Copies to: (1) The appellant  
(2) The respondent  
(3) CIT  
(4) CIT(A)  
(5) Departmental Representative  
(6) Guard File

*By order*

*Sr. Private Secretary  
Income Tax Appellate Tribunal  
Indore Bench, Indore*

1.	Date of taking dictation	20.09.2022
2.	Date of typing & draft order placed before the Dictating Member	
3.	Date on which the approved draft comes to the Sr. P.S./P.S.	
4.	Date on which the fair order is placed before the Dictating Member for pronouncement	
5.	Date on which the file goes to the Bench Clerk	
6.	Date on which the file goes to the Head Clerk	
7.	Date on which the file goes to the Assistant Registrar for signature on the order	
8.	Date of dispatch of the Order	