

**THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'H', NEW DELHI**

Before Sh. C. M. Garg, Judicial Member

Dr. B. R. R. Kumar, Accountant Member

ITA No. 2262/Del/2022 : Asstt. Year: 2019-20

Akriti Jewelcraftz (P) Ltd., B-7/107A, Flat No. 002, GF, Safdarjung Enclave Extension, New Delhi-110029	Vs	DCIT, Circle-1(1), New Delhi-110002
(APPELLANT)		(RESPONDENT)
PAN No. AAKCA8307K		

Assessee by : Sh. Ajay Singh, CA

Revenue by : Sh. Amit Katoch, Sr. DR

Date of Hearing: 11.07.2023

Date of Pronouncement: 31.07.2023

ORDER

Per Dr. B. R. R. Kumar, Accountant Member:

The present appeal has been filed by assessee against the order of National Faceless Appeal Centre (NFAC), Delhi dated 19.07.2022.

2. Following grounds have been raised by the assessee:

"1. On the facts, in the circumstances of the case and in law, the impugned Order under section 154/250 of the Act is bad in law.

2. That the Hon'ble CIT(Appeals) erred on facts and in law

a) In disallowing INR 5,32,812/- u/s 36(1)(va) of the Act on account of delayed payment of Employees contribution to PF and ESI without appreciating the

fact that the payments have been made before the due date of filing the return u/s 139(1) of the Act.

b) In not appreciating the decision of Hon'ble Supreme court in case of CIT vs. Vinay Cement Ltd. [2007] (213 CTR 268) (SC) and Hon'ble High Court of Delhi in the case of CIT Vs. AIMIL Limited (321 ITR 508) wherein the similar issue of delay in deposit of employee contribution to PF/ESI etc. has been decided in favour of the assessee.

3. The Hon'ble CIT(Appeal) erred in not appreciating the facts and law that amendments in section 36(1)(va) as well as Section 43B of the Act vide Finance Act, 2021 is applicable from 01-04-2021 onwards i.e., prospectively.

4. The Hon'ble CIT(Appeal) erred in law by not appreciating the fact that when adjustment of a debatable issue (disallowance of delayed payments of employees' contribution to PF and ESI) can be done u/s 143(1) then the same issue is also rectifiable u/s 154 of the Act."

3. The matter has attained finality by the order of the Hon'ble Supreme Court wherein it was observed that employers have to deposit the employee's contribution towards EPF/ESI on or before the due date for availing deduction. In the cases before the Hon'ble Apex Court, the employers had belatedly deposited their employees' contribution towards the EPF and ESI, considering the due dates under the relevant provisions of the Act. The Assessing Officer ruled that by virtue of Section 36(1)(va) read with Section 2(24)(x) of the IT Act, such sums received by the appellants constituted "income". It was held that those amounts could not have been allowed as deductions under Section 36(1)(va) of the IT Act when the payment was made beyond the relevant due date under the respective acts. The Income Tax Appellate Tribunal and later the Gujarat High

Court dismissed the challenge against this order of AO. In appeal, the court noted that the Hon'ble Kerala High Court has also ruled in favour of revenue on this issue whereas the Hon'ble High Courts of Bombay, Himachal Pradesh, Calcutta, Guwahati and Delhi have favoured the interpretation beneficial to the assessee. The Hon'ble Apex Bench effectively reversed the judgment in Commissioner of Income Tax vs. Alom Extrusions Ltd. (1 SCC 489) relied upon by the assessee.

4. The Hon'ble Apex Court in the case of Checkmate Services P. Ltd. vs. Commissioner Of Income Tax-I in CA No. 2833/2016 vide order dated 12.10.2022 observed that there is a marked distinction between the nature and character of the two amounts viz., the employers' contribution and employees' contribution required to be deposited by the employer. The first one is the employer's liability is to be paid out of its income whereas the second is deemed an income, by definition, since it is the deduction from the employees' income and held in trust by the employer. The Hon'ble Apex Court held as under:

"In the opinion of this Court, the reasoning in the impugned judgment that the non-obstante clause would not in any manner dilute or override the employer's obligation to deposit the amounts retained by it or deducted by it from the employee's income, unless the condition that it is deposited on or before the due date, is correct and justified. The non-obstante clause has to be understood in the context of the entire provision of Section 43 B which is to ensure timely payment before the returns are filed, of certain liabilities which are to be borne by the assessee in the form of tax, interest payment and other statutory liability. In the case of these liabilities, what constitutes the due date is defined by the statute. Nevertheless, the assesseees are given some leeway in that as long as deposits are made beyond the due date, but before the date of filing the return, the deduction is allowed. That, however, cannot

apply in the case of amounts which are held in trust, as it is in the case of employees' contributions- which are deducted from their income. They are not part of the assessee employer's income, nor are they heads of deduction per se in the form of statutory pay out. They are others' income, monies, only deemed to be income, with the object of ensuring that they are paid within the due date specified in the particular law. They have to be deposited in terms of such welfare enactments. It is upon deposit, in terms of those enactments and on or before the due dates mandated by such concerned law, that the amount which is otherwise retained, and deemed an income, is treated as a deduction. Thus, it is an essential condition for the deduction that such amounts are deposited on or before the due date. If such interpretation were to be adopted, the non-obstante clause under Section 43 B or anything contained in that provision would not absolve the assessee from its liability to deposit the employee's contribution on or before the due date as a condition for deduction."

5. As the issue of payment of employees contribution towards the PF has been ruled against the assessee by the Hon'ble Supreme Court. Hence, the appeal of the assessee on this ground is liable to be dismissed.

6. In the result, the appeal of the assessee is dismissed.

Order Pronounced in the Open Court on 31/07/2023.

Sd/-

(C. M. Garg)
Judicial Member

Sd/-

(Dr. B. R. R. Kumar)
Accountant Member

Dated: 31/07/2023

Subodh Kumar, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR