#### Appeal No. D-1/04/2020

M/s.Vij Contracts Pvt. Ltd. Through None for the Appellant Appellant

Respondent

Vs.

APFC-Delhi (W) Through Sh. Manu Parashar, Ld. Counsel for the Respondent

#### ORDER DATED :- 30/05/2022

More time requested for filing the reply. Granted. List the matter on 07.07.2022 for filing the reply.

## Appeal No. D-1/04/2021

M/s. Sakha Electirc (India) Through Sh. Haribansh Manav, Ld. Counsel for the Appellant Appellant

Vs.

CBT through ,APFC-Delhi (E) Through Sh. Rajesh Kumar, Ld. Counsel for the Respondent Respondent

ORDER DATED :- 30/05/2022

More time requested for filing the rejoinder. Granted. List the matter on 12.07.2022 for filing the rejoinder.

#### Appeal No. D-1/39/2021

M/s. Olympia Fitness Pvt. Ltd. Through Sh. Saurabh Pathak, A/R for the Appellant Appellant

Vs.

APFC-Delhi (C) Through Sh. S.N Mahanta, Ld. Counsel for the Respondent

ORDER DATED :- 30/05/2022

More time requested for filing the reply. Granted. List the matter on 07.07.2022 for filing the reply.

**Presiding Officer** 

Respondent

#### Appeal No. D-1/26/2020

M/s.Empowered Mass Media Pvt. Ltd. Appellant Through Sh. Janmejaya Verma, Ld. Counsel for the Appellant

Vs.

Respondent

APFC-Delhi (N) Through Sh. S.N Mahanta, Ld. Counsel for the Respondent

# ORDER DATED :- 30/05/2022

Matter heard in part. List the matter on 12.07.2022 for hearing on the miscellaneous petition filed by the Ld. Counsel for the Appellant for restoration of the appeal.

#### Appeal No. D-1/09/2022

M/s.Automated Mall Processing Through Ms. Pragati, Ld. Counsel for the Appellant Appellant

Respondent

Vs.

EPFO-Delhi (W)

Through Sh. Sandeep Vishnu, Ld. Counsel for the Respondent

## ORDER DATED :- 30/05/2022

The Ld. Counsel for the Appellant submitted an FDR amounting to Rs. 40,88,504 (SBI). Taken on record. The Appeal stands admitted and there shall be stay on operation of the impugned order till finalization of the appeal. List the matter on 12.07.2022 for filing reply by the Ld. Counsel for the Respondent.

# INDUSTRIAL TRIBUNAL CUM LABOUR COURT-II, ROUSE AVENUE, DISTRICT COURT COMPLEX, DELHI.

Present:

Smt. Pranita Mohanty, Presiding Officer, C.G.I.T.-Cum-Labour Court-II, New Delhi.

## ATA No. 811(16)2014

M/s. YKK India Pvt. Ltd.

VS.

Appellant

Respondent

RPFC, Gurgaon

## **ORDER DATED :-30/05/2022**

Present:- Shri Vivek Kaushal, Ld. Counsel for the appellant. Dr. S C Gupta, Ld. Counsel for the Respondent.

> The appellant has challenged the order dated 28.07.2014 passed by the RPFC Gurgaon u/s 14B of the EPF and MP Act (herein after referred to as the Act) levying damage of Rs. 4,53,840/- and interest of Rs. 3,63,059/- totaling Rs. 816899/- for the delayed remittance of the PF contribution of its employees for the period 10/1999 to 01/2014.

> The stand taken by the appellant in short is that it is a Pvt. Ltd. company covered under the Provisions of the Act and a separate code No. has been allotted for compliance of the Pf Contribution. It is an establishment having collaboration with a Japanese organization and engaged in manufacturing of high quality zips as per the international standard of manufacturing. The company has been diligent in making contribution to the EPF account of its employees. The company has the technocrats deputed from Japan on intervals to work in the appellant establishment for smooth operation of the business. The establishment was never making contribution for the said deputed international employees. In the year 2006 amendment was brought in to the EPF scheme 1952 and the social security provisions were extended to the international workers by incorporating section 83 in the EPF and MP Act 1952. The said amendment was intended to provide coverage to all foreign exparts employee in India. Though the amendment was brought in, in the year 2006 the establishments were under confusion and there was no clarity in the matter with regard to international worker and it's intended compliance at the end of the establishment. Thus, no deduction could be made by the establishment in respect of the said international workers for the period from November 2008 to July 2009. This had happened for the confusion as to countries to which the provision of this law will apply or the country of origin in respect of the international workers who would be covered under the Act after the amendment of 2006. In October 2008 the Ministry of Labour and Employment by Gazette Notification issued certain regulations extending the provisions of pension scheme

in respect of international workers. It is in the year 2009, the doubts of the employers regarding the enforcement and applicability of the amendment were made clear. Thus, under this confusion the EPF Authorities were also not enforcing the compliance of the newly enacted law as they too were not aware of the mechanism of effecting compliance. Till then the establishment was under the impression that the international workers are the excluded employees and as such no contribution was extended to them. On 18.07.2012 the appellant received the showcause notice u/s 14B. Pursuant thereto an inspection was conducted in the premises of the appellant on 15.06.2012. At that time the inspecting officer for the first time raised the issue in respect of non compliance of the provision in respect of the international workers. Then and there the appellant deposited Rs. 95,470/- towards the non remitted amount and thought that the matter would be closed as the non compliance was on account of confusion and ignorance. But the matter was no closed and the respondent department again issued notice dated 24.03.2014 as to why damage shall not be imposed. A reply to the notice was submitted on 11.04.2014 and 22.04.2014. But the commissioner without considering the points raised by the appellant passed the order on 28.07.2014 arbitrarily imposing Rs. 4,53,840/- as damage and Rs. 3,63,059/- as interest. Describing the said order as an illegal and unreasonable order the appellant has stated that the written submission of the appellant was never considered nor any opportunity was given to raise an objection to the report of the EO.

During course of argument the Ld. Counsel for the appellant argued that the management had no intention of depriving the international workers of the benefits of the Act and the delay occurred due to the confusion and ignorance with regard to the applicability of the Act to the International workers. Thus, the damage imposed is illegal and the mitigating circumstances having not been considered the order is liable to be set aside. He also argued that the impugned order has been passed in a mechanical manner and in total contravention of the department circular. This being a composite order the tribunal has the power to entertain the appeal in respect of the interest imposed and pass necessary orders.

In his reply the LD. Counsel for the respondent while supporting the impugned order as a well discussed and well reasoned order submitted that the provisions of the EPF and MP Act provides for compulsory deduction of PF dues from the wages of the eligible employees and to deposit the same alongwith the employers share. The Act provides that the said contribution is to be deposited by the employer by the 15<sup>th</sup> day of the succeeding month in which the employee had worked in the establishment. The penal damage and interest becomes payable as soon as the establishment contravenes the

statutory obligation. Therefore, the intention of the establishment in committing delay is in material. He also submitted that the breach of civil obligation attracts penalty and interest even though there is no guilty intention. The other submission is that the provisions of Para 83 of the EPF scheme with regard to the international workers was added by G.S.R dated 01.10.2008. By virtue of this amendment the social security benefit in form of Provident Fund were extended to the international workers. As per this amendment international worker means (i) Any Indian employee having worked or going to work in a foreign country with which India has entered into a social security agreement and being eligible to avail the benefits under the social security agreement of that country, by virtue of the eligibility gained or going to gain under the said agreement. (ii) An employee other than the Indian employee, holding other than Indian passport, working for an establishment in India to which the act applies. Due to confusion created in the mind of the employer certain clarifications were issued from time to time where under it was clearly indicated that every international worker other than the excluded employees shall become member of the fund from 1<sup>st</sup> October 2008 and all the establishment covered/coverable under the Act having international workers shall take cognizance of these provisions. In case of Split Payrolls the contribution shall be paid on the total salary earned by the employee in the establishment covered in India and the contribution shall be calculated on the basis of monthly pay. He also submitted that every eligible international worker has to be enrolled from the first date of his employment in India and there is no cap on the salary on which contributions are payable by the employer as well as the employee. Each and every worker from a country not having either SSA or bilateral comprehensive economic agreement with India has to be covered mandatorily. Similarly international workers employed directly by an Indian establishment would be coverable under the Act. It has also been stated that the confusion with regard to the applicability is a self created confusion and no clarification was ever asked for. The establishment had failed to remit the statutory dues in respect of international workers for the period 11/2008 to 07/2009 and remitted the contribution belatedly on 13.08.2009 which attracts penal damage and interest. He also submitted that for implementation of the new provision an initial leverage time of 4 months has already been allowed to the establishment and thus from 15.03.2009 to the actual date of remittance ie. 13.08.2009 the damage and interest has been levied and not from 11/2008 to 07/2009 as stated by the appellant. Thereby the respondent submitted that the appeal has no merit and liable to be dismissed.

On perusal of the pleading it is found that the appellant has challenged the orders passed u/s 14B as well as u/s 7Q of the Act describing the same as a composite order. Perusal of the impugned order reveals that a common order dated 28.07.2014 was passed by the commissioner where under the penal damage and interest have been separately assessed. The Hon'ble Supreme Court in the case of **Arcot Textile Mills Ltd vs. RPFC decided in civil appeal no 9488/2013** have clearly held that when one common order is passed for assessing the damage and interest, the same is a composite order and appeal challenging the interest assessed, is maintainable in this Tribunal.

Now the question that comes up for consideration is whether the establishment is guilty of delayed remittance of the PF dues of international workers. There is no dispute on the facts that the appellant establishment had failed to remit the statutory dues in respect of the international workers employed during the period 11/2008 to 07/2009. The explanation offered by the appellant is that the amendment bringing the international workers under the scope of the Act came into force from 01/10/2008. But there was confusion with regard to the countries and the type of the workers to whom it is to be made applicable. The chamber of commerce thus made a request to the EPFO to organize a seminar and educate the establishments making contribution to the PF. But no such arrangement was ever made. For such confusion the appellant made some amount of delay and as soon as the amount was assessed the same was deposited. But the commissioner without considering the mitigating circumstances passed the order imposing damage and interest. Though during the inquiry an inspection was conducted the establishment was never apprised about the proposed damage. However, being called upon to file showcause the establishment had intimated the mitigating circumstances pleading that there is no evil intention behind the delay in deposit which is purely on account of deficiency of understanding of the provision. The commissioner instead of dropping the amount at that point initiated the damage and interest proceeding taking into account deposit of the deficit assessed amount by the establishment.

The argument of the respondent is that the amendment came into force on  $1^{st}$  October 2008 and during the inspection it was noticed that the international workers employed by the establishment have not been brought under the fold of the EPF Act. The establishment had never asked for any clarification. The inspection revealed that in respect of the international workers employed from 11/2008 to 07/2009 there was delay in remittance and the establishment made a belated deposit on 13.08.2009. The stand of the appellant that it was under some kind of confusion is not established by any evidence or otherwise. On the contrary the submission reveals that for implementation of the new provision a liberal 4 month time was granted to the establishment like others has availed the same. The impugned order further reveals that the damage and interest has been calculated for the period from 15.03.2009 excluding the said 4 months leverage period and up to the actual date of remittance i.e 13.08.2009 and not from November 2008 as proposed in the notice.

Ignorance of law is not an excuse. The establishment is a Pvt. Ltd. company having wide network of business. The plea that for deficiency in understanding leading to non deposit of the PF contribution of the international workers doesn't sound convincing. On the contrary the order passed by the commissioner and impugned in this appeal appears to be a well discussed and well reasoned order and do not suffer from any illegality demanding interference. Hence, ordered.

# <u>ORDER</u>

The appeal be and the same is dismissed on contest. The impugned order is hereby confirmed.

# BEFORE THE PRESIDING OFFICER, CENTRAL GOVERNMENT INDUSTRIAL TRIBUNAL CUM LABOUR COURT-II, ROUSE AVENUE, DISTRICT COURT COMPLEX, DELHI.

Present:

Smt. Pranita Mohanty,

Presiding Officer, C.G.I.T.-Cum-Labour

Court-II, New Delhi.

## ATA No. D-2/15/2018

M/s. RFB Latex Pvt. Ltd.

Appellant

VS.

APFC, Noida

Respondent

#### **ORDER DATED :-30/05/2022**

Present:- Shri Kishor Kumar Behuriya, Ld. Counsel for the appellant.

Shri Anil Kumar, Ld. Counsel for the Respondent.

This appeal challenges theorders passed by the APFC Noida on 6/6/2018 u/s 14B and 7Q of the EPF and MP Act 1952 (herein after referred to as the Act) levying damage and interest of Rs.17,50,361/- and Rs. 8,79,892/- respectively on the appellant establishment for the period Feb 08/2013 to 09/2016.

The plea of the appellant taken in this appeal is that it is a registered company covered under the provisions of the Act. Since the date of it's coverage, the establishment is diligent in deposit of PF dues of it's employees including compliance of different provisions of the Act. Summon dt10/10/2017 along with statement showing delay in deposit of PF dues proposing levy of damage and interest was served on the appellant for the above said period. In the said show cause notice the appellant was directed to appear before the respondent on24/10/2017. On the said day and thereafter the authorized representative of the appellant establishment appeared and raised dispute with regard to the method of calculation of the damage and interest and pointed out the anomalies. Not only that during the inquiry on23/05/2018, submitted a written representation raising various legal objections including the fact that the Respondent has initiated the inquiry belatedly. The mitigating circumstances were also explained in the written objection. The authorized representative had also pointed out that the proceeding cannot be taken separately for

damage and interest as the Hon'ble High court of Delhi in the case of System and Stamping vs. EPF Appellate Tribunal and Others have held that the interest prescribed u/s 7Q being in-built under Para 32A in the quantum of damage, there can not be separate calculation of damage and interest. Amongst other grounds it was also pointed out that in view of Departmental circular dated 29th May 1990, the levy of damage should be as per the rate prescribed under the circular and nothing more towards separate interest. The validity of the circular has also been upheld by the Hon'ble High Court. The appellant had categorically prayed for production of evidence in respect of the deposits made to deny the proposed damage. The said written submission was never considered and the commissioner without considering the mitigating circumstances abruptly closed the inquiry and passed the impugned order without application of mind. The Principle of Natural Justice were flaunted while passing the impugned order. While pointing out various legal aspects and the position of law settled by the Apex Court and different High Courts, the appellant has pleaded that the impugned order is liable to be set aside for the grounds set out in the appeal memo.

The counsel appearing on behalf of the respondent has filed a written reply objecting the stand taken by the appellant. Citing various judgments of the Hon'ble High Courts and the Apex Court he submitted that the provisions of EPF Act and the EPF Scheme do not prescribe explicitly that the interest and damage are in built under Para 32 A of the EPF scheme. Thus the plea of the appellant is baseless and cannot be accepted. He also submitted that several adjournments were allowed to the appellant during the inquiry who was arguing for waiver of the damage on the ground that there was no delay in remittance of the PF dues. Despite direction the appellant establishment could not produce the records showing deposit of the PF dues in time. Thus, the commissioner has passed a reasoned and speaking order.

The Ld. Counsel for the appellant during course of argument submitted that the APFC at the first instance initiated the inquiry after lapse of 5years which stands contrary to the circular issued by the EPFO. The mitigating circumstances explained in the written objection were not at all considered and no finding has been rendered on the mensrea of the establishment behind the delayed remittance which in view of the judicial pronouncements makes the order illegal. He also argued that the commissioner has not assigned any reason as to why damage at the maximum rate was imposed when the commissioner has the discretion of reducing the same which is evident from the word "May" used in the section 14B of the Act. The impugned order passed u/s14B also suffers from patent illegality in as much as not providing the opportunity to the appellant of explaining the mitigating circumstances, for not considering the written objection and for want of finding on the mensrea. The Ld. Counsel for the appellant submitted that the statute doesn't provide any time limit for initiating an inquiry u/s 14B of the Act. But the EPFO by its circular dated 15.10.1990 have issued guideline for initiating the inquiry u/s 14B within a period of 3years from the date when it falls due. Citing the judgment of the Hon'ble High Court of Allahabad in the case of **IOL vs. Union of India**, he submitted that the Hon'ble High Court have taken a serious view in the matter.

In reply the Ld. Counsel for the respondent submitted that when the legislature has made no provision for limitation it would not be open to the court or Tribunal to introduce any such limitation on the grounds of fairness or justice. He placed reliance in the case of Hon'ble High court of Gujarat in Gandhi Dham Spinning and manufacturing company limited vs. RPFC and another (1987LabI.C 659GUJ) to argue on the principles that causes prejudice on account of delay in initiation of a proceeding. In the said judgment it has been held that prejudice on account of delay could arise if it was proved that it was irretrievable. In the said judgment it has also been held that for the purpose of section 14B there is no period of limitation prescribed and that for any negligence on the part of the department in taking the proceeding the employees who are 3<sup>rd</sup> parties cannot suffer. The only question that would really survive is the one whether on the facts and circumstances of a given case the show cause notice issued after lapse of time can be said to be issued beyond reasonable time. The test whether lapse of time is reasonable or not will depend upon the further facts whether the employer in the mean time has changed his position to his detriment and is likely to be irretrievably prejudiced by the belated issuance of such a show cause notice.

Considering the facts of the present appeal in the light of the principle decided in the above mentioned case the stand of the appellant that the impugned inquiry was barred by limitation seems not acceptable as there is no material on record to believe that the establishment during the intervening period had changed it's position and the inquiry on that aspect has prejudiced it. But it is noticed that the impugned order is silent with regard the manner of calculation of damage. The order seems to have been passed in a mechanical manner solely on the basis of a mathematical calculation and the source being the computer generated calculation sheet. Disputing the said computer generated calculation sheet the learned counsel for the appellant submitted that before accepting the same as evidence, the provisions of sec 65B(4) of the Indian Evidence Act should have been complied . to support his contention , he placed reliance in the case of **Anvar P V vs. P K Bhaskar(2014 10 SCC473)** in which the Hon'ble SC have held that an electronic record by way of secondary evidence shall not be admissible unless the requirements of sec 65B are complied. In this case as seen from the order the commissioner took no step of proving the computer generated challan nor the EO who was directed to recalculate the amount in view of the dispute raised with regard to the calculation was examined offering opportunity to the appellant establishment to cross examine him on the defects in calculation pointed out.

The Ld. Counsel for the appellant further argued that the commissioner in this case has imposed the damage at the maximum rate prescribed under the scheme. He was neither aware of the discretion vested on him nor has assigned any reason for arriving at such a decision. In this regard reliance can be placed on the judgment ofAPFC vs. Ashram Madhyamik, 2007LLR1249 wherein the Hon'ble High Court of Madhya Pradesh have held that imposition of full damage is not compulsory and it is discretionary as understood from the word "May" used. Not only that the Hon'ble Supreme Court in the case of ESIC vs. HMT Limited (2008ILLJ814SC) have clearly pronounced after considering the Hindustan Times case that when a discretion was conferred on the statutory authority to levy penal damage the provision could not be construed as imperative. The appellant also argued that the establishment in it's objection before the indicated commissioner had about the clearly mitigating circumstances but the commissioner while passing the impugned order failed to consider the same. Non consideration of the same makes the order again illegal. To support his contention reliance was placed in the case of M/s Prestolite of India Ltd. vs. the Regional Director and other, AIR1994 Supreme Court, 521.

On behalf the establishment reliance has been also placed in the case of **Kranti Associates Pvt. Ltd vs. Masood Ahmed Khan and Another (2010) 9 SCC 496** to submit that reason in support of decision must be cogent, clear and succinct. A pretence of reason or a rubberstamp reason not to be equated with a valid decision making process. In this case the impugned order except describing the dates of adjournment given to the establishment for production of documents, no where contains the reason driving the commissioner to his finding.it is also noticed that no steps were taken for summoning the documents in possession of the appellant establishment.

On hearing the argument and on perusal of the impugned orderit appears that the commissioner never accepted the objection and gave no finding on the mitigating circumstances behind the delay in remittance nor considered the written objection filed by the establishment On behalf of the appellant along with the appeal the office copy of the written submission submitted to the APFC has been filed. In the said representation the establishment had clearly stated about the circumstances leading to delay in remittance. This clearly leads to the conclusion that the commissioner while discharging a quasi judicial function has passed the impugned order without proper application of mind and the order is not based upon sound reasoning. The only factor which drove the commissioner for the conclusion is that the establishment did not produce the documents and records during inquiry. He failed to appreciate the mitigating circumstances behind the non production of documents which is attributable to the belated initiation of the inquiry only. It seems that the commissioner closed the inquiry abruptly and without considering the objection taken by the establishment and with out answering the objection and without giving a finding on mitigating circumstances pointed out by the establishment. Be it stated here that the commissioner since has passed two separate orders assessing damage and interest, the same cannot be construed as composite order in view of the principle decided by the Hon'ble SC in the case of Arcot Textile Mills Ltd vs. RPFC decided in civil appeal no 9488/2013 thus, from the totality of the circumstances and the pleas canvassed in this appeal it clearly appears that the commissioner had passed the impugned order u/s 14B of the Act without application of mind and without giving due consideration to the various legal objection taken by the appellant.

Accordingly it is held that the commissioner has committed patent illegality while passing the impugned order u/s 14B of the Act and the said order cannot sustain in the eye of law. Hence, ordered.

## <u>ORDER</u>

The appealbe and the same is allowed in part. The impugned order passed u/s 14B of the EPF and MP Act is hereby set aside and the appeal challenging the order passed u/s 7Q of the Act is held not maintainable. Any amount deposited by the appellant as a part of the assessed amount u/s 14B shall be refunded to the appellant by the EPFO within 60days from the date of communication of this order. Consign the record as per Rules.

#### Appeal No. D-2/17/2022

M/s.ACIL Ltd. Ground Floor Through Sh.Toofan Singh, Ld. Counsel for the Appellant Appellant

Vs.

RPFC-II, Gurugram, Through Sh. B.B Pradhan, Ld. Counsel for the Respondent Respondent

#### ORDER DATED :- 30/05/2022

Arguments on the admission of the appeal heard at length and concluded. The Ld. Counsel for the Respondent raised the issue of maintainability of this appeal before this Tribunal. Heard. List the matter on 03.06.2022 for pronouncement of order on the same.

#### Appeal No. D-1/03/2020

M/s.Precision Metal Components Through None for the Appellant Appellant

Respondent

Vs.

RPFC-II,Gurgaon Through Sh. S.N Mahanta, Ld. Counsel for the Respondent

ORDER DATED :- 30/05/2022

List the matter again on 12.07.2022 for filing the rejoinder by the Ld. Counsel for the Appellant.

## Appeal No. D-2/26/2019

M/s.Sanya Hospitality Pvt. Lt.d Appellant Through Sh.Kapil Hansh & Sh. Puneet Singh Saini,Ld. Counsels for the Appellant

Vs.

APFC, Gurugram Through Sh.S.C Gupta, Ld. Counsel for the Respondent Respondent

ORDER DATED :- 30/05/2022

As no time left list the matter on 17.10.2022 for final arguments.