# 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. 216(4)2010

M/s. Nancy Kraft Appellant

VS.

RPFC, Delhi (N)

Respondent

### **ORDER DATED:- 12/07/2022**

Present:- Shri Raj Singh Phogat, Ld. Counsel for the Appellant.

Shri A.K. Verma, Ld. Counsel for the Respondent.

This appeal challenges the orders dated 15.12.2009 and 25.03.2010 passed u/s 7A and 7B respectively of the EPF&MP Act 1952(here in after referred to as The Act) by the RPFC Delhi North assessing Rs.1,71,91,219/- as the unpaid PF contribution of it's employees for the period 96-97 to Oct 2004.

The appellant being aggrieved by the order passed u/s 7A of the Act had filed an application for Review invoking the provisions of sec 7B which to was rejected. Hence, this appeal.

The stand of the appellant as per the memo of appeal is that it is a partnership concern engaged in the business of manufacturing garments. The establishment is duly covered under the provisions of The Act and had been diligent in deposit of the PF contribution of the employees. On 10.12.2003 and 12.12.2003, the squad of the Eos constituted by the EPFO visited the business premises of the appellant establishment and verified all relevant records. Such verification was made on account of complaints received from some workers union. The squad also seized the records of the establishment under proper seizure list and took the same to their office for further verification. A

notice dated 9. 11.2004 (AnnextureA-12 of the Appeal memo) was served calling upon the establishment to attend the inquiry u/s 7A of the Act where in it was stated that the establishment has defaulted in deposit of the PF contribution of the eligible employees for the period 10/2004. The authorized representative establishment attended the inquiry on different dates and submitted that all the relevant records have been seized by the EO and in possession of the Respondent. On 13/12/2004 a written explanation was also submitted explaining about the membership of eligible employees.(annexture A-13 to the appeal memo) it was also intimated in writing that after the inspection by EO 46 eligible employees have been enrolled from their first date of engagement. But the inquiry was allowed to continue for a long time and the AR of the establishment attended and extended all necessary co operation. Time and again it was informed that all the relevant records are in possession of the Respondent being seized by the EO. The squad of the Eos having members as R.L.Gujral and Dinesh Nautial had earlier visited the establishment and submitted their report dated 19/01/2009. For the objection taken by the establishment they made a visit again and submitted their second report dated 26/05/2009 stating that no further conclusive report can be submitted and the PF dues be assessed basing on their earlier report dated 19/01/2009. The commissioner thereafter concluded the inquiry and passed the impugned order u/s7Aof the Act ignoring the written submission of the appellant and basing upon the Report of the Eos. In the said order the commissioner made the assessment on the basis of the Balance Sheet Data as stated in the EO Report .for doing so, the payment made to outside agencies for designing, dying expenses, embroidery charges, fabrication expenses, washing and pressing expenses after deduction of TDS as required under the Income Tax Act were taken into consideration and 25% of the total amount paid to those external agencies was calculated as labour components and PF contribution was calculated. While doing so the commissioner had made least effort of identifying the beneficiaries. The submission of the establishment that different job works done by different agencies in their respective premises and payment made on the basis of the invoice raised after deduction of TDS can never be considered as wage paid to labourers for assessment u/s 7A of the Act was not at all considered. While relying upon several judgments of the Hon'ble SC and High Court of Bombay, the appellant has pleaded that the impugned order passed u/s 7A suffers from patent illegality and the impugned order passed u/s 7B being without proper consideration are liable to be set aside.

The respondent through it's counsel filed written reply supporting the impugned orders. It has been stated that the

establishment had intentionally omitted to show all the eligible employees as members. It has been regularly hiding it's staff strength to avoid PF contribution. Though the work executed by the appellant establishment was mainly labour oriented and huge amount on the said head are being paid the establishment was found avoiding the extension of the benefits to such workers. Initial the EO Shri. S.C.Meena was deputed for an inquiry. The report submitted by him was found not satisfactory. Hence a squad of Eos was constituted. They verified some records of the establishment. But the complete records were not produced. Hence the commissioner made the assessment on the basis of the total expenditure shown in the balance sheet for the period of inquiry and considering 25% as the labour component. Thus the orders challenged in this appeal do not suffer from any illegality inviting interference. He thereby took a stand for dismissal of the appeal.

During argument, the learned counsel for the appellant emphasized that the commissioner either for his ignorance or in defiance of the settled principle of law passed the impugned order without identifying the beneficiaries to whose account the amount assed if would be recovered shall be paid. He also argued that the assessment made u/s 7A of the Act is not the same as assessment of Tax is usually made. More over the commissioner never observed what was the wage of the individual employee and what is payable to him. Moreover, there is no finding on the grounds driving the commissioner for the assessment. At several places in the impugned order the commissioner has observed that the establishment did not produce complete records for verification of the EO. In this regard the fact that the records are in custody of the Respondent was not considered. To support the argument the appellant has placed the seizure memos prepared by the Eos on record. By placing reliance in the case of Himachal Pradesh State Forest Corporation vs. RPFC, 2008 LLR 980 and Food Corporation of India vs. RPFC 1991 SCC 68, he submitted that identification of beneficiaries is a condition precedent for assessment u/s 7A of the Act. He also submitted that in the case of Sandeep Dwellers Pvt. Ltd vs. UOI,2007 I LLJ 518 the Hon'ble HC of Bombay have held that when the department itself is in doubt as to who are the beneficiaries, in such a situation the assessment cannot be made from any earlier date for which no deduction has been made.

From the impugned orders it clearly appears that the commissioner never made any effort of identifying the beneficiaries when the records were in his possession being seized by the EO. He

only upheld the EO Report dated 19.01.2009 and reached a conclusion that all the activities taken on by the appellant being labour oriented, 25% of the expenses booked in the balance sheet is to be considered as labour charges for assessment of the contribution payable. He thereby assessed Rs 1,71,91,219/- as the amount of omitted PF liability. This mechanical approach on the part of the commissioner appears to be illegal.

During the inquiry the establishment had taken a specific stand that the different job works undertaken by outside agencies in their premises and bill paid according to the invoice raised by them after deducting TDS cannot be computed as the wage paid by the appellant establishment nor the amount so paid be considered as the wage paid. This objection taken by the establishment has nowhere been answered in the impugned order.

The Hon'ble High court of Bombay in the case of **RPFC vs.** Syndicate Overseas Pvt. Ltd 2011 LLR953 while dealing with facts similar to the present appeal have held that the amount paid respondent company and agencies towards karigar charges cannot attract liability for payment to provident Fund. Not only that in the case of Sandeep Dwellers referred supra, the Hon'ble High court of Bombay have taken a view that there must be a relationship between the beneficiaries and the establishment as employee and employer before the establishment is fastened with the liability. In the said case it has also been observed by the Hon'ble court that the assessment cannot be made for an earlier period during which no employee share was deducted by the employer and the department itself is in doubt with regard to the identity of the beneficiaries. Here is a case as stated in the preceding paragraph, no beneficiaries were identified by the commissioner and there is no finding with regard to the employee share deducted by the appellant for the inquiry period. Absence of finding in this regard again makes the impugned order illegal.

The commissioner has time and again observed that the establishment had failed to produce documents. There is no mention in the order about the specific documents and records called from the appellant. This kind of general observation following the Report of the will certainly absolve the commissioner, a quasi judicial authority of his responsibility of calling for and perusing the records for a fair and meaningful inquiry.

The law is now well settled that assessment of PF dues is not like assessment of Tax. The amount assessed and paid by the employer is meant to reach the beneficiary and EPFO is a mere custodian of the money so deposited. Appellant in support of his argument has placed reliance in the case of Himachal Pradesh State Forest Corporation vs. RPFC decided by the Hon'ble SC where in it has been held that the defaulted PF dues can be assessed in respect of those employees who are identifiable only. In the case of Food Corporation vs RPFC referred supra a similar view was also taken and it was held that the commissioner for assessment must collect evidence about the beneficiaries. Reliance has also been placed by the appellant in the judgment of the Hon'ble High Court of Bombay in the case of Shrirampur Education Society vs. RPFC, where in it has been held that the Identification of employees is therefore a must before effecting recovery. It is the part of the wage earned by the employee and ultimately to be returned to him. Hence assessment without identification of beneficiaries cannot be made.

Thus on a careful examination of the impugned order with reference to the principle decided in different judicial pronouncements, it is held that the commissioner has passed the impugned orders without proper examination of the position of law and principle decided by the Hon'ble Apex Court and High Court, confirming the report of the EO only. As the quasi judicial authority he has failed to examine the matter in proper perspective and passed a stereo type order forgetting to identify the beneficiaries, which makes the impugned order illegal and not sustainable in the eye of law. Hence, ordered.

#### **ORDER**

The appeal be and the same is allowed. The impugned orders passed u/s 7A and 7B of the Act are hereby set aside. The amount if any as a part of the assessed amount if has been deposited in compliance of the provisions of sec 7O of the Act shall be refunded to the appellant following due procedure. Consign the record as per Rules.

#### Appeal No. D-1/105/2019

M/s. Metro Transit Pvt. Ltd.

Appellant

Through Sh. Sandeep, Proxy Counsel for the Appellant

Vs.

RPFC, Delhi (N)

Respondent

Through Sh. S.N Mahanta, Ld. Counsel for the Respondent

#### **ORDER DATED :- 12.07.2022**

No rejoinder filed. List the matter on 15.11.2022 for final arguments.

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

M/s. Sakha Electrical (India)

Appellant

Through Sh. Haribansh Manav, Ld. Counsel for the Appellant

Vs.

CBT through ,APFC-Delhi (E)

Respondent

Through Sh. Rajesh Kumar, Ld. Counsel for the Respondent

#### ORDER DATED :- 12.07.2022

The Ld. Counsel for the Appellant filed the rejoinder. Taken on record. List the matter on 15.11.2022 for final arguments.

#### 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. Manish Dhir, Ld. Counsel for the Respondent

Respondent

#### ORDER DATED :- 12.07.2022

The Ld. Counsel for the Respondent filed the reply. Taken on record. Copy of the same stands supplied to the ld. Counsel for the Appellant. List the matter on 29.08.2022 for filing rejoinder.

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

M/s.Automated Mail Processing Centre Through Sh. B.K Pandey, Ld. Counsel for the Appellant Appellant

Vs.

EPFO-Delhi (W)
Through Sh. Sandeep Vishnu, Ld. Counsel for the Respondent

Respondent

**ORDER DATED :- 12.07.2022** 

List the matter again on 29.08.2022 for filing reply by the Ld. Counsel for the Respondent.

#### Appeal No. D-1/42/2021

M/s. Sinhal Metal Industries

Appellant

Through Sh. Naresh Kumar, A/R for the Appellant.

Vs.

APFC, Delhi (North)

Respondent

Through Sh. Avnish Singh, Ld. Counsel for the Respondent.

**ORDER DATED: 12.07.2022** 

List the matter again on 08.08.2022 for filing rejoinder by the Ld. Counsel for the Appellant.

#### Appeal No. 400(4)2016

M/s. ASG & Co. Appellant

Through Ms. Nitu Mishra, Ld. Counsel for the Appellant

Vs.

APFC, Delhi(S) Respondent

Through None for the Respondent

#### ORDER DATED :- 12.07.2022

Today the matter was listed for hearing on the miscellaneous application filed u/s 7 L (2) praying for review of the final order passed by this Tribunal on 12.05.2022. However, the Ld. Counsel for the Respondent Sh. Narender Kumar, has requested for an adjournment. Granted. List the mater on 01.08.2022 for consideration of the said application.

#### Appeal No. D-1/36/2018

M/s. Sinhal Metal Industries Through Sh. Naresh A/R for the Appellant. Appellant

Vs.

APFC, Delhi (North)

Respondent

Through Sh. Avnish Singh Ld. Counsel for the Respondent.

ORDER DATED :- 12.07.2022

List the matter on 08.08.2022 for consideration of the application filed by the Respondent u/s 151 C.P.C asking for dismissal of the appeal, as the appeal being time barred.

#### Appeal No. D-1/01/2022

M/s. Vibhor Marketing Pvt. Ltd.
Through None for the Appellant

Appellant

Vs.

ABT, EPFO, Delhi (E)

Respondent

Through Sh. S.N Mahanta, Ld. Counsel for the Respondent

#### ORDER DATED :- 12.07.2022

The Ld. Counsel for the Appellant in this matter has moved an application for adjournment due to injury in her leg. Granted. List the matter on 03.08.2022 for consideration of the miscellaneous application filed u/s 151.

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

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

Vs.

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

ORDER DATED :- 12.07.2022

Arguments on the restoration petition heard in part. The Ld. Counsel for the Appellant wants some more time to file case laws in his favour for restoration of the present appeal. Granted. List the matter on 04.08.2022 for further arguments on the restoration petition.

# 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-2/12/2022

M/s. Sunshine Educational & Development Society

Appellant

VS.

APFC, Noida Respondent

### **ORDER DATED:- 12/07/2022**

Present:- Shri Kulvinder Singh, Ld. Counsel for the Appellant.

Shri Narender Kumar, Ld. Counsel for the Respondent.

This order deals with the admission of the appeal, a separate petitions filed by the appellant praying interim stay on execution of the impugned order and waiver of the condition prescribed u/s 7 O of the Act directing deposit of 75% of the assessed amount as a pre condition for filing the appeal, for the reasons stated in the petitions.

Copy being served on the respondent, learned counsel for the Respondent Shri Narender Kumar appeared and participated in the hearing though no written objection was filed. Perusal of the record reveals that the impugned order u/s 7 A of EPF &MP Act was passed by the commissioner on 25.01.2022, and the appeal has been filed on 21.03.2022. Thus the Registry has pointed out about the delay in filing of the appeal. The learned counsel for the appellant submitted that the appeal, though has been filed after the prescribed period of limitation, it is not intentional but for reasons beyond the control of the appellant and this tribunal can exercise it's discretion for extension of the period of limitation in appropriate cases, in view of the order passed by the Hon'ble S C in suomoto WP(civil) No 3/2020. He pointed out that there is no delay as the appeal was filed within 60 days since the

passing of the order though with some defect. Even other wise for the extension granted by the Hon'ble S C due to the out break of COVID -19 the delay may be condoned for admission of the appeal.

The learned counsel for the respondent fairly conceded to the direction of the Hon'ble SC for condonation of delay. But he submitted that when the impugned order was passed the Tribunal had already allowed e-filing. The explanation offered by the appellant is not worthy of acceptance. He also submitted that from the impugned order it is evident that the establishment was participating in the 7A proceeding through out. In such a situation the explanation offered can not be accepted. But as seen from the record the appeal was filed within 60 days from the date of order. Hence the objection of the registry with regard to the delay is not accepted.

The other petition filed by the appellant is for waiver/reduction of the pre deposit amount contemplated u/s 7 -O of the Act. The learned counsel for the appellant submitted that the impugned order has been passed by the commissioner without considering the submission made and solely basing on the report of the E O. Being called by the commissioner though all the available documents were produced and the establishment had extended all necessary cooperation, the commissioner without going through the details passed the order. He also submitted that the inquiry was initiated on the basis of the complaint received from one employee named Gaurav Sharma. During the inquiry the AR for the establishment had requested in writing as well as in the oral submission to cross examined the complainant and the EO. Though opportunity to cross examine the complaint was allowed, the same was not allowed for the EO. The application of the complainant for employment along with the offer letter were produced and it was intimated that the form 11 of the employee is not available with the appellant establishment. But ignoring the said submission the commissioner passed the impugned order. With this he argued that the establishment has no liability for the assessment period and amount and the appeal be admitted waiving the condition of pre deposit.

In reply the learned counsel for the respondent, while supporting the impugned order as a reasoned order pointed out the very purpose of the Beneficial legislation and insisted for compliance of the provisions of sec 7-O by depositing 75% of the assessed amount. His further submission is that the argument advanced on the merit of the appeal can not be considered now as the Respondent has

not filed the reply. No convincing circumstances have been set out for total waiver of the condition of pre deposit.

Considering the submission advanced by the counsel for both the parties an order need to be passed on the compliance/waiver of the conditions laid under the provisions of sec 7-O of the Act. There is no dispute on the facts that the commissioner had made the inquiry on the basis of the complaint received and had examined the complainant. The basis of the calculation is the report of the EO only. The appellant has pleaded that the EO made a report recommending initiation of inquiry u/s 7A alleging that the appellant establishment has intentionally omitted remittance for the employee.

Without going to the other detail pointed out by the appellant challenging the order as arbitrary and at this stage of admission, without making a roving inquiry on the merits of the appeal, it is felt proper to observe that the appellanthas a strong arguable case in this appeal. Hence considering the period of default, the amount assessed and the prevailing circumstances it is felt that the circumstances do not justify total waiver of the condition of pre deposit. But the ends of justice would be met by reducing the amount of the said pre deposit from 75% to 50%. Accordingly the appellant is directed to deposit 50% of the assessed amount within 4 weeks from the date of this order towards compliance of the provisions of sec 7-O of the Act by way FDR in the name of the Registrar CGIT, initially for a period of one year with provision for auto renewal. On compliance of the above said direction, the appeal shall be admitted and there would be stay on execution of the impugned order till disposal of the appeal. List the matter on 17.08.2022 for compliance of the direction failing which the appeal shall stand dismissed. Both parties be informed accordingly.

M/s. A2Z Infra Engineering Ltd. Appellant Through Sh. J.R Sharma,& Sh. Bhupesh Sharma, Ld. Counsels for the Respondent

Vs.

RPFC/APFC Gurgugram

Respondent

Through Sh.S.N Mahanta, Ld. Counsel for the Respondent

ORDER DATED :- 12.07.2022

Arguments on the admission as well as application filed for granting stay on operation of the impugned order heard and concluded. List the matter on 12.09.2022 for pronouncement of order on the same. Meanwhile, the Respondent authority is directed not to take any coercive measure for recovery of the amount as mentioned in the impugned order till next date of hearing.

#### APPEAL NO. D-2/25/2022

M/s. Louis Berger Consulting Pvt. Ltd. Appellant Through Sh. Vipin Upadhyay & Sh. Rochit, Ld. Counsels for the Appellant

Vs.

RPFC/APFC Gurugram East

Respondent

Through Sh. B.B Pradhan, Ld. Counsel for the Respondent

#### ORDER DATED :- 12.07.2022

Arguments on the admission as well as application filed for granting stay on operation of the impugned order heard and concluded. List the matter on 12.09.2022 for pronouncement of order on the same. Meanwhile, the Respondent authority is directed not to take any coercive measure for recovery of the amount as mentioned in the impugned order till next date of hearing.

#### Appeal No. D-2/20/2022

M/s. R.B Enterprises

Appellant

Through Ms. Shivani Gole, Ld. Counsel for the Appellant

Vs.

EPFO- Faridabad, Haryana

Respondent

Through Sh. Satpal Singh, Ld. Counsel for the Respondent

#### ORDER DATED :- 12.07.2022

The Ld. Counsel for the Respondent filed the reply on the application filed for condonation of delay. Copy of the same stands supplied to the Ld. Counsel for the Appellant. List the matter on 04.08.2022 for consideration of the said application.

#### Appeal No. D-2/03/2021

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

Vs.

RPFC-Gurugram Respondent

Through Sh. S.N. Mahanta, Ld. Counsel for the Respondent

ORDER DATED :- 12.07.2022

List the matter again on 04.08.2022 for filing rejoinder.

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#### Appeal No. D-2/10/2022

M/s. Sandha & Company

Appellant

Through Sh. J.R Sharma & Sh. Bhupesh Sharma, Ld. Counsels for the Appellant

Vs.

RPFC- I, Gurugram

Respondent

Through Sh. B.B Pradhan, Ld. Counsel for the Respondent

#### **ORDER DATED :- 12.07.2022**

List the matter again on 01.08.2022 for filing reply by the Ld. Counsel for the Respondent.