

**CENTRAL GOVERNMENT INDUSTRIAL TRIBUNAL/EMPLOYEES**  
**PROVIDENT FUND APPELLATE TRIBUNAL, JABALPUR**

**EPF Appeal No.- 135/2017**

**Present – P.K. Srivastava**

**H.J.S. (Retd.)**

1. Educational & Welfare Society,  
Through its Secretary (I/c),  
M.Z. Ansari,  
S/o Late Shri Abdul Rasheed,  
O/o EWS Girls Higher Secondary School,  
Gohalpur School Campus,  
Jabalpur (M.P.)

**Appellant**

Vs.

1. State of Madhya Pradesh,  
Through Secretary,  
Department of School Education,  
Vallabh Bhawan, Bhopal (M.P.)
2. Regional Provident Fund Commissioner,  
Sub-Regional Office,  
Scheme No. 5, Vijay Nagar,  
Behind Krishi Upaj Mandi,  
Jabalpur (M.P.)
3. Assistant Provident Fund Commissioner,  
Sub-Regional Office,  
Scheme No. 5, Vijay Nagar,  
Behind Krishi Upaj Mandi,  
Jabalpur (M.P.)

**Respondents**

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**Shri Uttam Maheswari : Learned Counsel for Appellant.**

**Shri Abhishek Arjariya : Learned Counsel for Respondents.**

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**JUDGMENT**

(Passed on 03<sup>rd</sup> day of February, 2026)

**The present appeal is directed against** the order dated 26.10.2007 & 08.09.2011, passed by Respondent Authority (Respondent No. 2/3) under section 14-B & 7-Q of ***The Employees Provident Fund & Miscellaneous Provisions Act, 1952***, hereinafter referred to as the '**Act**', by which the Respondent Authority has recorded a finding that the Appellant Establishment has defaulted the deposit of EPFO dues of its employees within the period from January, 1998 to June, 2005 and has assessed the amount of penal damages u/s 14-B of the Act at Rs. 7,05,011/-, and interest under section 7-Q of the Act at Rs. 3,15,182/-, has directed to pay this amount as penal damages as well the interest.

**The skeletal facts connected to present appeal** are mainly that, the Appellant Establishment is a grant-in-aid school comes under the M.P. Ashaskiya School Viniyaman Adhinyam, 1975, M.P. Ashaskiya Shikshan Sansthan (Adhyapako Tatha Anya Karmcharyo Ke Vetano Ka Sandaya) Adhinyam, 1978 as well as M.P. Ashashikiya Shikshan Sansthan (Sansthatgat Nidhi) Adhinyam, 1983.

It is further submitted that after the Supreme Court clarified the applicability of the Provident Fund Act to grant-in-aid schools up to June 1988 and remanded the later period for review, the Provident Fund Commissioner, in an order dated 13 March 2000, held that grant-in-aid schools were covered under the Act of 1952. On receiving the order dated 03 April 2000 from the District Education Officer, Jabalpur, the Appellant Establishment promptly transferred the provident fund dues for January 1998 to March 2000 from joint accounts to the Respondent Authority. Subsequently, the Appellant Establishment received a notice demanding penalty and interest, which it contested on grounds that the funds were held in joint accounts and remitted only after obtaining required permission, that any delay was due to ongoing dispute over the Act's applicability and government instructions, and that excess amounts deposited should be adjusted; however, these submissions were ignored, damages were imposed without a proper hearing, and the inquiry was wrongly extended up to June 2005. The Appellant Establishment sought review, but the review application was not decided, prompting the High Court to direct disposal; despite repeated representations and submission of year-wise remittance details, challans, and objections regarding joint accounts, delayed applicability, and minority status, the

authorities failed to verify records and proceeded without considering the appellant's case, while Respondent No. 2, acting without jurisdiction or hearing, rejected the review, enhanced penalties, expanded the inquiry, and ignored the appellant's objections and discrepancies in the show-cause notice, hence this Appeal.

**Grounds of Appeal, taken in the memo of appeal are mainly** that the inquiry period was within pre-discovery period because the letter of coverage was issued only on 03-04-2000, The Respondent Authority committed error in law in considering this fact and holding the Appellant Establishment liable to pay the damages and interest for pre discovery period also. The Respondent Authority failed to notice the fact that the Appellant Establishment is an educational institution run by a Society as a charity and on no profit basis, thus committed error in law.

**In its counter to appeal**, the Respondent Authority has defended the impugned order on the ground that the applicability of the Act could be decided in the light of the provisions of the Act. Letter of coverage is a simple reminder. The liability of the Appellant Establishment to pay the employees provident fund dues of its employees since 13.03.2002 has been adjudicated in separate proceedings under Section 7A of the Act and is final between the parties, payment U/s 14-B and 7-Q are consequential to the main order, thus according to the Respondent Authority, there is no error of law and fact in the impugned order.

The Appellant Establishment has further filed a rejoinder wherein they have mainly reiterated their case.

**I have heard argument** of Mr. Uttam Maheshwari, Learned Counsel for the Appellant Establishment and Shri Abhishek Arjariya, Learned Counsel for the Respondent Authority. I have gone through the written submission filed by the Appellant Establishment and have gone through the record as well.

On perusal of the record in light of rival arguments following point comes up for determination.

***"Whether the finding of the Respondent Authority that the Appellant Establishment is liable to pay damages under Section 14B and interest under Section 7Q of the Act for delayed payments of employees provident fund contributions of its***

***employees between the period January, 1998 to June, 2005 and the assessment can be faulted in law or fact or not?"***

Both the learned counsel have attacked and defended the impugned finding in their arguments. The main contention of learned counsel for Respondent is that imposition of interest under Section 7Q of the Act is only consequential when the liability to pay employees provident fund dues by the Appellant Establishment for the period in question has been settled and has become final. The Appellant Establishment cannot escape from paying interest on damages under Section 7Q of the Act. This is also because the Respondent Authority has to pay interest to the contributions on their deposits. The arguments of learned counsel for Appellant Establishment on this point are mainly that the Appellant Establishment cannot be held liable to pay interest for pre discovery period.

Section 1(3) of the Act requires to be reproduced here, which is as follows:-

***3 Subject to the provisions contained in section 16, it applies-***

- (a) ***to every establishment which is a factory engaged in any industry specified in Schedule I and in which 6ftwenty or more persons are employed, and***
- (b) ***to any other establishment employing 'Twenty' or more persons or class of such establishments which the Central Government may, by notification in the Official Gazette, specify in this behalf:***

***Provided that the Central Government may, after giving not less than two months' notice of its intention so to do, by notification in the Official Gazette, apply the provisions of this Act to any establishment employing such number of persons less than 8ltwentyl as may be specified in the notification.***

**A simple reading** of this provision makes it clear that an establishment is under obligation to pay employees provident fund dues of its employees and is covered under the Scheme automatically as and

when conditions mentioned as above are satisfied. Thus the arguments of learned counsel for Respondent that the Appellant Establishment is covered under the Act for provident fund deposits since January, 1998 when the conditions under Section 3(a) and 3(b) as mentioned above are satisfied and letter of coverage does not make any difference in this liability, is liable to be accepted accordingly. This is also to be mentioned here that liability to pay interest under Section 7Q is a consequential one. In the case in hand, when the liability to pay employees provident fund dues for the period in question has become final between the parties, the appellant establishment is under obligation to pay interest for late deposits under Section 7Q of the Act, hence the finding of the Respondent Authority with regard to liability under Section 7Q of the Act and assessment cannot be faulted in law or fact and is affirmed accordingly.

As regards the liability of the Appellant Establishment to pay damages under Section 14B of the Act for the late deposits and assessment, the learned counsel for the Appellant has referred to decision of **Hon'ble the High Court of M.P. in Naveen Vidya Bhawan Vs. Union of India (2015)(111) CLR 484, Manu/M13/0814/2015**, the facts of the case referred are same with the case in hand. In the referred case Hon'ble High Court of M.P. has reduced the damages under Section 14B of the Act to 25% of the assessed amount. Keeping in view the facts and circumstances which are similar to the case in hand, para 7 & 9 of this judgment are being reproduced as follows:-

***7. Section 16(1) (b) as amended can apply only if there is a finding that the institution is covered by some scheme. In the instant case as pointed out, the petitioners are required to abide by the provisions of Rule 10 of the M.P. Ashaskiya Shikshan Sanstha (Institutional Fund) Rules, 1983 and to make deduction towards the contributory fund and under clause (6) of Rule 10. Old procedure for deposit of the provident fund given in sub-rules (1) to (6) of Rule 10. The applicability of the Employees' Fund & Misc. Provisions Act, 1952 has been specifically stated and the deposits have to be made to the accounts maintained as per scheme of the Act. Thus, it is amply clear that the provisions of the Central Provinces & Serer Manual Appendix XVIII do not apply to the present case.***

***Even if the petitioners are following the said arrangement, the said arrangement cannot continue as the petitioners are not***

*covered by Section 16 (1) (b) of the Act, also in view of State Act of 1978 & Rules.*

*9. In the instant case, the petitioners submit that they have been depositing the provident fund as per Appendix XVIII of the C.P. & Berar Education Manual. The question is whether they can be allowed to continue with the said arrangement and the view which we have taken the petitioners cannot be allowed to retain the amount already collected and whatever amount has been collected will have to be deposited in the Reserve Bank or the State Bank as per the provisions of Employees Provident Fund & Misc. Provisions Act, 1952 & Scheme.*

In the light of the case referred above, holding the findings of the Respondent Authority regarding the liability of the Appellant. Establishment to pay damages under Section 14B of the Act for delayed payments is justified in law and fact. The assessment is reduced to 25% of the assessed amount under Section 14-B of the Act in the impugned order.

**Point for determination stands answered accordingly.**

No other point was pressed.

In light of above discussion and finding, the Appeal succeeds partly.

**ORDER** व जयते

**Appeal succeeds partly. The liability and the assessment of amount under Section 7Q of the Act in the impugned order is confirmed. The liability and assessment of amount under Section 14B of the Act in the impugned order is reduced to 25%.**

**No order as to cost.**

**Date:- 03/02/2026**

**P.K. SRIVASTAVA  
(PRESIDING OFFICER)**

**Judgment Signed, dated and pronounced.**

**Date:- 03/02/2026**

**P.K. SRIVASTAVA  
(PRESIDING OFFICER)**