M/s Varsha Construction, Raipur v. Assistant Commissioner of Income Tax, Circle-1(1), Raipur (C.G.)

TAXC No. 133 of 2025

2026:CGHC:17457-DB | TAXC No. 133 of 2025 (Chg HC, decided 16.04.2026) | 2026-04-16

Summary disallowance of Rs. 4,64,728 under section 143(1)(a) on 03.01.2021 for delayed deposit of employees' PF/ESI contributions under section 36(1)(va) set aside as outside the scope of prima facie adjustments prior to Checkmate Services (12.10.2022).

Income-tax Act, 1961: sections 2(24)(x), 36(1)(va), 43B, 139(1), 143(1)(a), 143(3) and 260A

High Court of Chhattisgarh | 2-judge bench (Division Bench) | Sanjay K. Agrawal, J. | Sachin Singh Rajput, J.

Assessment years: 2019-20

01 FACTS OF THE CASE

M/s Varsha Construction filed its return for AY 2019-20 declaring total income of Rs. 1,27,98,874. By an intimation order dated 03.01.2021 under section 143(1)(a), CPC Bengaluru disallowed Rs. 4,64,728 under section 36(1)(va) read with section 2(24)(x) towards delayed deposit of employees' share of ESI/EPF contributions (which had been disclosed only as payment dates in Column 20(b) of Form 3CB). After the Supreme Court delivered judgment in Checkmate Services Pvt. Ltd. v. CIT-1, (2023) 6 SCC 451 on 12.10.2022, the CIT(A) dismissed the assessee's appeal on 10.11.2022 and the ITAT Raipur Bench dismissed ITA No. 5/RPR/2023 on 22.01.2025.

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02 DISCUSSION BY THE HON'BLE COURT

The Court distinguished substantive deductibility from the permissible scope of summary processing. Following Kvaverner John Brown and Rajesh Jhaveri, it held that the issue was highly debatable on 3 January 2021, before Checkmate Services resolved divergent High Court views. It also noted that the audit report disclosed delayed deposits rather than showing a disallowance. BPS Infrastructure had concerned limitation, not this legal question. Revenue's withdrawal of two other appeals supported consistency. The Court expressly distinguished Checkmate's retrospective effect from the question whether section 143(1)(a) could be used for the then-debatable issue.

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03 JUDICIAL DECISION

The Chhattisgarh High Court set aside the section 143(1)(a) disallowance dated 03.01.2021, the CIT(A) order dated 10.11.2022, and the ITAT Raipur order dated 22.01.2025, while reserving liberty to the Revenue to proceed in accordance with law.

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04 OUTCOME / IN WHOSE FAVOUR

Assessee succeeded against the Rs.4,64,728 summary disallowance and the affirming appellate orders; Revenue retained liberty to proceed in accordance with law. Parties bear their own costs.

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05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

A procedural limit, not a new deduction rule — The judgment does not hold Checkmate Services prospective or permit late employee contributions as a general deduction. Paragraph 16 accepts the general retrospective effect of declared law but separates that issue from the summary-adjustment power exercised on 3 January 2021. The successful challenge concerns that route and its then-debatable subject matter.

The audit disclosure matters — The Court records delayed-deposit details in Column 20(b), described in the judgment as Form 3CB, without a stated disallowance. That distinction supports its treatment of the dispute as requiring adjudication rather than a straightforward adjustment from the audit report. In applying the case, the actual disclosure and intimation date should be compared, rather than assuming that every pre-Checkmate adjustment has identical facts.

The preserved Revenue liberty limits the result — Setting aside the disallowance does not confer immunity from every lawful assessment route. The Court identifies section 143(3) as the alternative that could have been used and preserves Revenue's liberty to proceed according to law. It does not itself decide that a fresh proceeding is timely or waive any applicable conditions. BPS Infrastructure's limitation dismissal likewise could not answer this different jurisdictional question.

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SOURCE & VERIFICATION

Original judgment PDF (20260415_CGHC010218302025.pdf)

Reviewed from the complete 14-page official High Court judgment PDF (20260415_CGHC010218302025.pdf, SHA-256: fa7550d9bba3d2c5444281ee3628bf3d32a876abf25f10d304529c2305cfddb3).

All 14 original pages read and visually inspected; all five panels audited.

Open cited source rendition

Primary source verified page-by-page (14 physical pages, 215,303 bytes, SHA-256: fa7550d9bba3d2c5444281ee3628bf3d32a876abf25f10d304529c2305cfddb3). Cloud Google Drive File ID: 1kpgWiF0jnBUFPLQyqJaoGwRgWXtfbKKY (https://drive.google.com/file/d/1kpgWiF0jnBUFPLQyqJaoGwRgWXtfbKKY/view).

STATUTORY SCOPE

Refers to the Income-tax Act, 1961 and allied statutory rules/circulars as applicable to the relevant assessment years.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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