

# Mysore Kirloskar Limited v. Workers of the Mysore Kirloskar Limited

Civil Appeal No. 233 of 1960

[1962] Supp. 1 SCR 375 | 1961-11-15

## Historical bonus calculation: income-tax after full statutory depreciation and return on owned working capital.

Industrial Disputes Act, 1947: historical profit-bonus adjudication | Income-tax deduction in the historical Full Bench bonus formula

Three-judge Bench: P. B. Gajendragadkar, A. K. Sarkar and K. N. Wanchoo JJ.; judgment by Wanchoo J. | P. B. Gajendragadkar J. | A. K. Sarkar J. | K. N. Wanchoo J.

### Historical bonus dispute

The income-tax computation served the industrial bonus formula. Do not treat this as a present Income-tax assessment or bonus-compliance rule.

### Judgment and disposal dates differ

The judgment date follows SCR 375–376 and the official JUDIS PDF, which both record 15 November 1961. The Court's 2023 neutral-citation list records 16 November 1961 under Date of Disposal for the same appeal. That metadata discrepancy is preserved; no formal corrigendum is claimed. Official JUDIS judgment: <https://api.sci.gov.in/jonew/judis/4073.pdf>

## 01 FACTS OF THE CASE

The employer challenged the Industrial Tribunal's award dated 29 September 1958 concerning bonus for 1954–55. In the Hon'ble Supreme Court it confined its objections to the income-tax allowance, the return on working capital and rehabilitation charges. The Tribunal had allowed Rs.1.67 lakh for income-tax. Gross profits were Rs.9.46 lakh and full statutory depreciation was Rs.4.30 lakh. The employer had already paid one month's bonus and disputed the additional award.

Source: [SCR 376–377; PDF 2–3](#)

## 02 DISCUSSION BY THE HON'BLE COURT

Following Associated Cement Companies, the Hon'ble Court calculated the tax prior charge on Rs.5.16 lakh after full statutory depreciation, at seven annas in the rupee, and accepted the reported allowance of Rs.2.25 lakh. It retained the Tribunal's three per cent working-capital rate. Depreciation reserves could qualify if actual business use was proved; a balance sheet alone was insufficient. Of Rs.36.70 lakh actually used, Rs.14.56 lakh comprised borrowed or deposited money on which interest had already been expensed. Giving a further return on that portion would duplicate the allowance. Eligible owned working capital was therefore Rs.22.14 lakh, yielding a reported return of Rs.0.66 lakh. No rehabilitation evidence had been led, and the Court declined a late remand while leaving later years open to proper proof.

Source: [SCR 376-380; PDF 2-6](#)

## 03 JUDICIAL DECISION

The corrected bonus calculation deducted normal depreciation of Rs.3.32 lakh, income-tax of Rs.2.25 lakh, return on paid-up capital of Rs.1.33 lakh and working-capital return of Rs.0.66 lakh from gross profits of Rs.9.46 lakh. The resulting surplus was Rs.1.90 lakh. The Court considered total bonus of one and a half months' wages, approximately Rs.0.96 lakh, fair. Since one month had been paid, it partly allowed the appeal and reduced the additional bonus from one month to half a month. Each side bore its own costs.

Source: [SCR 380-381; PDF 6-7](#)

## 04 OUTCOME / IN WHOSE FAVOUR

The employer obtained a reduction in the additional bonus after correction of the tax and working-capital calculations. Its request to raise the return rate to four per cent and its request for a rehabilitation remand failed. Workers retained an additional half-month's bonus. This mixed industrial-dispute result should not be described as a victory for Revenue or an assessee in an Income-tax appeal.

Source: [SCR 377 and 379-381; PDF 3 and 5-7](#)

## 05 AKHB REVIEW POINT

AKHB analysis: Keep separate the statutory depreciation used to calculate the tax prior charge and the normal-depreciation allowance used in the historical bonus-surplus table. Trace evidence of actual use of owned reserves, then remove borrowed funds whose interest has already reduced profit. These are the particular accounting and evidentiary propositions illustrated by the judgment. Before applying them to any current bonus or tax dispute, check the governing legislation, accounting facts and later authorities. The observation about an expected tax rebate did not quantify or adjudicate an assessment refund.

Source: [SCR 376-381; PDF 2-7](#)

## SOURCE & VERIFICATION

[Supreme Court Reports - public eSCR mirror; date corroborated by official JUDIS judgment](#)

Complete seven-page SCR asset and five-page official JUDIS copy read. Mysore Kirloskar ends in the upper portion of SCR 381; the following Bidi Merchants headnote belongs to a separate case. The surplus table and operative order were visually checked.

[Open cited source rendition](#)

The judgment date follows SCR 375-376 and the official JUDIS PDF, which both record 15 November 1961. The Court's 2023 neutral-citation list records 16 November 1961 under Date of Disposal for the same appeal. That metadata discrepancy is preserved; no formal corrigendum is claimed.

The reported tax allowance of Rs.2.25 lakh and working-capital return of Rs.0.66 lakh are the Court's rounded figures. The statutory depreciation used for tax computation (Rs.4.30 lakh) differs from the normal-depreciation figure (Rs.3.32 lakh) in the final bonus-surplus table.

### **STATUTORY SCOPE**

Historical industrial-bonus companion concerning the 1954-55 bonus year. The judgment's calculation of income-tax as a prior charge is not a decision allowing a deduction in a taxpayer's assessment, nor a statement of present bonus legislation.

### **LATER TREATMENT**

Source checked 2026-10-18. Historical holding only. Subsequent legislation and precedent treatment have not been cleared.

### **IDENTIFIED SOURCE LINKS**

[reported judgment - PDF pages: 7](#)

SHA-256: 3adf9a047ae0442ba75330aabc9cb31bc4dac1e6dd55fad1c4bb9c39cd4f4a88

[official judgment - PDF pages: 5](#)

SHA-256: 25b406ae9396101584b797933735c57716253e3cfc1e930b5858e0d1040c7934

### **AI DISCLOSURE**

This AKHB research note was prepared with AI assistance from identified primary judgments. Independent human review is not represented.

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