

Metal Box Co. of India Ltd. v. Their Workmen

Civil Appeals Nos. 2138 and 2196 of 1966

[1969] 1 SCR 750 | 1968-08-20

Historical Payment of Bonus Act computation using Income-tax Act depreciation, development rebate and direct-tax measures, with treatment of a discounted gratuity provision.

Payment of Bonus Act, 1965: sections 4, 6, 7, 19 and 23; Second and Third Schedules | Income-tax Act, 1961: sections 32(1), 32(2), 33, 34(3), 36(v), 84 and 101(1) (historical text considered) | Companies Act, 1956: sections 205(2), 211 and 226; Schedule VI | Wealth-tax Act, 1957: sections 2(m) and 7(2) (comparative reasoning)

Two-judge bench; judgment delivered by J. M. Shelat, J. | J. M. Shelat, J. | C. A. Vaidialingam, J.

Historical bonus-law decision, not an assessment appeal

The Court used Income-tax Act measures inside the Payment of Bonus Act formula. It did not determine the company's assessed taxable income, and the historical provisions and computation cannot be treated as current law without separate verification.

Depreciation amount was remitted

The Court identified the governing section 32(1) measure but did not fix the company's depreciation. The Tribunal had to determine it afresh after both sides received an opportunity to test the evidence.

01 FACTS OF THE CASE

For the accounting year ending 31 March 1965, Metal Box computed bonus at 13.28% after deducting depreciation, development rebate, direct taxes, returns on capital and reserves, and a gratuity provision. The unions challenged the depreciation and tax figures, the development-rebate deduction, the gratuity provision and interest on a capital reserve created on revaluation. The Industrial Tribunal substituted the book-depreciation figure, allowed only part of the development rebate and gratuity provision, but accepted the company's treatment of revaluation reserve and notional direct taxes.

Source: [Primary judgment: reference, computation and disputed items / PDF pp. 4-6](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 6(a) of the Bonus Act required depreciation admissible under section 32(1), not the different Companies Act amount charged in the accounts. But the employer bore the burden once its figure was challenged, and an auditor's certificate unsupported by testable records was insufficient; the depreciation issue therefore required fresh proof. Section 6(b) allowed the whole development rebate admissible under the Income-tax Act, not merely the 75% reserve credited under section 34(3). A properly ascertainable and fairly discounted gratuity liability could be charged in determining yearly profit and was a provision rather than a reserve; on the unchallenged actuarial basis, the full disputed provision was allowable. The bona fide revaluation reserve remained a reserve for the Bonus Act return. For direct tax, the Tribunal was to estimate tax on the statutory balance of gross profits after section 6 prior charges but before bonus, at the applicable rates and subject to section 7 exclusions; it was not to conduct a parallel assessment of the employer's actual taxable income.

Source: [Primary judgment: depreciation and evidentiary burden / PDF pp. 6-10](#); [Primary judgment: development rebate and gratuity provision / PDF pp. 10-18](#); [Primary judgment: reserve and direct-tax computation / PDF pp. 20-27](#)

03 JUDICIAL DECISION

The company's development-rebate and gratuity-provision grounds were accepted. Its claimed depreciation was neither accepted nor rejected on amount: the Tribunal had to ascertain the section 32(1) figure afresh after permitting reasonable proof and challenge. The Court upheld the Tribunal on the revaluation reserve and rejected the unions' actual-tax approach, preserving the Bonus Act's notional direct-tax computation before deduction of bonus.

Source: [Primary judgment: depreciation remittal and development rebate / PDF pp. 8-10](#); [Primary judgment: gratuity, reserve and direct-tax holdings / PDF pp. 17-27](#)

04 OUTCOME / IN WHOSE FAVOUR

The company's appeal was allowed in part and the award set aside to the stated extent. The Tribunal was directed to redetermine depreciation and adjust the bonus after applying the accepted development-rebate and gratuity conclusions. The workmen's appeal was dismissed. There was no order as to costs.

Source: [Primary judgment: operative partial allowance, remittal and dismissal / PDF pp. 27-28](#)

05 AKHB REVIEW POINT

AKHB analysis: where a host statute incorporates tax measures, keep four steps distinct—identify the incorporated provision, use the evidence needed to prove its amount, apply the host statute's express adjustments, and preserve any remittal instead of supplying a number the Court did not decide. Metal Box also distinguishes a reasonably estimated present liability from a general reserve, but that historical accountancy reasoning must be checked against later specific statutory restrictions before present use.

Source: [Primary judgment underlying the AKHB analysis / PDF pp. 6-28](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Complete 28-page SCR report read. The editorial headnote occupies physical pages 1-4/SCR 750-753; the judgment delivered by J. M. Shelat, J. begins on physical page 4/SCR 753 and ends on physical page 28/SCR 777. No adjacent judgment is included.

Open cited source rendition

Exact catalogue SHA-256 and 28-page count verified; the complete report was read and its first and last pages were visually inspected.

The public collection, archived releases, reconciliation matches and whole-file source hashes disclosed no existing judgment identity match.

No income-tax assessment year is supplied because none was adjudicated; the bonus dispute concerned the accounting year ending 31 March 1965.

STATUTORY SCOPE

This was an industrial bonus dispute, not an income-tax assessment appeal. Income-tax provisions mattered because the Payment of Bonus Act expressly incorporated their measures. Later provisions, including the later specific treatment of gratuity provisions, require independent verification.

LATER TREATMENT

Source checked 2026-10-14. No comprehensive later-treatment or present-law review was performed. The note records the historical 20 August 1968 decision and the statutory text applied there; no claim is made that the Bonus Act computation, Income-tax Act provisions, rates, depreciation rules, development-rebate regime or gratuity treatment remain unchanged.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 28

SHA-256: 3536fd1dced43e11278b5f70cebb69cd4733cbcd1a348656c80401716fe0f3fb

Related note: Delhi Cloth & General Mills Co. Ltd. v. Workmen

Related note: Employers in Relation to the Management of Indian Cable Co. v. Their Workmen

Related note: Management of Central Coal Washery v. Workmen and Another

AI DISCLOSURE

This AKBH research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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