

Indian Link Chain Manufactures Ltd. v. Their Workmen

Civil Appeals Nos. 204 and 610 of 1967

[1972] 1 SCR 790 | 1971-09-17

Historical bonus computation using Income-tax assessment figures for depreciation and development rebate, alongside settlement, wage-fitment and gratuity issues.

Payment of Bonus Act, 1965: sections 4, 6(a), 6(d) and 23; Third Schedule | Income-tax Act, 1961: section 32(1) and development-rebate provisions (historical measures incorporated by the Bonus Act) | Industrial Disputes Act, 1947: sections 2(p), 10 and 19(2)

Two-judge bench; judgment delivered by P. Jaganmohan Reddy, J. | C. A. Vaidialingam, J. | P. Jaganmohan Reddy, J.

Historical labour-law setting

The operative dispute covered settlement termination, wages, bonus and gratuity. The Income-tax Act was an incorporated computational source; the judgment did not decide an assessment appeal.

No assessment-year inference

The bonus calculation concerned calendar year 1964. That accounting period has not been relabelled as an income-tax assessment year.

01 FACTS OF THE CASE

A public company and its approximately 155 daily-rated workers cross-appealed from an industrial award concerning wage scales, dearness allowance, bonus and gratuity. The employer said an earlier settlement still barred the wage reference and challenged the bonus and gratuity rulings; the union sought wage fitment and correction of the return on reserves. For 1964 the Tribunal had used depreciation and development-rebate figures from the annual accounts instead of the higher figures shown by the company's income-tax assessment material.

Source: [Primary judgment: disputes, settlement and bonus figures / PDF pp. 4-8](#)

02 DISCUSSION BY THE HON'BLE COURT

The company's written communication that no settlement remained in force supplied the required termination notice, so the reference was competent. The consolidated wage award stood, but fairness required one increment for each completed three years of service up to the stated reference-date measure. On bonus, the unchallenged income-tax assessment statement supported depreciation of Rs. 1,81,054 and development rebate of Rs. 5,822; the Tribunal had no basis to prefer the annual-account figures. Section 6(d) and the Third Schedule required 6% return on reserves at the beginning, not the end, of the accounting year. The agreed recalculation produced available surplus of Rs. 34,614.18 and allocable surplus of Rs. 20,768.50. The company's improving finances supported a gratuity scheme, and in this setting the consolidated wage could serve as its base.

Source: [Primary judgment: settlement and wage reasoning / PDF pp. 8-16](#); [Primary judgment: Income-tax measures and bonus calculation / PDF pp. 16-19](#); [Primary judgment: financial capacity and gratuity scheme / PDF pp. 20-27](#)

03 JUDICIAL DECISION

The Court accepted the income-tax assessment figures for depreciation and development rebate because both company statements were prepared in the same circumstances and the assessment figures were not disputed. It corrected return on reserves to the opening-year figure, reducing distributable bonus to Rs. 20,768.50. It preserved the consolidated wage structure, directed limited service-based fitment and upheld the gratuity scheme against the employer's financial-capacity and design objections.

Source: [Primary judgment: bonus, wage-fitment and gratuity holdings / PDF pp. 16-27](#)

04 OUTCOME / IN WHOSE FAVOUR

Both appeals were allowed in part. The award was modified to require bonus of Rs. 20,768.50 instead of Rs. 42,783 and to grant one wage increment for every three completed years of service up to the stated cutoff. The gratuity scheme remained in force. Each side bore its own costs.

Source: [Primary judgment: final modifications and costs / PDF p. 27](#)

05 AKHB REVIEW POINT

AKHB analysis: when a non-tax statute directs use of an Income-tax Act measure, identify the actual evidentiary source for the incorporated amount and test whether it was disputed; do not mechanically substitute a book-account figure. Keep the host statute's timing rules—such as opening-year reserves—separate from the tax measure. The resulting number remains a historical bonus computation, not an assessment determination or current depreciation instruction.

Source: [Primary judgment underlying the AKHB analysis / PDF pp. 16-19](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 27-page SCR report read. The editorial headnote occupies physical pages 1-4/SCR 790-793; the judgment delivered by P. Jaganmohan Reddy, J. begins on physical page 4/SCR 793 and ends on physical page 27/SCR 816. No adjacent judgment is included.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 27-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.

The operative calculation uses Rs. 1,81,054 depreciation and Rs. 5,822 development rebate from the income-tax assessment material and reduces allocable surplus to Rs. 20,768.50.

STATUTORY SCOPE

This was an industrial dispute, not an income-tax assessment appeal. Income-tax assessment figures were material only because the Payment of Bonus Act incorporated tax-law depreciation and development-rebate measures into its bonus formula.

LATER TREATMENT

Source checked 2026-10-14. No comprehensive later-treatment or present-law review was performed. The note records the historical 17 September 1971 decision and the statutes then applied; no current bonus, depreciation, development-rebate, wage or gratuity rule is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 27](#)

SHA-256: 305bf1c301e509f12822e3a779baaffb94d512fe31b23072bcc1536534818f82

[Related note: Metal Box Co. of India Ltd. v. Their Workmen](#)

[Related note: Delhi Cloth & General Mills Co. Ltd. v. Workmen](#)

[Related note: Management of Central Coal Washery v. Workmen and Another](#)

AI DISCLOSURE

This AKHB 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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