

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

Civil Appeal No. 855 of 1968

[1973] 1 SCR 105 | 1972-04-11

In determining bonus for accounting year 1965-66, should voluntary-retirement compensation be added back to gross profits, and how should the remaining disputed bonus-computation items and notional direct tax be treated?

37(1) (operative revenue-character conclusion within bonus computation) | 32(1) (depreciation context; pending tax appeal not determined)

Three judges | C.A. Vaidialingam, J. | D.G. Palekar, J. | K.K. Mathew, J.

Assessment years: See the source-scope notes; no year inferred.

Labour-bonus judgment with a narrow historical tax conclusion

The Court used section 37(1) to reject a retirement-payment add-back in a bonus dispute. It did not decide an income-tax assessment or the pending depreciation appeal. Later section 35DDA requires separate examination and can govern timing and exclusivity of deduction. Printed bonus-payment figures conflict; the express additional-payment order is Rs. 53,714. Original PDF unchanged; comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

Indian Cable Company appealed the National Industrial Tribunal's 26 October 1967 award requiring bonus at 20% of effective salaries or wages for accounting year 1965-66 and a further set-on of Rs. 1,46,252. The employer had paid bonus at 13.51%; the workmen had accepted that payment subject to adjudication of their demand for the statutory maximum. The Central Government referred the quantum dispute on 23 June 1967. The wage base was Rs. 1,05,32,880 (physical pages 3-4/SCR 107-108).

The employer challenged the Tribunal's method of calculating notional direct tax, its add-back of Rs. 2.65 lakhs paid above the bonus salary ceiling, and its rejection of a Rs. 15,000 return on a doubtful-debt provision. The unions had obtained the maximum bonus and filed no appeal, but sought to preserve the award by challenging other deductions (physical pages 5-10/SCR 109-114).

One such deduction was Rs. 18,24,047 paid to about 450 workers under a voluntary-retirement scheme framed on 9 August 1965. Imported raw-material shortages and foreign-exchange difficulties had reduced production; the company sought to reduce the workforce. The scheme offered benefits including the equivalent of retrenchment compensation and admissible gratuity. The unions argued that ordinary retirements would have cost only about Rs. 1.21 lakhs that year and that the much larger payment ordinarily would have been spread over eight to ten years. They did not challenge the scheme as mala fide (physical pages 10-11/SCR 114 C-115 B).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

On retirement compensation, the Court adopted the Tribunal's view that the payment facilitated continued business and was allowable under section 37(1) of the Income-tax Act. It expressly held that the expense was not capital in nature and therefore rejected the unions' request to add it back. The reasoning contrasted ordinary retrenchment, under which junior employees would go first, with a voluntary scheme that could preserve younger workers while encouraging older workers to retire. This is the Court's own material conclusion on the disputed expenditure, not merely a headnote, quotation or advocate's submission. Its context remains the computation of bonus; no income-tax assessment was before the Court (physical pages 10-11/SCR 114 H-115 C).

On notional direct tax, Metal Box and the subsequent William Jacks, Delhi Cloth and Indian Oxygen decisions required computation without first deducting the bonus payable. The Tribunal had used the contrary method. The Court rejected that approach, including the suggestion that the 1969 Bonus Act amendment had changed the governing principle. A sentence at SCR 110 C omits the word that would negate deduction of bonus, but the immediately preceding rule, following error finding and final direction are consistent and control the reading. This is a statutory bonus-computation rule, not a decision denying an employer's actual income-tax deduction for bonus (physical pages 5-6 and 12/SCR 109 H-110 D; 116 G).

The employer did not succeed on its other two challenges. For an employee whose pay exceeded Rs. 750 but remained within the then Rs. 1,600 eligibility limit, section 12 restricted the pay base used to calculate statutory bonus to Rs. 750 per month. The extra Rs. 2.65 lakhs paid to preserve the employer's former practice was therefore properly added back. Following Indian Oxygen, the claimed Rs. 15,000 return at 6% on a Rs. 2.5 lakh doubtful-debt provision was also rejected. These historical Bonus Act ceilings and reserve-computation conclusions are not general rules of income-tax deductibility (physical pages 6-8/SCR 110 D-112 F).

The unions could support the award on alternative grounds without filing an appeal, provided they did not obtain more than the award. The Court relied on Northern Railway Co-operative Society and J.K. Synthetics, with the latter drawing additional support from an election-appeal authority. Having heard those grounds, it rejected them on their merits (physical pages 8-10/SCR 112 G-114 B).

The extra-shift depreciation objection concerned Rs. 65,764 within a claimed total of Rs. 36,10,594 under section 32(1). The Income-tax Officer had postponed the claim for lack of particulars; an affidavit later reported an appeal against refusal. For the bonus dispute, the employer's depreciation figures had not been seriously challenged, and the Court sustained the Tribunal's treatment by applying Jabalpur Bijlighar. It did not determine the pending income-tax appeal. The repairs-and-renewals objection was both outside the unions' statement of case and unsupported against the company's evidence and audited vouchers. Their asserted prior-year set-on also failed: uncontradicted evidence showed no surplus after

02 DISCUSSION BY THE HON'BLE COURT

the 20% bonus paid for 1964-65 (physical pages 11-12/SCR 115 C-116 F).

Only the method of calculating notional direct tax required alteration. The Court accepted the corrected direct-tax total of Rs. 99,45,814, including Rs. 1,34,921 surtax, and recomputed available surplus as Rs. 24,61,176 and the 60% allocable surplus as Rs. 14,76,706. The final table and narrative contain conflicting already-paid figures, so the express final payment order, rather than an editorial repair, is preserved (physical pages 12-13/SCR 116 G-117 G).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The appeal was allowed in part and the Tribunal's award modified. Bonus for accounting year 1965-66 was fixed at 14.02%, amounting to Rs. 14,76,706, instead of 20%; the set-on direction did not survive. The company was expressly ordered to pay the additional Rs. 53,714 within two months of the judgment. Each side was to bear its own costs. No remand was ordered. The retirement-compensation deduction remained undisturbed in the bonus calculation, and the separate income-tax depreciation appeal was not disposed of (physical page 13/SCR 117 E-G).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Employer partly, on the notional-tax computation and resulting bonus reduction; other employer challenges failed

Appeal allowed in part; bonus fixed at 14.02%; additional Rs. 53,714 payable within two months; no set-on; own costs

Reasoned bonus judgment with a material historical section 37(1) revenue-character conclusion; no income-tax assessment or pending depreciation appeal adjudicated

Narrow eligibility rests on section 37(1) as actually applied to the disputed retirement compensation, not on the notional tax or depreciation figures alone.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Keep the commercial purpose, payment evidence and statutory year separate. Indian Cable treats the particular retirement payment made to facilitate continuing business as non-capital and allowable under section 37(1), but does so while deciding a bonus add-back objection. It supplies neither an assessment order nor a result in the employer's pending depreciation appeal.

The later specific VRS regime matters. The retained government-hosted 2011 compilation reproduces section 35DDA(1): qualifying retirement-scheme payments are deducted one-fifth in the payment year and in equal parts over the next four years. Subsection (6) bars deduction of that expenditure under another provision. Its editorial footnote dates insertion to the Finance Act, 2001 with effect from 1 April 2001. This verifies historical statutory context, not the complete amendment or current-law position (physical pages 275-276/printed 1.234-1.235).

Delhi High Court's Dalmia Agencies decision of 21 July 2009 expressly uses Indian Cable to support the bona fides of a section 37 claim. But the taxpayer had accepted section 35DDA amortisation; the appeal concerned only penalty, whose cancellation stood. It does not establish immediate full deductibility after the specific regime applies (physical pages 3 and 7-8, paragraphs 4, 8 and final paragraph printed 6).

Before applying this historical reasoning, verify the particular scheme, actual payment, applicable statutory version and any specific deduction provision. Comprehensive later treatment, current law and 2025 mapping remain unverified.

Source: See the proposition-specific paragraph and PDF-page references below.

DETAILED DISPOSITION AND CONNECTED GROUPS

Proceeding outcomes

1.

Case number: Civil Appeal No. 855 of 1968

Outcome: Partly allowed; award modified as stated; no separate union appeal

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, tribunal reference, accounting year and original award

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: SCR 105 heading; 107 A-H; 108 A-H

2.

Topic: Notional direct tax rule and contradictory sentence resolved by operative direction

Source url: [Open cited source](#)

Pdf pages: 5; 6; 12

Paragraphs: SCR 109 B-H; 110 A-D; 116 G-H

3.

Topic: Bonus ceilings and ex-gratia add-back

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: SCR 110 D-H; 111 A-H; 112 A-C

4.

Topic: Doubtful-debt return and unions' right to support award

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10

Paragraphs: SCR 112 D-H; 113 A-H; 114 A-B

5.

Topic: VRS evidence and Court's material section 37(1) conclusion

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: SCR 114 C-H; 115 A-C

6.

Topic: Extra-shift depreciation: bonus dispute, tax appeal not decided

Source url: [Open cited source](#)

Pdf pages: 11

Paragraphs: SCR 115 C-G

7.

Topic: Repairs evidence, prior-year set-on and required recomputation

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: SCR 115 G-H; 116 A-H

8.

Topic: Final table, source amount inconsistencies, exact relief and costs

Source url: [Open cited source](#)

Pdf pages: 13

Paragraphs: SCR 117 A-G

9.

Topic: Later express reference, accepted amortisation assessment and penalty-only outcome

Source url: [Open cited source](#)

Pdf pages: 3; 7; 8

Paragraphs: Paragraphs 4, 8 and final paragraph printed 6

10.

Topic: Later specific VRS deduction regime and no other-provision deduction

Source url: [Open cited source](#)

Pdf pages: 275; 276

Paragraphs: Printed 1.234-1.235, section 35DDA(1) and (6); footnotes 5-7

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

The Court itself approves section 37(1) allowability and non-capital character as the reason for rejecting an add-back of retirement compensation. This narrow conclusion is more than a tax-rate input or counsel's analogy. The rest of the appeal concerns labour-bonus computation; it is not transformed into an income-tax assessment decision.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

C.A. Vaidialingam, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Payment of Bonus Act, 1965 proceeding containing a material historical Income-tax Act, 1961 section 37(1) revenue-expenditure conclusion

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

1.

Title: Commissioner of Income Tax v. M/s. Dalmia Agencies (P) Ltd.

Decision date: 2009-07-21

Classification: Express later High Court reference; penalty context

Source url: [Open cited source](#)

Pdf pages: 3; 7; 8

Pinpoint: Paragraphs 4, 8 and final paragraph printed 6

Holding limit: See the bounded Dalmia paragraph in the AKHB Review Point; no whole-case or current-law certification.

Bounded check: verified only within explicit read bounds

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Payment of Bonus Act, 1965, sections 2(13), 4, 6, 7, 8, 10, 11 and 12; Second Schedule; Industrial Disputes Act, section 25 as printed (VRS benefit comparison); Income-tax Act, 1961, section 35DDA (later historical limitation only, not applied in 1972)

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 13 PDF pages; SHA-256 fd951b884c9740a8ecaa20d1baf44819918b92608da56ba5a83c6288189109e7. Original bytes preserved. Headnote occupies physical pages 1-2/SCR 105-106. Docket and counsel at physical page 3/SCR 107 A-B. Vaidialingam's opinion begins SCR 107 C and ends physical page 13/SCR 117 G with partial allowance, payment deadline and own costs. One appeal; no separate concurrence or dissent and no adjacent judgment.

Open cited source rendition

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Date and SCR citation checked against the primary heading. The later Dalmia judgment identifies this decision as AIR 1972 SC 2195. Catalogue identifier 1972INSC104 is not independently printed or authenticated in this rendition.

This is an industrial bonus appeal for accounting year 1965-66, not an income-tax assessment appeal. No income-tax assessment year is stated or inferred. The operative section 37(1) conclusion is retained only because the Court itself uses it to dispose of the voluntary-retirement add-back objection.; The headnote at SCR 105 C says 1955-56; the judicial opening, reference question and final computation consistently say accounting year 1965-66. The report year is 1973, but the decision date is 11 April 1972.; The headnote at SCR 106 B gives Rs. 2.5 lakhs for the ex-gratia payment; the judicial discussion gives Rs. 2.65 lakhs. Rs. 2.5 lakhs is separately the doubtful-debt provision, whose claimed 6% return was Rs. 15,000. Do not conflate those items.; The sentence at SCR 110 C omits the negative before deducting bonus, as does its headnote counterpart. The preceding rule at SCR 109 H-110 A, the express error finding at SCR 110 D, and the recomputation direction at SCR 116 G consistently require notional direct tax without first deducting bonus. The contradictory sentence is not silently adopted.; The final table at SCR 117 prints bonus already paid as Rs. 14,22,992, but the following prose prints Rs. 14,22,922; SCR 107 G earlier gives the declared sum as Rs. 14,21,271. The expressly ordered additional payment is Rs. 53,714, not a substituted editorial calculation. The table's reserves figure is printed Rs. 46,81,37,739, while the stated 6% return is Rs. 28,08,824; this numerical inconsistency is not repaired.; The section 32(1) extra-shift claim had initially been postponed for particulars; a later affidavit says an income-tax appeal against refusal was filed. This judgment rejects the unions' bonus-computation objection and does not dispose of that tax appeal or direct the assessing authority to grant depreciation.; The judicial text says commercial expense, not commercial expediency, at SCR 115 B. The note paraphrases the business-facilitation reasoning instead of presenting a silently corrected quotation. SCR 114 D cites section 25 of the Industrial Disputes Act without a suffix; none is supplied editorially.; Later section 35DDA specifically regulates qualifying voluntary-retirement expenditure. The reviewed historical text provides one-fifth deductions over five years and prohibits deduction under another provision. Indian Cable cannot alone establish an immediate full deduction for a later year.; Dalmia Agencies is a later High Court penalty decision, not a reversal of the accepted amortisation assessment. Comprehensive later treatment and present applicability remain unverified.

No income-tax assessment year is adjudicated or supplied. The bonus dispute concerns accounting year 1965-66 (1 April to 31 March); 1964-65 is relevant to prior bonus and alleged set-on. These are not relabelled assessment years.

Special-leave appeal from the National Industrial Tribunal, Calcutta award dated 26 October 1967 in Reference No. NIT-3 of 1967. The unions did not appeal; they supported the award on alternative grounds.

STATUTORY SCOPE

No automatic Income-tax Act, 2025 crosswalk. Complete amendments, commencement, savings and case-specific present applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-05. not_verified. One later official High Court judgment expressly referring to Indian Cable and the retained historical statutory compilation were checked within the registered bounds. No exhaustive citator or universal continued-validity claim.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

SHA-256: fd951b884c9740a8ecaa20d1baf44819918b92608da56ba5a83c6288189109e7

[official later judgment - PDF pages: 8](#)

SHA-256: f89518b8ff3cc6af359aa762e46d191346fcc569e14fa06ae8fe016cd8943ec4

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