

Management of Central Coal Washery v. Workmen and Another

Civil Appeal No. 1848 of 1970

[1978] 3 SCR 1023 | 1978-07-21

Income-tax depreciation mandated when testing whether a new establishment had made profit for bonus liability

Income-tax Act, 1961: section 32(1) | Payment of Bonus Act, 1965: section 16(1)(a) and Explanation II

Two-judge bench; judgment delivered by P. N. Bhagwati, J. | P. N. Bhagwati, J. | V. D. Tulzapurkar, J.

Assessment years: 1964-65, 1965-66, 1966-67, 1967-68, 1968-69

Related labour-law decision

The dispute arose under the Payment of Bonus Act. Income-tax depreciation was decisive only because Explanation II to section 16(1) expressly incorporated the Income-tax Act measure.

01 FACTS OF THE CASE

A newly established organisation operated three coal washeries and used straight-line depreciation in its accounts, producing apparent profits for 1964-65 through 1968-69. Workmen claimed statutory bonus, while the employer said section 16 postponed liability because no profit remained after the depreciation allowed under the Income-tax Act (SCR pp.1023-1026; PDF pp.1-4).

Source: [Primary judgment: facts and issue](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read "profit" in its commercial sense, but held that Explanation II supplied a controlling legislative direction: whatever accounting method the employer used, depreciation had to be deducted according to the Income-tax Act, including section 32(1), before asking whether profit existed for section 16(1)(a) (SCR pp.1027-1029; PDF pp.5-7).

Source: [Primary judgment: income-tax depreciation reasoning](#)

03 JUDICIAL DECISION

After applying Income-tax Act depreciation, the Court held that the employer had not derived profit from the washeries in any of the five years. It allowed the appeal and set aside the bonus award, with no order as to costs.

Source: [Primary judgment: operative order](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the employer; the workmen were not entitled to statutory bonus for 1964-65 through 1968-69.

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: when another enactment incorporates an Income-tax Act measure, compute the incorporated item under the tax statute before applying the host statute. Do not generalise this bonus-law holding beyond the incorporation text.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Complete seven-page SCR report read in page-preserving text and every page image inspected.

[Open cited source rendition](#)

Exact catalogue SHA-256 and seven-page count verified; all pages were read and visually inspected.

Identity, bench, statutory issue, reasoning and operative result were checked against the complete report.

STATUTORY SCOPE

A Payment of Bonus Act case in which the Income-tax Act depreciation rule was an express statutory input. Both enactments and later treatment require present verification.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive current-law or later-treatment clearance is represented.

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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