

Sant Raj and Another v. O. P. Singla and Another

Civil Appeal No. 650 of 1982

[1985] 3 SCR 623 | 1985-04-09

Section 89 relief where twelve years of salary arrears and compensation were paid in one lump sum

Income-tax Act, 1961: sections 17(3), 89 and 192 | Income-tax Rules, 1962: rule 21A | Industrial Disputes Act, 1947: sections 2(oo) and 25F

Two-judge bench; judgment delivered by D. A. Desai, J. | D. A. Desai, J. | Ranganath Misra, J.

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

Tax point within labour judgment

The principal dispute concerned illegal retrenchment; the section 89 direction addressed the tax treatment of the lump-sum relief ordered by the Court.

01 FACTS OF THE CASE

Two airline loaders had been kept out of employment for about twelve years after an illegal retrenchment. The Labour Court declined reinstatement and awarded only one year's wages. The Supreme Court considered adequate compensation in lieu of reinstatement and the tax consequence of paying the accumulated amount at once (SCR pp.623-628; PDF pp.1-6).

Source: [Primary judgment: employment and compensation facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court fixed Rs.2,00,000 for each worker, including twelve years of back wages and compensation instead of reinstatement. Because section 192 could otherwise tax the entire lump sum in one year, section 89 and rule 21A required the arrears and compensation to be spread for relief; the employer was directed to assist with any necessary application (SCR pp.627-629; PDF pp.5-7).

Source: [Primary judgment: section 89 reasoning](#)

03 JUDICIAL DECISION

The appeal was partly allowed. Each appellant received Rs.2,00,000, and the Court directed that section 89 relief be available for the lump-sum salary arrears and compensation.

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

04 OUTCOME / IN WHOSE FAVOUR

In favour of the workmen. They obtained enhanced compensation and an express direction preserving tax-spreading relief; reinstatement was not granted.

Source: [Primary judgment: qualified outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: when salary arrears or profit-in-lieu-of-salary are paid under a court order, obtain the year-wise break-up, test section 89 and rule 21A, and coordinate payroll withholding with the employee's relief application. Do not treat the historic computation as current without checking the applicable rule and portal procedure.

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 hash and seven-page count verified; every page was read and inspected.

The report verifies the compensation, twelve-year period and express section 89/rule 21A direction.

STATUTORY SCOPE

The tax direction reflects section 89 and rule 21A as considered in 1985. Present eligibility and computation must be checked independently.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or current-computation review 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.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the original judgment, current section 89 procedure and later treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding.