

B. Prabhakar Rao & Ors. etc. v. State of Andhra Pradesh & Ors. etc. etc.

Writ Petition Nos. 5447-5546 of 1985 etc. etc., with connected Writ Petitions Nos. 3420-26 of 1985 etc.

[1985] Supp. 2 SCR 573 | 1985-08-19

Historical compensation-relief companion: section 89 and rule 21-A direction following service-law reinstatement and compensation orders.

Income-tax Act: section 89, as referred to in the judgment | Income-tax Rules: rule 21-A, as referred to in the judgment | Constitution of India: Articles 14, 32 and 142 | Andhra Pradesh Ordinance 24 of 1984 clause 3(1); Act 3 of 1985 section 4(1)

Three-judge Bench; main judgment by O. Chinnappa Reddy J., with separate concurrences by V. Balakrishna Eradi J. and V. Khalid J. | O. Chinnappa Reddy J. | V. Balakrishna Eradi J. | V. Khalid J.

Historical ancillary tax-relief direction, not an exemption ruling

The main dispute concerns retirement-age restoration. The section 89/rule 21-A direction is tied to compensation awarded in this litigation; no tax liability, relief amount or general exemption was determined.

01 FACTS OF THE CASE

Andhra Pradesh reduced the retirement age of government employees from 58 to 55 in 1983, with corresponding directions for public corporations and local authorities. After deciding to reverse course, the State restored age 58 but excluded employees who had already been compelled to retire during the intervening period. The affected employees challenged this exclusion; a competing group sought to preserve appointments or promotions arising from those retirements. Reinstatement, seniority and compensation for lost service were therefore central to the litigation. This was not a challenge to an Income-tax assessment.

Source: [Dockets and service-law background: PDF pp.12-29](#)

02 DISCUSSION BY THE HON'BLE COURT

The Hon'ble Court found the exclusion arbitrary in the special setting of legislation intended to undo an acknowledged wrong. Applying the equality and severability reasoning discussed in *Nakara*, it rejected administrative inconvenience as a sufficient justification on the evidence. It fashioned reinstatement or monetary compensation with consequential benefits under Articles 32 and 142. Within the ninth payment direction, the Court expressly provided that employees awarded compensation could apply to the concerned Income-tax Officer under section 89 read with rule 21-A and that the officer would grant the appropriate relief. The report contains no further analysis of the tax-relief formula, no dispute over a particular computation and no finding that compensation is tax-exempt. Both concurrences emphasised the exceptional factual setting rather than a universal right to retrospective retirement-age enhancement.

Source: [Remedial reasoning and directions: PDF pp.43-45](#); [Concurrences limit the service-law ruling: PDF pp.46-50](#)

03 JUDICIAL DECISION

The Court omitted the offending word 'not' from clause 3(1) of Ordinance 24 of 1984 and section 4(1) of Act 3 of 1985 and issued nine remedial directions. These addressed reinstatement, compensation measured by lost emoluments subject to stated adjustments, consequential retirement benefits, seniority, competing promotees and the timing of payment. Direction 9 expressly made the section 89/rule 21-A application route available for the compensation awarded and directed the concerned Income-tax Officer to grant appropriate relief. Writ Petitions 3420-26 of 1985 etc. were allowed with costs; Writ Petitions 5447-5546 of 1985 etc. were dismissed without a costs order.

Source: [Service and compensation directions: PDF pp.44-45](#); [Section 89/rule 21-A direction and disposition: PDF p.45](#)

04 OUTCOME / IN WHOSE FAVOUR

The excluded employees obtained case-specific restoration or compensation relief, while the competing petition group did not succeed. On the tax side, the practical result was a judicially recognised application for appropriate section 89/rule 21-A relief on compensation paid under the order. The Court did not itself calculate an individual's relief, order a specified refund, determine the income head, waive tax or confer a blanket exemption. The direction should therefore be recorded as consequential tax relief within a service case, not as a Revenue loss on an assessment appeal.

Source: [Precise tax and petition outcomes: PDF p.45](#)

05 AKHB REVIEW POINT

AKHB analysis: Separate three questions: what compensation the service court awards, how the receipt is treated under the applicable tax law, and what relief is available when payment relates to another period. This historical order directly addresses only the application for appropriate section 89/rule 21-A relief consequential on its compensation award; it is not authority that all back pay or compensation is exempt. For an actual claim, independently verify the applicable statutory version, factual allocation, computation, procedural requirements and later treatment. Preserve the limited service-law context and both concurrences instead of converting an ancillary direction into a general tax formula.

Source: [Scope of the appropriate-relief direction: PDF p.45](#); [Special factual context: PDF p.46](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

All 50 report pages read: headnote/appearances SCR 573-584; Chinnappa Reddy J. SCR 584-617; Eradi J. SCR 618; Khalid J. SCR 619-622. Unnumbered judicial text. The Income-tax component is the express operative section 89/rule 21-A direction at SCR 617 F-G, not the report's principal service-law dispute.

Open cited source rendition

The whole report, including both separate concurrences, has been read. One common report is treated as one note despite connected petition groups.

The final reporter tag says petitions dismissed, but the judicial order at SCR 617 allows Writ Petitions 3420-26 of 1985 etc. with costs and dismisses 5447-5546 of 1985 etc. without costs. The note follows that judicial order.

The report contains internal service-date slips, including 28.2.85 in direction 1, February 29, 1983 in direction 7, and a headnote cutoff differing from the operative 31 October 1985. These are not silently corrected; the note avoids reproducing the defective detail. The judgment date is clearly printed as 19 August 1985.

STATUTORY SCOPE

The judgment's ninth remedial direction refers to section 89 and rule 21-A for appropriate relief on compensation awarded to the affected employees. It does not interpret their computation formula, prescribe present filing requirements or decide that the compensation is exempt from tax.

LATER TREATMENT

Source checked 2026-10-18. Judgment as delivered on 19 August 1985. Subsequent treatment and the current statutory/procedural position have not been verified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 50](#)

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