

O. P. Bhandari v. Indian Tourism Development Corporation Ltd. and Others

Civil Appeal No. 1969 of 1986

[1986] 3 SCR 923 | 1986-09-26

Section 89 relief for a lump-sum award containing salary arrears and compensation in lieu of reinstatement after unlawful service termination

Income-tax Act, 1961: sections 17(3), 89 and 192 | Income-tax Rules, 1962: rule 21A | Constitution of India: articles 12, 14 and 16(1)

Two-judge bench; judgment delivered by M. P. Thakkar, J. | M. P. Thakkar, J. | S. Natarajan, J.

Historical ruling; verify current law

The tax direction formed part of an employment remedy. It did not calculate the actual section 89 amount, and present rule 21A procedure and payment components require separate verification.

01 FACTS OF THE CASE

ITDC terminated a hotel manager under a rule allowing discharge by ninety days' notice or pay. The High Court summarily rejected his constitutional challenge. The Supreme Court held the public-sector corporation to be State and the unguided termination rule invalid, then considered compensation instead of automatic reinstatement because the managerial relationship had broken down.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated reinstatement as non-automatic for senior managerial posts and fixed compensation equivalent to 3.33 years' salary and usual allowances, plus salary arrears and retirement benefits. Because a single-year payment might attract section 192 withholding at a higher rate, the Court identified section 89 and rule 21A as the statutory relief mechanism for arrears and profit in lieu of salary.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

If ITDC deducted tax under section 192, the employee was entitled to section 89 relief for the arrears and compensation; ITDC's tax consultant had to assist with any required application.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Appeal allowed; High Court order set aside. ITDC had to reinstate with full back wages or pay the directed package, assist with tax relief, and pay costs.

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

05 AKHB REVIEW POINT

AKHB analysis: break a lump-sum employment award into arrears, compensation/profit-in-lieu and retirement components before withholding and section 89 work. Preserve the employer-assistance direction, but calculate relief only under the applicable rule and verified year-wise data.

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

SOURCE & VERIFICATION

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

Complete 14-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 14-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

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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General legal and tax research only; not legal or tax advice. Verify the complete judgment, governing statutory version and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.