

W.P.No.4601 of 2026

IN THE HIGH COURT OF JUDICATURE AT MADRAS

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|---------------|------------|
| Reserved On | 07.04.2026 |
| Pronounced On | 24.06.2026 |

CORAM

THE HONOURABLE MR. JUSTICE C.SARAVANAN

W.P.No.4601 of 2026

and

W.M.P.No.5112 of 2026

Hosur Bata Employees Union,
Represented by its General Secretary
G.Kumaresh

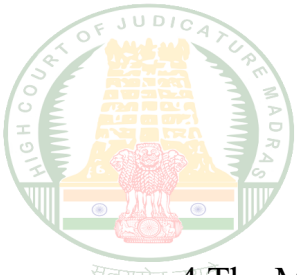
... Petitioner

Vs.

1.The Principal Chief Commissioner of Income Tax,
Tamil Nadu & Puducherry,
Aayakar Bhawan,
No.121, Mahatma Gandhi Road,
Nungambakkam,
Chennai – 600 034.

2.The Income Tax Officer (TDS),
No.737/1, R.K. Tower,
Ground Floor,
Krishnagiri Bye Pass Road,
Maruthi Nagar,
Hosur,
Krishnagiri District – 635 130.

3.Bata India Limited,
Represented by its Chief Executive Officer,
Bata House – 418/02, Gurgaon Mahrauli Road,
Sector Gurgaon, Haryana – 122 002.



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4.The Management of Bata India Limited,
Represented by its Plant Head,
Plot No.73 and 74, SIPCOT-I,
SIPCOT Industrial Area,
Hosur,
Krishnagiri District – 632 126.

... Respondents

Writ Petition filed under Article 226 of the Constitution of India, for issuance of a Writ of Mandamus, to direct the 2nd Respondent to issue appropriate directions to the 3rd Respondent to refund the amounts to the workers wrongfully deducted as Tax Deducted at Source (TDS) as against the payments made by the 3rd Respondent to the members of the Petitioner Union in compliance with the settlement of 10.01.2026, and issue such further or order appropriate orders or directions as this Hon'ble Court may be pleased to deem fit and proper in the facts and circumstances of the case, award costs against the 3rd Respondent and render justice.

For Petitioner : Mr.V.Prakash
Senior Counsel
For Mr.S.Gokul

For R1 and R2 : Dr.B.Ramasamy
Senior Standing Counsel

For R3 and R4 : Mr.T.Poornam



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ORDER

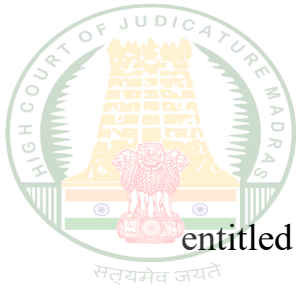
WEB COPY The Petitioner is an Employees Union representing the interest of 61 employers / workers of the 3rd Respondent Company is before this Court for the following relief:-

“To direct the 2nd Respondent to issue appropriate directions to the 3rd Respondent to refund the amounts to the workers wrongfully deducted as Tax Deducted at Source (TDS) as against the payments made by the 3rd Respondent to the members of the Petitioner Union in compliance with the settlement on 10.01.2026.”

2. The background of the present Writ Petition is an industrial dispute for wage revision which was pending before the Industrial Tribunal, Chennai in O.P.No.62 of 2025.

3. In view of the pendency of the aforesaid wage revision dispute between the Petitioner and the 3rd Respondent Company, a settlement was arrived at, and a Settlement Agreement dated 10.01.2026 was signed under Section 57(1) of the Industrial Relations Code, 2020 read with Rule 25 of the Tamil Nadu Industrial Disputes Rules, 1958.

4. As per the aforesaid Settlement, each of the 61 employees were



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entitled to receive a sum of Rs.5,00,000/- towards Voluntary Retirement Scheme (VRS) and a sum of Rs.40,50,000/- towards loss of salary of each of the workers whose names were specified in **Annexure-II series** to the aforesaid Settlement dated 10.01.2026.

5. Apart from the above, the 3rd Respondent also undertook to make a one-time payment of a sum of Rs.50,000/- towards the arrears of wage revision for the period between 01.12.2023 and 31.12.2025.

6. Under the Settlement Agreement, it has been stated that the aforesaid amount of Rs.45,50,000/- (Rs.5,00,000/- + Rs.40,50,000/-) towards Voluntary Retirement Scheme (VRS) and compensation for loss of salary for the remaining period of service up to 31.12.2032 will be paid in two installments on **10.01.2026** and **02.04.2026** respectively.

7. The 3rd Respondent Company has also made payments directly to the employees / workers. However, while making such payments, the 3rd Respondent Company have assessed the individual employees / workers on a higher slab of Income Tax on the aforesaid amount and deducted tax under Section 191 of the Income Tax Act, 1961 on the aforesaid amounts paid



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towards Voluntary Retirement Scheme (VRS) amount and the compensation for loss of salary for the remaining period of service up to 31.12.2032.

8. It is submitted that even though the settlement has recognized that the employees / workers of the Petitioner Union were entitled to submit Form 10E for the amount mentioned in Annexure-II series payable in advance in two installments on 10.01.2026 and 02.04.2026, the management of the 3rd Respondent Company has deducted the Tax Deducted at Source (TDS) on the entire amount even though payments were made in two installments on the dates mentioned above.

9. The Counter Affidavit filed by the 3rd Respondent also admits that the Tax was Deducted at Source (TDS) and was remitted to the Income Tax Department on 06.01.2026.

10. Learned Senior Counsel for the Petitioner has placed reliance on the decision of the Division Bench of this Court in **Commissioner of Income-tax Vs. G.V.Venugopal**, (2005) 273 ITR 307. Specifically, learned Senior Counsel drew attention to Paragraph Nos.38, 39 and 40 from the said decision wherein, the Court had referred to the Voluntary Retirement Scheme (VRS) under



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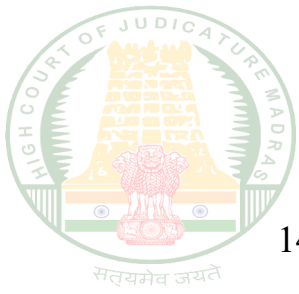
Section 89(1), 10(10C) and 192(2)(2A) of the Income Tax Act, 1961 read with

Section 17(3) of the Income Tax Act, 1961.

11. Learned Senior Counsel for the Petitioner also drew attention to yet another decision of the Division Bench of this Court in **Commissioner of Income-tax Vs. M.Abdul Kareem**, (2009) 311 ITR 162.

12. Learned counsel for the 3rd and 4th Respondents Company would submit that the Writ Petition itself is liable to be dismissed as infructuous as the amount has been already deducted and paid as early as **06.02.2026** and therefore this Writ Petition is liable to be dismissed.

13. That apart, it is submitted that the 3rd Respondent Company has complied with the requirements of Sub-Clause (2A) to Section 192 of the Income Tax Act, 1961 by making proper assessment and therefore it is not open for the Petitioner to approach this Court and in any event it is not expected that the Petitioner cannot ask to direct the 3rd Respondent Company to refund the amount to the members of the Petitioner Union towards the amount which has been deducted as per the assessment made by the 3rd Respondent Company.



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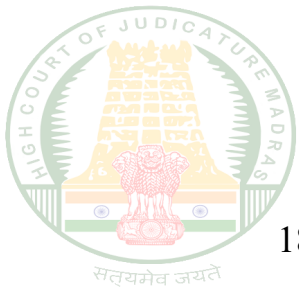
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14. Learned counsel for the 3rd and 4th Respondents Company has drawn attention to a decision of the Division Bench of the Patna High Court in **Syed Jamaluddin Ali Vs. State Bank of India, through the General Manager-I and others**, (2021) 1 BLJ 152 (PHC). Specifically, a reference was made to Paragraph Nos.21, 22, 23 and 25 from the said decision.

15. It is further submitted that in case it is the case of the respective members of the Petitioner Union that amounts in excess of tax deductible has been remitted by the 3rd Respondent Company, it is always open for the Petitioner to file appropriate application under Section 89 of the Income Tax Act, 1961 and for substantial refund of the tax depending upon the tax liability of the members of the Petitioner Union.

16. Mr.B.Ramasamy, learned Senior Standing Counsel for the 1st and 2nd Respondents Income Tax Department on the other hand would submit that the Writ Petition itself is liable to be dismissed for want of jurisdiction.

17. It is further submitted that the 3rd Respondent Management is located in Haryana and therefore there is territorial nexus for entertaining this Writ Petition under Article 226 of the Constitution of India.



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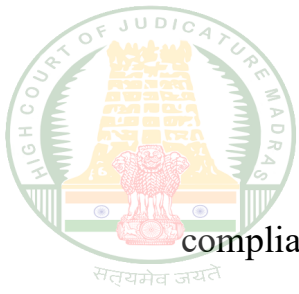
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18. It is submitted that no part of cause of action has arisen within the jurisdiction of this Court particularly when the 3rd Respondent Management has deducted tax and paid on 06.02.2026 before the jurisdictional Income Tax Department where the 3rd Respondent Management is being assessed.

19. Learned Senior Standing Counsel for the 1st and 2nd Respondents Income Tax Department has also drawn attention to the following Paragraphs from the Counter Affidavit insofar as Section 192(2A) and Section 89 of the Income Tax Act, 1961 and Rule 21A of the Income Tax Rules, 1962.

20. It is submitted that the settlement specifically provided that income tax in respect of the said payments would be dealt with strictly in accordance with the provisions of the Income Tax Act, 1961. It further recorded that the workmen may submit Form-10E under Section 192(2A), and that the Management would compute the tax payable and deduct tax at source as applicable. It was also made clear that the workmen were at liberty to avail relief under Section 89(1) of the Income Tax Act, 1961.

21. It is submitted that pursuant to settlement, the Management disbursed the first installment of payment and deducted tax at source (TDS) in

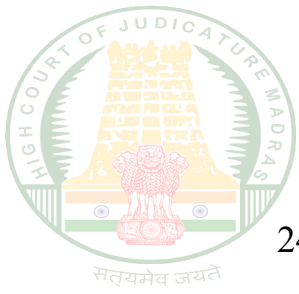


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compliance with Section 192 of the Income Tax Act, 1961, treating the amounts paid as income chargeable under the head “Salaries”, including “profits in lieu of salary” as defined under Section 17(3) of the Income Tax Act, 1961.

22. It is submitted that the Petitioner Union contends that the TDS deducted was excessive and that the entire compensation amount ought not to have been treated as income of the financial year 2025-2026. According to the Petitioner, the benefit of Section 89(1) read with Rule 21A of the Income Tax Rules, 1962, entitles the workmen to spreading over of income, thereby reducing tax liability.

23. It is submitted that filing of Form-10E by the workmen does not eliminate the statutory responsibility of the employer to deduct tax at source. Relief under Section 89(1), if admissible, is to be examined and granted by the Assessing Officer upon assessment, and any excess tax deducted can be claimed as refund in accordance with the procedure prescribed under the Income Tax Act, 1961.



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24. It is further submitted that the principal assessment jurisdiction of the 3rd Respondent lies outside the territorial limits of the Madras High Court. As per official Income Tax Records, the Company is assessed under authorities having jurisdiction at Kolkata and / or other competent jurisdictions, including corporate offices at Gurugram, Haryana. The statutory compliances relating to deduction and deposit of Tax Deducted at Source (TDS) are governed by the jurisdictional Assessing Officer outside Tamil Nadu. Therefore, no part of the cause of action relating to tax computation, assessment or refund arises within the territorial jurisdiction of the Madras High Court, and the present Writ Petition is liable to be dismissed for want of territorial jurisdiction. The answering Respondents submit that the deduction of Tax Deducted at Source (TDS) was carried out strictly in compliance with statutory mandate and in accordance with the settlement dated 10.01.2026. the dispute raised pertains essentially to tax computation and relief under the Income Tax Act, for which adequate statutory remedies are available, and no illegality or arbitrariness can be attributed to the Management.

25. That apart, it is submitted that the 3rd Respondent Company has strictly acted in accordance with settlement and statutory mandate under Section 89 and Section 192(2A) of the Income Tax Act, 1961 and therefore it



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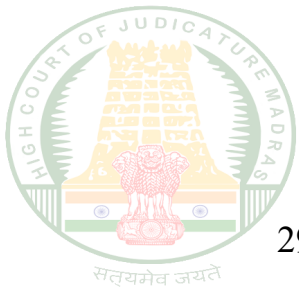
is open for the individuals to file appropriate refund application in accordance

with the provisions of the Income Tax Act, 1961.

26. I have considered the arguments advanced by the learned Senior Counsel for the petitioner, the learned Senior Standing Counsel for R1 and R2, and the learned counsel for R3 and R4.

27. The facts are not in dispute. The amounts paid to employees / workers of the 3rd Respondent Company towards Voluntary Retirement Scheme (VRS), Loss of Salary, and Arrears of Wage Revision between 01.12.2023 and 31.12.2025, are not to be included in the income of the respective employees / workers of the 3rd Respondent Company whose interest has been collectively represented by the petitioner union. This is evident from the reading of Section 10(10C)(ii) of the Income Tax Act, 1961.

28. The impact of the third proviso to Section 10(10C)(ii) of the Income Tax Act, 1961 as inserted by the Finance (No.2) Act, 2009, with effect from 01.04.2009 is also reflected in proviso to Section 89 of the Income Tax Act, 1961, which was also inserted by the same amendment with effect from 01.04.2010.



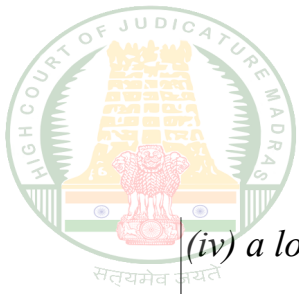
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29. Section 89 of the Income Tax Act, 1961, provides relief to an assessee, where the salary, etc., is paid in arrears or in advance. It also grants relief to an assessee who receives, in any financial year, a payment which under the provisions of Clause (3) of Section 17 is paid as a profit in lieu of salary. Additionally, the section mandates that an assessee file an application to be granted such relief.

30. Both Section 10(10C) and Section 89 of the Income Tax Act, 1961, go hand in hand. The expression provided in relation to salary is also defined in Section 17(3) of the Income Tax Act, 1961.

31. For the sake of clarity, sub clause (10C) to Section 10, Section 89 and Section 17(3) of the Income Tax Act, 1961 are reproduced below:-

| (10C) | Section 89 |
|---|---|
| <i>any amount received or receivable by an employee of—</i> <i>(i) a public sector company ; or</i> <i>(ii) any other company ; or</i> <i>(iii) an authority established under a Central, State or Provincial Act ; or</i> | <i>Where an assessee is in receipt of a sum in the nature of salary, being paid in arrears or in advance or is in receipt, in any one financial year, of salary for more than twelve months or a payment which under the provisions of clause (3) of section 17 is a profit in lieu of salary, or is in receipt of a sum in the nature of</i> |



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(iv) a local authority ; or

(v) a co-operative society ; or

(vi) a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956 (3 of 1956) ; or

(vii) an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Technology Act, 1961 (59 of 1961) ; or

(viia) any State Government; or

(viib) the Central Government; or

(viic) an institution, having importance throughout India or in any State or States, as the Central Government may, by notification in the Official Gazette, specify in this behalf; or

(viii) such institute of management as the Central Government may, by notification in the Official Gazette, specify in this behalf,

on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector

family pension as defined in the Explanation to clause (ia) of section 57, being paid in arrears, due to which his total income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant such relief as may be prescribed:

Provided that no such relief shall be granted in respect of any amount received or receivable by an assessee on his voluntary retirement or termination of his service, in accordance with any scheme or schemes of voluntary retirement or in the case of a public sector company referred to in sub-clause (i) of clause (10C) of section 10, a scheme of voluntary separation, if an exemption in respect of any amount received or receivable on such voluntary retirement or termination of his service or voluntary separation has been claimed by the assessee under clause (10C) of section 10 in respect of such, or any other, assessment year.



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company referred to in sub-clause (i), a scheme of voluntary separation, to the extent such amount does not exceed five lakh rupees :

Provided that the schemes of the said companies or authorities or societies or Universities or the Institutes referred to in sub-clauses (vii) and (viii), as the case may be, governing the payment of such amount are framed in accordance with such guidelines (including inter alia criteria of economic viability) as may be prescribed:

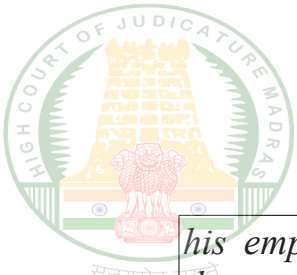
Provided further that where exemption has been allowed to an employee under this clause for any assessment year, no exemption thereunder shall be allowed to him in relation to any other assessment year :

Provided also that where any relief has been allowed to an assessee under section 89 for any assessment year in respect of any amount received or receivable on his voluntary retirement or termination of service or voluntary separation, no exemption under this clause shall be allowed to him in relation to such, or any other, assessment year;

Section 17(3)

(3) "profits in lieu of salary" includes-

(i) the amount of any compensation due to or received by an assessee from his employer or former employer at or in connection with the termination of



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his employment or the modification of the terms and conditions relating thereto;

*(ii) any payment [other than any payment referred to in clause (10) 5[, clause (10A)] 6[, clause (10B)], clause (11), 7[clause (12) 8[, clause (13)] or clause (13A)] of section 10], due to or received by an assessee from an employer or a former employer or from a provident or other fund 9***, to the extent to which it does not consist of contributions by the assessee or 10[interest on such contributions or any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy.*

Explanation. For the purposes of this sub-clause, the expression "Keyman insurance policy" shall have the meaning assigned to it in clause (10D) of section 10;]

[(iii) any amount due to or received, whether in lump sum or otherwise, by any assessee from any person-

(A) before his joining any employment with that person; or

(B) after cessation of his employment with that person.]

32. Thus, for the aforesaid purpose, Form 10E has been prescribed under Rule 21A of the Income Tax Rules, 1962.

33. As per the provision of Section 192(2A), even in the case of an employee of a company who is an assessee entitled to relief under Section 89(1) of the Income Tax Act, 1961, the employee may furnish such particulars to the person responsible for making the payment. Thereupon, the



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person responsible shall compute the relief on the basis of those particulars

and take it into account in making the deduction under sub-section (1).

34. Although the 3rd and 4th respondents would have been aware of the fact that the members of the petitioners union may be entitled to the relief under Section 89 read with Section 17(3) of the Income Tax Act, 1961, and that the amounts paid to them may not income to be included in computing the total income chargeable to income tax under Sections 4 and 5, it cannot be said that they are required to voluntarily grant such relief in the absence of an application in Form 10E, as is contemplated under Rule 21A. This is evident from the reading of Section 192(2A) of the Income Tax Act, 1961.

35. Therefore, the 3rd and 4th respondents cannot be found at fault, as they acted strictly in accordance with the mandate of the law, although the amounts paid by them to the respective members of the Petitioner Union may not to form part of their taxable income.

36. Since the amounts paid by the 3rd and 4th respondents to their employees under the settlement may not be taxable income in their hands, and considering the fact that tax has been deducted at source by the 3rd and 4th



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respondents and have been remitted to the Income Tax Department, I am

inclined to pass the following orders:

(i) the petitioner employees shall file returns under Section 139(1) of the Income Tax Act, 1961, within a period of 30 days from the date of receipt of a copy of this order.

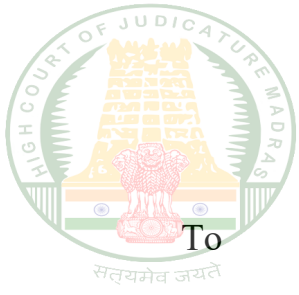
ii) Upon filing such returns, the 2nd respondent shall process the same under Section 143(1) of the Income Tax Act, 1961, and refund the appropriate amount to the members of the petitioner, within a period of two months.

37. In view thereof, this Writ Petition stands disposed of. No costs. Connected miscellaneous petition is closed.

24.06.2026

Neutral Citation: Yes / No

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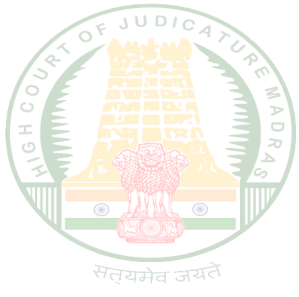


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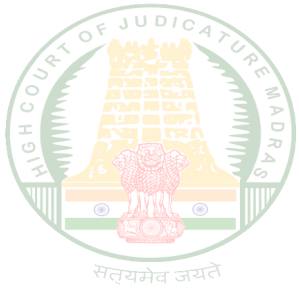
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C.SARAVANAN, J.

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Pre-delivery Order in
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24.06.2026