

COAL MINES PROVIDENT FUND COMMISSIONER
DHANBAD & OTHER

v.

J. LALA & SONS

February 13, 1976

[A. N. RAY, C.J., M. H. BEG AND JASWANT SINGH, JJ.]

Coal Mines Provident Fund and Bonus Scheme Act 1948 (XLVI of 1948)—Section 10F and 78—Payment of damages payable by the employer—Whether the Coal Mines Provident Fund Commissioner should give an hearing to the employer—Meaning of the words “such damages”.....“as it may think fit to impose”.

Section 10F of the Coal Mines Provident Fund and Bonus Scheme Act 1948 is a penal section under which for default in the payment of any Provident Fund contribution, the Central Government may recover from such employer or person as the case may be, such damages, not exceeding 25% of the amount of arrears, as it may think fit to impose. In respect of the period from July to September, 1968, the respondent employer was asked to pay a sum of Rs. 1455.50 as damages being 25% of the arrears of Provident Fund contributions by the appellant to which he filed an objection explaining the delay. The employer's request for waiving the damages was negatived. The writ application of the employer against that order was allowed by the High Court on two grounds, viz. (i) that the computation of damages should arise upon consideration of the facts and circumstances, and (ii) the authorities should have given an opportunity to the employer to represent the case.

Dismissing the appeal by special leave, the Court,

HELD: (1) The provisions contained in s. 78 of the Act indicate first that the Coal Mines Provident Fund Commissioner may determine the amount due from the employer, and second, for this purpose he may conduct such enquiry as he may deem necessary. Therefore, an enquiry is contemplated. Section 78(3) speaks of reasonable opportunity being given to an employer to represent his case. The provision in s. 10F of the Act also indicates that determination of damages is not a mechanical process. The words of importance in s. 10F of the Act are “such damages not exceeding 25 per cent of the amount of arrears as it may think fit to impose”. Here the two important features are these: First the words of importance are “damages not exceeding 25%” show that the determination of damages is not an inflexible application of a rigid formula. Second, the words “as it may think fit to impose” in s. 10F show that the authorities are required to apply their mind to the facts and circumstances of the case. [368A-C]

(2) When a body or authority has to determine a matter involving rights judicially, the principle of natural justice is implied if the decision of that body or authority affects individual rights or interests. [368E-F]

Indian Sugars & Manufacturers Ltd. v. Amravati Services Co-operative Society Ltd. & Anr. [1976] 2 S.C.R. 740 and *State of Punjab v. K. R. Erry & Sobhag Rai Mehta* [1973] 2 S.C.R. 405, applied.

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 1363 of 1974.
Appeal by special leave from the judgment and order dated the 20th May, 1971 of the Patna High Court at Patna in C.W.J.C. No. 306 of 1969.

L. N. Sinha and Girish Chandra, for the appellants

S. N. Mishra, B. P. Singh and A. K. Srivastava, for the respondents.

A The Judgment of the Court was delivered by

RAY, C.J.—This appeal by special leave turns on the question whether the Coal Mines Provident Fund Commissioner is to hear an employer before making an order requiring the employer to pay damages under section 10F of the Coal Mines Provident Fund and Bonus Scheme Act, 1948 (hereinafter referred to as the Act).

B The employer being the respondent to this appeal was directed by a letter dated 3/4 January, 1969 to pay provident fund contributions amounting to Rs. 5821.21 for the months of July to September, 1968 and damages at the rate of 25 per cent on the above dues amounting to Rs. 1455.50. The employer was required to pay damages under the provisions of section 10F of the Act.

C The employer filed an objection explaining the circumstances under which there was delay in the payment of provident fund contributions. The employer prayed that damages might not be imposed at the rate of 25 per cent for the delay in payment. The employer paid the provident fund contributions. The employer was informed that damages charged on the delayed payments of provident fund contribution could not be waived.

D The employer thereafter filed an application in the High Court for an order that the demand notice be quashed. The High Court acceded to the application of the employer. The High Court gave two reasons. First, that the computation of amount of damages should arise upon consideration of facts and circumstances and a mechanical computation of damages is not contemplated. Second, the authorities should have given opportunity to the employer to represent the case.

E The High Court did not accept the contention of the employer that section 10F of the Act suffered from the vice of excessive delegation.

The provision contained in section 10F of the Act are as follows :—

F “Where an employer makes default in the payment of any contribution or bonus or any charges payable by him under any scheme framed under this act, or where any person who is required to transfer provident fund accumulations in accordance with the provisions of section 3D makes default in the transfer of such accumulations, the Central Government may recover from such employer or person, as the case may be, such damages, not exceeding twenty-five per cent of the amount of arrears, as it may think fit to impose.”

G The Central Government under sub-section (1) of section 10C of the Act is authorised to delegate any power exercisable by it under the Act, or any Scheme framed thereunder, to the Coal Mines Provident Fund Commissioner or any other officer.

H The Central Government in exercise of the power conferred under section 10C(1) of the Act by notification dated 1st October,

1966 directed that powers exercisable by it under sections 10A and 10F of the Act and specified in column (1) of the Table attached to the notification shall, subject to the conditions specified in the corresponding entry in column (2) of the Table attached, be exercisable by the Coal Mines Provident Fund Commissioner appointed under section 3C(1) of the Act. There is a Schedule attached to the notification where sliding scale of damages has been fixed by the Central Government under section 10F of the Act. The Schedule attached to the notification is as follows :—

“Sliding rate of recovery of damages under section 10F of the Coal Mines Provident Fund and Bonus Scheme Act, 1949.”

S.No. of default during the year.	Period of default					
	One month or less	Over one month up to two months	Over two months up to three months	Over three months up to four months	Over four months up to five months	Over five months
1	2	3	4	5	6	7
Ist default	2% of arrears	5% of arrears	18% of arrears	15% of arrears	20% of arrears	25% of arrears
2nd default	5% „	10% „	15% „	20% „	25% „	25% „
3rd default	10% „	15% „	20% „	25% „	25% „	25% „
4th default	15% „	20% „	25% „	25% „	25% „	25% „
5th default	20% „	25% „	25% „	25% „	25% „	25% „
6th or subsequent default	25% „	25% „	25% „	25% „	25% „	25% „

Under section 78 of the Act the Coal Mines Provident Fund Commissioner or any other officer authorised in that behalf by the Central Government may, by order, determine the amount due from any employer under any provision of this Act or any scheme framed thereunder and for this purpose may conduct such enquiry as he may deem necessary. Section 78(3) also contemplates giving of reasonable opportunity to represent the case. The High Court held that the provisions of section 78 are attracted in the case of an order relating to determination of damages for delay in payment of contribution under the Act.

The Solicitor General contended that section 78 of the Act does not apply for two reasons. First, section 78 of the Act would be applicable only where liability is to be determined. Neither liability to pay nor default in payment is disputed in the present case. Second, under section 10F of the Act the amount of damages is quantified and a

A personal hearing is not necessary because the employer has said everything in his representation and an order for payment of damages is not one of punishment.

B The provisions contained in section 78 of the Act indicate first that the Coal Mines Provident Fund Commissioner may determine the amount due from the employer, and, second, for this purpose he may conduct such enquiry as he may deem necessary. Therefore, an enquiry is contemplated. Section 78(3) speaks of reasonable opportunity being given to an employer to represent his case. The provisions in section 10F of the Act also indicate that determination of damages is not a mechanical process. The words of importance in section 10F of the Act are "such damages not exceeding 25 per cent of the amount of arrears as it may think fit to impose". Here the two important features are these. First, the words of importance are "damages not exceeding 25 per cent". These words show that the determination of damages is not an inflexible application of a rigid formula. Second, the words "as it may think fit to impose" in section 10F of the Act show that the authorities are required to apply their mind to the facts and circumstances of the case.

D This Court in *The India Sugars and Refineries Ltd. v. Amravathi Service Co-op. Society Ltd. & Anr. etc.*⁽¹⁾ said that "situations in which a duty will arise to act judicially according to the natural justice cannot be exhaustively enumerated. A duty to act judicially will arise in the exercise of a power to deprive a person of legitimate interest or expectation that additional price would be paid. The facts which point to an exercise of powers judicially are the nature of the interest to be affected, the circumstances in which the power falls to be exercised and the nature of the sanctions, if any, involved". When a body or authority has to determine a matter involving rights judicially the principle of natural justice is implied if the decision of that body or authority affects individual rights or interests. Again, in such cases having regard to the particular situation it would be unfair for the body or authority not to have allowed a reasonable opportunity to be heard. (See *State of Punjab v. K. R. Erry & Sobhag Rai Mehta.*⁽²⁾)

The High Court was correct in holding that an opportunity should have been given to the employer to be heard before the damages were determined. The appeal is, therefore, dismissed with costs.

S. R.

Appeal dismissed.

(1) [1976] 2 S.C.R. 740.

(2) [1973] 2 S.C.R. 405.