

Karamchari Union, Agra v. Union of India and others

Civil Appeal No. 1843 of 1989 with connected appeals

[2000] 2 SCR 33 | 2000-02-29

Taxability of dearness, city compensatory and house-rent allowances as salary income

Income-tax Act, 1961: sections 2(24), 10, 16 and 17

Two-judge bench; judgment delivered by M. B. Shah, J. | D. P. Wadhwa, J. | M. B. Shah, J.

Limited holding

The decision resolves DA, CCA and HRA. It records no order on night allowance, tuition fee, leave encashment linked with LTC, running allowance or other unargued items.

01 FACTS OF THE CASE

Employees and associations challenged inclusion of DA, CCA and HRA in taxable salary; connected Revenue and insurer appeals arose from contrary High Court rulings. They argued that compensatory payments merely offset extra expense and were not profits of the employer or gains to the employee.

Source: [Primary judgment: connected disputes and arguments](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated the Income-tax Act as a self-contained code for the defined concepts of income and salary. In section 17, "profits" meant advantage or gain to the employee, not a distribution of the employer's profits. Allowances additional to pay could therefore fall within salary; destination, reimbursement rationale, equity and hardship did not control the statutory inclusion.

Source: [Primary judgment: statutory construction](#)

03 JUDICIAL DECISION

DA, CCA and HRA were held taxable. Because counsel made no submissions on night allowance, tuition fee, leave encashment linked with leave-travel concession, running allowance and similar items, the Court made no order concerning those allowances.

Source: [Primary judgment: holding and reservation](#)

04 OUTCOME / IN WHOSE FAVOUR

Civil Appeal Nos. 1784-86 of 1988, 6054 of 1994 and 6058 of 1994 were allowed. Civil Appeal No. 1843 of 1989 and Civil Appeal Nos. 1853-1856 of 2000 were dismissed. There was no order as to costs.

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

05 AKHB REVIEW POINT

AKHB analysis: classify an employment receipt under the statute's defined salary and exemption provisions before applying an everyday reimbursement label. Preserve the Court's express non-decision on unargued allowances, and verify current exemptions and later authority separately.

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

SOURCE & VERIFICATION

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

Complete 19-page SCR report read in page-preserving text and every page image inspected through the mixed connected-appeal disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 19-page count verified; the complete report was read and every source page image inspected.

STATUTORY SCOPE

The Court applied sections 2(24) and 17 as they operated for the relevant historical payment years. It expressly left several other allowances undecided.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. Exemptions, salary definitions and allowance treatment must be checked under the current statutory text and the employee's facts.

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.