

T.K. Ginarajan v. The Commissioner of Income Tax, Cochin, Kerala

Civil Appeal No. 5216 of 2002

[2013] 7 SCR 813 | 2013-08-01

Whether an LIC Development Officer could deduct a flat 40% of pre-1 April 1989 incentive bonus as canvassing expenditure rather than follow the salary-head rules.

2(24) | 10(14) | 15 | 16 | 17

Two-judge bench | Sudhansu Jyoti Mukhopadhyaya, J. | Kurian Joseph, J.

Assessment years: See the source-scope notes; no year inferred.

Pre-1989 bonus claim; no automatic expense percentage

This case rejects a flat 40% expense deduction from the employee's incentive bonus for unspecified years before 1 April 1989. It distinguishes, rather than universally rejects, properly supported reimbursement/allowance treatment. The later 30% LIC arrangement and quoted statutory text are not current guidance. Exact AYs and comprehensive later treatment remain unverified; no 2025-Act mapping is certified.

01 FACTS OF THE CASE

The Development Officer claimed 40% of incentive bonus as expenditure incurred to obtain insurance business. The officer and Commissioner (Appeals) rejected the claim, the Tribunal allowed it, and the Kerala High Court ruled for Revenue. LIC had asked CBDT for clarification; the response distinguished certified reimbursement of actual duty expenses from incentive bonus appearing as salary. The Court expressly confined the case to the period before 1 April 1989, separately describing a later LIC reimbursement arrangement (paragraphs 1–5).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The incentive bonus paid by the employer to its employee was salary within section 17. Computation under that head followed the Act's own deduction scheme; a general net-income or business-expense approach could not displace section 16. The Court approved the prevailing High Court view rejecting deductions beyond that framework for the bonus (paragraphs 4–6).

The historical section 10(14) issue was different from automatically allowing 40% of bonus. It concerned amounts specifically provided for actual expenses of performing employment duties, with the reimbursement/certification distinction identified in the CBDT response. On this record, no claim for reimbursement or exclusion of actual expenditure was made. The Court rejected Kiranbhai H. Shelat's contrary approach, which had relied on LIC's request without adequately considering that response and the statutory distinction (paragraphs 7–9).

Texmaco involved a particular company scheme under a differently worded State profession-tax statute. Its regular-payment test did not answer the salary issue under this Act and these facts (paragraph 10).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The appeal was dismissed without costs. The pre-1 April 1989 incentive bonus remained salary subject to permitted section 16 deductions; the claimed 40% canvassing-expense reduction failed. The Court did not grant a quantified reimbursement or decide a current LIC scheme (paragraph 11).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal dismissed; no costs

Final rejection of the flat expense deduction from the historical salary incentive bonus

Not a general denial of all certified reimbursements or every section 10(14) allowance. No exact AY list is stated, and the post-1 April 1989 LIC arrangement is contextual rather than the disputed assessment.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Identify the head of income before importing business-expense concepts. For an employee's incentive, evidence that work generated the bonus does not itself create an unrestricted deduction from salary. Equally, distinguish an unsupported percentage claim from an actual, properly structured and documented duty-expense reimbursement under the relevant-year provision.

The judgment's descriptions of a later 30% LIC arrangement and section 17 text are not a current tax-free percentage, nor permission to net a fixed percentage from every incentive. Check the applicable scheme, employer certification and statutory version. The general statement about deductions is confined to computation under the salary head, not a denial of all independently available total-income deductions.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, author and confined period

Source url: [Open cited source](#)

Pdf pages: 1; 4

Paragraphs: Cover; 1–2

Source role: reported metadata and judicial text

2.

Topic: CBDT/LIC distinction and procedural course

Source url: [Open cited source](#)

Pdf pages: 4; 5; 7

Paragraphs: 2–5

Source role: judicial text

3.

Topic: Salary character and deduction framework

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: 4–7

Source role: judicial text

4.

Topic: Actual expense claim and contrary authority

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: 8–9

Source role: judicial text

5.

Topic: Different State statute and final result

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: 10–11

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

15 / 16 / 17: Incentive bonus as salary and permitted salary-head deductions

10(14): Historical allowance/reimbursement exclusion distinguished from a flat percentage claim

2(24): General income definition context

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Kurian Joseph, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 10 PDF pages; SHA-256

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Judicial paragraphs 1–11 on physical pages 4–10 (SCR 816–822); pages 1–3 and upper page 4 are report/editorial material. No adjacent judgment.

[Open cited source rendition](#)

The judgment confines the dispute to various years before 1 April 1989 but supplies no exact assessment-year list.

The report quotes an expanded section 17 text and Explanation 3 without independently reconciling every quoted feature to the pre-1989 years. The bonus classification and the confined dispute are retained, without certifying the whole extract as that period's consolidation.; Paragraph 4 refers broadly to computation in Chapter III starting with section 10. The note does not reproduce that statement as a complete map of the Act's computation chapters.; The author line says Kurian, J.; the visible bench identifies Kurian Joseph. No additional judge or assessment year is inferred.; LIC/CBDT communications and prior cases are described as embedded in this judgment; their complete originals and subsequent administrative validity were not separately checked.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later judicial or statutory treatment review. No current-law or Income-tax Act, 2025 mapping certification.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 10](#)

SHA-256: 77509f1745393ef40b4e2387e24206b3e7894212d9e8a96df88cb2c79225d288

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