

State Bank of India v. Assistant Commissioner of Income Tax

Civil Appeal No. 8181 of 2022 (arising out of SLP(C) No. 9876 of 2020)

[2022] 10 S.C.R. 51 | 2022-11-04

Whether SBI was liable for failure to deduct salary TDS on LTC reimbursements where employees' circuitous travel included foreign destinations, although SBI argued that reimbursement was limited to the shortest domestic-route fare.

10(5) | 192(1) | 201

Three-judge bench | Uday Umesh Lalit, CJI | S. Ravindra Bhat, J. | Sudhanshu Dhulia, J.

Assessment years: 2013-14

01 FACTS OF THE CASE

For AY 2013-14, SBI did not deduct salary tax at source when reimbursing certain employees' Leave Travel Concession claims. Their itineraries ran between Indian locations through foreign destinations and were not the shortest domestic routes. Following spot verification under section 133A, the Assessing Officer held SBI to be an assessee in default. CIT(A), the Tribunal and the Delhi High Court upheld that result. SBI argued that the journeys began and ended at Indian points and that reimbursement was limited to the shortest route between those domestic points, with no payment for the foreign leg. The Supreme Court granted leave and decided the appeal.

Source: [official signed order / paragraphs 1-5; 7-9 / PDF pages 1, 2, 3, 4, 9, 10, 11 / judgment; reported rendition / paragraphs 1-5; 7-9 / PDF pages 2, 3, 6, 7 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

Reading section 10(5) with Rule 2B, the Court held that the exemption concerns travel within India and is subject to the prescribed route and fare conditions. A journey with a foreign leg was not qualifying travel within India merely because its starting point and destination were Indian places. The argument that reimbursement was capped at the domestic shortest-route amount did not cure that defect (paragraphs 10-14). The Court also discussed the domestic-travel purpose of LTC, including the Sixth Pay Commission's rejection of foreign travel under that scheme. It expressly declined to investigate travel-agency pricing dynamics (paragraphs 11 and 15); the note makes no separate finding of fraud or improper agency conduct.

Under section 192(1), SBI had a statutory obligation to deduct tax on salary income. The complete itinerary and supporting information were available when the LTC bills were settled, so the Court rejected SBI's contention that non-deduction reflected a bona fide error in estimating employees' taxable income. The duty to deduct was distinct from payment of tax (paragraph 16). Although section 201, including its payee-compliance proviso, is reproduced in the order, the Court did not adjudicate or grant individual employee-based relief under that proviso.

Source: [official signed order / paragraphs 10-16 / PDF pages 12, 13, 14, 15, 16 / judgment](#); [reported rendition / paragraphs 10-16 / PDF pages 7, 8, 9 / judgment](#)

03 JUDICIAL DECISION

The Court found no reason to interfere with the Delhi High Court's order and dismissed SBI's appeal. The finding that SBI ought to have deducted tax and was an assessee in default for the disputed reimbursements remained in place. The order does not quantify a separate penalty, impose criminal liability or provide a new tax computation.

Source: [official signed order / paragraphs 17 / PDF pages 16 / judgment](#); [reported rendition / paragraphs 17 / PDF pages 9 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee-employer's appeal dismissed after leave granted

LTC exemption and salary-TDS default questions decided on the presented itineraries

The ruling addresses the foreign-leg reimbursements and material available to this employer. It does not decide every LTC condition, every employee's assessment, or an independently quantified penalty or prosecution.

Source: [official signed order / paragraphs 17 / PDF pages 16 / judgment](#); [reported rendition / paragraphs 17 / PDF pages 9 / judgment](#)

05 AKHB REVIEW POINT

Test the actual itinerary before applying a reimbursement cap: a domestic-fare ceiling did not save these claims where the travel itself included a foreign leg. Preserve employee itineraries, tickets, settlement papers and the contemporaneous payroll computation. For this case, the employer's access to the complete travel material defeated the asserted bona fide-estimation defence. Keep any section 201 payee-compliance claim, interest question or penalty issue separate and supported by its own statutory requirements; none should be inferred as automatically resolved by this order. The historical Rule 2B extract in the judgment is not a certification of today's fare rules or of an equivalent exemption under the Income-tax Act, 2025.

Source: [official signed order / paragraphs 10; 13-16 / PDF pages 12, 13, 14, 15, 16 / judgment; reported rendition / paragraphs 10; 13-16 / PDF pages 7, 8, 9 / judgment](#)

RULES CONSIDERED

Income-tax Rules, 1962: Rule 2B

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

133A

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(official signed order\)](#)

Identified source rendition: 16 PDF pages; SHA-256

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[Open cited source rendition](#)

Signed date is 4 November 2022; the digital-signature timestamp on the original cover is 5 November 2022 and is not substituted as the decision date.

Original document is headed Order and supplies Sudhanshu Dhulia's authorship; leave was expressly granted. This is not a bare non-speaking SLP dismissal.

SBI's assertion that no foreign-leg payment was reimbursed is a rejected party argument, not a factual basis for exempting a separable domestic component.

Section 201 provisos are reproduced but not separately applied to individual employees; no general extinguishment of such statutory safeguards is claimed.

No finding of travel-agency fraud, quantified penalty or criminal liability is added.

Current Rule 2B wording and later treatment have not been independently audited.

Reported citation verified on reported physical PDF page 1; no unverified neutral citation added.

STATUTORY SCOPE

Historical provisions considered in the judgment; no independent consolidated current-statute audit

No automatic mapping to the Income-tax Act, 2025 or automatic transfer of this holding to a later statutory version.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[official signed order - PDF pages: 16](#)

SHA-256: e89ce895c69d6c9c8bdfc7b6d834a4614c6950f0d4409e1b606fea7769df01e0

[reported rendition - PDF pages: 9](#)

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