(1998) 10 P&H CK 0072

In the Punjab And Haryana At Chandigarh

Case No : Income-tax References No''s. 417 and 418 of 1995

Commissioner of Income Tax — APPELLANT

Vs

S.L. Singhal, Development Officer — RESPONDENT

Date of Decision : 28-10-1998

Acts Referred:
Income Tax Act, 1961 — Section 16, 28

Citation : (1999) 238 ITR 170

Hon'ble Judges : N.K. Agarwal, J;G.C. Garg, J

Bench : Division Bench

Advocate : Deokinandan, for the Appellant; K.M.L. Majele, for the Respondent

Judgement

N.K. Agrawal, J.—The following question of law has been referred by the Income Tax Appellate Tribunal u/s 256 of the Income Tax Act, 1961 (for short, "the Act"), for the assessment years 1989-90 and 1990-91 :

"Whether, on the facts and in the circumstances of the case, the Tribunal is right in law in upholding the Deputy Commissioner of Income Tax (Appeals)''s order allowing deduction at 40 per cent. out of incentive bonus received by the assessee who is a Development Officer of the Life Insurance Corporation of India ?"

2. The assessee was employed in the Life Insurance Corporation of India as a Development Officer. He derived income from salary. He received certain amount by way of incentive bonus from his employer, namely, the Life Insurance Corporation. He sought deduction from the amount of incentive bonus on account of certain expenditures which he claimed to have incurred in the performance of his duties in connection with his efforts for securing more insurance business during the year. The Assessing Officer declined to allow such deduction. However, standard deduction u/s 16(i) of the Act was allowed.

3. This court has examined a similar question of law in B.M. Parmar Vs. Commissioner of Income Tax, (I.T. Ref. Nos. 105 and 106 of 1986). It has been

held on October 27, 1998, that incentive bonus is assessable under the head "Salaries" and not under the head "Profits and gains of business or profession". It has been further held that deduction u/s 16(i) of the Act is admissible under the head "Salaries" and no separate deduction on account of expenditure is permissible.

4. Taking the same view and for the reasons recorded in the aforesaid judgment, the question is answered in favour of the Revenue and against the assessee.

