

Commissioner of Income Tax, Patna v. Rani Bhuwaneshwari Kuer

Civil Appeal No. 620 of 1963

[1964] 7 SCR 920 | 1964-04-28

Revocable-trust income: the historical third proviso protected other beneficiaries' qualifying income until the settlor's power of revocation arose, although the settlor also retained her own beneficial share.

Indian Income Tax Act, 1922: section 16(1)(c) and its first and third provisos

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1947-48

Protection attached to qualifying income

The settlor's retained beneficial share did not automatically deprive other beneficiaries' income of the proviso's protection.

Power arising is the trigger

The judgment speaks of assessment when the power to revoke arises, not only when it is actually exercised.

01 FACTS OF THE CASE

The proprietor of Tekari Raj settled estate properties on trust in January 1941 to discharge debts and provide for herself, her husband and five sons. Later amendments divided surplus income into seven shares and postponed revocation until liabilities were discharged and specified leases ended; those leases ran until 1954 and 1965. For assessment year 1947-48 the officer included the trust income in the settlor's total income. The Tribunal and High Court granted relief, while preserving tax on her own beneficiary income (SCR pp. 921-925; PDF pp. 2-6).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read the third proviso as requiring the prescribed restriction on revocation and no direct or indirect benefit to the settlor from the particular beneficiary's income. The amended deed satisfied the duration requirement. A new allegation of actual revocation had not been raised below and was unsupported by the later deed's recitals. The proviso protected qualifying income of other beneficiaries rather than operating on an all-or-nothing basis for the trust; the settlor's own share remained taxable. It also applied to transfers deemed revocable by the first proviso, whose role was explanatory (SCR pp. 925-929; PDF pp. 6-10).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court dismissed Revenue's appeal with costs. Income received by beneficiaries other than the settlor could not be deemed her income until the power of revocation arose to her (SCR p. 929; PDF p. 10).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on inclusion of the other beneficiaries' income. This was not an exemption for the settlor's own beneficial receipts, which remained assessable (SCR pp. 925, 927 and 929; PDF pp. 6, 8 and 10).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: examine the complete trust deed and amendments, dates and conditions of revocation, and the flow of each beneficiary's income. Distinguish the settlor's retained entitlement from any direct or indirect benefit obtained from another beneficiary's share. Apply today's statutory conditions independently (analysis based on SCR pp. 926-929; PDF pp. 7-10).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 10-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

The source report contains 10 pages. Reporter headnotes and adjacent-case text are distinguished from the target judgment and operative order.

The primary source identifies Civil Appeal No. 620 of 1963, the stated bench, issues, reasoning and operative result.

STATUTORY SCOPE

This ruling applies the specific six-year/lifetime exception in the former section 16(1)(c). Current revocable-transfer and trust-assessment provisions require separate review; the historical duration test is not stated as present law.

LATER TREATMENT

Source checked 2026-10-10. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

PROFESSIONAL DISCLAIMER

AI-assisted legal research note for general information and professional research. It is not legal or tax advice. Verify the original judgment, applicable statutory version and subsequent judicial treatment before relying on it. The AKHB Review Point is editorial analysis, not part of the Court's judgment.