

# Commissioner of Income-tax, Punjab, Jammu & Kashmir, Himachal Pradesh, Patiala v. Raghbir Singh

Civil Appeals Nos. 96 to 98 of 1964

[1965] 3 SCR 684 | 1965-04-09

**Revocable trust attribution: directing trust income first to discharge the settlor's debts conferred a benefit but was not a provision for retransfer or reassumption of power under section 16(1)(c).**

Indian Income-tax Act, 1922: sections 2(15), 4(1) and 16(1)(c), including its provisos | Indian Companies Act, 1913: section 33

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

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

## Benefit was not enough under this proviso

The Court distinguished a benefit from the statutory trigger: the deed had to provide for retransfer of income or assets, or confer a right to reassume power, directly or indirectly.

## Assessment year not printed

The SCR report does not identify an assessment year. This note does not infer one from the reference numbers or surrounding dates.

## 01 FACTS OF THE CASE

On partition of a joint Hindu family, Raghbir Singh received 400 shares in Simbhaoli Sugar Mills and liability for a Rs.3,91,875 family debt. Four days later he placed 300 shares in an expressly irrevocable trust. The trustees had first priority to pay the settlor's scheduled debts from trust income, with power to sell shares if needed after ten years; after discharge, 80% of income was for his children and grandchildren and 20% for specified charitable objects. The officer called the trust fictitious; the appellate authority and Tribunal instead treated it as revocable under the first proviso to section 16(1)(c). The High Court held that dividend income on the 300 shares was not the settlor's taxable income and declined to answer a separate interest-deduction question.

Source: [Partition, trust terms and referred questions: SCR pp.685-688 / PDF pp.2-5](#)

## 02 DISCUSSION BY THE HON'BLE COURT

Section 16(1)(c) attributed income from assets remaining the settlor's property and from revocable transfers. Its first proviso deemed a settlement revocable when it contained a provision for direct or indirect retransfer of income or assets, or gave the settlor a direct or indirect right to reassume power over them. The word indirectly modified those two statutory mechanisms; it did not convert every settlement benefiting the settlor into a revocable one. Here the genuine trust vested the shares and income with trust obligations. Applying income to the settlor's debt benefited him, but neither retransferred income or assets to him nor gave him power to reassume them. Registration of shares in the chairman's name reflected company-law limits on entering notice of trusts, not retained beneficial ownership.

Source: [Section 16\(1\)\(c\) structure and provisos: SCR pp.688-689 / PDF pp.5-6](#); [No retransfer or reassumption despite debt-discharge benefit: SCR pp.690-691 / PDF pp.7-8](#)

## 03 JUDICIAL DECISION

The Court affirmed that the dividend income arising to the trustees could not be taxed in the settlor's hands under the first proviso to section 16(1)(c). It approved the cited Bombay decisions, dismissed Revenue's appeals with costs and allowed one hearing fee. It did not decide the separate interest-deduction question that the High Court had declined to answer.

Source: [Conclusion and appeals dismissed: SCR p.691 / PDF p.8](#)

## 04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the attribution question. Debt discharge conferred a benefit but did not make the trust statutorily revocable without a provision for retransfer or a right to reassume power. No ruling was made on the separate interest-deduction issue.

Source: [Limited assessee-favourable outcome: SCR pp.690-691 / PDF pp.7-8](#)

## 05 AKHB REVIEW POINT

AKHB analysis: for a historical revocability question, map the deed clause to the precise trigger - retransfer of income/assets or a retained right to reassume power - rather than relying only on economic benefit. Record title, trustee control, payment obligations and any retained powers separately. For a current matter, examine the governing trust, clubbing, transfer and anti-avoidance provisions and later precedent independently.

Source: [AKHB analysis based on the statutory-trigger distinction](#)

## SOURCE & VERIFICATION

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

Full 8-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Shah J.'s unnumbered judgment beginning on PDF p.2 and continuing through PDF p.8. No assessment year is stated in the report, so none is inferred.

### Open cited source rendition

Exact source bytes, SHA-256 and 8-page count match catalogue asset 1965\_3\_684\_691; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeals Nos. 96 to 98 of 1964, the three-member bench, the deed terms, the section 16(1)(c) issue and dismissal of Revenue's appeals with costs and one hearing fee.

No published AKHB record with this party identity, appeal numbers or source asset was found.

### **STATUTORY SCOPE**

This decision interprets the settlement-attribution and deemed-revocability language of section 16(1)(c) of the repealed Indian Income-tax Act, 1922. It does not determine the result under present trust, clubbing, transfer or anti-avoidance provisions.

### **LATER TREATMENT**

Source checked 2026-10-10. Comprehensive later treatment of revocable transfers, settlor benefits and current trust-attribution provisions has not been 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.

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