

H.E.H. Nizam's Religious Endowment Trust, Hyderabad v. Commissioner of Income-tax, Andhra Pradesh, Hyderabad

Civil Appeal Nos. 491 and 492 of 1964

[1966] 2 SCR 384 | 1965-10-26

Charitable-trust exemption: unallocated accumulation for mixed purposes inside and outside the taxable territories was not income accumulated for application within the taxable territories.

Indian Income-tax Act, 1922: sections 4(3)(i), 16(1)(c) and 66(1) | Income-tax (Amendment) Act, 1953

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

Assessment years: 1952-53, 1953-54

Historical trust-exemption regime

The decision turns on the post-1953 text of section 4(3)(i) of the 1922 Act and the trust deed then before the Court. Verify current sections, registration conditions, permitted accumulation, overseas-application rules and later authorities before present use.

01 FACTS OF THE CASE

By a deed dated 14 September 1950, the Nizam of Hyderabad settled securities with a face value of Rs.40 lakhs on trust. During his lifetime, income was to be accumulated and added to corpus. After his death, trustees could spend income on four categories: two involving sacred places and recipients outside India, and two involving religious buildings and observances within the taxable territories. The deed did not permit the trustees, during the settlor's life, to allocate the accumulation among those objects. For AYs 1952-53 and 1953-54 the tax authorities, Tribunal and Andhra Pradesh High Court rejected exemption under section 4(3)(i).

Source: [Trust deed, mixed territorial objects and assessment history: SCR pp.385-388 / PDF pp.2-5](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read the amended section 4(3)(i) as exempting only trust income actually applied, or consciously and finally set apart during the year for future application, to religious or charitable purposes within the taxable territories. The formulations for property held wholly and partly for such purposes carried the same substantive requirement. Mere accumulation under a deed authorising later selection between purposes inside and outside the territories was not enough: mixed purposes were not equivalent to qualifying domestic purposes, and later exercise of the option could not retrospectively characterise the accounting-year accumulation. The proviso for certain application outside the territories did not enlarge the substantive exemption. The settlor's desire for equal spending after his death was not an allocation by the trustees, who lacked power to set income apart during his lifetime.

Source: [Statutory text and meaning of applied or accumulated: SCR pp.389-390 / PDF pp.6-7](#); [Mixed-purpose option and absence of any qualifying setting apart: SCR pp.391-392 / PDF pp.8-9](#)

03 JUDICIAL DECISION

The Court held that no part of the income was shown to have been applied or set apart during the relevant years for qualifying purposes within the taxable territories. It upheld the High Court's answer, dismissed both trust appeals with costs and awarded one hearing fee.

Source: [No qualifying allocation and dismissal: SCR p.392 / PDF p.9](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The trust was denied the claimed exemption for the two assessment years because the accumulation remained unallocated across mixed territorial objects; the Court did not decide the result for income later validly set apart or applied after the settlor's death.

Source: [Year-specific exemption result for unallocated mixed-purpose accumulation: SCR pp.391-392 / PDF pp.8-9](#)

05 AKHB REVIEW POINT

AKHB analysis: exemption analysis for accumulated trust income should document a contemporaneous, legally effective setting apart for identified qualifying purposes, not rely only on a broad deed or a future discretionary choice among mixed objects. Review the deed, trustee powers, resolutions, ledger treatment, territorial destination and timing together. For current work, separately apply the present trust-registration, application, accumulation and overseas-spending provisions and check later case law.

Source: [AKHB analysis based on the conscious-setting-apart and mixed-purpose reasoning](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read. The editorial headnote on PDF pp.1-2 was distinguished from Subba Rao J.'s unnumbered judgment beginning on PDF p.2; the trust deed, statutory text, construction analysis and operative dismissal through PDF p.9 were reviewed.

Open cited source rendition

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1966_2_384_392; every PDF page was read and visually checked.

The judicial text verifies Civil Appeal Nos. 491 and 492 of 1964, decision on 26 October 1965, the three-member bench and AYS 1952-53 and 1953-54.

No record with the Nizam Religious Endowment Trust party identity, the [1966] 2 SCR 384 citation or this decision was found in content/supreme-court-cases.json or the archived reviewed releases.

STATUTORY SCOPE

This decision interprets section 4(3)(i) of the repealed Indian Income-tax Act, 1922 after its 1953 amendment and the historical concept of 'taxable territories'. It does not state current exemption or accumulation requirements for charitable or religious trusts under the Income-tax Act, 1961.

LATER TREATMENT

Source checked 2026-10-10. Later treatment and the current statutory regime for trust application, accumulation and overseas purposes have not been comprehensively checked; no citator or current-law clearance is represented.

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

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