

Commissioner of Income-tax, Bombay v. Smt. Kasturbai Walchand Trust, Bombay

Civil Appeals Nos. 180 to 183 of 1966

[1967] 2 SCR 7 | 1966-10-31

Charitable-trust exemption: after a competent life beneficiary surrendered her entire interest, the trust income was held only for charitable purposes and qualified under section 4(3)(i).

Indian Income-tax Act, 1922: sections 4(3)(i) and 41(1) | Indian Trusts Act, 1882: section 58

3-judge bench | J. C. Shah, J. | V. Ramaswami, J. | V. Bhargava, J.

Assessment years: 1956-57, 1957-58, 1958-59, 1959-60

Historical charitable-trust exemption

The result turns on the 1922 Act, the particular trust and surrender deeds, and the section 58 capacity finding. It does not establish current exemption eligibility for another trust.

01 FACTS OF THE CASE

Seth Walchand Hirachand and Bai Kasturbai settled shares, insurance policies, house property and lease lands on trust in November 1946. Clause 7 required the trustees to pay trust income to Bai Kasturbai during her lifetime and allowed specified rent-free occupation; clause 8 directed charitable application after her death. After Seth Walchand died, Bai Kasturbai executed a deed on 21 July 1955 surrendering her life interest and other rights so that the trustees could use the property for the stated charities. For AYs 1956-57 to 1959-60 the officer denied section 4(3)(i) exemption, but the appellate authorities and Bombay High Court ruled for the trust.

Source: [Trust terms, surrender and assessment history: SCR pp.8-10 / PDF pp.2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court explained that trust property and its income vest in the trustees; section 41(1) treated trustees as receiving income on behalf of a beneficiary and taxed them in the corresponding manner, but did not make the trust income the beneficiary's own receipt. Bai Kasturbai was competent under section 58 of the Trusts Act to transfer her beneficial interest, and her deed extinguished the clause 7 income and occupation rights. The only remaining trust purpose was charitable. Whether clause 8 technically became immediately operative was unnecessary to decide: if current charitable application was not yet authorised during her lifetime, the income could only accumulate for charitable application after her death, which also satisfied section 4(3)(i) as then framed. The Court therefore reframed the referred question to separate clause 8's commencement from the material exemption issue.

Source: [Trust-income character and valid surrender: SCR pp.10-11 / PDF pp.4-5; Application or accumulation for charity and reframed question: SCR pp.12-13 / PDF pp.6-7](#)

03 JUDICIAL DECISION

The Court treated the clause 8 commencement issue as unnecessary and answered the material second question in favour of the trust: income accruing from the trust properties after 21 July 1955 was exempt under section 4(3)(i). It dismissed all four Revenue appeals with costs and one hearing fee.

Source: [Reframed question and operative dismissal: SCR p.13 / PDF p.7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee trust. The post-surrender trust income was held exempt for the four assessment years, and the Revenue's appeals failed. The Court did not decide whether clause 8 itself became immediately operative because the exemption followed even on an accumulation analysis.

Source: [Trust's successful outcome and qualified scope: SCR p.13 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: exemption analysis for a trust with a life interest should distinguish legal ownership of the trust assets, representative taxation of the beneficiary's interest, and the consequence of a valid surrender. Preserve both the original trust deed and the surrender instrument, verify the beneficiary's contractual capacity and trace whether post-surrender income may be applied only to charitable objects. Before relying today, test every current statutory condition for application, accumulation, registration and prohibited benefit; this historical judgment supplies no current-law clearance.

Source: [AKHB analysis based on the trust-ownership, surrender and charitable-accumulation reasoning](#)

SOURCE & VERIFICATION

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

Full 7-page SCR report read. The editorial headnote on PDF pp.1-2 was distinguished from the unnumbered judgment beginning on PDF p.2; the complete reasoning and operative dismissal on PDF p.7 were reviewed.

Open cited source rendition

Exact source bytes, SHA-256 and seven-page count match catalogue asset 1967_2_7_13; every PDF page was read.

The report verifies Civil Appeals Nos. 180 to 183 of 1966, decision on 31 October 1966, the three-member bench and AYs 1956-57 through 1959-60.

No Kasturbai Walchand Trust decision is present in content/supreme-court-cases.json; the asset is not an alternate copy of a published record.

STATUTORY SCOPE

This decision applies the charitable-trust and representative-assessment provisions of the repealed Indian Income-tax Act, 1922, together with section 58 of the Indian Trusts Act, 1882. Current exemption conditions, accumulation rules, beneficiary-taxation rules and later judicial treatment have not been checked.

LATER TREATMENT

Source checked 2026-10-10. Later treatment and current charitable-trust law have not been comprehensively checked; no current exemption or citator clearance is represented.

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