

The East India Industries (Madras) Private Ltd., Madras & Another v. Commissioner of Income-tax, Madras

Civil Appeal No. 1399 of 1966

[1967] 3 SCR 356 | 1967-04-03

Historical donation deduction: unrestricted trustee power to devote all income to an independent commercial pharmaceutical object meant the trust was not held wholly for religious or charitable purposes and the donor could not claim section 15B relief.

Indian Income-tax Act, 1922: sections 4(3)(i), 15B and 66(1)

3-judge bench; unanimous judgment delivered by V. Ramaswami, J. | J. C. Shah, J. | S. M. Sikri, J. | V. Ramaswami, J.

Assessment years: 1955-56

One substantive non-charitable object was enough on this deed

Most objects were charitable or religious, but trustees could select any object and apply the entire income to it. The result depended on the unrestricted independent commercial object, not on a rule that every ancillary power invalidates a charity.

The pharmaceutical object was not read as hospital-ancillary

The Court found no deed connection making manufacture, purchase, sale and distribution of pharmaceutical and other preparations subsidiary to the immediately preceding hospital object; the objects were expressly independent.

No special trust earmarking existed

Clause 5(i) protected property or money held on a special trust, but none existed for the donation or relevant income. Trustees therefore could devote the entire common fund to the non-charitable object.

Reference jurisdiction was separately upheld

Although the Tribunal did not examine section 4(3)(i) in detail, it relied on an earlier order treating the same trust as public and allowed section 15B relief. The issue was therefore dealt with and arose from the order for section 66 purposes.

Headnote section-number anomaly preserved

The opening headnote once describes the claimed exemption as under 's.14-B'; the body, quoted provision, authorities' orders and holding consistently use section 15B. This note follows the dispositive section 15B record and does not silently treat the isolated printing as a different provision.

Caption and body use slightly different company styles

The signed caption names The East India Industries (Madras) Private Ltd., Madras & Another, while the narrative calls the assessee East India Industries Limited. The note preserves the signed caption and records the variation rather than inferring a separate entity.

01 FACTS OF THE CASE

East India Industries donated Rs.7,500 to the Agastyar Trust and claimed section 15B relief for assessment year 1955-56. The trust was created on 1 July 1944 by partners of K. Rajagopal and Company, a waste-paper business that set aside 80 percent of profits for religious and charitable purposes. Its objects included education, relief, hospitals and religion, but also independently authorized manufacturing, buying, selling and distributing pharmaceutical, medicinal, chemical and other preparations. The officer and first appellate authority denied the deduction. The Tribunal relied on its earlier conclusion that Agastyar was a public trust and allowed it. On Revenue's section 66(1) reference, the Madras High Court answered against the assessee (SCR pp.357-359; PDF pp.2-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 15B applied only to an institution or fund whose income was exempt under section 4(3)(i). Although most objects were charitable or religious, clause 5(i) allowed the trustees to apply all capital or income to any one object, and no special trust earmarking restricted this power. Because the pharmaceutical manufacturing and trading object was neither charitable nor religious on its independent wording, the trustees could validly devote the entire income to a non-charitable activity. The trust therefore was not held wholly for qualifying purposes (SCR pp.359-360; PDF pp.4-5). Reading the deed as a whole did not make that object subsidiary to hospitals: the objects were declared independent and the trustees had absolute selection power. Prior authorities supported the distinction between incidental powers and substantive objects freely capable of absorbing the fund (SCR pp.360-363; PDF pp.5-8). The High Court could examine section 4(3)(i) because the authorities and Tribunal had dealt with the trust's qualifying status; a legal issue dealt with in the Tribunal's order arose from it even if not separately articulated (SCR pp.363-364; PDF pp.8-9).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court upheld the High Court's answer that the donation was not deductible under section 15B, rejected the reference-jurisdiction objection and dismissed the assessee's appeal with costs (SCR pp.363-364; PDF pp.8-9).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue/the Commissioner. The donor failed to obtain deduction because the Agastyar Trust's unrestricted objects permitted all income to be applied to an independent non-charitable business object (SCR pp.362-364; PDF pp.7-9).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: charity-object review should distinguish a genuine incidental power from an independent object and then trace the trustees' allocation discretion. A predominantly charitable list may still fail a 'wholly' test if the deed validly permits the whole fund to flow to a substantive non-charitable object. Check earmarking, severability, dominant-object language and actual governing provisions, but apply today's charitable-purpose, business and donation rules afresh; this 1922 Act result is not a current registration or deduction determination (based on SCR pp.359-364; PDF pp.4-9).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1967_3_356_364; every page was reviewed.

The source verifies Civil Appeal No. 1399 of 1966, the stated bench, issues, reasoning and operative result.

No published or archived standalone AKHB note with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The judgment applies the former donation and charitable-trust provisions in sections 15B and 4(3)(i) of the repealed Indian Income-tax Act, 1922. It does not determine present sections 2(15), 11 to 13, 80G, registration, business-incidental-to-object, specified-mode or accumulation consequences under the Income-tax Act, 1961. No current-law or comprehensive later-treatment clearance was undertaken.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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