

Commissioner of Income-tax, Gujarat v. Jayantilal Amratlal, Ahmedabad

Civil Appeals Nos. 474 to 477 of 1966

[1967] 3 SCR 946 | 1967-05-05

Historical trust-income attribution: powers exercisable only within a registered charitable trust and subject to the Bombay Public Trusts Act did not give the settlor a lawful right to reassume power under the first proviso to section 16(1)(c).

Indian Income-tax Act, 1922: section 16(1)(c), especially its first and third provisos | Bombay Public Trusts Act, 1950: section 35(1)

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

Assessment years: 1955-56 and 1956-57 (individual settlor), 1958-59 and 1959-60 (charitable trust)

Only lawful reassumption power counted

A settlor or trustee can commit a breach of trust, but that practical ability did not amount to the lawful right to reassume power described in the first proviso. The governing public-trust statute and general trust law constrained the deed's apparently broad language.

Direction within charitable objects was not personal recapture

Powers to select among the deed's charitable objects, direct permitted investments or resolve trustee differences remained bounded by the trust. The Court treated reassumption as taking back prior power over income or assets, including taking them outside the deed, not merely directing administration within it.

Direct or indirect benefit belonged to a different proviso

The phrase 'direct or indirect benefit' appeared in the third proviso, not the first. A benefit to the settlor, without a deed-based lawful right to retransfer or reassume the income or assets, did not by itself engage the first proviso.

Case proceeded on the deed and governing law

The Income-tax Officer had relied on alleged use of powers for the settlor's benefit. The Tribunal confined the inquiry to the deed, and the Supreme Court held that an unlawful breach could not supply the statutory right; the decision is not approval of any prohibited loan or conflicted investment.

Catalogue understates the connected appeals

The catalogue lists Civil Appeal No. 474 of 1966, while the signed report identifies Civil Appeals Nos. 474 to 477 of 1966 covering the individual and trust assessments. The note follows the report.

01 FACTS OF THE CASE

Jayantilal Amratlal settled 80 ordinary shares of Jayantilal Amratlal Ltd. by a 19 June 1947 deed for relief of poverty, education, medical relief, advancement of religion and other public objects. The Jayantilal Amratlal Charitable Trust was registered under the Bombay Public Trusts Act, 1950, and the Department accepted its charitable status through assessment year 1957-58. For 1958-59 and 1959-60, the officer relied on the settlor's broad deed powers and their alleged use for his benefit to assess the trust income in his hands under the first proviso to section 16(1)(c); corresponding inclusions were made in his individual assessments for 1955-56 and 1956-57. The first appellate authority agreed. The Tribunal reversed, holding that clauses 4, 10 and 21 did not permit retransfer or reassumption outside the trust and that section 35 constrained investment powers. The Gujarat High Court answered both referred questions against Revenue (SCR pp.947-950; PDF pp.2-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court first held that the Bombay Public Trusts Act could not be ignored: to the extent it operated, it overrode inconsistent deed provisions. The first proviso contemplated powers lawfully given and lawfully exercised; a dishonest breach of trust could not make every settlor-trustee the owner of trust income for tax purposes. Section 35 and general public-trust principles therefore prevented the settlor from lawfully directing a loan to himself, notwithstanding the deed's wide investment language (SCR pp.951-954; PDF pp.6-9). The words 'reassume power' required a deed-based ability to take back the power held before settlement, including power to take income or assets outside the deed. Directing which permitted charitable object or institution received funds, or how lawful investments were managed, stayed within the trust and was not reassumption. Clauses 4, 6, 8, 10, 11 and 21 preserved extensive administrative influence but no relevant recapture right. The Court also rejected the proposition that any direct or indirect benefit automatically attracted the first proviso, because that phrase occurred in the third proviso (SCR pp.955-956; PDF pp.10-11).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court agreed with the Gujarat High Court that none of the identified deed clauses fell within the first proviso to section 16(1)(c). It dismissed Civil Appeals Nos. 474 to 477 of 1966 with costs and one hearing fee (SCR p.956; PDF p.11).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Jayantilal Amratlal and the charitable trust/respondents. The trust income was not assessable in the settlor's hands under the historical first proviso, and Revenue's four connected appeals failed (SCR pp.955-956; PDF pp.10-11).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: a revocable-transfer or attribution review should separate legal power from practical influence. Map each deed clause, the governing trust statute, approval requirements and the destination of funds; then ask whether the settlor can lawfully recover property or move it outside the declared trust, rather than merely select among authorized objects. Also distinguish the statutory proviso actually invoked from benefit language located elsewhere. Present-law analysis requires a fresh review of the 1961 Act and current charity rules; this 1922 Act holding is not a clearance for settlor loans or conflicted investments (based on SCR pp.951-956; PDF pp.6-11).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 11-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 11-page count match catalogue asset 1967_3_946_956; every page was reviewed.

The source verifies Civil Appeals Nos. 474 to 477 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 construes the first proviso to section 16(1)(c) of the repealed Indian Income-tax Act, 1922 together with section 35 of the Bombay Public Trusts Act, 1950 and general public-trust principles. It does not determine present attribution, revocable-transfer, exemption, registration or investment consequences under the Income-tax Act, 1961 or later charity law. No current-law or 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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