

C.R. Nagappa v. Commissioner of Income-tax, Mysore

Civil Appeal No. 1374 of 1967

[1969] 1 SCR 979 | 1968-09-04

Does section 161(2) require exclusive assessment of trustees and displace inclusion of immediate or deferred minor-benefit trust income in the settlor's total income under historical section 64(v), and do prior assessments on the minors bar that inclusion?

4 | 5 | 64(v) (historical text) | 160(1)(iv) | 160(2) | 161(1) | 161(2) | 166 | 263 (revision giving rise to the reference)

Three judges | J.C. Shah, J. | V. Ramaswami, J. | A.N. Grover, J.

Assessment years: 1962-63

Historical trust attribution, no double charge and later statutory changes

Nagappa applies historical section 64(v) to the settlor's individual total income for AY 1962-63, including deferred minor-benefit income. Section 161 does not mandate exclusive trustee assessment, but the same attributed income cannot again be charged to the trustees or minors. The Court expected annulment/refund of the minors' assessments; later execution is not verified. Kamalini Khatau explains the section 166 option in its historical setting and requires actual distribution/receipt for its discretionary-trust result. Section 64 and the trust regime were later amended; a same-number clause is not an automatic match. Headnote percentage assessee is a source error. Original PDF unchanged; comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

On 14 April 1955, C.R. Nagappa executed seven separate trust deeds, each settling specified properties for a named minor child. The properties vested in four trustees: Nagappa, his two wives and a married daughter. The married daughter was a trustee, not one of the minor beneficiaries described in the settlement facts. Each deed directed part of the trust income to be used immediately for its beneficiary and the balance to be accumulated and handed over on a specified future date (physical 2/SCR 980 D-F).

For assessment year 1962-63, the Income-tax Officer included in Nagappa's total income the trust income used for the minors' immediate benefit, but excluded the accumulated portion. In revision under section 263, the Commissioner directed inclusion of income for their deferred benefit as well. Nagappa contended before the Tribunal that only the trustees could be assessed under section 161(1). The Tribunal rejected that argument and referred two questions to the Mysore High Court: whether section 161(2) prevented application of section 64(v), and whether completed assessments on the minors barred assessment of the same income in Nagappa's hands for that year (physical 2-3/SCR 980 F-981 B).

The High Court upheld section 64(v) inclusion and held that the minors' inconsistent assessments were illegal but correctable, rather than a bar to the settlor assessment. Nagappa brought the single special-leave appeal. The reported judgment does not supply the trust-income amounts or a calculation of tax/refund (physical 3/SCR 981 C-F).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

Section 160 identifies a trustee receiving or entitled to receive income for another's benefit as a representative assessee. Section 161(1) makes that person assessable in his own name but only in a representative capacity, with levy and recovery in like manner and to the same extent as for the represented person, subject to the other Chapter XV provisions. The Court read this as an available route, not a compulsory exclusive route. Section 166 expressly preserves direct assessment of the represented person and recovery from that person (physical 3-4/SCR 981 G-982 H).

Section 161(2) protects the representative capacity when the Revenue chooses to assess the representative: in respect of that income the assessment must be under Chapter XV, rather than under another provision treating the income as his own. It does not forbid assessment of the beneficiary or override the Act's rules for computing another person's total income. Nagappa's exclusivity argument was therefore contrary to section 166 (physical 5/SCR 983 A-C).

The Court then distinguished the charging/computation question from representative collection. Sections 4 and 5, Chapter IV and Chapter V determine the taxable total income. Historical section 64(v) expressly included income arising from assets transferred without adequate consideration to another person or association to the extent it was for the immediate or deferred benefit of the transferor's spouse or minor child, subject to its stated exclusion for a married daughter. A transfer includes settlement under a trust. The income from Nagappa's settlements for his minor children therefore belonged in his total income for tax computation even though it was not in truth his own beneficial income (physical 5-6/SCR 983 C-984 D).

That statutory attribution also answered the potential double assessment. To the extent income was includible in the settlor's total income under section 64(v), it could not again be included for taxation in the total income of the minor children or trustees. Section 161(1) presupposes income taxable through the representative; where the settlor attribution already charges it in the settlor's hands, there is no scope for section 161(2) to create a competing exclusive trustee assessment (physical 6/SCR 984 D-F).

The discussion of old-Act sections 40 and 41 explains the protective provision. The Court rejected the obiter suggestion in Saifudin Alimohamed that guardians could alternatively be taxed as owners of the business and its income, and approved Balwantrao Jethalal Vaidya's distinction between computing income and levying/recovering tax from a trustee in the required representative manner. Section 161(2) was understood to remove that earlier conflict; it was not converted into a charging provision or a means of enlarging the represented liability (physical 6-9/SCR 984 F-987 A).

Finally, the Revenue had conceded before the High Court that the minors' assessments could not stand consistently with Nagappa's section 64(v) assessment. The Supreme Court accepted that concession as correct and expressed no doubt that those assessments would be

02 DISCUSSION BY THE HON'BLE COURT

annulled and any tax recovered refunded. It did not regard their prior completion as a legal election barring the correct settlor inclusion (physical 9/SCR 987 A-C).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Supreme Court dismissed Civil Appeal No. 1374 of 1967 with costs. Historical section 64(v) applied despite section 161(2), including the deferred-benefit income in Nagappa's total income. The previous minors' assessments did not bar that result; they could not stand, and the Court stated its expectation that they would be annulled and any tax recovered refunded. The source does not establish that those subsequent administrative steps had already occurred (physical 9/SCR 987 A-C).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on inclusion in the settlor's total income, with the minors' inconsistent assessments not allowed to stand

Single assessee appeal dismissed with costs

Substantive trust-income attribution and representative-assessment questions decided for AY 1962-63; no quantified refund or later compliance determination

Does not sanction taxing the same attributed trust income again in the trustees' or minors' hands; no separate opinion or remand.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Keep three questions separate: whose total income includes the receipt under the applicable attribution rule, who may be assessed representatively, and how an inconsistent earlier assessment is corrected. Nagappa rejects exclusive trustee assessment but also rejects a second charge on the same attributed income. The settlor's role as one trustee does not turn this into taxation of his personal beneficial trust income.

The bounded later check found express following in Muthiah Chettiar (14 February 1969) on inclusion of minors' income notwithstanding their separate assessments. That later case's independent old-Act reopening questions had a split result and are not absorbed into Nagappa's holding (physical 4 and 7/SCR 718 and 721). Kamalini Khatau (9 May 1994) later relied on Nagappa while explaining that section 166 is clarificatory, not an independent source of charge. For the historical discretionary trusts before it, income distributed and received by beneficiaries within the accounting year could be assessed to them under sections 4 and 5; the trustee option did not remove that liability. This does not authorise imputing undistributed discretionary income to a beneficiary merely from the general option language (physical 14-15 and 19-22/SCR 955-956 and 960-963).

The statutory setting requires a historical check. The retained government-hosted 2011 compilation records substitution of section 64 by the Taxation Laws (Amendment) Act, 1975 with effect from 1 April 1976, later removal of the minor-child wording from section 64(1)(vii), and insertion of section 64(1A) by the Finance Act, 1992 with effect from 1 April 1993. The original section 64(v) in this case must not be equated simply with a later clause carrying the same number. The compilation also records insertion of section 161(1A) for business income with effect from 1 April 1985 and later section 164 changes. These later texts and editorial amendment footnotes are bounded historical evidence, not original Gazette proof, a complete amendment audit or present-law certification (compilation physical 399-400, 402 and 760-762).

Source: See the proposition-specific paragraph and PDF-page references below.

DETAILED DISPOSITION AND CONNECTED GROUPS

Proceeding outcomes

1.

Case number: Civil Appeal No. 1374 of 1967

Outcome: Dismissed with costs; Revenue's concession on annulment of minors' assessments and refund of any tax recovered accepted as correct

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, seven trusts, four trustees, AY and two reference questions

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: SCR 979 heading; 980 C-981 F

2.

Topic: Representative assessment is optional; section 161(2) protects the chosen capacity

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5

Paragraphs: SCR 981 G-983 C

3.

Topic: Historical section 64(v), immediate/deferred benefit and no second charge

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 983 C-984 F

4.

Topic: Old-Act conflict, correct representative capacity and final relief

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9

Paragraphs: SCR 984 F-987 C

5.

Topic: Muthiah follows the minors' separate-assessment point, with separate reopening outcomes

Source url: [Open cited source](#)

Pdf pages: 4; 7

Paragraphs: SCR 718 G-H; 721 F-H

Source role: later judicial treatment

6.

Topic: Kamalini follows Nagappa and explains clarificatory section 166 and actual receipt

Source url: [Open cited source](#)

Pdf pages: 14; 15; 19; 20; 21; 22

Paragraphs: SCR 955-956; 960-963

Source role: later judicial qualification

7.

Topic: Later section 64 substitution, minor wording and section 64(1A)

Source url: [Open cited source](#)

Pdf pages: 399; 400; 402

Paragraphs: Printed 1.358-1.359, 1.361; footnotes 18, 31, 39

Source role: historical statutory change

8.

Topic: Later sections 161(1A), 164 and preserved direct-assessment text

Source url: [Open cited source](#)

Pdf pages: 760; 761; 762; 766

Paragraphs: Printed 1.719-1.721, 1.725; footnotes 87, 93, 96

Source role: historical statutory change

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

The operative question is attribution under historical section 64(v) and the representative-assessment provisions of Chapter XV. Nagappa was the settlor as well as one of four trustees; the sustained inclusion was in his individual total income as settlor, not a personal beneficial receipt by him as trustee.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

J.C. Shah, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

1.

Asset id: 1969_3_715_721

Title: V.D.M.R.M.M.R.M. Muthiah Chettiar v. Commissioner of Income-tax, Madras

Decision date: 1969-02-14

Classification: Expressly followed on separate minor assessments

Source url: [Open cited source](#)

Pdf pages: 4; 7

Pinpoint: SCR 718 G-H; 721

Holding limit: Only the minor-income inclusion proposition; distinct old-Act reopening holdings not adopted.

Bounded check: verified only within explicit read bounds

2.

Asset id: 1994_3_942_963

Title: Commissioner of Income Tax, Gujarat, Ahmedabad v. Smt. Kamalini Khatau

Decision date: 1994-05-09

Classification: Followed and explained; discretionary-trust qualification

Source url: [Open cited source](#)

Pdf pages: 14; 15; 19; 20; 21; 22

Pinpoint: SCR 955-956, 960-963

Holding limit: Section 166 is clarificatory; historical result concerns income actually distributed and received in the accounting year, with sections 4 and 5 supplying direct taxability.

Bounded check: verified only within explicit read bounds

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, sections 40 and 41 (historical analogies and prior judicial conflict)

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 9 PDF pages; SHA-256

9e61f62c346837be8d31ac833e21e633e3fb441a160e8656d73f62c6651c9ae1. Original bytes preserved.

Open cited source rendition

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Decision dated 4 September 1968; 1969 is the report year. Catalogue identifier 1968INSC222 is not independently printed or authenticated in this rendition.

Decision year 1968 differs from report year 1969. One numbered appeal is reported despite plural Appeals in the recital.; The first-page headnote prints percentage assessee; the judicial text at physical 4/SCR 982 E-F correctly uses representative assessee. The note follows the judicial text.; Nagappa was settlor and trustee; inclusion was in his individual total income by statutory attribution. His two wives and married daughter were co-trustees; the settlement beneficiaries described were his minor children.; Annulment and refund of the minors' inconsistent assessments were expected by the Court on the Revenue's accepted concession; actual later execution is not verified.; The old-Act sections 40/41 discussion is historical reasoning. Section 263 explains the procedural origin, not a separately adjudicated test for every revision.; Muthiah is used only for its express following of Nagappa, not its separate reopening rule or all later treatment of that rule.; Kamalini Khatau is a later historical discretionary-trust decision; section 166 is clarificatory and actual distribution/receipt in the accounting year matters.; The 2011 government-hosted compilation and its editorial footnotes do not certify original statutory wording, exhaustive amendments, current law or the Income-tax Act, 2025.

The seven settlements were executed on 14 April 1955, but the adjudicated assessment year is 1962-63 under the 1961 Act.

One special-leave appeal from the Mysore High Court judgment dated 15 December 1966 in I.T.R.C. No. 7 of 1966. The source recital uses the plural Appeals but lists one appeal; no additional appeal is inferred.

STATUTORY SCOPE

No automatic Income-tax Act, 2025 crosswalk. Complete amendments, commencement, savings and case-specific present applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-05. Bounded primary later-treatment review: Muthiah Chettiar expressly follows the minor-assessment point; Kamalini Khatau follows and explains representative assessment and confines its discretionary-trust result to income distributed and received in the accounting year. No comprehensive adverse-treatment search or universal no-overruling conclusion. Current law and 2025 mapping remain not_verified.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 9

SHA-256: 9e61f62c346837be8d31ac833e21e633e3fb441a160e8656d73f62c6651c9ae1

later reported judgment bounded - PDF pages: 7

SHA-256: 14130ded6029c7b3536c2599abfafe42314ad4abd81cbeb2a619504369896128

later reported judgment bounded - PDF pages: 22

SHA-256: 6a477025ac6d6e0e14973de16a21ed9aa69c81c7a9a4598a791f77022ba66358

[official government hosted statutory compilation bounded - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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