

Sardar Bahadur S. Indra Singh Trust v. Commissioner of Income Tax, Bengal

Civil Appeals Nos. 1084 of 1971 and 1885 of 1968

[1972] 1 SCR 392 | 1971-08-25

Charitable trust: validity of donated shares and exemption of resulting dividend income.

Indian Income-tax Act, 1922: section 4(3)(i) | Indian Income-tax Act, 1922: sections 66(1) and 66A(2)

2-judge bench | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1960-61

Gift accepted for existing charitable objects

The result depends on a valid gift to the existing public charitable trust, acceptance by its trustees and no conflict with the trust objects. It is not a universal rule that every receipt by every trust is exempt.

01 FACTS OF THE CASE

A public charitable trust constituted in 1944 and supplemented in 1951 received 640 fully paid shares from one trustee in 1959, revocable only after seven years. The trustees accepted and ratified the transfer. Dividend of Rs.1,28,000 accrued and tax was deducted. The Income-tax Officer refused the refund, reasoning that the deeds did not expressly authorise outside gifts and the transfer was conditional; the Tribunal held for the trust, while the High Court accepted gift validity but denied augmentation and refund.

Source: [SCR pp. 392-395 / PDF pp. 1-4](#)

02 DISCUSSION BY THE HON'BLE COURT

A valid gift accepted by the trustees vested the shares in the trust; the shares could not simultaneously be treated as belonging to no one or as a separate fictional trust. The deeds did not prohibit additional gifts, the donor imposed no competing object, and the donation furthered the existing charitable purposes. The High Court's view that the gift was valid but did not augment the trust was internally inconsistent.

Source: [SCR pp. 395-397 / PDF pp. 4-6](#)

03 JUDICIAL DECISION

Civil Appeal 1084/1971 was allowed: the High Court's answers were discharged, the referred questions answered for the assessee, and the trust held entitled to the refund because the dividend was exempt. The certificate supporting Civil Appeal 1885/1968 was revoked and that parallel appeal dismissed as not maintainable, without costs.

Source: [SCR p. 397 / PDF p. 6](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee trust succeeded substantively through the special-leave appeal. The separate certificate appeal's dismissal was procedural and did not negate the exemption result.

Source: [SCR pp. 396-397 / PDF pp. 5-6](#)

05 AKHB REVIEW POINT

AKHB analysis: document the donor's title, transfer, trustee acceptance, trust-deed powers and alignment with existing objects. Separate ownership of the donated asset from exemption conditions for the resulting income. For present matters, independently test the current charitable-tax framework and any donor or specified-person restrictions.

Source: [AKHB analysis based on SCR pp. 394-397 / PDF pp. 3-6](#)

SOURCE & VERIFICATION

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STATUTORY SCOPE

The exemption was decided under section 4(3)(i) of the 1922 Act on the stated trust deeds and gift. Current charitable-registration, accumulation, revocability and prohibited-benefit rules were not considered.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

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AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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