

COMMISSIONER OF INCOME TAX, HYDERABAD v. NAWAB MIR BARKAT ALI KHAN BAHADUR

Present Supreme Court proceedings: Civil Appeals Nos. 1184 to 1186 and 1198 to 1200 of 1970;
Originating High Court proceedings: Referred Case No. 39 of 1965 / Referred Case No. 10 of 1966

[1975] 2 SCR 453 | 1974-10-16

The specific Government agreement's tax exemption covered the settlor after the original beneficiary transferred her interest to him. Its comprehensive terms and consideration did not confine the benefit personally to the Princess.

3-judge bench | H. R. Khanna, J. | R. S. Sarkaria, J. | A. C. Gupta, J.

01 FACTS OF THE CASE

The historical assessments concerned Nizam Mir Osman Ali Khan Bahadur. He settled Rs. 30 lakh for Princess Niloufer and deposited the fund with the Government under an agreement of 8 October 1949. Interest at one per cent, supplemented from corpus, funded an annual Rs. 1 lakh payment. The Government undertook tax exemption protecting the settlor, trustees and beneficiaries.

At dissolution of her marriage, the Princess assigned her interest to the settlor for Rs. 10 lakh. The annual payments then went to him. For 1952-53 to 1954-55, the authorities treated them as taxable income. The Andhra Pradesh High Court retained their income character but upheld exemption under the agreement.

Source: [SCR 454F-460B](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court construed the agreement as a whole. The low-interest deposit supplied the consideration for the tax protection, and that consideration persisted after the assignment. Nothing showed an intention to favour the Princess personally to the exclusion of the settlor, who was expressly named in the exemption clause.

His earlier transfer of the corpus into trust did not remove that protection: the Government knew the trust terms when it contracted. Nor did his receipt of the assigned beneficial interest erase his continuing status as settlor. The Court expressly left open whether his contingent right to the remaining corpus made him a beneficiary on a separate basis.

Section 58 of the Trusts Act permitted transfer by a competent beneficiary. The proviso concerning a married woman did not apply because the transfer accompanied dissolution of the marriage. The principle that tax involves no equity did not prevent construing the parties' contractual intention. Likewise, respecting the transaction's true legal character supported applying the agreement rather than withholding its stated protection.

Source: [SCR 460C-463E](#)

03 JUDICIAL DECISION

The Revenue's six appeals were dismissed. The exemption of the annual Rs. 1 lakh payments under this agreement stood, notwithstanding their treatment as income.

Source: [SCR 463E-F](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue appeals dismissed. Result: Assessee. Costs: Costs against Revenue; one hearing fee. Scope: Contractual exemption upheld for the stated assessments. Limit: Assignment to the expressly protected settlor; no ruling about a stranger's entitlement.

Source: [SCR 463F](#)

05 AKHB REVIEW POINT

Trace who is expressly protected, the consideration for the exemption and the legal effect of any assignment. This is a decision on a particular Government agreement, not a general power to contract out of income-tax. Preserve the distinction between a receipt's income character and an established exemption.

Source: [SCR 461B-463E](#)

SOURCE & VERIFICATION

Original reported Supreme Court judgment

11-page retained public-mirror SCR report. The complete report was read as text and page images. Fresh remote authentication as a signed original is not claimed.

Open cited source rendition

The caption names Nawab Mir Barkat Ali Khan Bahadur, while SCR 454H identifies the assessed person as Nizam Mir Osman Ali Khan Bahadur; no substitution history is inferred. SCR 457G dates the dissolution and release to 18 September 1952, but SCR 460A prints 18 September 1955. The note does not harmonise that inconsistency. Clause 4 is fully set out at SCR 456; its later quotation at SCR 461E contains a visibly disrupted sentence and is not silently repaired. This report at SCR 453 is distinct from the separate same-date reassessment judgment at SCR 464; no holding from that judgment is imported.

STATUTORY SCOPE

Indian Income-tax Act, 1922: 66(1).

No separate 1961 successor mapping adopted for this historical mechanism.

No direct 2025 successor mapping adopted. The old holding is not automatically carried into a different statutory scheme.

The checked section 536 preserves previous operation, accrued rights and liabilities, and specified earlier-tax-year and pending proceedings under the 1961 Act. Establish the governing year and savings before choosing a statutory comparison.

No automatic precedent carry-over or verified case-specific 2025 applicability is claimed.

LATER TREATMENT

Source checked 2026-10-07. Pradip Nanjee Gala v. Sales Tax Officer and Others (Supreme Court of India, 2015-04-29), paragraphs 14–21, especially paragraph 18: Cites this case among authorities for the absence of equity in tax law, while rejecting a partner's alleged settlement for lack of statutory authority. That later use does not enlarge Nawab's specific agreement-based exemption into a general power to compromise tax.

One bounded later judicial use is recorded; comprehensive subsequent history, absence of contrary treatment and current-law status remain unverified.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 536(1) and (2)(a)–(e): physical 584–585, extracted lines 24385–24408. Selected official FA 2026 web-extracted text only; no raw-PDF, rendered-page or full-Act read claimed. No all-amendments or current-law certification.

[Pradip Nanjee Gala v. Sales Tax Officer and Others \(2015-04-29\), nonofficial judicial text reproduction](#)

paragraphs 14–21, especially paragraph 18; identity/header and factual context paragraphs 1–13 also inspected Third-party PDF rendition, not a court-original PDF/image validation; only stated passages adopted.

AI DISCLOSURE

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