

Motilal Chhadami Lal Jain v. Commissioner of Income Tax, Delhi Etc.

Civil Appeal Nos. 1426–1428 (NT) of 1975 / Civil Appeal No. 1653 (NT) of 1991

[1991] 2 SCR 237 | 1991-04-08

Whether the direct payment of part of the HUF's rent to a college diverted income before accrual, and whether a distinct registered trust declaration effectively bound separate properties and removed their income from the HUF's own income.

11(1)(a) | 24(1)(iv), historical comparison only | 88, Tribunal relief direction in procedural history

Three-judge bench | S. Ranganathan, J. | Kuldip Singh, J. | N.M. Kasliwal, J.

Assessment years: 1962-63, 1968-69, 1969-70, 1973-74

Two different arrangements and split appeal outcomes

Revenue wins on the Rs 10,000 rent direction; the assessee wins on income from the distinct trust properties. The 1968–69/1969–70 appeals concerned the trust issue only, contrary to the synopsis. The remaining year is 1973–74. This is not a house-property deduction ruling or a blanket waiver of trust formalities. Other-year proceedings were expressly outside the record. Comprehensive later treatment, current charity requirements and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The HUF leased buildings, furnaces and land to Jain Glass Works under an agreement dated 3 May 1960. The annual rent was Rs 21,000, with Rs 10,000 directed to a college and Rs 11,000 to the family; a separate turnover commission was also stipulated. A four-party agreement dated 5 May 1962 gave the college a right to recover its amount directly and a first charge on the property. The family claimed that only Rs 11,000 was its rental income. The ITO, AAC and Tribunal rejected diversion; the Tribunal separately directed appropriate historical section 88 relief (physical pages 4–5).

A different dispute concerned properties covered by the registered trust deed of 14 November 1947. The karta declared exclusively charitable uses for their income and appointed himself sole trustee. A registered 1960 document recorded additional property, confirmed the charitable arrangements and appointed further trustees. The later assessment question was whether income from those properties remained the HUF's, because Revenue considered that the deeds assigned only income without effectively placing the corpus in trust (physical pages 5–8).

For AY 1962–63, CA 1426/1975 raised both rent and trust-property questions, the latter referring to Rs 14,000. CAs 1427–1428/1975 for AYs 1968–69 and 1969–70 concerned only trust-property income, described as Rs 13,920; their separate rental references were not before the Court. CA 1653/1991 for AY 1973–74 concerned Rs 6,329 trust-property income and the Rs 10,000 rental direction. The Court expressly lacked information about several other years and proceedings (physical pages 4 and 8–9).

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

02 DISCUSSION BY THE HON'BLE COURT

The rent first accrued to the HUF as owner-lessor. Direct payment of Rs 10,000 to the college merely discharged part of the company's obligation to pay the HUF. Neither the college's enforcement right nor the charge changed the nature of that self-imposed arrangement. The Court therefore treated it as application of the family's income, rather than an antecedent and independent title that reduced the family's right to receive income at source (physical pages 9–11).

The distinction is legal entitlement, not whether cash physically passed through the assessee's hands. The Court distinguished the sub-partnership authority and used the historical annual-charge provision as an illustration. It expressly said this was not a house-property computation under sections 22–24; its reference to the 1969 change in section 24(1)(iv) did not decide a deduction under that provision (physical pages 10–12).

The separate trust-property question had the opposite answer. Charitable application was undisputed, and the objection rested on the alleged absence of a valid corpus transfer. The Court rejected that narrow construction. Where the author is himself sole trustee, a declaration showing unequivocal surrender of beneficial enjoyment and exercise of dominion and control exclusively as trustee can establish the trust without a further conveyance by the author to himself. Here the registered 1947 deed, conduct and 1960 deed created a binding charitable obligation and overriding beneficial rights. The property was no longer held as the family's unqualified private property, and its income ceased to be the family's income (physical pages 12–13).

The Court thus distinguished two actual arrangements. Its treatment of the voluntary rent direction does not negate its recognition of a valid self-declared trust, and the trust holding does not remove registration or other legal requirements for every different settlement.

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

03 JUDICIAL DECISION

The rental question was decided for Revenue: the whole Rs 21,000 remained the HUF's rental income. The trust-property question was decided for the assessee. Consequently CAs 1427–1428/1975 were allowed, while CA 1426/1975 and CA 1653/1991 were allowed only in part. There was no order as to costs. No other-year proceedings, fresh tax computation or current charitable-registration entitlement was decided (physical pages 12–13, with page 8's issue allocation).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed: Revenue on rental application; assessee on the distinct trust-property income

CAs 1427–1428/1975 allowed; CAs 1426/1975 and 1653/1991 partly allowed; no costs

Final reasoned decisions of both issues within their stated appeal-year boundaries

The 1968–69 and 1969–70 appeals did not include their separate rental dispute. Other years and undisclosed proceedings remain outside the judgment; section 24 illustration is not a house-property deduction ruling.

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

05 AKHB REVIEW POINT

Identify the asset and legal arrangement separately for each receipt. A direction that a debtor pay part of the owner's accrued income to charity may remain an application of income, even with an enforcement right. A valid trust declaration can instead qualify the owner's beneficial interest itself. Labels, direct bank routing and a charge are not substitutes for that analysis.

Do not cite the rental discussion as saying every voluntarily created trust or sub-partnership fails, or the trust discussion as removing all registration formalities. The 1947 instrument was itself registered; the point concerned a further conveyance where the author was sole trustee. Preserve the four distinct appeal outcomes and the Court's express lack of information about other years. Historical exemption provisions, later charitable-law requirements, comprehensive treatment and 2025 mapping remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, four appeals, author and actual appeal-year allocation

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: reported metadata and judicial text

2.

Topic: Rental arrangement, charge, enforcement and Tribunal direction

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

3.

Topic: Distinct registered trust instruments and income questions

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

4.

Topic: Excluded matters and rental accrual/application reasoning

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

5.

Topic: Historical section 24 comparison expressly limited

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

6.

Topic: Trust declaration, overriding beneficial rights and split disposition

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: Unnumbered judicial text; physical PDF pages one-based

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S. Ranganathan, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 13 PDF pages; SHA-256

7d80416148664781f67f8ce3032c44f35c6e103991fab22d1a69381f187e8265. Original bytes preserved.

Complete judicial reasons from near the foot of physical page 3 through page 13 / SCR 239–249. Caption and editorial material, including the synopsis continuing on page 3, separately identified. Four captioned appeals and year-specific issue limits read; no neighbouring judgment.

[Open cited source rendition](#)

The synopsis says the 1968–69 and 1969–70 references concerned the first/rental issue; the judicial text on page 8 states they concerned trust-property income only and excludes the separate rental references. The judicial scope controls.; The synopsis at page 2 prints 1972–73 once; the judicial opening, later questions and final group identify the remaining appeal year as 1973–74. No extra appeal year is created.; The 1947 deed was registered. The Court's sole-trustee reasoning concerns whether a further property conveyance was necessary, not an adjudication that all trust declarations may dispense with formal requirements.; The earlier firm's Rs 62,000 rent and the current company's Rs 21,000 rent are different recitals. The note does not merge them or make the earlier amount the disputed income.; The Court expressly excludes undisclosed other-year matters and the 1968–69/1969–70 rental references. A broad taxpayer victory across all years would misstate the judgment.; Section 24(1)(iv) is discussed only by comparison; the Court expressly states that the case is not a sections 22–24 house-property computation. Historical section 88 relief was a Tribunal direction, not a new quantified Supreme Court award.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 13](#)

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