

Gosar Family Trust, Jamnagar and Others v. Commissioner of Income Tax

Civil Appeal No. 1180 of 1991 and connected appeals (remaining numbers not printed)

[1995] 3 SCR 894 | 1995-04-28

Whether the second category of discretionary beneficiaries, entitled at termination to corpus and any accumulated income, also counted under proviso (i) to historical section 164(1), so that their other taxable income defeated the association-of-persons rate exception.

164(1) and proviso (i), historical text reproduced in the judgment | 160(1)(iv), representative-assessment context | 256(2)

Three-judge bench | B.P. Jeevan Reddy, J. | S.C. Sen, J. | G.T. Nanavati, J.

Assessment years: See the source-scope notes; no year inferred.

Deed-specific beneficiary test; historical maximum-marginal-rate rule

Both beneficiary categories counted because trustees could accumulate income for the second category at termination, and that category included beneficiaries with disqualifying other income. The Court did not invalidate the trust or decide the hypothetical mandatory-distribution case. Assessment years, full connected appeal numbers and cost amount are not printed; the headnote's section 184(1) is not the operative provision. Comprehensive later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The Court treated Civil Appeal No. 1180 of 1991 as representative of a batch because counsel agreed that the relevant deed recitals were identical. Gosar Family Trust was created by a deed dated 3 October 1981 with Rs 500 and power to accept further contributions. It had two beneficiary categories, with one person common to both. The trust could last eighteen years, but the trustees could end it at any time after two years (physical pages 3–4 / SCR 896–897).

Trustees had absolute discretion whether, when and in what proportions to distribute income to the first category; they could instead accumulate all of it. At termination, the corpus and accumulated income were distributable among the second category in proportions and manner selected by the trustees. The deed also authorised investment in firms or companies in which trustees were partners, directors or shareholders (physical pages 4–5 / SCR 897–898).

The first category had no other taxable income within the proviso's stated limit, whereas the second category included beneficiaries with such income. Whether the second category counted therefore determined whether the trust income was taxed in the trustees' hands at the maximum marginal rate or as the income of an association of persons. The Tribunal favoured the latter rate; the Gujarat High Court answered the Revenue's reference questions against the trusts. Neither the assessment years nor a quantified income or tax demand is supplied in the report (physical pages 4–6 / SCR 897–899).

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

02 DISCUSSION BY THE HON'BLE COURT

The reproduced section 164(1) charged the maximum marginal rate where the relevant income was not specifically receivable for one person or the individual beneficial shares were indeterminate or unknown. Proviso (i) allowed association-of-persons treatment where no beneficiary had other income chargeable under the Act exceeding the maximum amount not chargeable to tax in the case of an association of persons, and no beneficiary was a beneficiary under any other trust. This case turned on who counted as a beneficiary and the other-income limb; it did not establish an additional-trust disqualification as a separate fact (physical pages 5–6 / SCR 898–899).

The Supreme Court agreed that both categories counted. The first category could not compel payment and might receive nothing throughout the trust's life. The second category likewise had no entitlement to a particular current distribution, but could receive all or part of the income left undistributed when the trust ended. Both were objects of the trustees' receipt of income. For section 164(1), the relevant matter was whether income was receivable on their behalf or for their benefit, not whether they had actually received it in the particular year (physical pages 9–10 / SCR 902–903).

Calling the accumulated amount corpus did not change the fact that it could pass to the second category. No distinction between these two kinds of beneficiaries was supplied by the section or proviso. The Court said the situation could probably differ if trustees were obliged to distribute the income in the year of receipt or the following year or years, but there was no such obligation here. That tentative observation was not a holding approving an alternative trust structure or granting a general exception to all remainder beneficiaries (physical page 10 / SCR 903).

As to B.A. Sanghrajka Trust, the Court criticised the insufficient weight given to the trustees' discretion to retain income that could ultimately pass to the daughter-in-law and held that decision could not advance the appellants' case. It did not set out a general present-law classification of every corpus beneficiary. The Court described section 164(1) as discouraging discretionary trusts through maximum-marginal-rate taxation except in specified situations. Although critical of this unusual deed, it left the Tribunal's finding of genuineness undisturbed (physical pages 10–11 / SCR 903–904).

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

03 JUDICIAL DECISION

The Court upheld maximum-marginal-rate taxation and dismissed the assessee's appeals with costs. The report gives no amount or allocation of costs (physical page 11 / SCR 904).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee's appeals dismissed with costs; costs not quantified in the source

Final reasoned decision of a three-judge bench on the historical section 164(1) rate issue

Both beneficiary categories counted under this deed because trustees could retain the income for eventual distribution to the second category. The trust was not declared invalid or sham, and the hypothetical mandatory-distribution scenario was not decided.

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

05 AKHB REVIEW POINT

Read the entire deed before classifying someone as only an income or corpus beneficiary. Identify whether current distribution is obligatory, whether trustees may accumulate indefinitely within the trust period, who can receive the accumulation at termination, and whose discretion determines allocation. Then test the proviso against every relevant beneficiary's other income and other-trust status using the applicable historical statutory version.

Avoid turning the Court's tentative observation about mandatory annual or later distribution into an assured drafting solution. Equally, the Court's criticism of the arrangement is not a judicial finding that the trust was sham: the source expressly leaves the Tribunal's genuineness finding alone. No assessment year, cost amount or broader current-law conclusion should be supplied by inference.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Date, three-judge bench, author and representative appeal

Source url: [Open cited source](#)

PDF pages: 1; 3

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: reported metadata and judicial text

2.

Topic: Reference questions and discretionary deed terms

Source url: [Open cited source](#)

PDF pages: 4; 5

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

3.

Topic: Exact section 164(1) and proviso (i); factual rate trigger

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

4.

Topic: Quoted High Court reasoning distinguished from Supreme Court reasons

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

5.

Topic: Both beneficiary categories count; tentative mandatory-distribution distinction

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

6.

Topic: Sanghrajka treatment, genuineness left undisturbed, dismissal with costs

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 11 PDF pages; SHA-256

f43678cb2d7d8a8ffa0ff49f87864c8d1d99bbabc258d1333228715ecccc29e4. Original bytes preserved.

Complete judicial text physical pages 3–11 / SCR 896–904; editorial headnote physical pages 1–3 separated. Representative lead appeal, condensed deed terms, quoted High Court reasons, Supreme Court reasoning and unquantified costs are distinguished.

Open cited source rendition

The printed caption supplies Civil Appeal No. 1180 of 1991 followed by “Etc. Etc.”; other appeal numbers and assessment years are not supplied. The deed date is not an assessment year.; The headnote contains an isolated section 184(1) reference; the actual judgment concerns section 164(1) and proviso (i).; The first and second beneficiary groups overlap. The source’s generic statement about second-category other taxable income is not treated as a finding that every individual in that group, including the common person, separately had disqualifying income.; Physical pages 6–8 / SCR 899–901 contain quoted or described High Court reasons. The Supreme Court’s own adoption and reasoning are separately located at physical pages 9–11.; The possible effect of a mandatory distribution obligation is expressed tentatively. It was not adjudicated on another deed.; The Trusts Act appears in the editorial headnote, but no operative Trusts Act section is decided. The Court did not overturn the genuineness finding.; The source orders costs but gives no amount or per-appeal allocation. Comprehensive subsequent treatment, current law and 2025 mapping remain unverified.

The source specifies a trust deed dated 3 October 1981 but does not expressly identify the assessment year or years. No assessment year is inferred from the deed or the reference number.

Section 164(1) and proviso (i) govern the disputed rate. Section 160(1)(iv) is the representative-assessment framework discussed through the High Court reasoning; section 256(2) is the reference route stated by the source. The editorial headnote’s isolated section 184(1) is a misprint and is not an operative section tag.

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 subsequent-treatment search has been completed and no later judicial treatment is asserted in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 11](#)

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