

Additional Commissioner of Income Tax and Another v. A.L.N. Rao Charitable Trust

Civil Appeal No. 958 of 1977

[1995] Supp.4 SCR 348 | 1995-10-13

For AY 1969-70, did compliance with section 11(2) require investment of the entire accumulated surplus to preserve the separate accumulation exemption already available under section 11(1)(a), or only the additional accumulation for which exemption under section 11(2) was sought?

11(1)(a), as applicable to AY 1969-70 | 11(2)(a)–(b), pre-1975 text | 263

Two-judge bench | B.P. Jeevan Reddy, J. | S.B. Majmudar, J.

Assessment years: 1969-70

Historical accumulation rule; total-income base and source figures

This decision applies the AY 1969-70 text: 25% of total property income or Rs 10,000, whichever is higher, with separate conditions for additional accumulation. “Absolute” does not remove all other statutory requirements. The report’s 75% description and Rs 70,975 / Rs 85,262 figures are not an exact numerical split. The 1998 Tiruppani application is specifically checked; comprehensive later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

A.L.N. Rao Charitable Trust, Mangalore, claimed exemption for surplus income of Rs 85,262 for AY 1969-70. The ITO and AAC had initially rejected its charitable eligibility, but the Tribunal held it to be a charitable trust; that status was confirmed on reference and was no longer in dispute. An assessment dated 21 January 1972, made in accordance with the Tribunal's decision, accepted that notice under section 11(2)(a) had been given and that the required investment had been made, and exempted the entire surplus (physical page 5 / SCR 352).

The Commissioner issued a section 263 show-cause notice on 18 January 1973 because the trust had not invested the whole Rs 85,262. The report states an investment of Rs 70,975 and elsewhere describes it as 75% of accumulated income; it does not reconcile those figures as an exact percentage. The trust challenged the notice in W.P. No. 597 of 1973. The Single Judge directed the revision proceedings to be disposed of according to his interpretation, which allowed exemption only for the invested 75%. On Revenue's writ appeal, the Karnataka High Court Division Bench held the separate 25% exemption available as well, taking a view wholly favourable to the trust (physical pages 6-7 / SCR 353-354).

Revenue's Supreme Court appeal challenged that interpretation. Its argument was that resort to section 11(2) required investment of all accumulated income, so that the portion independently exempt under section 11(1)(a) could no longer remain outside the prescribed investments. The dispute was one of statutory construction in the revision-notice setting; the Supreme Court did not compute a new tax demand (physical pages 7-8 / SCR 354-355).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the provisions as they stood for AY 1969-70 and expressly declined to examine the 1975 amendments. Historical section 11(1)(a) excluded income from property held wholly for charitable or religious purposes to the extent applied to those purposes in India. It also permitted accumulation for those purposes up to 25% of total property income or Rs 10,000, whichever was higher. Under the quoted section 11(2), additional exemption required prescribed written notice specifying purpose and period, no longer than ten years, and investment in the prescribed Government or approved securities (physical pages 8–9 / SCR 355–356).

Section 11(2) enlarged the exemption by lifting the accumulation ceiling for the qualifying additional amount. It did not contain a non-obstante clause and could not cut down the independent exemption already conferred by section 11(1)(a). Requiring investment of all accumulated income would make that independent accumulation exemption redundant. The Court's description of that exemption as absolute and unfettered was made in this relationship between the two historical subsections; it is not a dispensation from all other eligibility or statutory requirements (physical pages 10–12 / SCR 357–359).

The Court's numerical illustration fixes the correct base. With Rs 1,00,000 total property income and Rs 20,000 applied during the year, Rs 25,000 of the remaining Rs 80,000 is independently exempt, producing a combined section 11(1)(a) exemption of Rs 45,000. The additional balance is Rs 55,000. If only Rs 20,000 of that balance meets section 11(2), that additional amount is exempt and Rs 35,000 remains taxable; if the entire Rs 55,000 qualifies, the entire balance is exempt. Thus the 25% is of total property income, not of the unspent Rs 80,000, and section 11(2) operates to the extent its conditions are met (physical pages 10 and 12–13 / SCR 357 and 359–360).

The Court approved the concordant views identified from the Kerala, Madhya Pradesh, Bombay, Madras and Jammu and Kashmir High Courts. It found no basis to disturb the Karnataka Division Bench decision (physical pages 13–14 / SCR 360–361).

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

03 JUDICIAL DECISION

Revenue's appeal was dismissed, leaving the Karnataka Division Bench's interpretation in favour of the trust undisturbed. There was no order as to costs (physical page 14 / SCR 361).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee trust

Revenue's Civil Appeal No. 958 of 1977 dismissed; no order as to costs

Final reasoned interpretation of historical sections 11(1)(a) and 11(2) in an appeal arising from a section 263 notice challenge

AY 1969-70 and the pre-1975 statutory text. Independent basic accumulation remains exempt; only additional accumulation claimed under section 11(2) must satisfy that subsection. No new tax computation or general revision-jurisdiction rule was made.

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

05 AKHB REVIEW POINT

Prepare separate schedules for total property income, actual charitable or religious application in India, the permitted basic accumulation, and additional accumulation requiring the historical notice and investment conditions. The Court's illustration prevents the common error of calculating the 25% allowance on the unspent balance. Do not treat the loose 25%/75% phrasing in the factual narrative as an exact computation of this trust's figures.

A bounded later primary-source check supports that limited construction. In *S. RM. M.C.T. M. Tiruppani Trust v. Commissioner of Income Tax*, decided on 4 February 1998, the Court expressly applied *A.L.N. Rao* and allowed historical section 11(1)(a) relief even though section 11(2) conditions had not been met. The later judgment treated the hospital-building expenditure and the limited balance accumulation separately. The Rs 8 lakh income-character premise there was accepted on Revenue counsel's concession; the later case is not used here to establish that all loan realisations are income. The full five-page source was read, with reliance limited to physical pages 4–5 / SCR 656–657.

Keep the statutory year and single source warning attached to the holding. The 25% / Rs 10,000 amounts, ten-year notice period and prescribed investments belong to the historical text before the Court, not an unverified present-law checklist.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Date, bench, author and appeal caption

Source url: [Open cited source](#)

Pdf pages: 1; 4

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: AY, settled charitable eligibility, procedural dates and investment figures

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

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

Source role: judicial text

3.

Topic: Historical statutory text and exclusion of 1975 amendments

Source url: [Open cited source](#)

Pdf pages: 8; 9

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

Source role: judicial text

4.

Topic: Independent exemption and precise total-property-income base

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12; 13

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

Source role: judicial text

5.

Topic: High Court approvals and dismissal without costs

Source url: [Open cited source](#)

Pdf pages: 13; 14

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

Source role: judicial text

6.

Topic: Bounded later application; income-character concession and section 11(1) relief

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: bounded later judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.B. Majmudar, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATIONHon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 14 PDF pages; SHA-256

58d29fdfeed76a4491d8721f9fe5c25836477d0dfa66bffc1f1cead8de284325. Original bytes preserved.

Complete judicial text physical pages 4–14 / SCR 351–361; editorial headnote physical pages 1–4 separated. The section 263 procedural setting, pre-1975 section 11 text, judicial illustration and formal no-costs order are distinguished.

Open cited source rendition

The judgment concerns AY 1969-70 and expressly declines to examine the 1975 amendments. The old 25% / Rs 10,000 figures and ten-year notice period must not be silently updated or applied as current law.; The report calls the investment 75% of accumulated income but also states Rs 70,975 against Rs 85,262 surplus. Those amounts are not an exact 75% split; the source does not reconcile the description and figures.; The 1972 assessment was pursuant to the Tribunal; the separate eligibility reference is reported as decided on 4 August 1975. These are different procedural stages, not a basis for rewriting the dates.; The judicial illustration calculates 25% on total property income. Its hypothetical Rs 1,00,000 / Rs 20,000 / Rs 55,000 amounts are not the assessee's figures.; The word absolute addresses whether section 11(2) conditions cut down the historical section 11(1)(a) accumulation exemption; it is not an exemption from every other statutory condition.; The 1995 statutory quotation prints the Public Debt Act cross-reference as section 12, while the later Tiruppani quotation prints section 2. No independent statutory-text correction is made or relied upon here.; The later Tiruppani application is specifically checked; comprehensive subsequent treatment, current-law application and 2025 mapping remain unverified.

The merits concern the historical relationship between sections 11(1)(a) and 11(2). Section 263 supplied the revision-notice setting, not a separate general ruling on revision jurisdiction. The Court expressly did not decide the amended 1975 provisions. The 1922 Act is mentioned only as historical contrast; sections 60–63 occur in the introductory statutory quotation, not as issues decided.

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. The separately identified 1998 Tiruppani passage is a bounded later check for A.L.N. Rao only; no later treatment is asserted for the other notes.

IDENTIFIED SOURCE LINKSreported judgment - PDF pages: 14

SHA-256: 58d29fdfeed76a4491d8721f9fe5c25836477d0dfa66bffc1f1cead8de284325

bounded later judgment - PDF pages: 5

SHA-256: fb1203b43dbe9f329101e1fd9b900709f04adec95dbc4ae80383f858d32f7a76

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