

M/s. Thiagarajar Charities, Madurai v. The Additional Commissioner of Income-tax and another

Civil Appeal Nos. 482–484 of 1980

[1997] 3 SCR 965 | 1997-04-24

Whether, on the deed and resolution actually governing this trust, its cotton business defeated exemption under section 11 read with the then section 2(15) for AYs 1964-65 to 1966-67.

2(15) | 11 | 11(4)

Three-judge bench | K.S. Paripoornan, J. | K. Venkataswami, J. | B.N. Kirpal, J.

Assessment years: 1964-65, 1965-66, 1966-67

Historical business-corpus holding; deed and reporter defects

This ruling concerns AYs 1964-65 to 1966-67 under the then sections 2(15) and 11. The cotton business was held as corpus under this deed; the separate resolution exercised business powers, while clause 1(g) was construed contextually as a welfare-enabling power. It is not a blanket later-year business exemption. Preserve the front-matter High Court date 23.12.78 versus judicial 23.12.1977 and the erroneous editorial Aditanar citation; follow the judicial text. Later treatment, present-law applicability and 2025 mapping are not verified.

01 FACTS OF THE CASE

The trust was constituted on 4 June 1962 with an initial Rs. 11,000. Its deed provided for educational institutions, medical relief, housing and other relief for the poor. Clause 1(g) authorised rural reconstruction, cottage industry and incidental work. Clause 1(h) allowed application to all or any stated objects; clause 3 included business undertakings within trust property; clause 7(e) conferred investment/business powers, and clause 32 governed Board decisions. A separate Board resolution dated 6 June 1962 authorised purchasing and selling cotton, cotton yarn, cloth and other fibres (paragraphs 1 and 4–5; physical pages 3 and 6–11/SCR 967 E; 970 G–975 G).

For AYs 1964-65 and 1965-66, the relevant previous periods were 4 June 1962–31 May 1963 and 1 June 1963–31 May 1964. Nil returns were filed despite accounting profits of Rs. 8,72,550 and Rs. 13,14,269. The Income-tax Officer denied exemption; the Appellate Assistant Commissioner allowed it; the Tribunal reversed. Treating clause 1(g) as a profit-making general-public-utility object, the Tribunal and High Court denied relief, and the same approach was applied to AY 1966-67. The two reference questions asked whether the deed was charitable under section 2(15) and its income exempt under section 11 (paragraphs 1–2 and 6; physical pages 3–4 and 11–13/SCR 967–968; 975–977).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court expressly applied the provisions as they stood for these years. Section 2(15) then included relief of the poor, education, medical relief and advancement of any other general-public-utility object not involving an activity for profit. The judgment reproduced original section 11, including section 11(4), under which property held under trust includes a business undertaking so held. This is a historical statutory setting; the note does not substitute the later business-income provisions or the later GPU proviso (paragraph 3; physical pages 4–6/SCR 968 C–970 F).

The High Court had confused the deed with the Board resolution. The cotton business arose under clause 7(e) read with clause 32 and the 6 June resolution, not under clause 1(g). By clause 3 it was trust property or corpus. The Court distinguished corpus, real objects and the trustees' enabling powers. Though listed among objects, clause 1(g) was read in context as a power to effectuate the principal educational and welfare purposes. Rural reconstruction and cottage industry, in this deed's setting, afforded poor relief; the business itself was a means of accomplishing the charitable objects, not a separate profit-making object (paragraphs 7–9; physical pages 13–18/SCR 977 D–982 A).

The Court also noted that the Kerala Full Bench decision in Dharamadepti on which the High Court relied had been reversed. Its discussion of Shri Shaila and company-law authorities supported the distinction between objects and enabling powers; those quotations are not independent factual findings about this trust. As an alternative, the Court applied the Surat Art Silk predominant-purpose test even if the fourth limb were engaged. The affidavit showed Rs. 16,48,030 spent on charity from 4 June 1962 to 31 May 1967, and in one assessment year application exceeded income. On this record, business earnings essentially fed the deed's charitable purposes and profit-making was not the real object (paragraphs 7–11; physical pages 14–19/SCR 978–983 E).

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

03 JUDICIAL DECISION

The Court answered the reference questions for the assessee and against Revenue, held the income from its business held under trust exempt under section 11, set aside the common Madras High Court judgment identified in the judicial reasons and ending as 23 December 1977, and allowed all three appeals. Costs included advocates' fees estimated at Rs. 10,000 in each appeal (paragraph 12; physical page 19/SCR 983 E–G).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

All three appeals allowed; reference questions answered for assessee; High Court judgment set aside; costs including Rs. 10,000 advocates' fees in each appeal

Final construction of this deed and exemption determination for AYs 1964-65, 1965-66 and 1966-67

Does not grant permanent exemption to every business operated by a charitable trust or decide compliance with later statutory business-income restrictions.

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

05 AKHB REVIEW POINT

Read the deed, actual business-authorising resolution and application evidence together. A clause labelled an object may in substance be an enabling power; equally, the Court's contextual construction here is not permission to disregard genuinely independent non-charitable objects. Keep the business undertaking held as corpus distinct from a claim based merely on spending commercial receipts on charity. The historical section 11(4) setting, the primary poor-relief/education analysis and the alternative Surat Art Silk analysis should remain separate.

This decision adjudicated the three 1960s assessment years. It should not be used as automatic approval under later section 11(4A), a modern section 2(15) proviso, or the 2025 Act. The Court relied on the record's aggregate charitable expenditure, but did not publish a year-by-year application computation or decide an independent accumulation dispute. Do not turn that aggregate into an invented annual application finding.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, assessment years and reference questions

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Cover; paragraphs 1–3; SCR 965; 967–968

Source role: reported metadata and judicial text

2.

Topic: Historical sections 2(15) and 11, including business undertaking

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: Paragraph 3; SCR 968 C–970 F

Source role: judicial text

3.

Topic: Deed objects, corpus and business powers

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10

Paragraphs: Paragraph 4; SCR 971–974

Source role: judicial text

4.

Topic: Separate Board resolution and accounting figures

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: Paragraphs 5–6; SCR 975–976

Source role: judicial text

5.

Topic: Confusion of clause 1(g) with actual business powers

Source url: [Open cited source](#)

Pdf pages: 13; 14

Paragraphs: Paragraphs 7–8; SCR 977 D–978 G

Source role: judicial text

6.

Topic: Objects, powers and poor relief; business as corpus

Source url: [Open cited source](#)

Pdf pages: 15; 16; 17; 18

Paragraphs: Paragraphs 8–9; SCR 979–982 A

Source role: judicial text

7.

Topic: Alternative Surat Art Silk test, actual application and final relief

Source url: [Open cited source](#)

Pdf pages: 18; 19

Paragraphs: Paragraphs 10–12; SCR 982 B–983 G

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.S. Paripoornan, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 19 PDF pages; SHA-256

a5e1ad2858003c893eeb272fa668387e987b7eab7337f851205154b5b4c550ef. Original bytes preserved.

Complete judicial text, physical pages 3–19/SCR 967 D–983 G, paragraphs 1–12. Reporter headnotes precede the boundary.

Complete quoted deed passages and 6 June 1962 resolution read; original statutory quotation, factual amounts and final costs order checked.

Open cited source rendition

The front matter on physical page 3 prints the High Court date as 23.12.78, while judicial paragraph 2 on page 4 and the operative paragraph 12 on page 19 both say 23.12.1977. The note follows the repeated judicial date and preserves the front-matter conflict.; The editorial reference on physical page 3 associates Aditanar with (1980) 121 ITR 1. Judicial paragraph 8 on page 14 instead cites the 1997 Aditanar decision; paragraph 10 identifies (1980) 121 ITR 1 as Surat Art Silk. The mismatched editorial citation must not be reproduced as Aditanar's citation.; Paragraphs 7 and 9 occasionally compress clause 7(e)/clause 32 and the resolution into a single phrase. The deed text on page 10 and resolution on page 11 show that the clauses belong to the deed and the resolution separately exercised the power.; All three disputed assessment years are explicit. The first two accounting profits are specified; no AY 1966-67 profit figure is inferred. The Rs. 16,48,030 figure is an aggregate for 4 June 1962–31 May 1967.; The historical quotation includes original accumulation limits and periods. These are not represented as present-day amounts, percentages or deadlines. Later treatment and statutory mapping remain unverified.

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. Comprehensive subsequent judicial and statutory treatment is not verified. Authorities cited in the judgment are described only as treated there unless a separately identified bounded comparison states otherwise. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 19](#)

SHA-256: a5e1ad2858003c893eeb272fa668387e987b7eab7337f851205154b5b4c550ef

AI DISCLOSURE

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.