

Commissioner of Income Tax, Amritsar v. Tattan Trust Amritsar and others

Civil Appeal Nos. 6328–6333 of 1983 and connected appeal(s)

[1997] Supp. 1 SCR 555 | 1997-07-08

Whether a trust created before 1 April 1962 could obtain the first-proviso protection under section 13(1)(c)(ii), and the corresponding Wealth-tax Act section 21-A proviso, by inserting a mandatory interested-concern investment term only in March 1971.

11 | 13(1)(c)(ii) | 13(2)(a) | 13(2)(h) | 13(3)

Two-judge bench | S.C. Agrawal, J. | D.P. Wadhwa, J.

Assessment years: 1971-72, 1972-73, 1973-74, 1975-76

Unresolved printed date defects; pre-1962 mandate only

The cover prints 8 July 1977; the indexed 8 July 1997 date is qualified by the [1997] SCR volume, 1983 appeal numbers and later High Court proceedings. No independent official date correction was verified. The first High Court date (1980/1990) and deed date (26/28 March 1942) also conflict in print. The holding is that the mandatory investment term itself had to exist before 1 April 1962: a 1971 amendment did not earn the first-proviso protection, even under an original amendment power. Keep the income-tax and wealth-tax years distinct. The extended statutory quotation is not a certified historical consolidation; later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The judicial narrative describes a trust deed dated 28 March 1942. Original clause 39 permitted investment in banks or securities approved by the trustees and purchase of immovable property. Clause 41 authorised a 75% trustee majority to amend management provisions, except the trust's name, aims and objects. On 14 March 1971 the trustees replaced clause 39 with a requirement that funds not immediately needed be kept with M/s Gokal Chand Rattan Chand Woollen Mills Private Limited, subject to retaining no more than Rs. 2,00,000 in government securities, bank account and/or cash. It was admitted that the trustees were interested in that concern; funds were placed in shares and deposits (physical pages 3–4/SCR 557 F–558 H).

The income-tax references concerned AYs 1971-72, 1972-73, 1973-74 and 1975-76. Companion wealth-tax references concerned AYs 1973-74 and 1974-75; the latter is not an additional income-tax assessment year. The Income-tax Officer and Appellate Assistant Commissioner denied exemption, referring to section 13(2)(a) and (h) and the low interest on the deposit. The Tribunal and High Court regarded the deed amendment as valid and its resulting mandate as bringing the case within the first proviso. Revenue appealed (physical pages 2–5/SCR 556 G–559 C).

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

02 DISCUSSION BY THE HON'BLE COURT

The judgment identifies the governing section 13 as substituted by the Finance Act, 1970 with effect from 1 April 1971. The decisive text was section 13(1)(c)(ii) and its first proviso: the interested-person use restriction did not apply to a pre-commencement trust's use made in compliance with a mandatory term. Sections 13(2)(a) and (h) supplied the lending/investment context: the quoted lending rule concerned inadequate security or interest, and the quoted investment rule excluded periods before 1 January 1971. The section 13(3) interested-person connection was admitted. The Court considered the parallel first proviso to section 21-A of the Wealth-tax Act, 1957 with the same issue (physical pages 5–8/SCR 559 D–562 H).

The exception required both a trust created before 1 April 1962 and a mandatory interested-concern investment term already existing before that date. Original clause 39 contained no such requirement. The pre-existing amendment power did not permit trustees to create protected status later by inserting a mandate in 1971. Otherwise trustees could at any subsequent time manufacture a case within the saving proviso, defeating its purpose. The Court rejected the suggestion that a taxpayer-favouring ambiguity principle changed the result: the proviso was not obscure on this point (physical pages 8–10/SCR 562 F–564 B).

This reasoning determines whether the later amendment attracted the statutory exception. It should not be enlarged into a rule that every management amendment to a charitable deed is invalid under trust law. Nor does the judgment independently calculate adequate interest, adjudicate disputed substantial-interest facts, or quantify either tax liability.

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

03 JUDICIAL DECISION

Revenue's appeals were allowed; the High Court judgments were set aside; the referred questions were answered in the negative, in favour of Revenue and against the assessee. This defeated the exemption claims resting on the post-1962 inserted mandate under both Acts. No costs were ordered (physical page 10/SCR 564 B).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Appeals allowed; High Court judgments set aside; reference questions answered in the negative for Revenue; no costs

Final statutory construction of the pre-1962 mandatory-term exception under Income-tax Act section 13 and corresponding Wealth-tax Act section 21-A

No independent holding that all later deed amendments are void, no computation of tax, and no general determination of acceptable investment terms outside the specific statutory exception.

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

05 AKHB REVIEW POINT

For a claimed grandfathered mandatory term, obtain the deed as it stood before 1 April 1962 and the complete amendment chronology. A later compulsory direction is not converted into a pre-1962 mandate merely because the original deed conferred amendment powers. Separate the validity of a deed amendment from whether it meets the tax statute's temporal exception. Distinguish the income-tax years from the companion wealth-tax years and retain the admitted interested-person facts rather than treating them as newly litigated tests.

The report is sufficient for its narrow statutory holding but contains several genuine print defects. Indexing the case to 8 July 1997 is qualified by the [1997] SCR volume, 1983 appeal numbers and post-1977 appellate chronology; it is not an assertion that an independent official order has corrected the cover. A prospective reliance exercise must verify the applicable historical statutory text separately, because the report's extended statutory reproduction is not a certified year-specific consolidation.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Cover-year conflict, bench and reported identity

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Cover; SCR 555–556

Source role: reported metadata and judicial text

2.

Topic: Income-tax/wealth-tax years and reference questions

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: Unnumbered judicial text; SCR 556 G–557 F

Source role: judicial text

3.

Topic: Original and amended deed terms

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text; SCR 557 F–558 H

Source role: judicial text

4.

Topic: Assessment path and historical substitution

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text; SCR 559–560

Source role: judicial text

5.

Topic: Section 13 first proviso, interested-person rules and section 21-A

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Unnumbered judicial text; SCR 560 C–562 H

Source role: judicial text

6.

Topic: Pre-1962 mandate must predate cutoff

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10

Paragraphs: Unnumbered judicial text; SCR 562 F–564 B

Source role: judicial text

7.

Topic: Negative answers and no-costs disposition

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: Unnumbered operative ending; SCR 564 B

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

D.P. Wadhwa, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

QUALIFIED DECISION DATE AND UNRESOLVED PRINTED SOURCE CONFLICT

Status: qualified index date with unresolved printed cover conflict

Indexed date: 1997-07-08

Printed cover date: 1977-07-08

Basis: Corpus date agrees with the [1997] SCR report year. A literal 1977 date conflicts with the 1983 appeal number and later High Court proceedings. No independent official corrected date verified.

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256

db85effa03e2253b5c9aa730422299e32c93b51e2baaf2789e912afc045ae14c. Original bytes preserved.

Complete judicial text physical pages 2–10/SCR 556 G–564 B, beginning with D.P. Wadhwa J. Reporter headnotes on pages 1–2 are separate. Historical tax years, the deed amendment, first provisos and negative answers with no costs fully read and visually checked.

[Open cited source rendition](#)

Decision-date conflict: the PDF cover visibly prints JULY 8, 1977, while the corpus metadata and [1997] Supp. 1 SCR report place the decision in 1997. Appeal numbers are of 1983 and the judicial narrative includes a 25 November 1988 High Court judgment, excluding a literal 1977 Supreme Court decision. The indexed date 1997-07-08 is therefore explicitly qualified, not silently substituted. An independent official corrected date has not been verified.; The front matter on page 2 gives the first High Court judgment as 18.1.80; the judicial narrative on the same page says January 18, 1990. That conflict is unresolved, and no exact first-judgment date is used in the factual summary. The narrative also identifies November 25, 1988 for the other judgment.; The headnote on page 1 gives the trust deed date as 26-3-1942; judicial text on page 3 says March 28, 1942. The note follows the judicial narrative while preserving the conflict. Both dates precede the statutory cutoff.; The supplied machine case-number metadata says 2328/1983. The rendered jurisdiction line on page 2 says Civil Appeal Nos. 6328-33 of 1983 etc.; the note follows that line and does not invent a number for the connected special-leave appeal.; The body identifies the Finance Act, 1970 substitution effective 1 April 1971 but also states that the amending Bill was introduced on March 14, 1971, the deed-amendment date. This internally awkward legislative chronology is not independently confirmed or adopted as a legislative fact.; The reproduced section 13 text includes a placeholder for clause (bb), and the extended Wealth-tax section 21-A quotation includes further language beyond the narrow proviso at issue. The note does not certify every reproduced word as simultaneously applicable to all 1971-76 income-tax or 1973-75 wealth-tax years. The holding is confined to the specified first-proviso cutoff.

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: 10](#)

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