

Upper Ganges Sugar Mills Ltd. Etc. v. Commissioner of Income Tax, Calcutta

Civil Appeal No. 3104 of 1985 / Civil Appeal No. 10736 of 1995

[1997] Supp 3 SCR 239 | 1997-08-04

Whether a donation qualified under the then section 80G when one independently stated trust object authorised public places of worship and prayer halls.

80G(2)(a)(iv) | 80G(5) | 80G Explanation 3 | 147(b)

Two-judge bench | S.P. Bharucha, J. | V.N. Khare, J.

Assessment years: 1973-74

Historical religious-object ruling; later section 80G(5B) matters

Deduction failed on a separate worship/prayer-hall object under the statutory version decided, without a quantified religious-expenditure finding. Later section 80G(5B), effective 1 April 2000, supplies a bounded 5% deeming rule that must be considered for its applicable years. The source repeats deed label (g) and contains an inconsistent Surat Art Silk assistance sentence; neither defect is silently corrected. No current exemption or comprehensive later-treatment certification follows.

01 FACTS OF THE CASE

In the first appeal, concerning AY 1973-74, the company donated Rs 25,000 to Vishwa Mangal Trust. The ITO initially allowed section 80G relief, then reopened the assessment under section 147(b) and disallowed it. The Appellate Assistant Commissioner upheld the disallowance, the Tribunal reversed it, and the High Court answered the donor's deduction question for the Revenue. A connected appeal involved a subsequent year that the judgment does not identify (PDF pages 2-3/SCR 240-241).

The deed set out education, medicine, relief, culture, sports and other purposes, as well as an object allowing the establishment, maintenance and support of public places of worship and prayer halls. Clause 3 allowed collected funds and income to be used for the stated objects. The decisive worship clause is identified in the judicial reasoning as clause 2(h), although the displayed list repeats the label (g) (PDF pages 3-5).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court applied section 80G's own charitable-purpose requirement and Explanation 3. For that provision, an independently stated purpose wholly or substantially wholly religious was enough to exclude the institution and the donation. The inquiry was not whether religion predominated across the trust's objects in the aggregate. The separate worship/prayer-hall object satisfied the religious-purpose description, despite the trust having other charitable objects (PDF pages 3–6).

The Court discussed Surat Art Silk's dominant-purpose analysis in its different section 2(15) setting, but the operative reasoning here reiterated the object-specific Explanation 3 inquiry. The present report contains an internally awkward sentence describing that earlier judgment as being of assistance; this note neither silently inserts a missing negative nor treats that isolated phrase as reversing the express test immediately before and after it (PDF page 5/SCR 243).

The fact that the deed did not confine worship to one particular religion did not cure the independently religious object. The decision turns on the deed and the then statutory test, not on a finding that all of the donation or a quantified proportion of expenditure was actually spent on religion. Reopening is part of the history, not a separately analysed Supreme Court holding on section 147(b) validity (PDF pages 3–6).

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

03 JUDICIAL DECISION

Both assessee appeals were dismissed without costs. The High Court's denial of the section 80G deduction stood because the trust's separate worship/prayer-hall purpose fell within the then Explanation 3 exclusion (PDF page 6/SCR 244).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Both assessee appeals dismissed; no costs

Final rejection of donation deduction under the historical section 80G object test

Not a general ruling denying section 11 exemption to the recipient trust; no ruling applying the later section 80G(5B) expenditure provision.

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

05 AKHB REVIEW POINT

Read the actual object clauses rather than relying on a charitable label or an overall account of the trust's work. For the statutory version decided here, a separate power to support worship was material even among numerous charitable purposes. Donor deduction and the recipient's own income exemption are distinct questions.

A material later statutory qualification must accompany any use of this decision: section 80G(5B), inserted from 1 April 2000 as recorded in the checked official-hosted compilation, contains a deeming rule for religious expenditure not exceeding 5% of total income, overriding section 80G(5)(ii) and Explanation 3. It does not expressly override clause (iii)'s particular-community condition (compilation PDF pages 452–454, especially page 453 and footnote 18). This bounded text check is not a determination that a later claimant satisfies every condition or that the present appeals would have succeeded under later law. Comprehensive later judicial treatment and 2025 Act mapping remain unverified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, two appeals, first year/donation and procedural history

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Historical statutory condition and deed objects

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Religious-object analysis, printed clause/precedent defects and operative dismissal

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: SCR 242 D–H; 243 A–H; 244 A–B

Source role: judicial text

4.

Topic: Bounded later section 80G(5B) qualification

Source url: [Open cited source](#)

Pdf pages: 452; 453; 454

Paragraphs: Section 80G(5)(ii)–(iii), subsection (5B), footnote 18 and Explanation 3

Source role: compiled statute and editorial amendment history

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.P. Bharucha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Status: bounded compiled text and history footnotes checked

Source url: [Open cited source](#)

Pdf pages: 451; 452; 453; 454

Finding: Section 80G(5B) text and Finance Act 1999 insertion history checked: effective 1 April 2000; religious-expenditure ceiling of 5% of total income, overriding subsection (5)(ii) and Explanation 3. No comprehensive eligibility or current-law certification.

APPLICABLE HISTORICAL STATUTORY CONTEXT AND LIMITS

Adjudicated version: Section 80G(2)(a)(iv), section 80G(5) and Explanation 3 for AY 1973-74 and the unspecified subsequent year; the appeals predate the section 80G(5B) addition.

Later material change: Section 80G(5B) as compiled in 2011 and insertion history footnote 18 checked; effective 1 April 2000. Scope limited to its specified overrides and threshold.

Incidental provisions: Historical section 147(b) is procedural background; section 2(15) appears in the discussion of Surat Art Silk, not as a separate trust-exemption issue decided here.

SOURCE & VERIFICATION

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

Identified source rendition: 6 PDF pages; SHA-256

2d70081f99df164c0bb4fb9c4c9431f3d8d3cf3506c5d52a877ffda6875efbe1. Original bytes preserved.

Complete unnumbered judicial text on physical PDF pages 2–6; preceding text is reporter/headnote/appearance material. No adjacent judgment. All report pages also read.

[Open cited source rendition](#)

The report's deed list prints two clauses labelled (g); the subsequent judicial analysis consistently identifies the worship/prayer-hall clause as 2(h). Both the defect and the controlling identification are retained.; Physical page 5 visibly says the Surat Art Silk judgment is of assistance, whereas the editorial headnote says it is inapplicable. The object-specific reasoning and result are clear; no silent textual correction or categorical treatment label is manufactured.; Only the first assessment year, 1973-74, and its Rs 25,000 donation are specified. The later appeal's year and amount are not supplied by inference.; The body gives a previous-year end of 30 June 1972. It is retained as source history rather than converted to an assumed financial year.; The decision does not quantify religious expenditure and predates section 80G(5B). The later threshold is not retroactively applied to these appeals.

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 has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 6](#)

SHA-256: 2d70081f99df164c0bb4fb9c4c9431f3d8d3cf3506c5d52a877ffda6875efbe1

[official hosted statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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