

S. RM. M.CT. M. Tiruppani Trust v. Commissioner of Income Tax

Civil Appeal No. 1699 of 1984

[1998] 1 SCR 653 | 1998-02-04

Whether failure to satisfy a section 11(2) accumulation declaration also removed the trust's independent section 11(1)(a) relief for charitable application and the permitted basic accumulation in AY 1970-71.

11(1)(a) (historical) | 11(2) (historical) | 256(1)

Two-judge bench | Sujata V. Manohar, J. | D.P. Wadhwa, J.

Assessment years: 1970-71

Revenue conceded the income premise; historical limits only

The Court accepted Revenue's concession that Rs 8 lakh was income and granted historical section 11(1)(a) relief; it did not decide that every advance recovery is income. Section 11(2) relief remained unavailable. The Rs 7,82,792.44 advance and Rs 8 lakh building figure are not reconciled by the source. The old 25%, Rs 10,000 and ten-year rules are not present compliance guidance; later provisions changed. Costs are unquantified. Comprehensive later treatment and current-law/2025-Act mapping remain unverified.

01 FACTS OF THE CASE

The trust's charitable objects were undisputed. In 1963 it resolved to accumulate income for ten years from 13 April 1961 and filed Form 10. In the accounting year ending 12 April 1970, an earlier balance-sheet advance of Rs 7,82,792.44 to the Rangoon firm was replaced by a building asset of Rs 8 lakh; the trust said the advance was realised and used to purchase a building for a hospital. It also earned Rs 1,64,210.03 of other income (physical pages 1-2).

The Tribunal's majority treated Rs 8 lakh as income and allowed relief on both amounts. The High Court disagreed with that income treatment and denied relief on the remaining income because the declaration conditions were not met. Before the Supreme Court, however, Revenue accepted that Rs 8 lakh constituted income and pressed only the argument that the section 11(2) investment failure barred section 11(1) relief (physical pages 2 and 4).

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

02 DISCUSSION BY THE HON'BLE COURT

On the statutory text applicable to AY 1970-71, section 11(1)(a) independently exempted income applied to charitable or religious purposes in India and allowed accumulation up to 25% of income or Rs 10,000, whichever was higher. Section 11(2) relaxed that accumulation ceiling if its notice and investment conditions were met; it did not take away the basic section 11(1) entitlement merely because a declaration had been filed. The Court relied on A.L.N. Rao Charitable Trust for this relationship (physical pages 3–5).

The trust could not claim section 11(2) relief for this year because it had not met those conditions. It could still claim section 11(1)(a): the Rs 8 lakh used to purchase the hospital building was charitable application, and the remaining Rs 1,64,210.03 was below 25% of the total income on the accepted footing. Under that historical text, this limited accumulation did not itself require investment in Government securities. The Court did not independently decide the earlier contested question whether recovery of the advance was income (physical pages 4–5).

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

03 JUDICIAL DECISION

The referred question was answered affirmatively for the trust, and the appeal was allowed with costs. Relief was sustained under section 11(1)(a) for the Rs 8 lakh charitable application and the Rs 1,64,210.03 basic accumulation, not under section 11(2). Costs were not quantified and no remand was ordered (physical page 5).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeal allowed with unquantified costs; reference answered for the trust

Final historical section 11(1)(a) relief on Revenue's accepted income premise

No holding that every loan recovery is income, that section 11(2) conditions are optional for enhanced accumulation, or that the historical rates, periods and investment rules govern later years.

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

05 AKHB REVIEW POINT

Keep actual application, basic permitted accumulation and enhanced accumulation as separate questions. The existence of a Form 10 declaration did not consume the independent historical section 11(1)(a) entitlement. But the denominator here includes Rs 8 lakh because Revenue accepted it as income; this judgment cannot supply that premise in a disputed loan-recovery case.

Do not reuse the old 25%, Rs 10,000 or ten-year wording as present compliance instructions. The bounded 2011 compilation records replacement of 25% with 15% from 1 April 2003 and, within section 11(2), later investment-mode conditions and a five-year period for income accumulated on or after 1 April 2001 (pages 165–170). These dated checks are sufficient to flag changed law, not to certify later exemption, registration or investment compliance.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, year, charitable facts and advance/building values

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Historical statute, Form 10 and Revenue's income concession

Source url: [Open cited source](#)

Pdf pages: 2; 3; 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Independent basic exemption, application and final allowance

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Dated change in the basic accumulation percentage

Source url: [Open cited source](#)

Pdf pages: 165; 166

Paragraphs: Section 11(1)(a); page 166 footnote 59

Source role: bounded historical statutory text

5.

Topic: Later section 11(2) accumulation conditions in 2011 compilation**Source url:** [Open cited source](#)**Pdf pages:** 168; 169; 170**Paragraphs:** Section 11(2), second proviso and page 169 footnotes 75, 78; surrounding section 11(3) text**Source role:** bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Court (individual author not identified in the report)

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 5 PDF pages; SHA-256

fb1203b43dbe9f329101e1fd9b900709f04adec95dbc4ae80383f858d32f7a76. Original bytes preserved.

Complete unnumbered judgment begins on physical page 1/SCR 653 after the reporter matter and continues through physical page 5/SCR 657. The reporter headnote and the Revenue concession are distinguished; no adjacent judgment.

[Open cited source rendition](#)

The income character of Rs 8 lakh was disputed below but expressly accepted by Revenue before the Supreme Court. The decision must not be used as an independent ruling that recovery of an advance is taxable income.; The Rs 8 lakh is the building/application amount; the prior advance shown in the balance sheet is Rs 7,82,792.44. The source does not supply a reconciliation, and the amounts are not silently equated.; The trust's charitable purposes were undisputed. The case does not determine disputed charitable status or a modern registration application.; The report identifies no individual author for the judgment; bench membership is not treated as authorship.; The old 25%, Rs 10,000, Government-securities and ten-year provisions are not a current exemption or investment certificate; section 11(2) relief was expressly unavailable on these facts.

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: 5](#)

SHA-256: fb1203b43dbe9f329101e1fd9b900709f04adec95dbc4ae80383f858d32f7a76

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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