

Kapoor Chand (Dead) v. Asstt. Commr. of Income Tax

Civil Appeal No. 675 of 2005

[2015] 10 SCR 871 | 2015-07-14

Whether trust income from trustees' partnership membership could be clubbed in the parent's income under the quoted section 64(1)(iii) and Explanation 2A when the deeds prohibited payment or use for the children during minority and made their eventual entitlement conditional on survival to majority.

64(1)(iii) | 64 Explanation 2A

Two-judge bench | A.K. Sikri, J. | N.V. Ramana, J.

Assessment years: See the source-scope notes; no year inferred.

Historical clubbing provision; deed-specific relief

This decision concerns the quoted historical section 64(1)(iii) and Explanation 2A, with profits described for 1980-1981 but no expressly identified AY. Relief rests on no benefit during minority and contingent entitlement under the deeds. It is not a current general exemption for minors' trust income, and paragraph 13 does not decide future or section 166 liability. Verify the relevant statutory version and later treatment; no current-law or 2025-Act certification is supplied.

01 FACTS OF THE CASE

The appellant's brother-in-law created Priti Life Trust and Anuj Family Trust for the appellant's two minor children. The trustees became partners in a firm, which earned profits in the source-described year 1980-1981 and allocated shares to the trusts. The deeds barred receipt or expenditure of the income for the children during minority; the funds would become available only on majority. If either beneficiary died before then, that share would pass to the other sibling (paragraphs 2-4).

The Assessing Officer clubbed the amounts with the appellant's income under section 64(1)(iii). The Commissioner (Appeals) allowed the assessee's appeal, but the Tribunal restored the assessment and the Uttaranchal High Court dismissed the section 260A appeal by its judgment of 24 October 2003. The assessee appealed to the Supreme Court (paragraphs 3-5).

Source: [reported judgment / paragraphs 1-5](#) / [PDF pages 3, 4, 5](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read section 64(1)(iii) and Explanation 2A together. The clause brings in income of a minor from admission to partnership benefits; the Explanation reaches income earned through a trustee's membership to the extent it benefits the minor. The interposition of a trust is therefore not, by itself, a bar to clubbing. The decisive issue was whether these amounts constituted income for the benefit of a minor child during minority (paragraphs 6-8).

M.R. Doshi, dealing with section 64(1)(v), and the Bombay High Court reasoning in Yogindraprasad N. Mafatlal supported distinguishing a benefit available only after majority. The Court discussed the need for a benefit to the minor, a direct interest rather than mere accumulation under the deed, and certainty/vesting rather than a contingent possibility. Here income was unavailable during minority and the survival condition could divert it to the other sibling (paragraphs 8-10).

Revenue invoked the Finance Bill, 1979 memorandum and Explanation 2A's anti-circumvention purpose. The Court held that the actual text did not extend to income incapable of use for the beneficiary during minority. The Explanation dealt with income through trusts, but did not dispense with the minor-benefit requirement. The Court added that taxation upon receipt after majority or proceedings under section 166, if permissible, remained possible; neither course had been pursued in this case (paragraphs 11-13).

Source: [reported judgment / paragraphs 6-13 / PDF pages 5, 6, 7, 8, 9 / judicial text](#)

03 JUDICIAL DECISION

The trust income was not clubbable with the appellant's income under the historical section 64(1)(iii) and Explanation 2A on these deeds and facts. The civil appeal was allowed and the Uttaranchal High Court judgment of 24 October 2003 was set aside. The Court did not issue a fresh assessment under section 166, direct a remand, or hold the income permanently immune from tax (paragraphs 12-14).

Source: [reported judgment / paragraphs 12-14 / PDF pages 9 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the challenged clubbing assessment

Assessee civil appeal allowed; High Court judgment dated 24 October 2003 set aside

Final on the historical section 64(1)(iii)/Explanation 2A clubbing issue

Relief depends on the bar on benefit throughout minority and the contingent survival terms. Alternative taxation mentioned in paragraph 13 remains expressly qualified, without its permissibility or computation being decided.

Source: [reported judgment / paragraphs 6-14 / PDF pages 5, 6, 7, 8, 9 / judicial text](#)

05 AKHB REVIEW POINT

Read the operative trust clauses and the governing statutory version before applying this decision. Mere accumulation, a trust label or delayed cash payment is not the holding; the Court relied on inability to use the income for the children throughout minority, together with contingent entitlement. Do not turn a historical section 64(1)(iii)/Explanation 2A ruling into a blanket proposition about every minor-income clubbing provision.

Keep paragraph 13 separate from the ratio granting relief. It preserves possible taxation upon receipt or under section 166 if permissible; it neither fixes the later taxable year nor settles liability or assessment procedure. The source only names the profits year 1980-1981, so an exact assessment year should not be supplied from inference. A bounded later-name search produced no separate later decision for substantive reading; subsequent treatment remains unverified.

Source: [reported judgment / paragraphs 2, 4, 8-14 / PDF pages 4, 6, 7, 8, 9 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS**Issue results**

1.

Issue: Income through a trust and trustee partnership membership

Result: Explanation 2A can reach such income, but only to the extent the statutory minor-benefit condition is met

In whose favour: No categorical trust exclusion

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a9ec4ab830dd1a324159e2c1fa69050fd03c54abba78c45acd3822814891a89b

Asset id: 2015_10_871_879

Pdf pages: 5; 6

Printed scr pages: 875; 876

Paragraphs: 6-8

Source role: judicial text

2.

Issue: Income unavailable throughout minority and subject to survival contingency

Result: The required income for the minor child was absent under the deeds; clubbing under the provisions invoked failed

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a9ec4ab830dd1a324159e2c1fa69050fd03c54abba78c45acd3822814891a89b

Asset id: 2015_10_871_879

Pdf pages: 6; 7; 8; 9

Printed scr pages: 876; 877; 878; 879

Paragraphs: 8-12

Source role: judicial text

3.

Issue: Finance Bill, 1979 anti-circumvention submission

Result: Legislative purpose did not expand Explanation 2A beyond its textual requirement of benefit to the minor

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a9ec4ab830dd1a324159e2c1fa69050fd03c54abba78c45acd3822814891a89b

Asset id: 2015_10_871_879

Pdf pages: 8; 9

Printed scr pages: 878; 879

Paragraphs: 11-12

Source role: judicial text

4.

Issue: Taxation on majority or under section 166

Result: Possibilities noted; section 166 expressly subject to permissibility and not pursued here

In whose favour: Not decided in these proceedings

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a9ec4ab830dd1a324159e2c1fa69050fd03c54abba78c45acd3822814891a89b

Asset id: 2015_10_871_879

Pdf pages: 9

Printed scr pages: 879

Paragraphs: 13

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

64(1)(v); 166; 260A

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A.K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SCOPE AND LIMITS OF THE RECORDED TREATMENT CHECKS

1.

Checked at: 2026-10-04T12:18:20+00:00

Method: Bounded literal name search of consolidated judicial page text for Kapoor Chand

Result: Only the present source was returned; no separate later judicial text was read.

Scope limit: A negative literal-name result is not a citator result and can miss OCR/spelling variants, other names and decisions outside the corpus.

2.

Checked at: 2026-10-04T12:18:20+00:00

Method: Public-web query using site:sci.gov.in, Kapoor Chand and 64

Result: No usable separate later Supreme Court primary document was established by this bounded query.

Scope limit: No claim of no later treatment, continued validity or present-law applicability.

SOURCE & VERIFICATION

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

Identified source rendition: 9 PDF pages; SHA-256

a9ec4ab830dd1a324159e2c1fa69050fd03c54abba78c45acd3822814891a89b. Original bytes preserved.

Judgment paragraphs 1-14 on physical pages 3-9 (SCR 873-879), fully read. Pages 1-2 and opening of page 3 are editorial headnote, case references, jurisdiction and appearances. The final paragraph and reporter ending are on page 9; no adjacent opinion.

[Open cited source rendition](#)

Paragraph 2 says the partnership earned profits in the year 1980-1981. It does not expressly label that year as an assessment year. Later paragraphs refer to the relevant assessment year without naming it. No AY 1980-81 or 1981-82 is inferred.

The holding applies the quoted historical section 64(1)(iii) and Explanation 2A to trust income from trustees' partnership membership. Section 64(1)(v) appears in the cited M.R. Doshi reasoning; section 166 is an expressly qualified possible alternative, not an assessment ordered or decided; section 260A is procedural. No holding under other versions of minor-income clubbing provisions is inferred.

The preserved reported eSCR rendition is the primary source; no newly retrieved signed original or original-PDF hash is claimed.; The scan clearly reads Civil Appeal No. 675 of 2005; the page-1 text layer misreads the last digit as S. Identity follows the visible scan and page-3 jurisdiction entry.; The report labels 1980-1981 as the year of partnership profits, not expressly as the assessment year. The exact AY is left unspecified.; The editorial headnote says the trustees included the assessee; the judicial narrative does not identify the trustees by name. This note does not adopt that additional headnote fact as a judicial finding.; M.R. Doshi and Yogindraprasad are discussed as cited within this judgment; their full original sources were not separately read in this batch. Section 166 is a qualified observation, not a decided alternative assessment.

The preserved report identifies one civil appeal. No additional connected appeal number is inferred.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and source-described periods only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Actual bounded checks are separately described; a limited search or comparison does not establish that no other later authority exists.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 9](#)

SHA-256: a9ec4ab830dd1a324159e2c1fa69050fd03c54abba78c45acd3822814891a89b

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.

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