

Commissioner of Income Tax-I, Coimbatore v. M/s. G.R. Govindarajulu & Sons

Civil Appeal No. 4916 of 2006

[2015] 9 SCR 289 | 2015-09-03

Whether the charitable trust's option stated in its return was valid and, if so, whether that permitted exemption of its entire income or only the actual application plus the historical 25% set-apart amount, where the source records no government-securities investment for further relief.

11(1)(a) | 11(1) Explanation (2) | 11(2) | 11(5)

Two-judge bench | A.K. Sikri, J. | R. F. Nariman, J.

Assessment years: 1994-95

AY 1994-95 only; option upheld but exemption capped

The Revenue won recomputation, while the assessee retained its valid option in the return and undisputed actual-application relief. The Court applied a historical 25% limit although the report's extract prints 15%/85%; it did not fix final taxable income. The later Jindal comparison concerns only the option principle. Do not use the source as a current section 11 consolidation or assume it excuses later prescribed formalities. Verify the relevant year, statutory text and treatment; no current-law or 2025-Act certification is supplied.

[paragraphs 8 / PDF pages 10 / judicial text](#); [paragraphs 44-45 / PDF pages 37, 38 / judicial text](#)

01 FACTS OF THE CASE

The respondent, described in the judicial narrative as a public charitable trust, returned nil taxable income for AY 1994-95. It disclosed gross income of Rs. 99,41,221 from interest, rent, bus collections, miscellaneous receipts and GRS hotel surplus. It had actually applied Rs. 47,27,533 for its objects and stated in the return that Rs. 32 lakh was set apart for charitable expenditure in the following year (paragraph 1).

The Assessing Officer allowed the actual expenditure but rejected the set-apart claim because no option had been exercised before filing the return. No amount had been invested in government securities. The Commissioner (Appeals) accepted the return itself as an exercise of option; the Tribunal and Madras High Court upheld that approach. Revenue appealed from the High Court's 7 September 2004 decision in Tax (Appeal) No. 561/2004 (paragraphs 5-8; jurisdiction entry).

Source: [reported judgment / paragraphs 1; 5-8 / PDF pages 2, 9, 10 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court set out section 11 and reproduced the A.L.N. Rao explanation of the relationship between actual application, the basic accumulated-income exemption and the further relief available on compliance with section 11(2). It summarised the treatment in three stages: expenditure for charitable objects; setting apart up to 25% of total income in the historical case; and further relief to the extent of the specified qualifying investment. The Rs. 47,27,533 already spent and allowed was undisputed (paragraphs 2-5).

On the mode of exercising the option, the Court agreed with the assessee. As the law in issue prescribed no specific mode, stating the option when filing the return satisfied the requirement. The Assessing Officer's insistence on a separate earlier exercise could not stand (paragraphs 6-8).

That procedural success did not justify the whole quantum allowed below. The Court applied 25% to gross income of Rs. 99,41,221 and stated the resulting amount as Rs. 24,85,305. The Rs. 32 lakh claim exceeded that limit. Given the recorded absence of government-securities investment for further relief, the whole income could not be treated as exempt. The Court distinguished validity of the option from the amount deductible/exempt under the provisions it applied (paragraphs 6, 9).

Source: [reported judgment / paragraphs 2-9; quoted statute and A.L.N. Rao discussion, followed by numbered paragraphs 4-9 / PDF pages 3, 4, 5, 6, 7, 8, 9, 10, 11 / judicial text](#)

03 JUDICIAL DECISION

Revenue's appeal was allowed and the High Court order was set aside. The Assessing Officer was directed to recompute taxable income consistently with the judgment: retain the undisputed Rs. 47,27,533 actually applied and the historical 25% set-apart relief of Rs. 24,85,305 stated by the Court, rather than exempting the whole Rs. 32 lakh set apart or the entire income. The finding that the return validly exercised the option remained favourable to the assessee. The Court did not itself state a final taxable-income figure (paragraphs 8-10).

Source: [reported judgment / paragraphs 8-10 / PDF pages 10, 11 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on excessive exemption and recomputation; assessee on validity of the option in the return

Revenue civil appeal allowed; High Court order set aside; Assessing Officer directed to recompute

Legal and quantum limits resolved; consequential computation left to the Assessing Officer

Not a rejection of the option in the return and not a direction to disallow the actual charitable expenditure. The historical percentage and procedure concern AY 1994-95; the Court states no final taxable-income figure.

Source: [reported judgment / paragraphs 4-10 / PDF pages 9, 10, 11 / judicial text](#)

05 AKHB REVIEW POINT

Track validity of an election separately from the amount it supports. The assessee succeeded on making the option in its return but lost on exemption beyond the ceiling applied to its facts. A case label showing Revenue's appeal allowed hides that issue-level split. Do not describe this as a remand for unconstrained reconsideration: the Assessing Officer must apply the limits already decided.

The report needs special statutory-version care. Its extract prints 15%/85%, while its treatment of AY 1994-95 repeatedly applies 25%; the embedded A.L.N. Rao discussion also reproduces older Rs. 10,000 language. Preserve the actual historical result without presenting every quoted percentage, notice rule, period or investment description as one coherent current consolidation. The validity-of-option point was later expressly used in Jindal Steel & Power (6 December 2023), paragraphs 44-45, for the Rule 5 depreciation option. That bounded later analogy does not perpetuate the historical 25% threshold, dispense with expressly prescribed formalities in a different version, or establish comprehensive later treatment.

Source: [reported judgment / paragraphs 2-4, 6-10 / PDF pages 3, 4, 9, 10, 11 / judicial text](#); [reported judgment / paragraphs 40-45 / PDF pages 35, 36, 37, 38 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS**Issue results**

1.

Issue: Actual application of income

Result: Rs. 47,27,533 allowed by the Assessing Officer remained undisputed

In whose favour: Assessee; not contested

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

Asset id: 2015_9_289_299

PDF pages: 9; 10; 11

Printed scr pages: 297; 298; 299

Paragraphs: 5; 9

Source role: judicial text

2.

Issue: Mode/timing of option

Result: Option expressed in the return was valid under the law considered; no specific separate mode was prescribed

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

Asset id: 2015_9_289_299

Pdf pages: 10

Printed scr pages: 298

Paragraphs: 6-8

Source role: judicial text

3.

Issue: Quantum of set-apart exemption

Result: Only the historical 25% amount of Rs. 24,85,305 stated by the Court could be allowed; the entire Rs. 32 lakh was excessive

In whose favour: Revenue on the excess

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

Asset id: 2015_9_289_299

Pdf pages: 10; 11

Printed scr pages: 298; 299

Paragraphs: 9

Source role: judicial text

4.

Issue: Further relief and whole-income exemption

Result: No government-securities investment was made; no further deduction on that footing or whole-income exemption was available

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

Asset id: 2015_9_289_299

Pdf pages: 9; 10; 11

Printed scr pages: 297; 298; 299

Paragraphs: 4, 6, 9

Source role: judicial text

5.

Issue: Consequential computation

Result: Assessing Officer to recompute in accordance with the judgment; no final taxable-income figure fixed by the Court

In whose favour: Revenue obtains recomputation

Pinpoints

1.

Source url: [Open cited source](#)

Source sha256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

Asset id: 2015_9_289_299

Pdf pages: 11

Printed scr pages: 299

Paragraphs: 10

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

12; 60; 61; 62; 63

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

A.K. Sikri, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-2015-09-03-gr-govindarajulu-sons

Later case id: sc-2023-12-06-jindal-steel-power

Relationship: option in return principle applied by analogy to rule 5 depreciation

Evidence

1.

Source url: [Open cited source](#)

Source sha256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

Asset id: 2015_9_289_299

Pdf pages: 10

Printed scr pages: 298

Paragraphs: 8

Source role: judicial text

2.

Source url: [Open cited source](#)

Source sha256: 3d522a4c1abc22eb7fb630b26c850b5cf5d6e3ebcc38ba60e8336987f96a48e1

Asset id: 2023_16_484_524

Pdf pages: 37; 38

Printed scr pages: 520; 521

Paragraphs: 44-45

Source role: judicial text

Scope limit: Jindal relies on the mode-of-option point; this is not a later adoption of the historical charitable-trust percentage, nor a comprehensive subsequent-treatment audit.

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 Govindarajulu, followed by reading the relevant later primary judgment

Result: Jindal Steel & Power explicitly discusses this decision at paragraph 44 and applies the option principle at paragraph 45. Earlier matches involving other persons with the surname were not treated as later treatment of this case.

Source asset id: 2023_16_484_524

Pdf pages read: 1; 35; 36; 37; 38; 39; 40; 41

Scope limit: The later comparison is confined to the identified passage and related context; no entire new Jindal merits review is claimed.

2.

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

Method: Public-web query using site:sci.gov.in, Govindarajulu and 11

Result: The bounded query did not establish an additional usable later primary source.

Scope limit: The report-text comparison, not search snippets, supplies the cited treatment evidence.

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 11 PDF pages; SHA-256

a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699. Original bytes preserved.

Judgment paragraphs 1-10 on physical pages 2-11 (SCR 290-299), fully read, including the complete statutory extract and embedded A.L.N. Rao discussion. Paragraph 3 is not visibly numbered at the transition into the cited decision on page 4; the next numbered paragraph is 4 on page 9. Page 1 and opening of page 2 are editorial/report material. Final paragraph 10 and reporter ending are on page 11; no adjacent opinion.

Open cited source rendition

AY 1994-95 is expressly stated in paragraph 1. No other AY is attributed to this appeal.

The appeal determines historical section 11 relief for actual application and the set-apart amount, including the form of the option, the 25% limit applied by the Court, and the recorded absence of government-securities investment for further relief. Sections 12 and 60-63 occur in the statutory extract, not as separate disputed issues. Paragraph 7 prints Section 11A Explanation-II; this is disclosed rather than treated as an independent adjudication under section 11A. The judgment's quoted 15%/85% wording and its applied 25% historical limit must not be conflated.

The preserved reported eSCR rendition is the primary source; no newly retrieved signed original or original-PDF hash is claimed.; The source images confirm that the section 11 extract on physical pages 3-4 prints 15%/85%, while paragraphs 4 and 9 apply 25% to AY 1994-95. These versions are not silently harmonised or treated as a current statute.; The embedded A.L.N. Rao passage contains historical Rs. 10,000 and government-securities language. Its full original judgment was not separately read for this batch.; At the transition to A.L.N. Rao on physical page 4 no paragraph 3 number is visibly printed; the case-reference list calls it paragraph 3 and the judicial numbering resumes at 4. Page pins remove the ambiguity.; Paragraph 7 visibly prints Section 11A Explanation-II. The surrounding statutory text and decision concern section 11; no separate section 11A issue is invented.; Paragraph 9 states 25% of Rs. 99,41,221 as Rs. 24,85,305. The note retains the Court's whole-rupee amount rather than silently replacing it with an arithmetical figure or inventing final taxable income.

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: 11](#)

SHA-256: a5b694e7da88151c3ac822c24ee779e7232572d77b907b260f294742b4a01699

[reported judgment - PDF pages: 41](#)

SHA-256: 3d522a4c1abc22eb7fb630b26c850b5cf5d6e3ebcc38ba60e8336987f96a48e1

[Related note: Commissioner of Income Tax v. M/s Jindal Steel & Power Limited through its Managing Director](#)

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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