
(2004) 01 GUJ CK 0057
In the Gujarat High Court
Case No : WT Ref. No. 29 of 1991

Commissioner of Wealth Tax

APPELLANT

Vs

Parwatibai Trust

RESPONDENT

Date of Decision : 15-01-2004

Acts Referred:

Wealth Tax Act, 1957 — Section 21A, 5(1)(xxiii), 5(i)

Citation : (2004) 187 CTR 145 : (2004) 268 ITR 365

Hon'ble Judges : M.S. Shah, J;A.M. Kapadia, J

Bench : Division Bench

Advocate : Mona M. Bhatt, for the Appellant; None, for the Respondent

Judgement

M.S. SHAH, J.—In this reference at the instance of the Revenue, the following questions have been referred for our opinion in respect of asst. yr. 1980-81 :

"(i) Whether in law and on facts, the Tribunal is right in holding that the assessee-trust is entitled to exemption u/s 5(1)(xxiii) of the WT Act, 1957?

(ii) Whether in law and on facts, the Tribunal is right in directing the WTO to allow deduction of Rs. 7,43,270 being the aggregate market value of the interest of the beneficiaries as also deduction of Rs. 1,50,000 from the bank balance as exempt u/s 5(1)(xxiii) of the WT Act, 1957?"

2. The following question proposed by the Revenue was not referred by the Tribunal and the Revenue has not filed any reference application for the said question :

"Whether, in law and on facts, the Tribunal is right in holding that the assessee-trust has to be treated as a specific trust and not a discretionary trust as held by the WTO?"

3. The respondent-assessee is a trust created by late Girdharlal Amratlal by a deed of settlement dt. 15th Dec., 1934, for the benefit of his five daughters. Since question No. 1 as proposed by the Revenue is not referred by the Tribunal,

we need not go into details of the facts regarding the nature of the trust and we proceed on the basis that the assessee-trust is a specific trust as already held by the Tribunal. The controversy is only about applicability of the provisions of Section 5(1)(xxiii) of the WT Act, 1957, which at the relevant time read as under:

"5(1) Subject to the provisions of Sub-section (1A), wealth-tax shall not be payable by an assessee in respect of the following assets, and such assets shall not be included in the net wealth of the assessee-

(xxiii) any shares not being shares referred to in Clause (xx) or Clause (xxa) in any Indian company where the assessee is an individual or a Hindu undivided family;"

For the purposes of the present controversy, Clause (xx) and (xxa) are not relevant but the only controversy is whether the trust can claim benefit of the exemption granted by the aforesaid clause.

The AO as well as the CWT(A) denied the exemption under the aforesaid clause on the ground that the assessee being a trust, it is not an individual or a HUF and, therefore, not entitled to claim the exemption under the above clause.

The Tribunal relied on various decisions of the different Benches of the Tribunal for coming to the conclusion that trustees are also entitled to claim the exemption under the above clause because trustees are required to be treated as individuals.

4. We have heard Mrs. Mona Bhatt, learned standing counsel for the Revenue. Though served, none appears for the respondent-assessee.

5. Mrs. Bhatt, learned standing counsel for the Revenue, has submitted that in view of the clear language of the clause, only individuals and HUFs are entitled to claim the exemption in a trust. The trust being neither an individual nor a HUF cannot claim the exemption under the above clause. Mrs. Bhatt has, however, been fair in pointing out that the Rajasthan High Court in Commissioner of Wealth-tax Vs. Bhangur Charitable Trust, has dealt with this controversy.

6. It is necessary to refer to the scheme of the WT Act, 1957 (hereinafter referred to as "the Act"). The charging section i.e., Section 3 provides that there shall be charged for every assessment year wealth-tax in respect of the net wealth on the corresponding valuation date of every individual, HUF and company at the rate or rates specified in Schedule I. The wealth-tax is, therefore, to be levied only from three categories of assessees-individuals, HUF and companies.

Sec. 21A of the Act provides that notwithstanding anything contained in Section 5(i), where any property is held under trust for any public purpose of a charitable or religious nature in India and any one of the three conditions stipulated in the said section are satisfied, wealth-tax shall be leviable upon, and recoverable from, the trustee in the like manner and to the same extent as if the property

were held by an individual who is a citizen of India and resident in India for the purposes of this Act. It is, thus, clear that the trustees of a public charitable trust are liable to pay wealth-tax in the same manner and to the same extent as if the property were held by an individual.

7. When Clause (xxiii) of Section 5(1) is read in the aforesaid background, it is clear that only companies are not covered by the exemption and the other two categories of assesseees are entitled to claim the exemption. When the trustees are subjected to the levy of wealth-tax as if the trust property is held by trustees as individuals, the Revenue cannot deny exemption to the trust or the trustees on the ground that they are not individuals.

8. A Division Bench of the Rajasthan High Court in CWT v. Bhangur Charitable Trust (supra) has elaborately discussed the aforesaid aspect and after referring to the decision of the Hon'ble Supreme Court in Trustees of Gordhandas Govindram Family Charity Trust Vs. Commissioner of Income Tax, Bombay, and the decision of the Bombay High Court in Abhay L. Khatau and Others (Trustees of L.K. Trust) Vs. Commissioner of Wealth Tax, Bombay City II, and of the Calcutta High Court in Suhashini Karuri and Another Vs. Wealth Tax Officer, "D" Ward and Another, the Rajasthan High Court has held that the exemption laid down u/s 5(1)(xxiii) of the Act is available to a trust in respect of shares held by the trustees.

9. We respectfully agree with the view of the Rajasthan High Court in CWT v. Bhangur Charitable Trust (supra) and accordingly we answer both the questions referred to us in the affirmative i.e., in favour of the assessee and against the Revenue.

10. The reference accordingly stands disposed of.