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## COMMISSIONER OF INCOME-TAX, MADRAS

v.

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MANAGING TRUSTEES, NAGORE DURGA, NAGORE

April 8, 1965

[K. SUBBA RAO, J.C. SHAH AND S.M. SIKRI, JJ.]

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*Wakf—Scheme for management of Muslim Wakf—Trustees called Nattamaigars to manage wakf property—Surplus income to be distributed among beneficiaries of trust called kasupangudars according to definite shares—Income how to be assessed—Applicability of Indian Income Tax Act, 1922(11 of 1922), s. 41.*

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A scheme was settled in 1955 by the Madras High Court for the management of the income and properties of the Durgah consecrated to a saint in Tanjore District. Under the scheme the management of the properties of the Durgah was to be in the hands of eight trustees called *Nattamaigars* one of whom was to be elected by them as Managing Trustee. The net income of the trust was to be distributed among descendants of the foster son of the saint, called *Kasupangudars*, whose definite shares were to be determined each year by a list prepared by the Managing Trustee. For the assessment years 1953-54 and 1954-55, the Income-tax Officer assessed the surplus income of the wakf in the hands of the Managing Trustee as an association of persons. The trustees unsuccessfully appealed to the Appellate Assistant Commissioner and the Appellate Tribunal. The controversy centred round the question whether s.41 of the Indian Income-tax Act, 1922 applied to the case. In a reference made by the Tribunal at the instance of the assessee the High Court held that that s. 41 applied to the case and that the income was received by the trustees on behalf of the beneficiaries. Aggrieved, the Commissioner of Income Tax appealed, by certificate, to this Court.

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It was contended on behalf of the appellant that as the properties vested in the managing trustee and he received the income in his own right and not on behalf of the beneficiaries, though for their benefit, the said income in the hands of the managing trustee fell outside the scope of s.41 of the Act.

**HELD:** The High Court had rightly answered the question in favour of the assessee.

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(i) The technical doctrine of vesting is not imported into s. 41. This is apparent from the fact that a trustee appointed under a trust deed is brought under the section though legally the property vests in him. In the case of a Muslim Wakf the property vests in the Almighty; even so the mutawallis are brought under the section. Thus in some of the persons enumerated in the section property vests and in others it does not. A reasonable interpretation of the section is that all categories of persons mentioned therein are deemed to receive them on behalf of another person or persons or manage the same for his or their benefit. None of them has any beneficial interest in the income; he collects the income for the benefit of others. In this view even if the *Nattamaigars* were trustees in whom the

properties of the Durgah vested, they should be deemed to have received the income only on behalf of the *Kasupangudars* in definite shares. [662G-663B] A.

(ii) The mutawalli of a Muslim Wakf is merely a manager and not a "trustee" as understood in the English system. [663E]

*Vidya Varuthi Thirtha v. Balusami Ayyar*, (1921) 48 I.A. 32 and *Allah Rakhi v. Mohammad Abdur Rahim*, (1933) 61 I.A. 50, relied on. B

Therefore in terms of s.41 of the Act the *Nattamaigars* were the manager of the properties on behalf of other and were entitled to receive the income therefrom on behalf of them. [663G-H]

(iii) Under cl.3 of the scheme it was the "management and administration" of the Durgah and its properties which was vested in the *Nattamaigars* and not the properties themselves. In the absence of clear words it could not be held that the High Court in framing a scheme for the endowments of the Durgah had introduced a foreign concept of "trust" in derogation of Mohammadan Law. The scheme therefore did not vest the properties of the Durgah in the *Nattamaigars* and the contention on behalf of the Revenue could not succeed. [664D, E] C

CIVIL APPELLATE JURISDICTION: Civil Appeals Nos. 213 and 214 of 64. D

Appeals from the judgment and order dated April 4, 1961, of the Madras High Court in Case Referred No. 130 of 1956.

*Niren De*, Additional Solicitor-General *R. Ganapathy Iyer* and *R. N. Sachthey*, for the appellants (in both the appeals.) E

*A. V. Vishwanatha Sastri*, *M. M. Ismail* and *R. Gopalakrishnan*, for the respondent in both the appeals.

The Judgment of the Court was delivered by

**Subba Rao, J.** In the town of Nagore in Tanjore District, Madras State, there is a Durgha consecrated to Hazerath Sayed Shahul Hameed Quadir Ali Ganja Savoy Andavar, who lived some 400 years ago. The said Durgha receives large income from immovable properties endowed to it and the offerings in cash and kind made by the devotees. The Durgha and its properties are now being administered under a scheme settled by the Madras High Court on March 16, 1955. Under the scheme the management of the administration of the affairs of the said Durgha vests hereditarily in 8 trustees called *Nattamaigars*, who constitute a board of trustees. The said board of trustees shall from among themselves elect one as a managing trustee and he shall hold office for a term of 3 years. The managing trustee shall at the end of each fasli prepare a balance-sheet verified by the manager and ascertain the net amount available for payment to *kasupangudars*, who are the descendants of Saiyed Muhammed Eusoof, the foster son of the saint. The Managing Trustee shall declare the amount due to each of the *kasupangu* (share) and shall allocate the amount to each *kasupangudar* (sharer) in the list to be prepared for that purpose. F  
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A in each year. He shall pay the amount to each *kasupangudar* in accordance with the list. It is said that at present there are 640 *kasupangudars*. Briefly stated, under the scheme the management of the properties of the Durgha, both movable and immovable, vests in *Nattamaigars*, and the *kasupangudars* are entitled to the surplus in accordance with their shares.

B For the assessment years 1953-54 and 1954-55 the Income-tax Officer assessed the surplus income in the hands of the Managing Trustee as an association of persons. The Appellate Assistant Commissioner, on appeal, confirmed the same. On further appeal, the Income-tax Appellate Tribunal took the same view. At the instance C of the assessee, the Tribunal submitted the following question for the opinion of the High Court of Madras under s.66(1) of the Income-tax Act, 1922, hereinafter called the Act:

“Whether the provisions of Section 41 can be said to apply to the assessee in this case.”

D A Division Bench of the High Court, which heard the reference, held that the Managing Trustee *qua* the surplus income managed the property and derived the income on behalf of the *kasupangudars* and that the assessment should be made on the said Managing Trustee to the extent of the interest of each of the E *kasupangudars* in the income received by him. In the result it answered the question in the affirmative and in favour of the assessee. The Commissioner of Income-tax, Madras, on a certificate of fitness granted by the High Court, has preferred the present appeals against the said Order.

F The learned Additional Solicitor General, appearing for the Revenue, contended that the *Nattamaigars* being trustees, the properties of the Durgha vested in them and, therefore, they or the Managing Trustee administered the trust properties in their own right and not on behalf of the *kasupangudars* and hence s.41 of the Act did not apply, with the result the Income-tax Officer had G rightly assessed the surplus income in the hands of the trustees as an association of persons.

H Mr. A. V. Viswanatha Sastri, learned counsel for the assessee-respondent, argued, on the other hand, that the *Nattamaigars* of the Durgha were not trustees as understood in the law of trust but were only managers managing the properties on behalf of the Durgha and *kasupangudars*. On that assumption, his argument proceeded, as the *Nattamaigars*, as managers, held the surplus on behalf of the *kasupangudars* for distribution in definite shares, s.41 of the Act was attracted.

At the outset we may make it clear that in this appeal we are concerned only with the surplus remaining on hand with the *Nattamaigars* after meeting the expenses of the Durgha.

The problem presented in these appeals falls to be decided on a true construction of s.41 of the Act. The material part of s.41 reads:

(1) In the case of income, profits or gain chargeable under this Act, which the Courts of Wards, the Administrators-General, the Official Trustees or any receiver or manager (including any person whatever his designation who in fact manages property on behalf of another) appointed by or under any order of a Court, or any trustee or trustees appointed under a trust declared by a duly executed instrument in writing whether testamentary or otherwise (including the trustee or trustees under any Wakf deed which is valid under the Mussalman Wakf Validating Act, 1913), are entitled to receive on behalf of any person, the tax shall be levied upon and recoverable from such Court of Wards, Administrators-General, Official Trustee, receiver or manager or trustee or trustees, in the like manner and to the same amount as it would be leviable upon and recoverable from the person on whose behalf such income, profits or gains are receivable, and all the provisions of this Act shall apply accordingly.

Under this section the income of properties receivable by the enumerated persons for the benefit of others is liable to be assessed to tax in their hands in the like manner and to the same amount as it would be leviable upon and recoverable from the person or persons on whose behalf such income is receivable. This section centres on the basic fact that the person in whose hands the income is assessable shall be entitled to receive the same on behalf of any person; if he is not so entitled, the provisions of the section cannot be invoked. So, it is contended that, as the properties vested in the managing trustee and he received the income in his own right and not on behalf of the beneficiaries, though for their benefit, the said income in the hands of the managing trustee fell outside the scope of s.41 of the Act.

There are two answers to this contention. The doctrine of vesting is not germane to this contention. In some of the enumerated persons in the section the property vests and in others it does not vest, but they only manage the property. In general law the property does not vest in a receiver or manager but it vests in a trustee, but both trustees and receivers are included in s.41 of the Act. The common thread that passes through all of them is that they function legally or factually for others: they manage the property for the benefit of others. That the technical doctrine of vesting is not imported in the section is apparent from the fact that a trustee appointed under a trust deed is brought under the section though legally the property vests in him. In the case of a Muslim Wakf the property vests in the Almighty; even so the mutawallis are brought under the section. A reasonable interpretation of the

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**A** section is that all the categories of persons mentioned therein are deemed to receive the income on behalf of another person or persons or manage the same for his or their benefit. None of them has any beneficial interest in the income; he collects the income for the benefit of others. In this view, even if the *Nattamaigars* were trustees in whom the properties of the Durgha vested, they should  
**B** be deemed to have received the income only on behalf of the *kasupangudars* in definite shares.

The same conclusion will be reached even if the problem was approached from a different angle. In the well-known decision of the Privy Council in *Vidya Varuthi Thirtha v. Balusami Ayyar*<sup>(1)</sup>  
**C** the inappropriateness of the use of the expression "trustee" to the manager of a Hindu or Mahommedan religious endowments was brought out. Therein their Lordships observed:

**D** "Neither under the Hindu Law nor in the Mahommedan system is any property "conveyed" to a shebait or a mutawalli, in the case of a dedication. Nor is any property vested in him; whatever property he holds for the idol or the institution he holds as manager with certain beneficial interests regulated by custom and usage. Under the  
**E** Mahommedan Law, the moment a wakf is created all rights of property pass out of the wakf, and vest in God Almighty. The curator, whether called mutawalli or *saijadanishin*, or by any other name, is merely a manager. He is certainly not a "trustee" as understood in the English system."

**F** The Privy Council, in the context of a wakf property, reaffirmed the said observations, in *Allah Rakhi v. Mohammad Abdur Rahim*<sup>(2)</sup>. The effect of the said decisions is that *Nattamaigars* are only the managers of the properties in which the Durgha and the *kasupangudars* have beneficial interests. The properties do not  
**G** vest in them. They receive the income therefrom on behalf of both of them. After meeting the expenses of the Durgha they hold the balance on behalf of the *kasupangudars* and distribute the same in accordance with their shares. In this view, in terms of s. 41 of the Act the *Nattamaigars* are the managers of the properties on behalf of others and are entitled to receive the income therefrom on  
**H** behalf of them. With the result, the income which they hold on behalf of the *kasupangudars* can be assessed only in their hands in the manner prescribed thereunder. But it is said that whatever may be the doctrine of Hindu or Mohammadan law, under the terms of the aforesaid scheme the properties vested in the *Nattamaigars* and, therefore, they receive the income in their own right and not on behalf of the *kasupangudars*. A careful reading of the relevant

<sup>(1)</sup>(1921) L.R. 48 I.A. 302, 315.

<sup>(2)</sup> (1933) L.R. 61. I. A. 50.

part of the scheme does not countenance this argument. Clause 3 A  
of the scheme, which is the material clause, reads:

“The management and administration of the affairs of  
the Nagore Durgha at Nagore, Tanjore District, and other  
thakias and shrines connected therewith (mentioned in  
Schedule A hereunder) and all properties—movables and  
immovables—which belong to or have been or may here- B  
after be given, dedicated, endowed thereto, shall subject  
to the provisions thereof vest hereditarily in the eight  
trustees or nattamaigars of the Durgha who shall  
constitute the Board of Trustees. Each trustee or nattamai-  
gar is entitled to hold office for life, and after him the  
trusteeship shall devolve on his next male heir in ac- C  
cordance with the custom prevailing in respect of such  
office in the Durgha.”

Under this clause the management and administration of the  
Nagore Durgha and its properties vest in the *Nattamaigars*. What  
vests in the *Nattamaigars* is not the properties of the Durgha but D  
the management and administration thereof. Unless the words are  
clear we are not prepared to hold that the High Court in framing  
a scheme for the endowments of the Durgha had introduced a  
foreign concept of “trust” in derogation of Mohammadan law.  
We, therefore, hold that the scheme did not vest the properties of  
the Durgha in the *Nattamaigars*. E

Lastly, a faint argument was raised to the effect that under  
the scheme the managing trustee was not appointed under any  
order of a Court but was appointed by an agreement among the  
trustees. But in cl. 4 of the scheme the High Court gave a specific  
direction that the managing trustee shall be elected from among F  
the Board of Trustees. The Managing Trustee elected was certainly  
appointed under an order of a Court, for the election was held  
pursuant to the order of the Court. That apart, in the view we have  
taken, namely, that the *Nattamaigars* are not trustees in the Eng-  
lish sense of the term, this question does not arise for considera-  
tion. G

In the result, we hold that the High Court has rightly answer-  
ed the question referred to it in the affirmative and in favour of  
the assessee. The appeals fail and are dismissed with costs. One  
hearing fee.

*Appeals dismissed.* H