

## Appendix I

### Information available about trusts on which C & AG has reported to Parliament

#### 1970-71

*Page 77, Para 73(i)*

The life interest of the beneficiaries in *four* trusts was valued at Rs 130.81 lakh. This had escaped assessment for the years 1957-58 to 1965-66.

#### 1971-72

*Page 63, Para 41(iii)*

There was wealth tax escapement to the extent of Rs 64.14 lakh in the assessments of the beneficiaries of a trust for 1965-66 to 1968-69. Their one-twelfth share in the trust had not been subjected to the wealth tax.

*Page 72, Para 49(v)*

A registered firm transferred Rs 1,47,900 to a trust for the benefit of the partners' children.

#### 1973-74

*Page 136, Para 52(B)(iii)*

Wealth tax amounting to Rs 10,534 escaped assessment in the cases of *four* discretionary trusts.

*Page 137, Para 52(B) (iv)*

There was a short levy of wealth tax in a trust for the assessment years 1967-68 to 1972-73.

*Page 140, Para 54(ii)*

*Three* trusts were created for the benefit of three minor

children with 15000 ordinary shares of the total value of Rs 1,50,000.

*Page 143, Para 54(iv)(a)*

There was a short demand of wealth tax in a trust with three beneficiaries. Wealth to the extent of Rs 1,70,000 escaped assessment for the years 1965-66 to 1971-72.

*Page 144, Para 54(iv)(1)*

Rs 1,50,000 invested by a company in a trust escaped the wealth tax assessment for the years 1965-66 to 1973-74.

*Page 151*

Exemptions in excess of Rs 1,50,000 had been wrongly given in the assessment of a trust for the years 1969-70 to 1972-73.

*Page 171*

Property of the value of Rs 1,25,280 escaped estate duty assessment, having been transferred to a trust not long before the death of the deceased. This fact was not noticed by the revenue authorities.

### **1974-75**

*Page 191, Para 70(i)*

A trust created in 1928 held a property which was valued at Rs 1.03 crore in 1963-64. The value was shown at Rs 8 lakh on the ground that the trust deed stipulated that the settlor's grandson by the first son could purchase it for the sum of Rs 8 lakh if he so desired.

### **1975-76**

*Pages 138 & 139, Para 60(c)*

A Hindu undivided family sold a property to a trust in which its karta was trustee for Rs 3,75,000 though its market value was Rs 5,53,665.

*Page 203, Para 92(ii)*

Exemption of Rs 1,50,000 in respect of shares and securities

held by a private family trust in which the assessee was a beneficiary was allowed in the beneficiary's assessment.

*Page 208, Para 93(iii)*

A trust running a cinema theatre was not assessed to the wealth tax on the value of its property.

*Page 229*

Settlements through several trusts made by one of the taxpayers amounted to Rs 3,37,40,540.

### 1977-78

*Page 122, Para 62(i)*

Two cross trusts for the benefit of minor children were created resulting in under-assessment of income tax of Rs 55,474 in the assessment for 1976-77.

*Pages 122-123, Para 62(ii)*

A lady created *three* trusts in 1957 for the benefit of her three sons. Each of the trusts was liable to the wealth tax.

*Page 123, Para 62(iii)*

A private discretionary trust was created for the benefit of male members of the family of the settlor after they attained the age of 50. The corpus was Rs 1,07,546 in April 1970.

*Page 124, Para 62(iv)*

*Three* private family trusts were created, each with corpus exceeding the maximum amount not liable to the wealth tax.

*Page 124, Para 62(v)*

A private family trust was created in 1967 with assets on which gift tax amounting to Rs 3,67,750 had escaped assessment.

### 1978-79

*Page 101, Para 51(i)*

An individual created 77 trusts through 97 separate deeds executed on a single day, *viz.*, February 8, 1973 with an initial

contribution of small cash. The trusts received Rs 18,75,150 as "donations" in the form of shares of seven private companies in the following three years.

*Page 120, Para 59.7(i)*

A big industrial group in Tamil Nadu created 77 private family trusts upto the assessment year 1976-77. According to audit, tax advantage secured was Rs 41.90 lakh upto the assessment year 1976-77.

*Page 120, Para 59.7(ii)*

A family in Gujarat set up 136 private trusts upto March 31, 1978, mostly by gifts of share in companies of the group and cash in some cases. The aggregate value of the initial corpus was Rs 82.51 lakh. The book value of the corpus as on March 31, 1976 was Rs 430,75 lakh as per the balance-sheets of the trusts. In 87 of these trusts created upto February 1977, there were 74 beneficiaries from out of the members of the family and 95 from outside the family. The outsiders were only income beneficiaries, the corpus being settled upon the family members. Twenty-seven beneficiaries appeared in three to nine trusts. A few appeared as beneficiaries in 14 trusts.

*Page 121*

An industrial group of Bombay set up 128 trusts upto February 1977 for the benefit of 51 members of the family in different permutations and combinations. The settlor of one trust was the beneficiary in another, and so on. Unquoted equity shares in companies of the group, worth Rs 2 crore were originally settled in these trusts. Their present value would be about Rs 6 crore. The maximum number of trusts in which the same person appeared as beneficiary was 20.

*Page 121, Para 59.8(i)*

There were 32 trusts set up by 23 settlors with corpus of the value of Rs 86.98 lakh.

*Page 122, Para 59.8(ii)*

In 15 cases trusts with assets of the aggregate value of Rs 86.64 lakh were set up by Hindu undivided families.

*Page 122, Para 59.8(iii)*

An industrial group in Tamil Nadu set up 15 trusts for the discharge of the debts owned by the settlors of the trusts to a company owned by the family. The assets were of the value of Rs 33.67 lakh.

*Page 123, Para 59.8(iv)*

A minor child in an industrial group of Tamil Nadu is supposed to have transferred 1,50,000 unquoted shares in a company constituted by the family to ten private family trusts. The shares were of the value of Rs 16,59,430.

*Page 123, Para 59.8(v)*

A trust was created by an individual with certain equity shares for the benefit of his wife and the children of his grandson, the grandson had no child when the trust was set up.

*Page 124, Para 59.8(vi)*

A private discretionary trust was constituted by an individual in March 1973 by transfer of Rs 1000 and 960 unquoted equity shares.

*Page 124, Para 59.8 (vii)*

A big family group engaged in the production, distribution and exhibition of cinematograph films in Bombay created six private discretionary trusts for the members of the family. The object was to avoid the aggregation provisions of section 64 of the Income-tax Act.

*Page 125, Para 59.9(i)*

Capital gains amounting to Rs 2,59,155 from transfer of land and buildings was assessed in the hands of the trustees and income from other properties in the hands of the individual beneficiary in 1972-73.

*Page 126, Para 59.9(ii)*

The ruler of an erstwhile State set up a trust with corpus of Rs 6 lakh for the benefit of his wife. The income from the trust was not clubbed with the husband's income under section 64.

*Page 126, Para 59.10(i)*

A family in Calcutta created *five* private family trusts in April 1954, for the benefit of its personal deities. The value of the immovable property was Rs 39,64,500 in only two of the five trusts.

*Page 128, Para 59.11(i)*

A private family trust for regular worship of the settlor's deity and for helping the destitutes in the Agarwall community, which has been held to be assessable to tax as a private trust, had net wealth of Rs 17,61,586 as far back as 1957-58.

*Page 129, Para 59.11(ii)*

A big industrial group transferred the shares of three family companies to *eight* private trusts at Rs 1800 and Rs 1404 per share while the fair market value of the shares was Rs 7730 and Rs 3650 per share. Deemed gift of Rs 23,10,928 on which gift tax of Rs 4,21,799 escaped assessment has been reported by the Audit.

**1980-81***Page 175, Para 4.05(b)*

Wealth which escaped assessment in six assessment years—  
Rs 78,56,586.

*Page 192, Para 4.10(iii)*

Net wealth in 1967-68—Rs 19,66,895

Net wealth in 1974-75—Rs 13,39,390

(exclusive of urban immovable property valued at Rs 20,06,000)

*Page 200, Para 4.11(e)*

Short levy of wealth tax in two assessment years—  
Rs 1,06,393

*Page 211, Page 4.22(iv)*

Property transferred to a private *waqf*—Rs 3,31,000 in April 1972.

*Page 228, Para 4.28 (b)(ii)*

Rs 3,51,000 (13,000 shares of a private ltd. co.) to one trust, and

Rs 1,89,000 (7000 shares of a private ltd. co.) to a second trust.

*Page 229, Para 4.28(b)(v)*

Rs 5,12,000 (400 shares of a private ltd. co.)

*Page 170, Para 4.04(i)*

Accumulation in trust funds—Rs 11,27,358. Wealth tax liability which escaped assessment for 1965-66 to 1974-75, was according to the C&AG, Rs 2,98,783.

### 1981-82

*Page 153, Para 3.15(ii)*

Income from revocable transfer of assets to two private trusts escaped assessment for 1977-78 and 1978-79 in the cases of the two settlors. The short-levy of income tax was Rs 53,040.

*Page 173, Para 4.05(i)*

There was under-assessment of wealth tax of Rs 4,57,384 for 1976-77, because of the deliberate undervaluation of shares of private limited companies held by a group in thirteen private trusts.

*Page 185, Para 4.10(vi)*

A big industrial group held assets of the value of Rs 38,54,864 in one trust and assets of the value of Rs 49,50,840 in a second trust. There was short-levy of wealth tax to the extent of Rs 1,02,594 in the cases of some of the beneficiaries who were directly assessed on the value of their interest in the trusts and who declared the value at figures much lower than even those returned by some of the other beneficiaries.

*Page 187, Para 4.12(i)*

Five private family trusts were set up by an industrial family group "in favour of unborn sons and would-be wife of

members of the family (including minors) as per deed executed in 1973-74 by transferring to each trust as corpus 60,000 equity shares in a reputed company belonging to that family group”.

*Page 205, Para 4.23(i)(a)*

A Hindu undivided family undervalued shares gifted by it to two family trusts by Rs 3,27,525, escaping gift tax of Rs 82,767 for the assessment year 1974-75.

*Pages 205-206, Para 4.23(i)(b)*

There was undervaluation of shares of private limited companies transferred to four private trusts belonging to a group, resulting in the “aggregate non-levy of gift-tax” to the extent of Rs 11,26,780. Shares were undervalued by Rs 15,94,209 in the case of one trust, Rs 14,72,873 in the second case and Rs 6,03,570 in the third in the assessment for 1974-75. The undervaluation was Rs 9,90,709 in the assessment for 1976-77 in the case of the fourth trust.

*Pages 208-209, Para 4.23(iv)*

Three private family trusts sold 3855 unquoted equity shares of a company at Rs 250 per share, in the previous year for the assessment for 1976-77, though the value of the shares had been declared by another shareholder of the company at Rs 544 per share as on March 31, 1975. That is to say, shares of the value of Rs 20,97,120 were shown as transferred for a consideration of Rs 9,63,750. According to the C&AG, the market value of the shares was actually higher. On rectification of the amount, additional tax of Rs 2,24,090 was raised by the revenue authorities.