

Contents

	<i>Page</i>
<i>Foreword</i>	v
<i>Preface</i>	vii
<i>List of Tables</i>	xv
<i>List of Cases</i>	xvii
<i>Table of Statutes</i>	il
<i>Abbreviations</i>	liii
1. Introduction	1
Origin of trusts	
Utility	
Law governing private trusts	
Author and beneficiaries	
Trustees	
Classification of trusts	
Failure of a trust—"resulting trust"	
Termination of a trust	
Tax implications of a trust	
Notes	
2. Private Trusts as Intermediaries in Taxation	28
Notes	
3. Legislative History	31
Transfers of income and revocable transfers of assets	
Equivalence in tax liability between trustees and beneficiaries—irrevocable trusts	
Income tax on discretionary trusts	

Income tax on oral trusts	
The wealth tax and trusts	
Gift tax and trusts	
Present position in regard to the three taxes	
Estate duty	
Notes	
4. The Law and Practice in Other Countries	80
The United Kingdom	
Canada	
Australia	
The United States	
Other countries	
Notes	
5. Vagueness in the Law	94
Revenue losses in a business conducted by a trust	
Capital allowances	
Losses due to maladministration of a trust	
Trust expenses	
Capital gains	
Other legal issues	
Income accruing in one year and paid to beneficiaries in a later year. Life insurance policies on settlor's life kept up by a trust. Treatment of expenses incurred by a trust for political or private religious purposes. Anonymous receipts in a private trust. Need for acknowledgment of interest by bene- ficiaries. Residence of a trust.	
Notes	
6. No Equity in Tax Treatment of Trusts	106
Doctrine of double taxation	
Unequal treatment of oral trusts and <i>benami</i> property holdings	
Notes	

7. Tax Avoidance in India

115

Confusion caused by family trusts

Common tax avoidance devices

A specific trust as a mask for personal business. Trusts for daughter-in-law and son's minor children. Cross trusts. Trusts of brief duration in which discretion is exercised by the beneficiaries. Charity as a beneficiary in a private trust. Ambivalence in regard to accumulation trusts. A trust for a Hindu undivided family. A trust for a company or a chamber of commerce. Partnership concern for thwarting the gift tax. Artificial stipulations in regard to sale of trust property. Deemed gifts outside the purview of the Estate Duty Act. Discretionary trusts. Purchase of interest after death. Reservation of benefit without charging it to any specific asset. Annuities payable by a trust. Personal services and income-earning assets. Tax advantage in unauthorised use of trust assets by settlor. Trust assets used by beneficiary or his nominee or a concern in which he is interested. Provisions out of step with the public policy. Liability to wealth tax and estate duty where property is held in a private religious trust.

Notes

8. Remedies

153

Treatment of a trust as a taxable entity

Alternatives in assessment to tax

Residence of a trust

Other counter-measures needed

Cross trusts. Treatment of unautho-

rised benefits. Trusts in favour of natural children, premarital transfers of assets between a couple, etc. Estate duty liability in respect of property held in discretionary trusts. Release of life interest less than two years before death.

Need to vest Revenue with general power to ignore financial arrangements designed to avoid tax.

Statutory registration of private trusts and provisions for ensuring flow of information.

Notes

9. Extent of Use of Private Trusts	174
Notes	
10. Concluding Observations	192
Implications of near parity with a close company	
Notes	
<i>Appendix I</i> : Information available about trusts on which C & AG has reported to Parliament.	197
<i>Appendix II</i> : Details of value of trust property/income reported in High Court/Supreme Court judgments in tax cases between 1970 and 1982.	205
<i>Select Bibliography</i>	216
<i>List of Authors/Editors/Chairmen of Commissions referred to in the text/notes</i>	222
<i>Additional Notes</i>	225
<i>Index</i>	239