

Amendment to Section 20 of the Indian Trust Act, 1882

October 8, 2008

An amendment to Section 20 of the Indian Trust Act, 1882 (2 of 1882) which relates to investment of trust money has been approved by the Cabinet. A Bill will be introduced in the ensuing Session of Parliament.

In accordance with this section, where the trust property consists of money and cannot be applied immediately or at an early date to the purposes of the trust, the trustee is bound (subject to any direction contained in the instrument of trust) to invest the money in securities enumerated in clauses (a) to (f) of that section. This section has obsolete provisions such as those relating to promissory notes, debentures, stock and other securities of the United Kingdom of Great Britain and Ireland, bonds debentures and annuities charged or secured by the Parliament of the UK etc. The Law Commission in its 17th report had discussed the Indian Trusts Act 1882 and inter-alia had recommended that it is better not to enumerate particular securities but to give a general definition of all categories of securities which are in vogue in the market and that the securities which have become obsolete may be deleted.

Accordingly, section 20 of the Act is now proposed to be substituted by the following:

“20. Investment of trust-money – Where the trust-property consists of money and cannot be applied immediately or at an early date to the purposes of the trust, the trustee is bound (subject to any direction contained in the instrument of trust) to invest the money on *any security or class of securities* expressly authorized by the instrument of trust, or by the Central Government by notification in the official Gazette.

Provided that, where there is a person competent to contract and entitled in possession to receive the income of the above trust-property for his life, or for any greater estate, no investment on any security or class of securities mentioned above shall be made without his consent in writing.” Provided further that no such consent shall be required where such investment is made in the securities of the Government.

Explanation – For the purposes of this section, the securities, both the principal whereof and the interest whereon shall have been fully and unconditionally guaranteed by the Central Government or the State Government, shall be deemed to be securities of such Government”

[Source: PIB]