



Standing Committee Report Summary

The Indian Trusts (Amendment) Bill, 2009

- The Standing committee on Finance (Chairperson: Dr Murli Manohar Joshi) tabled its 8th Report on ‘The Indian Trusts (Amendment) Bill, 2009’ on March 12, 2010. The Bill was introduced in the Lok Sabha on August 3, 2009.
- The Bill seeks to empower the Government to notify a class of securities for the purpose of investing trust money. It does away with the requirement of case to case approval of any security by the government. However, the Committee suggests that the law regulating the functioning of private trusts and trustees need to be revised comprehensively as per the recommendations of the Law Commission of India.
- Also, the Committee feels there is lack of clarity and ambiguity in the proposed amendment. For example, the government is unclear on the necessity of defining “securities” in line with securities laws, it is not clear what constitutes the class of securities where the funds of the trust can be invested, and no risk mitigation measures to protect interest of beneficiaries have been put in place.
- The Committee feels that it is necessary to re-examine the tax exemptions available to various types of trusts and the regulatory mechanism in place with a view to streamlining the exemptions available and strengthening the regulatory framework.
- The Committee is of the view that the government should ensure that the process of formulating the model legislation regulating the functioning of various types of trusts which is presently under consideration by the Law Commission be expedited.
- The Committee recommends that the written consent of the beneficiaries should be taken before investing in government securities also because the returns may be low from such investment.
- The Committee amending the provision in the Bill that prohibits investment in any security if the purchase price is higher than the redemption value since it would have a negative impact on the market.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRRS Legislative Research (“PRRS”). The opinions expressed herein are entirely those of the author(s). PRRS makes every effort to use reliable and comprehensive information, but PRRS does not represent that the contents of the report are accurate or complete. PRRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.

