

Bill Summary

The Indian Trusts (Amendment) Bill, 2009

- The Indian Trusts (Amendment) Bill, 2009 was introduced in the Lok Sabha on August 3, 2009 by the Minister of Finance, Shri Pranab Mukherjee.
- The Indian Trusts Act, 1882 (Principal Act) regulates the functioning of private trusts and trustees. It also specifies the manner in which any surplus funds may be invested for future use of the trust.
- The Principal Act specified that the trust may invest in certain securities issued by the central or state governments or by the UK government. It also included bonds and debentures guaranteed by the government, mortgages and units of UTI. Trusts could also invest in any other security notified by the central government for this purpose.
- The Amendment Act modifies this list. Now, investments are permitted only in central and state government securities, and any other security or class of security notified by the central government for this purpose.
- The Principal Act prohibited investments in certain debentures (issued by railways or companies in which interest was guaranteed by central government, or by municipalities under the authority of any Act) if (a) the purchase price was higher than the redemption value and the maturity period was less than 15 years, or (b) if the purchase price was higher than redemption value by 15 per cent.
- The Amendment Bill extends this prohibition to all investible securities, including those issued by central and state governments. This condition could be restrictive at times when prevailing interest rates are low (as seen during 2003 and 2004). At such time, the market price for most securities will be above redemption value, and trusts may find it difficult to identify investible securities.

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