

FIN-O-SCOPE

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Supreme Court Clarifies Distinction Between Gift Deed, Settlement Deed, and Will

Case Law: N.P. Saseendran vs. N.P. Ponnammamma & Ors. | Court: SUPREME COURT OF INDIA | Appeal no.: CIVIL APPEAL NO. 4312 OF 2025 | Date: March 24, 2025

Introduction

The Supreme Court of India, in its landmark judgment dated March 24, 2025, delivered by a bench comprising Justice J.B. Pardiwala and Justice R. Mahadevan, elucidated the legal distinctions between a Gift Deed, Settlement Deed, and Will. The ruling emphasized the importance of the document's substance over its nomenclature and clarified the conditions under which each instrument operates.



Key Insights

- **Gift vs. Settlement vs. Will:** The Court clarified the distinctions between these three legal instruments.
- **Gift Deed:** A voluntary transfer without consideration, requiring acceptance during the donor's lifetime.
- **Settlement Deed:** Involves transfer out of love/affection, creating immediate rights while reserving life interest.

Key Insights

- **Will:** Takes effect only after the testator's death and is revocable during their lifetime.
- **Immediate Transfer:** Gift/settlement transfers rights immediately; Will transfers post-death.
- **Registration Mandatory:** For immovable property gifts/settlements, registration is compulsory.
- **Possession Not Mandatory:** Delivery of possession isn't required for a valid gift if accepted.
- **Acceptance Criteria:** Registration + possession of title deeds = valid acceptance.
- **Life Interest Valid:** Reserving life interest doesn't convert a gift/settlement into a Will.
- **Unilateral Cancellation Void:** A valid gift/settlement cannot be revoked unilaterally.
- **Conduct Matters:** Acceptance can be inferred from actions (e.g., registration, holding documents).

Key Distinctions Explained

Gift Deed

- **Definition:** A voluntary transfer of property without consideration, requiring acceptance by the donee during the donor's lifetime.
- **Requirements:**
 - Registration is mandatory for immovable property (Section 123, Transfer of Property Act, 1882).
 - Physical possession is not mandatory; acceptance can be inferred from conduct (e.g., registration, possession of title deeds).
- **Revocability:** Cannot be unilaterally revoked unless specified conditions under Section 126 of the TPA are met.

Settlement Deed

- **Definition:** A non-testamentary transfer of property, often to family members, motivated by love, care, or affection, with immediate vesting of rights.
- **Key Features:**
 - Consideration includes moral or emotional obligations (e.g., familial support).
 - Permits reservation of life interest (e.g., transferor retains income/possession during lifetime).
 - Registration is compulsory for immovable property.
- **Revocability:** Similar to gifts, irrevocable unless conditional clauses are breached.

Will

- **Definition:** A testamentary document declaring the testator's intention to transfer property after death.
- **Characteristics:**
 - Takes effect posthumously; inherently revocable during the testator's lifetime.
 - No requirement for registration (though permissible).
- **Test:** If rights vest only after death, it is a Will; if vested immediately, it qualifies as a gift/settlement.

Critical Observations by the Court

- **Substance Over Form:** The nature of a document is determined by its contents, not its title. A single document may combine elements of settlement and Will (e.g., immediate rights + post-death conditions).
- **Acceptance:** For gifts/settlements, acceptance can be implied (e.g., registration, holding title deeds). Physical possession is not essential.
- **Revocation:** Gifts/settlements cannot be unilaterally cancelled unless fraud or breach of conditions is proven.

Quoting the Judgment:

"What is not to be forgotten is that in case of a gift, it is a gratuitous grant by the owner to another person; in case of a settlement, the consideration is the mutual love, care, affection and satisfaction... in case of a will, it is declaration of the intention of the testator in disposition of his property."

Case Background

The dispute involved a 1985 document executed by a father in favor of his daughter, reserving a life interest for himself. The Court held it as a settlement deed (not a Will) because:

- Rights vested immediately, though possession was deferred.
- The daughter accepted the deed by registering it and holding the title.
- Subsequent cancellation and sale by the father were invalid, as the transfer was already complete..

Conclusion

The judgment reinforces that:

- Gifts/Settlements create immediate rights, while Wills operate post-death.
- Registration and acceptance validate gifts/settlements, even without possession.
- Unilateral cancellation is impermissible once the transfer is complete.

This ruling provides clarity for property disputes, ensuring documents are interpreted based on their legal effect, not labels. Legal practitioners and parties must scrutinize the intent and terms of such instruments to determine their true nature.

For Details read the document:

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Key Insights

- **Nomenclature Irrelevant:**
The document's nature depends on content, not title.
- **Composite Documents:** A single document can have elements of both settlement and Will.
- **Repugnant Clauses:** Earlier clauses prevail if later ones conflict.
- **No Monetary Consideration:** Settlement deeds can be based on love/affection, not money.
- **Mutation ≠ Title:** Revenue records don't confer ownership; they only enable tax payments.
- **Fraudulent Cancellation:** Authorities can't cancel registered deeds unilaterally; courts must decide.
- **Family Context:** Settlements often favor family members, with conditions for care/support.
- **Legal Precedents:** Cited cases like Mathai Samuel and Daulat Singh reinforced principles.