

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH : BANGALORE**

BEFORE SMT. BEENA PILLAI, JUDICIAL MEMBER
AND
SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER

ITA No. 680/Bang/2024
Assessment year : 2017-18

Mr. Shankaramurthy C., Bheemasamudra Post, Chitradurga – 577 520. PAN : AHTPS 4365C	Vs.	The Income Tax Officer, Ward 1, Davangere.
APPELLANT		RESPONDENT

Appellant by	:	Ms. ShreeRaksha, D, Shri Sandeep Chalapathy, CA
Respondent by	:	Shri Ganesh R. Ghale, Standing Counsel

Date of hearing	:	13.06.2024
Date of Pronouncement	:	06.08.2024

ORDER

Per Laxmi Prasad Sahu, Accountant Member

This appeal is filed by the assessee against the order dated 14.02.2024 of the CIT(Appeals), National Faceless Appeal Centre, Delhi [NFAC], for the AY 2017-18 on the following grounds:-

- “1. That the order of the learned Commissioner of Income Tax (Appeals) in so far it is prejudicial to the interests of the appellant, is bad and erroneous in law and against the facts and circumstances of the case.
2. That the learned Commissioner of Income Tax (Appeals) erred in law and on facts in confirming the disallowance of Rs.

5,83,750 being 25% of the expenses incurred towards agricultural income on the ground that no evidences were produced for such expenses.

3. That the learned Commissioner of Income Tax (Appeals) erred in law and on facts in not providing an appropriate opportunity of being heard by stating down the kind of information and documents required to be prove the expenditure.

4. That the learned lower authorities ought to have appreciated the fact that the income earned by the appellant is from agricultural activities and the expenses will be towards labour fertilizers and pesticides which cannot have any documentary evidences since the same is completely in an unorganized structure.

5. Without prejudice to the above grounds, that the learned Commissioner of Income Tax (Appeals) ought to have assessed the agricultural expenses at a lower rate compared to the assessment made by the assessing officer.

Each of the above grounds is without prejudice to one another and the appellant craves leave of the Hon'ble Income Tax Appellate Tribunal, Bangalore to add, delete, amend or otherwise modify one or more of the above grounds either before or at the time of hearing of this appeal.”

2. Briefly stated the facts of the case are that the assessee filed return of income on 28.03.2018 declaring total income of Rs.82,73,013. The assessee is an agriculturist and partner in the firm. The case was selected for scrutiny and statutory notices were issued to the assessee. The assessee filed details of financial statements along with agricultural land holdings, bank statements and other details. On verification of return of income, it was noticed that assessee had declared gross agricultural income of Rs.1,06,08,013 and after reducing expenses of Rs.23,35,000 to one of the above agricultural

receipts and earned agricultural income of Rs.82,73,013. However, in respect of agricultural expenses, the assessee could not file any evidence and the show cause notice was also issued to the assessee and the assessee replied on 10.12.2019. However the assessee did not furnish any of the expenses details. Therefore AO disallowed 25% of agricultural expenses claimed by the assessee resulting additional income of Rs.5,83,750 and added it as income from other sources and completed the assessment. Aggrieved by the above order, the assessee filed appeal before the CIT(Appeals).

3. During the appellate proceedings, the CIT(Appeals) noted that in the Statement of Facts the assessee has mentioned that there are no documentary evidence with him for expenses claimed since it is on cash basis and it is mainly incurred towards purchase of fertilisers and labour expenses to the labourers were paid on day to day basis. The Id. CIT(Appeals) relying on Madras High Court judgment in the case of Ankit Ispat (P) Ltd. 114 taxmann.com 182 (Mad) dated 8.6.2022 in which it has been held that appellant could not furnish supporting evidence to the department, he dismissed the appeal of the assessee against which the assessee filed appeal before the ITAT.

4. The Id. AR reiterated the submissions of the assessee made before the lower authorities and submitted that the AO has not disputed gross receipt and if the expenses claimed by the assessee is disallowed, the agricultural income will be increased only. However the AO has treated it as income from other sources. She further submitted that the

payment was made towards purchase of fertilisers from the local vendors and towards labourers which are available on day to day payment basis and they have been paid through cash. Therefore evidence cannot be collected. Accordingly she submitted that the appeal of the assessee should be allowed.

5. On the other hand, the Id. DR relied on the order of lower authorities and submitted that the assessee has not established how the expenditure have been incurred and how the gross receipts have been received either through banking channel or entirely on cash basis. The assessee did not furnish any evidence towards the acknowledgment/receipts for the expenditure and how the assessee has incurred expenditure either withdrawn from the bank account or cash sales available with the assessee. The assessee did not submit any evidence, therefore treating the disallowance as income from other sources is correct. Before the CIT(Appeals) the assessee could not file any evidence. Therefore, the order of the lower authorities should be upheld.

6. Considering the rival submissions, here the dispute is only disallowance of 25% of agricultural expenditure claimed by the assessee for want of proper evidence. There is no dispute regarding the gross receipts shown since during the proceedings before the authorities below, the assessee was unable to produce any single evidence towards the expenditure incurred for fertilizer and labour payments. If the assessee was unable to prove the expense with

supporting evidences, the AO & CIT (A) could have disallowed the agriculture expenses resultantly the agriculture would be increased.. The AO has wrongly treated to the agriculture expenditure claimed as income from other source Considering the totality of the facts of the case and nature of payments, we allow the appeal of the assessee.

7. In the result, the appeal by the assessee is allowed.

Pronounced in the open court on this 06th day of August, 2024.

Sd/-

(BEENA PILLAI)
JUDICIAL MEMBER

Sd/-

(LAXMI PRASAD SAHU)
ACCOUNTANT MEMBER

Bangalore,
Dated, the 06th August, 2024.

/Desai S Murthy/

Copy to:

1. Appellant
2. Respondent
3. Pr.CIT
4. CIT(A)
5. DR, ITAT, Bangalore.

By order

Assistant Registrar
ITAT, Bangalore.