

**IN THE INCOME TAX APPELLATE TRIBUNAL
COCHIN BENCH, COCHIN**

Before Shri Satbeer Singh Godara, Judicial Member and
Shri Amarjit Singh, Judicial Member

ITA No. 604/Coch/2023
(Assessment Year: 2014-15)

P.C. Cherian Palathra House Zilla Court Ward Alappuzha 688013 [PAN: ACMPC0584H] (Appellant)	vs.	DCIT, Circle 1 Alappuzha (Respondent)
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Appellant by:	Shri Bijumon Antony, CA
Respondent by:	Smt. V. Swarnalatha, Sr. D.R.

Date of Hearing:	19.08.2024
Date of Pronouncement:	23.10.2024

ORDER

Per Bench

This assessee's appeal for AY 2014-15 arises against the National Faceless Appeal Centre, Delhi [CIT(A)]'s DIN & Order No. ITBA/ NFAC/S/250/2023-24/1053867855(1) dated 22.06.2023, in proceedings u/s. 250 of the Income Tax Act, 1961 (the Act).

Heard both the parties. Case file perused.

2. Learned counsel submits at the outset that both the lower authorities have erred in law and on facts in making unexplained expenditure addition of Rs.20 lakhs [whilst deriving the corresponding agricultural income], in the course of assessment dated 30.12.2016, as upheld in the lower appellate discussion as follows : -

“3.3. I have gone through the assessment order and submissions of the appellant's part of the statement of facts. SAs seen from the assessment order, the AO has not challenged the receipt from agricultural income as the same is supported by the receipts of sales to the Govt. Owned entity. The AO has only questioned the meagre agricultural expenditure claimed by the appellant of Rs.7,67,438/- as against the gross receipt of Rs.89,67,440/- which comes to just 8.55% of gross receipts. The contention of the AO is that in case of cardamom production the cost on labour, fertilizers, and pesticides etc. works out to 40% to 50% of gross agricultural receipts. Therefore, the AO held that the appellant has concealed the details of expenditure incurred for earning the agricultural income. By virtue of that he has held that agricultural income inflated to the tune of Rs.20 lacs as expenditure on agricultural operation was met out of undisclosed income which was offered less for taxations.

3.4 Even after considering Rs.27,67,438/- (Rs.7,67,438/- claimed by the appellant + addition of Rs.20,00,000/- made by AO) as total expenditure incurred on agricultural operation the expenditure comes to 30.86% of gross receipts which in my opinion is the actual expenditure required to be incurred for the sale proceeds (agricultural production) of cardamom of Rs.89.67 lacs. There is possibility that the appellant has suppressed the expenditure incurred on agricultural operation by paying such expenditure from his regular income earned from jewellery business. Accordingly, Rs.20 lacs added by the AO is treated as unexplained expenditure incurred by the AO on agricultural operations out of his jewellery business Hence addition of Rs.20,00,000/- is sustained in principle but as unexplained expenditure u/s 69C of the I.T. Act, 1961. Accordingly, Grounds of appeal No. 1, 2 & 3 are dismissed.”

3. The assessee's case accordingly is that he had filed all the relevant evidence(s) explaining the source of the impugned expenditure which failed to evoke both the learned lower authorities' concurrence. The fact remains the assessee has failed to reconcile the impugned expenditure thereof regarding his agricultural operations nor the department could rebut the fact that the addition herein is based on estimation only. Meaning thereby this is a fit case to invoke estimation in these peculiar facts and circumstances. We accordingly deem it appropriate to restrict the impugned addition of Rs. 20 lakhs to Rs. 5 lakhs only subject to a rider that the same shall not be treated as a precedent. Necessary computation shall follow as per law. The assessee gets relief of RS.15 lakhs in other words. Ordered accordingly.

4. This assessee's appeal is partly allowed in above terms.

Order pronounced in the open court on 23rd October, 2024.

Sd/-
(Amarjit Singh)
Accountant Member

Sd/-
(Satbeer Singh Godara)
Judicial Member

Cochin, Dated: 23rd October, 2024

n.p.

Copy to:

1. The Appellant
2. The Respondent
3. The Pr. CIT concerned
4. The Sr. DR, ITAT, Cochin
5. Guard File

By Order

Assistant Registrar
ITAT, Cochin