

आयकर अपीलीय अधिकरण, हैदराबाद पीठ में  
**IN THE INCOME TAX APPELLATE TRIBUNAL  
HYDERABAD BENCHES "B" , HYDERABAD**

**BEFORE**

**SHRI LALIET KUMAR, HON'BLE JUDICIAL MEMBER  
AND  
SHRI MADHUSUDAN SAWDIA, HON'BLE ACCOUNTANT MEMBER**

ITA No.189 & 190/Hyd/2024		
Assessment Year – 2020-21 and 2021-22		
Narasimha Reddy Chimmula Gummadidala Village [PAN : AFBPC5816Q]	Vs.	ACIT Central Circle-2(4) Basheerbagh
(Appellant)		(Respondent)
Assessee by:	Shri M.V.Prasad, AR	
Revenue by:	Ms. Kavitha Rani, DR	
Date of hearing:	04.12.2024	
Date of pronouncement:	.12.2024	

**ORDER**

**PER LALIET KUMAR, J.M.**

These appeals are filed by the assessee, feeling aggrieved by the order passed by the Commissioner of Income Tax (Appeals)-12 [Ld.CIT(A)] dated 29.12.2023 for the AY 2020-21 and 2021-22. Since the grounds raised in these appeals are identical in nature, these appeals are clubbed, heard together and are being disposed

of by this consolidated order. The assessee has raised the following grounds in ITA No.189/Hyd/2024 :

1. *The learned CIT(Appeals) is erred in facts and law while passing the order.*

2. *The Learned CIT(A) erred in confirming Rs.13,10,625/- even though such amount represent sale consideration of agricultural produce received from Government of Telangana through banking channels.*

3. *The Learned CIT(A) also erred in treating the agricultural income estimated as unexplained investment and accordingly erred in taxing the same under the provisions of Section 115BBE of the I.T.Act since the Assessing Officer and CIT(A) have identified the source as Agricultural income themselves.*

4. *The Appellant craves to add to, amend or modify the above grounds of appeal either before or at the time of hearing of the appeal, if it is considered necessary.*

2. Ld.AR had drawn our attention to the assessment order, wherein, at paragraph 3.2, it was held by the Assessing Officer with respect to agricultural income earned by the assessee as under :

*“3.2. The arguments of the assessee are not acceptable as he miserably failed to adduce any iota of evidence towards the expenses incurred and only the sole ground taken is that he had agricultural land holding of 7.23 acres and therefore, the agricultural income offered be accepted. It is common knowledge that the farmers who are completely involved in agricultural activities are not getting high profits and even sometimes commit suicides as they are not in a position to*

*repay the loans taken for agricultural purposes. In the case of the assessee, he is not fully involved in agricultural operations as he is having business income which was offered under the provisions of sec.44AD. Moreover, the assessee is not cultivating rare crops so that extraordinary profits can be reaped. As mentioned by the assessee himself, he is cultivating normal crops like paddy, maize and vegetables. In view of the above, as the assessee miserably failed in all aspects, the agricultural income is accepted to the extent of Rs.1,50,000/- this year also and the balance amount of Rs.13,50,000/- is assessed as income from other sources u/s 69 of the IT Act and accordingly brought to tax u/s 115BBE. The penalty proceedings u/s 271AAC are separately initiated.”*

3. Ld.AR had further drawn our attention to paragraph 6.2 and 6.3 of the order of the Ld.CIT(A), wherein, the Ld.CIT(A) had dealt with the issue in the following manner :

*“6.2. During the course of appeal proceedings, the appellant has submitted that he has derived agricultural income from cultivation of paddy and maize in the total area of 7.23 Acres agricultural lands and the proceeds of vegetables, maize, paddy were supplied to the Government of Telangana. In response to the supply, the appellant has received an amount of Rs.25,89,773/- from the State Government of Telangana in bank account and incurred expenditure for an Amount of Rs.10,89,773/- towards cultivation, cost of fertilizers, pesticides, labour payments for land tilling etc. and has shown the remaining amount of Rs.15,00,000/- as agricultural income in the return filed for the AY 2020-21. Further, the appellant has submitted that the receipts from Government of Telangana represent the sale consideration received from sale of agricultural produce that was reaped which included two crops. In view of these submissions, the appellant has requested to delete the addition of Rs.13,50,000/-.*

*6.3. I have considered the submissions of the appellant and the assessment order of the Assessing Officer. It is seen that*

*the Assessing Officer made the addition of Rs.13,50,000/- on account of non-submission of documentary evidences for expenditure incurred for earning of agricultural income. With regard to the said addition, the following observations are made:*

*(i) The appellant was holding agricultural lands to the extent of 7.23 acres during the AY 2020-21 and got gross receipts of Rs.25,89,773/- from the State Government of Telangana in bank account for supply of agricultural produces. The appellant has claimed that he incurred expenditure of Rs.10,89,773/- towards cultivation, cost of fertilizers, pesticides, labour payments for land tilling etc. and has shown net agricultural income of Rs.15,00,000/- in the return of income and this net agricultural income should be considered as exempted agricultural income for the AY 2020-21. However, it is seen that during the course of assessment proceedings, the Assessing Officer has asked the appellant to produce documentary evidences for expenditure incurred towards cultivation, cost of fertilizers, pesticides, labour payments for land tilling etc. and other costs associated with the crop cultivation. But, the appellant has failed to produce any evidence before the AO for the expenditure incurred and requested to consider 40% of gross receipts as expenditure incurred for earning agricultural income. Even during appeal proceedings, the appellant has not produced any evidence for the expenditures incurred towards cultivation, cost of fertilizers, pesticides, labour payments for land tilling etc. and other costs associated with the crop cultivation. Therefore, in absence of documentary evidences for expenditure incurred on agricultural activities, the appellant's claim that it has incurred expenditure of Rs.10,89,773/- to earn gross agricultural income of Rs.25,89,773/- and net agricultural income of Rs.15,00,000/- cannot be verified and is hereby rejected*

*(ii). Further, the incurrence of expenditure to earn agricultural income cannot be denied based on mere non-submission of documentary evidences. There cannot be any income without any expenditure.*

*However, in the present case, the expenditure incurred for earning of agricultural income is not certain and not quantified. Hence, the agricultural income of the appellant for the AY 2020-21 should be estimated in view of the agricultural land holding by the appellant and nature of crops grown on said land. The Assessing Officer has estimated the agricultural income of the appellant for the AY 2020-21 at Rs.1,50,000/- i.e. Rs.19,800/- per acre for agricultural land holding of Ac.7.23 Gts.*

*In my view, to be fair and reasonable and keeping in view, the geographical conditions and nature of crops, the net agricultural income should be estimated at Rs.25,000/- per acre. Since the appellant is holding the agricultural land to the extent of Ac.7.23 Gts during the AY 2020-21, the agricultural income of the appellant for the AY 2020-21 is hereby computed at Rs.1,89,375/- (Rs.25,000/- per acre \* Ac.7.23 Gts). Accordingly, the relief to the extent of Rs.39,375/- is hereby granted to the appellant and the remaining addition of Rs. 13,10,625/- is hereby confirmed u/s 69 of the Act. Accordingly, grounds no.4, 5 & 8 and related part of ground no.6 of the appeal are partly allowed.”*

4. It was the submission of the Ld.AR that the Ld.CIT(A), after recording the fact that the assessee had received an amount of Rs.25,89,773/- from the State Govt. of Telangana in his bank account, disallowed the agricultural income of Rs.15,00,000/- earned by the assessee, after claiming expenditure towards cultivation, cost of fertilizer, pesticides, labour payments for land tilling etc. The Ld.CIT(A) and the Ld.AO had come to the conclusion that this income cannot be assessed, therefore, upheld the addition in the hands of the assessee. It was further submitted by

the Ld.AR that once the sale proceeds from agriculture was not disputed as it was received in his bank account, the Ld.AO/CIT(A) were wrong in making addition of Rs.13,10,625/- in the hands of the assessee by taking Rs.25,000/- per acre income of the assessee.

5. Per contra, Ld.DR submitted that the assessee has not proved the source of earning of agricultural income and it was further submitted that it was disproportionate to the land holding of the assessee and lower authorities had rightly computed the per acre income of the assessee.

6. We have heard both the parties, perused the material on record and gone through the orders of the authorities below. In the present case, the undisputed facts which were noted down by the Ld.AO and Ld.CIT(A) are that the assessee was having agricultural land of 7.23 acres during the assessment year under consideration. It is also undisputed fact that the assessee has received Rs.25,89,773/- from the Govt. of Telangana in his bank account for supplying agricultural produce. It is also undisputed fact that the assessee has claimed expenditure of Rs.10,89,773/- towards expenditure for cultivation, cost of fertilizer, pesticides,

labour payments for land tilling etc. The only reason for addition in the agricultural income is that the appellant has failed to produce any evidence of expenditure incurred and requested to consider 40% of the gross receipts as expenditure for earning agricultural income. Further no basis had been given by Ld.CIT(A) for restricting the agricultural income for Rs.25,000/- per acre. No contemporaneous data / comparable instance of similar agricultural activity was cited in the order. In our view, once the Ld.AO and the Ld.CIT(A) had not disputed the holding of agricultural income and further had not disputed that the amount of Rs.25,89,773/- received as agricultural income, then the Ld.AO/Ld.CIT(A) erred in concluding that the assessee is not able to prove the agricultural income of Rs.15,00,000/-. First of all, the entire amount has come to the account of the assessee through banking channel by State Bank and therefore, there cannot be any objection to the receipt of the income, once the receipt of the sales proceeds is verified and not disputed, then there is no reason for the Ld.AO/CIT(A) to contradict the agricultural income of Rs.15,00,000/-. In light of the above, we find that the reasons given by the Ld.CIT(A) are incorrect and devoid of merit.

Accordingly, the order of the Ld.AO/CIT(A) is set aside and the appeal of the assessee is allowed.

7. Since the facts in ITA No.190/Hyd/2024 for the A.Y.2021-22 are similar to ITA No.189/Hyd/2024 for the A.Y.2020-21, following the similar reasoning vide para 6 above, we allow the appeal filed by the assessee for the A.Y.2021-22 *mutatis mutandis*.

8. In the result, the appeals of the assessee for the A.Y.2020-21 and 2021-22 are allowed.

Order pronounced in the open court on 5<sup>th</sup> December, 2024.

<b>Sd/-</b> <b>(MADHUSUDAN SAWDIA)</b> <b>ACCOUNTANT MEMBER</b>	<b>Sd/-</b> <b>(LALIET KUMAR)</b> <b>JUDICIAL MEMBER</b>
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Hyderabad, dated 05.12.2024.

*L.Rama, SPS*

Copy to:

S.No	Addresses
1	Shri Narasimha Reddy Chimmula, Gummadidala Village, Gummadidala B.O. Medak, Medak
2	The ACIT, Central Circle-2(4), Basheerbagh, Hyderabad
3	The Pr.CIT, Hyderabad.
4	DR, ITAT Hyderabad Benches
5	Guard File

*By Order*