

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

BEFORE SHRI PRASHANT MAHARISHI, VICE PRESIDENT

ITA No.368/Bang/2025
Assessment year : 2020-21

Sri Bollera Uthappa Muddappa, B 907, Divyasree 77 Place, 77 Town Centre, Yemalur Main Road, Bengaluru – 560 037. PAN: AFBPM 0059H	Vs.	The Income Tax Officer, Ward 4[1][3], Bengaluru.
APPELLANT		RESPONDENT

Appellant by	:	Ms. Sunaina Bhatia, CA
Respondent by	:	Shri Ganesh R. Ghale, Advocate, Standing Counsel for Dept.

Date of hearing	:	12.06.2025
Date of Pronouncement	:	25.07.2025

ORDER

1. This appeal is filed by Sri Bollera Uthappa Muddappa (the assessee/appellant) for the assessment year 2020-21 against the appellate order passed by the National Faceless Appeal Centre, Delhi (NFAC) [Id. CIT(A)] dated 31.12.2024 wherein the appeal filed by the assessee against the assessment order passed u/s. 143(3) r.w.s.

144B of the Income-tax Act, 1961 [the Act] dated 10.9.2022 by the assessment unit, was partly allowed.

2. Therefore the assessee is in appeal and the main grievance of the assessee is the addition of Rs.8,55,501 out of addition of Rs.14,25,835 on account of agricultural income sustained by the Id. CIT(A).
3. The brief facts show that assessee is an individual who is an agriculturist growing raw coffee seeds and black pepper. He is also earning income from letting out of property and income from other sources. Assessee filed return of income on 19.8.2021 at a total income of Rs.4,25,960 and showing net agricultural income of Rs.31,30,060 claiming agricultural expenses of Rs.25,23,280 showing the gross receipt from sale of coffee at Rs.57,03,340.
4. The case of the assessee was selected for limited scrutiny and notices u/s. 143(2) of the Act was issued. Assessee was asked to file details of agricultural income and copy of invoice of sale of coffee seeds amounting to Rs.57,03,340. The assessee was also asked about the various details of agricultural income including the holding of the land. The AO on examination of the copies of bills and vouchers and also the invoice of sale of agricultural produce was of the view that some of them are hand-made vouchers and therefore it can be inferred that assessee does not have proper expenditure. Accordingly 25% of the gross agricultural income of Rs.57,03,340 amounting to Rs.14,25,835 was disallowed and added to the total income of assessee under the head 'income from other sources'. Accordingly assessment order was

passed on 10.9.2022 determining total income of assessee at Rs.18,51,795.

5. Assessee aggrieved with the same preferred appeal before the CIT(A) who passed an order on 31.12.2024 and in para 8.3 after considering the explanation of the assessee, addition account of disallowance of gross agricultural receipt of Rs.57,03,340 was restricted to 15% at Rs.8,55,501. Thus he reduced the addition from Rs.14,25,835 to Rs.8,55,501. The assessee is aggrieved with the same and is in appeal before us.
6. Heard Ms. Sunaina Bhatia, CA who furnished a paperbook containing 113 pages and reiterated the submission made before the Id. CIT(A). Also heard Shri Ganesh R. Ghale, Advocate & Standing Counsel, who supported the order of Id. lower authorities.
7. Having carefully considered the rival contentions and perused the orders of the Id. lower authorities, I find that the Id. AO has considered the agricultural income shown by the assessee of Rs.57,03,340, but for the reason that some of the bills & vouchers are hand-made vouchers, he disallowed 25% of the gross agricultural income and treated the same as income from other sources. On appeal, the Id. CIT(A) restricted it @ 15% and thereby sustaining the addition to Rs.8,55,501.
8. On the basis of the submission made by the assessee, I find that assessee has produced adequate evidence before the Id. AO as well as before the Id. CIT(A). Proper land records were shown and also the

details of expenditure and income were shown. The assessee also demonstrated that he is the owner of coffee estate to the extent of 29 acres 10 guntas. His gross agricultural income in earlier 2 years to this year was Rs.41 lakhs & Rs.45 lakhs. It is also a fact that agricultural activities is a semi-unorganised sector where hand-made bills & vouchers are prepared for some expenditure such as labour wages, hamali etc. But merely because bills are hand-made, disallowance of expenditure cannot be made, unless specific defect was shown that such hand-made vouchers does not have reference to recipient of income, nature of expenditure, quantum of expenditure, date of transaction and also relationship with the activity. In the order of the Id. AO, no such findings were recorded. Even the Id. CIT(A)'s order also does not have any finding on this issue. The restriction of disallowance from 25% to 15% is not at all supported by any reason, except stating that, 'to meet the ends of justice'. This is not the criteria to allow or disallow the expenses. Accordingly as there is no defect in those self-made vouchers pointed out by the Id. lower authorities, addition made of Rs.8,55,501 cannot be sustained.

9. Accordingly ground No.2 of the appeal is allowed and the Id. AO is directed to treat the agricultural income and expenditure as disclosed by the assessee.
10. In view of above finding, all other grounds of appeal become infructuous and hence dismissed.

11. In the result, the appeal filed by the assessee is partly allowed.

Pronounced in the open court on this 25th day of July, 2025.

Sd/-

(PRASHANT MAHARISHI)
VICE PRESIDENT

Bangalore,
Dated, the 25th July, 2025.

/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.