

आयकर अपीलीय अधिकरण, विशाखापटणम पीठ, विशाखापटणम

**IN THE INCOME TAX APPELLATE TRIBUNAL
VISA KHAPATNAM "SMC" BENCH, VISA KHAPATNAM**

**श्री एस बालाकृष्णन, लेखा सदस्य एवं श्री संदीप सिंह करहेल, न्यायिक सदस्य के समक्ष
BEFORE SHRI S BALAKRISHNAN, HON'BLE ACCOUNTANT MEMBER
&
SHRI SANDEEP SINGH KARHAIL, HON'BLE JUDICIAL MEMBER**

**आयकर अपील सं./I.T.A. No. 278/VIZ/2025
(निर्धारण वर्ष/ Assessment Year:2016-17)**

Nakka Kasivisweswara Rao #7-155 Kadiyapulanka Village Kadiyam Mandal East Godavari District-533126 Andhra Pradesh [PAN: AENPN2596K] (अपीलार्थी/ Appellant)	v.	Income Tax Officer – Ward – 2(3) Income Tax Office Aayakar Bhavan Veerabhadrapuram Kambala Cheruvu Rajahmundry-533105 (प्रत्यर्थी/ Respondent)
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करदाता का प्रतिनिधित्व / Assessee Represented by	:	Shri GVN Hari, Advocate
राजस्व का प्रतिनिधित्व / Department Represented by	:	Dr. Aparna Villuri, Sr.AR
सुनवाई समाप्त होने की तिथि/ Date of Conclusion of Hearing	:	18.09.2025
घोषणा की तारीख/Date of Pronouncement	:	19.09.2025

आदेश /ORDER

PER SANDEEP SINGH KARHAIL, JUDICIAL MEMBER:

1. The assessee has filed the present appeal against the impugned order dated 14.02.2025, passed under section 250 of the Income Tax Act, 1961 (in short

‘Act’) by the Learned Commissioner of Income Tax (Appeal), Addl/JCIT(A)-3, Mumbai [hereinafter in short “Ld.CIT(A)”], for the A.Y.2016-17.

2. In this appeal, the assessee has raised the following grounds of appeal:-

“1. The order of the learned Commissioner of Income Tax (Appeals) is contrary to the facts and also the law applicable to the facts of the case.

2. The learned Commissioner of Income Tax (Appeals) is not justified in sustaining the addition of Rs.10,26,289 made by the assessing officer u/s 69A of the Act by treating the agricultural income as unexplained money.

3. Any other ground that may be urged at the time of appeal hearing.”

3. The solitary issue that arises for our consideration, in the present case, pertains to the addition of Rs.10,26,289/- made by the Ld. Assessing Officer [hereinafter in short “Ld. AO”] under section 69A of the Act by treating agricultural income as unexplained money.

4. The brief facts of the case are that the assessee is an individual and is engaged in running a nursery in the name and style of “Sri Visweswara Hitech Nursery”. For the year under consideration, the assessee filed his return of income on 14.02.2017, declaring a total income of Rs.NIL. After claiming the net agricultural income of Rs.22,26,289/- as exempt. The return filed by the assessee was selected for limited scrutiny under CASS and statutory notices under section 143(2) and 142(1) of the Act were issued and served on the assessee. In order to verify the genuineness of the agricultural income declared by the assessee, the assessee was asked to submit brief note about the business activities

carried on and provide bank account details, copies of bank statements for the Financial Year 2015-16, lease land details, lease rent paid, and the evidences for agricultural activity, agricultural expenses incurred along with the bills and vouchers, books of accounts, agricultural produce and details of crop grown etc. In response thereto, the assessee submitted income tax acknowledgment and computation of income, income certificate issued by the Revenue Department, Government of Andhra Pradesh, nursery licences, Pattadar passbook and lease details. The assessee was also asked to submit the information regarding the gross receipts, purchase bills, vouchers, cash flow statements etc. In response, the assessee submitted that no books of accounts were maintained by him, and no bills or vouchers were maintained for the expenditure incurred. During the assessment proceedings, it was noticed that the assessee has claimed net agricultural income from nursery at Rs.22,26,289/- as exempt, which appears abnormal when compared to the normal agriculturist, whose produce from agriculture is seasonal and mainly dependent on weather conditions. During assessment proceedings, the statement of the assessee was also recorded, in which he submitted that the extent of the nursery is 20 acres and also explained the variety of plants grown in his nursery. In his statement, the assessee also submitted that he is not maintaining any books of accounts except purchase bills and sales bills. However, he could not produce any bills or vouchers, expenditure incurred, and he also admitted that most of the payments towards purchase, sales

and other expenditure were incurred by them in cash and cheques. Since the assessee could not produce any bills and vouchers for expenditure incurred, and also failed to substantiate his claim of agriculture income of Rs. 22,26,289/-, the Ld. AO, vide order dated 30.12.2018, passed under section 143(3) of the Act, estimated the income of the assessee at Rs. 60,000/- per acre from nursery. Accordingly, attributing Rs. 12,00,000/- for 20 Acres towards agriculture income from Nursery, the Ld. AO disallowed the balance amount of Rs.10,26,289/- and added to the total income of the assessee as unexplained money under section 69A of the Act.

5. The Ld. CIT(A), vide impugned order, dismissed the appeal filed by the assessee on the basis that the assessee has not filed any bills and vouchers to substantiate his claim.

6. Being aggrieved, the assessee is in appeal before us.

7. We have considered the submissions of both sides and perused the material available on record. From the perusal of the computation of income for the year under consideration, we find that the assessee declared gross receipts of Rs.2,28,37,292/- from agricultural income and after reducing expenditure to extent of Rs.2,06,11,003/-, the assessee declared net agricultural income of Rs.22,26,289/-. As the assessee could not produce bills and vouchers for the expenditure incurred, the Ld. AO by estimating the agricultural income from

nursery at Rs.60,000/- per acre, computed the agricultural income at Rs.12,00,000/- for 20 acres of land in which the assessee had the nursery and added the balance amount to the total income of the assessee. Before the lower authorities, the assessee made the following submissions explaining its business operations:

“a. The operations of nurseries cannot be compared to normal agricultural operational crops like paddy, coconut or wheat.

b. The nurseries in East Godavari, Andhra Pradesh more particularly, the Kadiyam and Kadiyapulanka are world famous for flowers and plants, and there is lot of exports to many countries in the world.

c. The appellants operations are highly intensive horticultural operations, involving scientific and latest techniques and using micro nutrients for the best yield possible.

d. The horticultural operations are not seasonal as may be seen from the fact that the sales takes place throughout the year as evidenced by the bank statements.

e. Unlike traditional agricultural, the rearing of plants is not totally dependent on whether conditions. Appropriate care along with sound technical advice is taken.

f. The fact that the yield per acre cannot be compared to the yield per acre of a normal paddy fields or land growing wheat may be cross checked from the fact that in the appellant case the sales per acre worked out to Rs. 1397683/-. In the case of wheat filed or paddy field the gross revenues per year are Rs. 100000 per acre.”

8. During the hearing, Ld. Authorised Representative [hereinafter “Ld.AR”] submitted that there is no basis for estimating the income from nursery @Rs.60,000/- per acre, and in this regard placing reliance upon the agriculture income certificate issued by the Revenue Department, Government of Andhra Pradesh, forming part of the Paper Book at Page No. 37 and 38, submitted that

the average agricultural income of the assessee from the nursery was Rs.1,00,000/- per acre. We find that these certificates were also furnished by the assessee before the Ld. AO vide submissions dated 25.10.2018. Further, we find that the Ld. AO in Para No. 5 of the assessment order also took note of the fact that an income certificate was furnished by the assessee. However, from the record, it is evident that the Ld.AO did not record any adverse findings against the documents submitted by the assessee.

9. From the perusal of the record, it is also evident that the rate of agricultural income estimated by the Ld. AO has no basis, and, in contrast, the assessee has placed on record an agricultural income certificate in support of its contention that it earned Rs. 1,00,000/- per acre of agricultural income. Therefore, we find substance in the submissions of the assessee, and accordingly, we direct the Ld.AO to estimate the agricultural income of the assessee at Rs.1,00,000/- per acre from nursery operations. As the assessee had the total area of 20 acres in which he was having the nursery operations, therefore, considering the aforesaid estimate, we are of the considered view that in the absence of any other documentary evidence regarding the expenditure incurred by the assessee towards its operation, Rs.20,00,000/- can be attributed towards agricultural income from Nursery. Thus, the addition is restricted to the balance amount of

Rs.2,26,289/- in view of the facts and circumstances as noted above. Accordingly, the grounds raised by the assessee are partly allowed.

10. In the result, the appeal by the assessee is partly allowed.

Order pronounced in the open court on 19th September, 2025.

Sd/-
(एस बालाकृष्णन)
(S. BALAKRISHNAN)
लेखा सदस्य /ACCOUNTANT MEMBER
Dated :19.09.2025
Giridhar, Sr.PS

Sd/-
(संदीप सिंह करहेल)
(SANDEEP SINGH KARHAIL)
न्यायिक सदस्य/JUDICIAL MEMBER

आदेशकी प्रतिलिपि अग्रेषित/ Copy of the order forwarded to:-

1. निर्धारिती/ The Assessee : **Nakka Kasivisweswara Rao**
#7-155
Kadiyapulanka Village
Kadiyam Mandal
East Godavari District-533126
Andhra Pradesh
2. राजस्व / The Revenue : **Income Tax Officer – Ward – 2(3)**
Income Tax Office
Aayakar Bhavan
Veerabhadrapuram
Kambala Cheruvu
Rajahmundry-533105
3. The Principal Commissioner of Income Tax
4. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, विशाखापटणम /DR,ITAT, Visakhapatnam
5. The Commissioner of Income Tax
6. गार्ड फ़ाईल / Guard file

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आदेशानुसार / BY ORDER

Sr. Private Secretary
ITAT, Visakhapatnam