

आयकर अपीलिय अधिकरण, 'ए' न्यायपीठ, चेन्नई
IN THE INCOME-TAX APPELLATE TRIBUNAL 'A' BENCH, CHENNAI
श्री एस.एस. विश्वनेत्र रवि, न्यायिक सदस्य एवं श्री जगदीश, लेखा सदस्य के समक्ष ।
Before Shri S.S. Viswanethra Ravi, Judicial Member &
Shri Jagadish, Accountant Member

आयकर अपील सं./I.T.A. No.2362/Chny/2025
निर्धारण वर्ष/Assessment Year: 2017-18

Syed Mohamed Sathik Ali,
C/o Shri T.N. Seetharaman, Advocate,
384 (Old No. 196), Lloyds Road,
Chennai 600 086.

Vs. The Income Tax Officer,
Ward 1(3),
Dindigul.

[PAN: AJDPS6560R]

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by : Shri T.N. Seetharaman, Advocate
प्रत्यर्थी की ओर से/Respondent by : Ms. M. Subashri, Addl. CIT (Virtual)
सुनवाई की तारीख/ Date of hearing : 20.11.2025
घोषणा की तारीख /Date of Pronouncement : 01.12.2025

आदेश / O R D E R

PER S.S. VISWANETHRA RAVI, JUDICIAL MEMBER:

This appeal filed by the assessee is directed against the order dated 30.06.2025 passed by the Addl/JCIT(A)-1, Nashik for the assessment year 2017-18.

2. The assessee raised 5 grounds of appeal amongst which, the only issue emanates for our consideration as to whether the Id. CIT(A) is justified in confirming the addition made as income from capital gains

denying the claim of agricultural income in the facts and circumstances of the case.

3. We note that the Assessing Officer completed the assessment order under section 143(3) of the Income Tax Act, 1961 ["Act" in short] dated 30.12.2019 by assessing total income of the assessee at ₹.17,86,320/- against the returned income at ₹.5,77,800/-, after making disallowance of ₹.12,08,520/- claimed as agricultural income out of sale from cutting of the oak trees and added to the income returned by the assessee under the head Income from Capital Gains. The Id. CIT(A) confirmed the view of the Assessing Officer.

4. The Id. AR Shri T.N. Seetharaman, Advocate submits that the cut and sale of Silver Oak trees grown by the assessee are agricultural income and not liable to tax. He vehemently argued that the Silver Oak trees are not of spontaneous growth, unlike forest trees, but were planted and nurtured by the assessee, cut and sold as log and the income so derived constitutes agricultural income. The Id. AR placing reliance on the decision of the Hon'ble High Court of Madras in the case of United Nilgiri Tea Estates Company Ltd. v. The Tamil Nadu

Sales Tax Appellate Tribunal & Ors in W.P. Nos. 46464 to 46470 of 2006 dated 29.07.2022 prayed to follow the same.

5. The Id. DR Ms. M. Subashri, Addl. CIT relied on the order passed by the Id. CIT(A).

6. Heard both the parties and perused the material available on record. We note that the assessee claimed agricultural income realized through sale of Silver Oak grown as shade trees in tea estate, but, however, the Assessing Officer denied and treated the same as long term capital gain, which was confirmed by the Id. CIT(A). We note that whether the sales of cut/sized Silver Oak trees grown as shade trees in the Tea Estate would constitute "agricultural produce was subject matter in appeal before the Hon'ble High Court of Madras in the case of United Nilgiri Tea Estates Company Ltd. v. The Tamil Nadu Sales Tax Appellate Tribunal & Ors (supra), wherein, the Hon'ble High Court was pleased to hold the cut/sized shade trees would constitute "agricultural produce and relevant portion of the said order is reproduced herein below for better understanding:

14.1. To understand, what would constitute "agriculture", it may be relevant to refer to the following judgments of the Hon'ble Supreme Court and the Madras High Court:

(i) *CIT vs. Raja Benoy Kumar Sahas Roy (31 ITR 426)* wherein it was held that "some basic operation prior to germination involving application of human effort on the land itself was necessary to constitute agriculture".

(ii) *CIT vs. Sundara Mudaliyar (18 ITR 259)* wherein it was pointed out that "irrespective of the nature of the produce or the product of the land whatever is grown on land aided by human labour and effort, whatever does not grow wild or spontaneously on soil without human labour or effort, would constitute "agricultural produce".

14.2. *The shade trees that have been cut/sized and sold are Silver Oak. These trees have their origin in Australia, an exotic plant variety and they are used as shade trees in tea estates in southern parts of India. These shade trees viz., Silver Oak need to be attended to periodically and they have to be planted and grown at particular intervals/distance to serve its purpose as shade trees for growth of tea plants. It is not the case of the Revenue that the growth of Silver Oak is wild or spontaneous, rather it is the case of the petitioner, which remains uncontroverted, these require human effort/labour and attention and thus, would constitute "agricultural produce".*

7. From the reading of the above decision of the Hon'ble High Court of Madras, it is clear that the income derived by sale of Silver Oak Trees which are "agricultural produce" is undoubtedly an "agricultural income". The Id. DR could not controvert the above decision of the Hon'ble High Court of Madras. Respectfully following the above decision in the case of United Nilgiri Tea Estates Company Ltd. v. The Tamil Nadu Sales Tax Appellate Tribunal & Ors (supra), we set aside the order of the Id. CIT(A) and delete the addition made by the Assessing Officer with a direction to treat the sale proceeds earned out

of sale of Silver Oak trees as agricultural income. Thus, the grounds raised by the assessee are allowed.

8. In the result, the appeal filed by the assessee is allowed.

Order pronounced on 01st December, 2025 at Chennai.

Sd/-
(JAGADISH)
ACCOUNTANT MEMBER

Sd/-
(S.S. VISWANETHRA RAVI)
JUDICIAL MEMBER

Chennai, Dated, 01.12.2025

Vm/-

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant,
2. प्रत्यर्थी/ Respondent,
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR &
5. गार्ड फाईल/GF.