

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

**BEFORE SHRI SANJAY GARG, JUDICIAL MEMBER
SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER**

I.T.A. No.413/Srt/2025
(Assessment Year: 2017-18)

Rameshbhai Makanbhai Bhakta, Vachalu Faliya, Kapura, Ta. Vyara, Di. Tapi, Kapura, Surat-394655. [PAN:AWRPB6189 N]	Vs.	Income Tax Officer, Ward-2, Bardoli.
(Appellant)	..	(Respondent)

Appellant by :	Shri Arjav Vidani, AR
Respondent by:	Shri Ajay Uke, Sr. DR
Date of Hearing	11.12.2025
Date of Pronouncement	01.01.2026

ORDER

PER SHRI NARENDRA PRASAD SINHA, ACCOUNTANT MEMBER :

This appeal is filed by the assessee against the order passed by the National Faceless Appeal Centre(NFAC), Delhi dated 06.02.2025 for the Assessment Year 2017-18 in the proceeding u/s.143(3) of the Income Tax Act.

2. The brief facts of the case are that the assessee had filed return of income for A.Y 2017-18 on 29.03.2018 declaring total income of Rs.1,75,821/- and agricultural income of Rs.37,25,951/-. The case was selected for scrutiny to examine the agriculture income declared by the

assessee. In the course of assessment proceeding, the Assessing officer noticed that the assessee had declared gross agriculture income of Rs.62,09,918/- and claimed agricultural expenses of Rs.24,83,967/-, thereby showing net agriculture income of Rs.37,25,951/-. The Assessing Officer noticed that the net agriculture income as declared by the assessee was much higher compared to the agriculture income declared in the earlier years. The assessee had shown net agriculture income of Rs.11,28,472/- in the A.Y 2015-16 and Rs.23,44,926/- in the A.Y 2016-17. The Assessing Officer was not convinced with the explanation given by the assessee regarding the abnormal increase in agriculture income during the year. Therefore, he treated the gross agriculture income of Rs.62,09,918/- as income from other sources and accordingly made the addition. The assessment was completed u/s.143(3) on 23.12.2019 at total income of Rs.63,85,740/-

3. Aggrieved with the order of the Assessing Officer, the assessee had filed an appeal before the First Appellate Authority which was decided by the Ld. CIT(A) vide impugned order and the appeal of the assessee was **partly allowed**.

4. Now the assessee is second appeal before us. The assessee has raised the following grounds of appeal:

1. *Learned CIT(A) has erred in law and fact by confirming the addition of Rs.23,01,708/- out of total addition of Rs.62,09,918/- considered by learned assessing officer as income from other sources despite of the fact that income was agriculture income.*

2. *Appellant craves leave to add, alter or delete and ground(s) either or in the case of hearing of appeal.*

5. Shri Arjav Vidani, Ld. AR appearing for the assessee submitted that the Ld. CIT(A) did accept the nature of income of the assessee as agriculture income but he had restricted the agriculture income to Rs.39,02,810/- being the agriculture income disclosed by the assessee in the preceding year. He explained that the gross agriculture income declared by the assessee was higher for the reason that the sale rate of sugar cane in the current year was at a much higher rate. In this regard he has drawn out attention to the following table, reflecting the production of sugar cane, the rate per metric ton for different years and gross agriculture income of the assessee.

Season Year	Sugar Cane in MT	Rate per MT	Amount in Rs.
2011-12	1,180.835	3,067.028	36,21,654.48
2012-13	991.240	3,507.350	34,76,625.82
2013-14	966.130	3,114.653	30,09,160.03
2014-15	734.225	2,561.593	18,80,785.53
2015-16	1,271.740	3,073.120	39,08,210.18
2016-17	1,360.495	4,454.201	60,59,917.98
2017-18	524.060	3,478.457	18,22,920.12
2018-19	484.980	3,223.000	15,63,090.54

6. The Ld.AR submitted that the sugar cane production during the year was only marginally high but the gross agriculture income was much higher for the reason that the sugar cane was sold at the rate of 4454.201 per MT during the year whereas the sale rate in the preceding year was Rs.3073.12 per MT only. He submitted that considering this fact, the Ld. CIT(A) was not correct in restricting the agriculture income of the assessee during the year to the income declared in the preceding year only. The Ld. AR contended that the considering the facts of the case, no addition was called for and the entire agriculture income as declared by the assessee should have been accepted.

7. Per Contra Shri Ajay Uke, Sr. DR submitted that in the course of assessment proceeding the assessee had stated that the sugar cane cultivated in particular survey/blocks of land were supplied to Shree Khedut Sahakari Khand Udyog Mandli Limited. The Assessing Officer had made enquires in this regard by issuance of notice u/s.133(6) of the Act and as per the ledger statement supplied by **Shree Khedut Sahakari Khand Udyog Mandli Limited**, it transpired that the sugar cane in the survey/blocks as stated by the assessee were not sold to that party at all. This discrepancy in the sales, as brought on record by the Assessing Officer in the course of assessment, was not clarified by the assessee. Further that the assessee has not furnished any documentary evidence for rate of sugar cane in current year being at the rate of 4454.201 per MT.

8. We have considered the rival submissions. There is no dispute to the fact that the assessee was showing agriculture income in the past years which was accepted by the Department. Further, the ownership of agriculture land holding by the assessee has also not been denied. Considering these facts that the Assessing Officer was not correct in treating the gross agriculture income of Rs.62,09,918/- as declared by the assessee as income from other sources. The Ld. CIT(A) while holding that the assessee did derive agriculture income, was not convinced with the abnormal and disproportionate increase in sugar-cane production during the year. Therefore, he restricted the agriculture income to the gross agriculture income of Rs.39,08,210/- as declared by the assessee, in the preceding year. It is found that the sugar cane production during the current year was 1360.495 per MT as

against production of 1271.74 MT in the preceding year. In view of this fact, the increase in sugar cane production during the year cannot be held as abnormal and disproportionate. Rather, it is found that the increase in gross agriculture income during the current year was for the reason that the assessee had disclosed sale rate of 4454.20 MT in the current year as against rate of 3073.12 MT only in the preceding year. This sharp increase of 45% in the sale rate of sugar cane in the current year is found to be quite abnormal. From the trend of sugarcane price as brought on record by the assessee, it is found that the sale rate of sugar-cane for subsequent years had decreased to Rs.3478 per MT in AY 2018-19 and to Rs.3223 per MT in AY 2019-20, which is found to be quite unusual. Considering the trend of sale rate of sugar-cane as reflected in the table referred above, **the sale rate of 4454.201 per MT for the current year is found to be quite abnormal and disproportionate to the normal trend.**

9. The prices of sugarcane are determined by the Central Government and the State Governments. The Central Government announces Fair and Remunerative Prices (FRP) while the state governments announce State advised prices (SAP). The SAP is announced by governments of key sugar producing states and is generally higher than FRP. In Gujarat, the sugar cooperatives often announce their own prices (SAP). With the prices of sugarcane being so controlled, it is unlikely that there would be so much variation in the price of sugarcane as reflected by the assessee in the current year. We, therefore, deem it proper to **set-aside the matter to the file of the Jurisdictional Assessing Officer** with a direction to make

necessary verification about the sale rate of sugar-cane during the A.Y 2017-18. The Jurisdictional Assessing Officer may verify the SAP of sugar cane as declared by the sugar cooperatives of Gujarat during the current year and on that basis workout the gross agriculture income of the assessee for the year, after allowing an opportunity of being heard to the assessee.

10. In the result, the appeal of the assessee is allowed for statistical purposes.

The order is pronounced in the open Court on 01.01.2026.

**Sd/-
(SANJAY GARG)
JUDICIAL MEMBER**

**Sd/-
(NARENDRA PRASAD SINHA)
ACCOUNTANT MEMBER**

(True Copy)

Ahmedabad; Dated 01.01.2026

MV

आदेश की प्रतिलिपि अग्रेषित / Copy of the Order forwarded to :

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त (अपील) / The CIT(A)-
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Surat
6. गार्ड फाईल / Guard file.

आदेशानुसार/ BY ORDER,

**सहायक पंजीकार (Dy./Asstt. Registrar)
आयकर अपीलीय अधिकरण, अहमदाबाद / ITAT, Surat**