

**IN THE INCOME TAX APPELLATE TRIBUNAL  
'SMC' BENCH, BANGALORE**

**BEFORE SHRI WASEEM AHMED, ACCOUNTANT MEMBER AND  
SHRI KESHAV DUBEY, JUDICIAL MEMBER**

ITA No.2028/Bang/2025
Assessment Year: 2020-21

Kanakapura Venkataramanaswamy Madhusudhan Karthik, Gokul Nilaya, BWSSB West, S Kariyapa Layout, Kanakapura, Bengaluru – 562 117.  <b>PAN – ADUPV 5834 A</b>	Vs.	The Income Tax Officer, Ward – 1, Ramanagara.
APPELLANT		RESPONDENT

Assessee by	:	Shri Balram R Rao, Advocate
Revenue by	:	Shri Ganesh R Ghale, Advocate – Standing Counsel for Revenue

Date of hearing	:	29.01.2026
Date of Pronouncement	:	17.03.2026

**ORDER**

**PER WASEEM AHMED, ACCOUNTANT MEMBER:**

The present appeal has been instituted by the assessee against the order of the Ld. CIT(A) passed u/s 250 of the Act dated 04.09.2025.

2. The effective issue raised by the assessee is that the learned CIT(A) erred in confirming the disallowances of agricultural income of Rs. 29,86,046/- by treating the same as unexplained money under section 69A of the Act.

3. The relevant facts are that the assessee, an individual, filed return of income for the A.Y. 2020-21 declaring taxable income at Rs. 14,48,340/- consisting of income from house property for Rs. 14,28,578/- and income from other sources for Rs. 19,761/-only. The also declared exempted income of Rs. 29,86,046/- derived from agricultural activities. In the earlier years, the assessee had not reported any agricultural income. Therefore, the case of the assessee was selected for scrutiny under CASS to verify the genuineness of the agricultural income and the land holdings.

3.1 During the assessment proceedings, the AO noted that the assessee claimed to have derived agricultural income from lands standing in the name of his father and not in his own name. The assessee stated that he was permitted by his father to carry out agricultural activities and enjoy the income. However, the AO observed that the assessee failed to produce any proper documentary evidence showing a formal arrangement or right to earn agricultural income from such land.

3.2 The AO further observed that the entire agricultural produce was claimed to have been sold to **a single buyer named "Kumar"**, but the assessee failed to furnish the complete name, PAN, or proper address of the buyer. The transactions were claimed to have been carried out in cash on multiple occasions, but no reliable documentary evidence was produced to substantiate the quantity of produce sold or the identity of the purchaser.

3.3 The AO also noticed that the assessee furnished certain details of expenses such as fertilizer, labour and transportation; however, the supporting documents were incomplete. In many cases, invoices did not contain the name, address, PAN or proper identification of the sellers or service providers. Further, payments were claimed to have been made in cash without adequate supporting evidence.

3.4 The AO examined the production and sale value of coconut and other crops to verify whether the agricultural income declared by the assessee was reasonable. For this purpose, the AO relied on the data obtained from the Sr. Assistant Director of Horticulture, Kanakapura and other statistical reports relating to agricultural productivity in the region. The AO observed that as per the official data, the average yield of coconut in Kanakapura area during FY 2019-20 was about 4,900 nuts per acre. After applying the conversion factor of 1 nut = 1.4 kg, the AO estimated the average production per acre at about 6,860 kg. Accordingly, for the total agricultural land of about 5.75 acres, the expected production would be around 39,445 kg of coconut. However, the assessee had claimed coconut production of 60,819 kg, which was substantially higher than the production estimated on the basis of Government records.

3.5 The AO further referred to statistical reports regarding coconut productivity in Karnataka and noted that the production claimed by the assessee was not consistent with the average yield recorded in such reports. On this basis, the AO held that the agricultural production and corresponding income claimed by the assessee were not supported by

realistic agricultural yield data, thereby casting doubt on the genuineness of the agricultural income declared.

3.6 In view of the above discrepancies, lack of proper documentary evidence regarding land ownership, sale of agricultural produce, identity of the purchaser, and genuineness of expenses, the AO held that the assessee failed to prove that the amount represents genuine agricultural income. Accordingly, the AO disallowed the exemption claimed u/s 10(1) and treated the amount of Rs. 29,86,046/- as unexplained money u/s 69A r.w.s 115BBE of the Act.

4. The aggrieved assessee preferred an appeal before the learned CIT(A).

5. Before the learned CIT(A), the assessee contended that the AO erred in rejecting the agricultural income declared at Rs. 29,86,046/- and treating the same as unexplained income. It was submitted that the assessee had carried out agricultural activities on about 5.75 acres of land belonging to his father with his consent and had cultivated coconut and guava during the relevant financial year. The production and sale of crops were genuine, and the income derived therefrom was exempt u/s 10(1) of the Act.

5.1 The assessee argued that the AO wrongly adopted unrealistic production figures and incorrect market rates while estimating the agricultural yield. According to the assessee, the AO had relied on incorrect calculations and erroneous assumptions in comparing the production with horticulture department data. The assessee explained

that the average weight and price of coconut and guava adopted by the AO were incorrect and the actual market rates were significantly higher. The assessee also relied upon price data published by the Ministry of Agriculture to demonstrate that the revenue declared from sale of agricultural produce was reasonable.

5.2 It was further submitted that the AO failed to provide an opportunity to cross-verify the horticulture report relied upon in the assessment. The assessee claimed that the report contained errors regarding prevailing market prices and the same was brought to the notice of the horticulture department. It was argued that the agricultural income declared by the assessee was based on prevailing market prices and correct production estimates and therefore could not be rejected merely on the basis of incorrect assumptions.

5.3 The assessee also relied upon CBDT Circular No. 27/2017 dated 03.11.2017 and contended that sale of agricultural produce in cash by cultivators to traders is permissible and does not attract adverse consequences under the Act. Therefore, the AO was not justified in doubting the agricultural income merely because the sale proceeds were received in cash.

5.4 The assessee further argued that section 69A of the Act was wrongly invoked by the AO. It was contended that the income was already declared in the return under the head "Agricultural Income" and therefore could not be treated as unexplained money. It was also submitted that the assessee was not required to maintain books of account under the Act and hence the provisions of section 69A could not

be applied. The assessee also relied on various judicial precedents to contend that the AO had exceeded the scope of limited scrutiny and that the assessment order was therefore unsustainable in law.

5.5 The Ld. CIT(A) considered the assessment order and the submissions of the assessee but found no merit in the contentions raised. It was observed that the AO had provided sufficient opportunities to the assessee during the assessment proceedings to furnish details and documentary evidence in support of the agricultural income claimed. However, the assessee failed to produce reliable evidence to substantiate the claim.

5.6 The Ld. CIT(A) noted that the assessee had claimed agricultural income from cultivation of coconut and guava on 5.75 acres of land but had not declared any agricultural income in earlier years. The production and sale figures claimed by the assessee were found to be significantly higher than the benchmarks available from official horticulture statistics. Further, the assessee failed to furnish basic supporting evidence such as proper sale bills, mandi receipts, confirmation from the purchaser, or complete details of the buyer to verify the alleged sale of crops.

5.7 The Ld. CIT-A also observed that the assessee claimed to have sold the entire agricultural produce to a single buyer named "Kumar" on several occasions in cash, but failed to provide his complete identity, address or confirmation. The assessee also did not produce any credible documentary evidence for the expenses claimed towards fertilizers, pesticides, labour and transportation. In the absence of verifiable

records, the genuineness of the agricultural activity itself remained doubtful.

5.8 The Ld. CIT(A) further held that the reliance placed by the assessee on CBDT circulars and judicial decisions was misplaced, as those decisions were distinguishable on facts. The AO had conducted a systematic enquiry and pointed out multiple inconsistencies in the assessee's claim of agricultural income. The assessee also failed to establish himself as an agriculturist by producing any farmer licence or other corroborative evidence. In view of the above facts, the Ld. CIT(A) held that the assessee failed to substantiate the claim of agricultural income and the source of the money remained unexplained. Accordingly, the action of the AO in disallowing the exemption u/s 10(1) and treating the amount of Rs.29,86,046 as unexplained money u/s 69A of the Act was upheld. Consequently, the grounds raised by the assessee were dismissed and the addition made by the AO was confirmed.

6. Being aggrieved by the order of the learned CIT(A), the assessee is in appeal before us.

7. The Ld. AR before us submitted that the Ld. CIT(A) erred in confirming the addition made by the AO by treating the agricultural income of Rs. 29,86,046 as unexplained income. It was argued that the assessee had actually carried out agricultural activities and the income earned from such activities was exempt u/s 10(1) of the Act. The authorities below failed to properly appreciate the documentary evidence placed on record in support of the agricultural operations.

7.1 The Ld. AR submitted that the assessee had furnished land records relating to agricultural lands situated in Survey Nos. 224, 198/4 and 203 which clearly establish that the assessee had access to agricultural land where the cultivation activities were carried out. It was further submitted that the assessee had also produced sale invoices of agricultural produce along with a detailed statement of expenses incurred for agricultural activities such as labour, fertilizers and other cultivation expenses. However, such evidence was not properly appreciated by the lower authorities.

7.2 The Ld. AR further contended that the Ld. CIT(A) wrongly held that the assessee had failed to establish himself as an agriculturist merely because he did not possess a farmer licence or Kisan Credit Card. According to the Ld. AR, there is no requirement under the Income-tax Act that a person must possess a farmer licence or Kisan Credit Card to prove that agricultural activities were carried out. Therefore, the reasoning adopted by the Ld. CIT(A) was legally unsustainable.

7.3 It was also argued that the AO and the Ld. CIT(A) failed to appreciate that the case was selected for limited scrutiny only for the purpose of verifying the agricultural income. Despite this, the AO treated the entire amount as unexplained income u/s 69A of the Act without properly examining the evidence submitted by the assessee. The Ld. AR submitted that the addition made by the AO and sustained by the Ld. CIT(A) was therefore arbitrary and liable to be deleted.

7.4 In view of the above submissions, the Ld. AR prayed that the addition of Rs. 29,86,046 made by the AO and confirmed by the Ld.

CIT(A) be deleted and the agricultural income declared by the assessee be accepted.

8. Per contra, the Ld. DR strongly relied upon the orders of the AO and the Ld. CIT(A). It was submitted that the assessee failed to produce credible documentary evidence to establish the genuineness of the agricultural income claimed. The Ld. DR pointed out that the agricultural land stood in the name of the assessee's father and no documentary evidence was produced to show any legal right of the assessee to cultivate the land and earn income therefrom. It was further contended that the alleged sale of agricultural produce was claimed to have been made in cash to a single buyer whose complete identity and address were not furnished. Therefore, the authorities below were justified in treating the amount as unexplained money under section 69A of the Act. We have heard the rival submissions of both the parties and perused the materials available on record including the assessment order, the order of the learned CIT(A) and the documents placed in the paper book. The short issue before us is whether the agricultural income of Rs. 29,86,046 declared by the assessee can be treated as unexplained money u/s 69A of the Act.

9. From the facts on record, we note that the assessee claimed to have derived agricultural income from cultivation of coconut and guava on agricultural lands measuring about 5.75 acres belonging to his father. The assessee has placed on record certain documents such as land records, details of cultivation, sale invoices of agricultural produce and statements of agricultural expenses. However, the AO rejected the claim mainly on the ground that the assessee failed to produce complete

documentary evidence regarding the purchaser of agricultural produce, supporting evidence for expenses. Furthermore, the production figures were higher when compared with the horticulture department statistics. On the basis of these observations, the AO treated the entire agricultural income as unexplained money u/s 69A of the Act. The learned CIT(A) also confirmed the action of the AO by holding that the assessee failed to substantiate the claim of agricultural income with reliable documentary evidence.

9.1 At the same time, we also notice that the assessee has produced certain material on record such as copies of land records, statements of agricultural receipts and expenses and sale invoices of agricultural produce. The assessee has also explained that the agricultural activities were carried out on lands belonging to his father with his consent. In our considered opinion, the evidence placed on record require proper verification by the AO. It appears from the records that the claim of the assessee has been rejected mainly on the basis of certain discrepancies and assumptions regarding agricultural yield without carrying out a comprehensive verification of the material placed by the assessee.

9.2 Considering the totality of the facts and circumstances of the case, we are of the view that the issue requires fresh examination at the level of the AO. In the interest of justice, the order of the learned CIT(A) is set aside and the matter is restored to the file of the AO. The AO is directed to verify the documentary evidence and other materials placed on record by the assessee in support of the agricultural activities and thereafter decide the issue afresh in accordance with law. In case the evidence produced by the assessee are found to be genuine, the AO

shall allow the claim of agricultural income accordingly. The AO shall also provide adequate opportunity of being heard to the assessee and the assessee is directed to fully cooperate in the assessment proceedings by furnishing all necessary details and evidences required for verification. Accordingly, the grounds raised by the assessee are allowed for statistical purposes.

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

Order pronounced in court on 17<sup>th</sup> day of March, 2026

Sd/-

**(KESHAV DUBEY)**  
Judicial Member

Sd/-

**(WASEEM AHMED)**  
Accountant Member

Bangalore  
Dated, 17<sup>th</sup> March, 2026

/ vms /

Copy to:

1. The Applicant
2. The Respondent
3. The CIT
4. The CIT(A)
5. The DR, ITAT, Bangalore.
6. Guard file

By order

Asst. Registrar, ITAT, Bangalore