

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

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

ITA No.2347/Bang/2025
Assessment Year: 2021-22

Mr. Shrishail Dhulappa Honavad, 01 At Post Bhuyar, Indi – 586 111.	Vs.	The Income Tax Officer, Ward – 1 & TPS, Bljapur.
PAN – AKEPH 0571 M		
APPELLANT		RESPONDENT

Assessee by	:	Shri Siddesh, CA
Revenue by	:	Shri Ganesh R Ghale, Advocate – Standing Counsel for Revenue

Date of hearing	:	12.03.2026
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 22.08.2025.

2. The effective issue raised by the assessee is that the learned CIT(A) the erred in confirming the disallowances of agricultural income of Rs. 7,00,761/- and treating the same as unexplained under section 69A of the Act.

3. The facts in brief are that the assessee, an individual, filed return of income for the year under consideration declaring total income of Rs.

1,15,943/- and agricultural income of Rs. 29,24,800/- only. The AO observed that the assessee had declared agricultural income from cultivation of sugarcane and other crops on agricultural land situated at Buvvar village, Indi Taluk, Vijayapura District, Karnataka. During the assessment proceedings, the assessee stated that he owned about 39 acres of agricultural land and produced certain documents such as RTC, khatauni, copies of contracts, sale bills, and bank statements. It was also explained that the sale of agricultural produce was handled by the assessee's son Shri Basavaraj S. Honawad.

4. On verification of the documents, the AO noticed that the assessee had shown agricultural income of Rs. 5,15,792/- as direct retail sales and Rs. 1,84,969/- as amount received from the assessee's son from the sale of agricultural produce. The assessee admitted that these sales were made in local markets and to small shops and that no documentary evidence such as bills or vouchers was available. In the absence of supporting documents, the AO held that the genuineness and source of these receipts could not be verified. Accordingly, the AO treated the amounts of Rs. 5,15,792 and Rs. 1,84,969 aggregating to Rs. 7,00,761 as unexplained money under section 69A of the Act and taxed the same under section 115BBE of the Act.

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

6. In the statement of facts furnished along with form 35, the assessee submitted that the cultivation carried out by the assessee was not disputed by the AO and the disallowance was made only on the

ground that the assessee could not produce bills and vouchers for sale of agricultural produce. It was submitted that agricultural products in the country are traded in an unorganized sector and maintaining bills for every sale of agricultural produce is not practical. The assessee relied on the decision of ITAT Chennai in the case of *Smt. Annakkalanjiam Mathivanan* (ITA No. 2451/Chny/2018 dated 22.01.2019).

6.1 The assessee further submitted that against agricultural sale of Rs. 34,50,000/- declared in the return, bills and vouchers of Rs. 27,49,239/- sold to registered dealer were already furnished which is about 80% of the total receipts. The remaining 20% relates to sales made directly in the local market where bills were not maintained. The assessee being an individual farmer maintains only Tippani books to record sales.

6.2 It was also submitted that where sales were made to registered dealers, documentary evidence such as bills and account statements were furnished. In respect of sales made to unregistered dealers or direct consumers, such documentary evidence is generally not available. Therefore, it was contended that treating such receipts as unexplained income u/s 69A of the Act is not justified.

6.3 However, the Ld. CIT(A) observed that sufficient opportunities of being heard were provided to the assessee during the appellate proceedings, however the assessee did not appear or file any further submissions or evidence to rebut the findings of the AO. Therefore, the appeal was decided on the basis of materials available on record.

6.4 The Ld. CIT(A) further observed that the assessee himself in the statement of facts admitted that bills and vouchers were not maintained for a part of the agricultural produce sold in the local market. In the absence of supporting documentary evidence for such sales, the genuineness of the claim could not be verified. Accordingly, the Ld. CIT(A) upheld the addition of Rs. 7,00,761 made by the AO and dismissed the appeal.

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

8. The Ld. AR before us submitted that section 69A of the Act can be invoked only when the assessee is found to be the owner of money and fails to explain the nature and source. In the present case the assessee is an agriculturist and is not required to maintain books of account under section 44AA of the Act. Therefore, the provisions of section 69A of the Act cannot be invoked merely for non-maintenance of bills or vouchers. Reliance was placed on the decisions in *Shri Ganesh Vasudeva Shet v. ITO in ITA No. 1105/Bang/2024*, and *Ishwar Chander Pahuja v. ACIT in reported in 209 ITD 52 Delhi* and the judgment of the Hon'ble Delhi High Court in *CIT v. Hersh Washesher Chadha reported in 297 taxman 471*.

8.1 Regarding the amount of Rs. 1,84,969, the Ld. AR submitted that the amount was received on account of sale proceeds of sugarcane to M/s KPR Sugar Mills Pvt Ltd. in previous year which was credited in the bank of his son. His transferred the same to the assessee's bank account on 16.01.2021 and the assessee follows cash system of accounting.

Therefore, the amount was rightly reported in the return for the year under consideration.

8.2 Regarding the amount of Rs. 5,15,792/-, the Ld. AR submitted that the same represents direct sale of agricultural produce to traders and vendors who purchase crops directly from the farm. The AO has not disputed the ownership of agricultural land or the fact of cultivation. The assessee had also produced bank statements and other supporting records and there is no material brought by the AO to show that the assessee generated is an unexplained money.

8.3 The Ld. AR further submitted that agricultural transactions are mostly carried out in cash in rural areas and therefore absence of formal bills cannot be the sole reason for making the addition. Reliance was placed on the decision of ITAT Chennai in *Annakkalanjiam Mathivanan v. ACIT in ITA No. 2451/Chnny/2018* and the decision of Hon'ble Allahabad High Court in *CIT v. Neel Giri Krishi Farms (P) Ltd reported in 2018 Taxman 95*.

8.4 The Ld. AR also contended that the addition has been made merely on suspicion and conjectures without any evidence, which is not permissible in law as held by the Hon'ble Supreme Court in *Lalchand Bhagat Ambica Ram v. CIT reported in 37 ITR 288*.

8.5 It was further argued that the Ld. CIT(A) dismissed the appeal mainly on the ground of non-appearance without properly examining the detailed statement of facts already filed along with Form No. 35. Hence,

the order suffers from violation of principles of natural justice and deserves to be set aside.

9. On the contrary the learned DR submitted that the assessee himself admitted that bills and vouchers were not maintained for part of the agricultural sales. In the absence of proper documentary evidence, the AO was justified in doubting the genuineness of the receipts and treating the same as unexplained under section 69A of the Act.

9.1 The Ld. DR further submitted that the Ld. CIT(A) had provided sufficient opportunities to the assessee during appellate proceedings, however the assessee failed to appear or produce any additional evidence. Therefore, the Ld. CIT(A) was justified in deciding the appeal on the basis of materials available on record and confirming the addition made by the AO.

10. We have heard the rival contentions of both the parties and perused the materials available on record. The issue involved in the present appeal relates to the addition of Rs. 7,00,761/- made by the AO by treating part of the agricultural receipts as unexplained money under section 69A of the Act. From the record it is observed that the assessee has declared agricultural income from cultivation of sugarcane and other crops on about 39 acres of agricultural land situated at Buvvar village, Indi Taluk, Vijayapura District. The ownership of agricultural land and the fact that the assessee is engaged in agricultural activity has not been disputed by the AO. The addition has been made mainly on the ground that the assessee could not produce bills and vouchers in respect of certain sales of agricultural produce made in the local market.

10.1 We note that the assessee had declared total agricultural receipts of Rs. 34,50,000/- out of which documentary evidence such as bills and bank statements for sales to registered dealers amounting to Rs. 27,49,239/- were already furnished before the authorities below. The balance amount represents sales made directly in the local market to traders and consumers where formal bills were not maintained. Considering the nature of agricultural activities carried out by small farmers, especially in rural areas, sale of agricultural produce in local markets without formal invoices is a common practice. Therefore, absence of bills by itself cannot be a sole ground to treat such receipts as unexplained income.

10.2 Further, the provisions of section 69A of the Act can be invoked only when the assessee is found to be the owner of unexplained money and fails to offer a satisfactory explanation regarding the nature and source thereof. In the present case, the assessee has explained that the receipts represent sale proceeds of agricultural produce grown on his agricultural land. The AO has not brought any material on record to show that the assessee had any source of income other than agriculture or that the impugned amount represents unexplained money. In our considered view, the addition has been made merely on suspicion arising from the absence of certain vouchers, which cannot be sustained in law. With regard to the amount of Rs. 1,84,969/- received from the assessee's son, the explanation of the assessee that the same represents sale proceeds of agricultural produce which were initially credited in the son's bank account and subsequently transferred to the assessee has not been disproved by the AO. Similarly, the amount of Rs. 5,15,792 represents direct sale of agricultural produce to traders and vendors who

purchased the crops directly from the field. The AO has not disputed the agricultural operations carried out by the assessee nor brought any contrary evidence to establish that these amounts represent unexplained money.

10.3 We also find merit in the contention of the assessee that the Ld. CIT(A) has dismissed the appeal mainly on account of non-appearance without examining the detailed statement of facts already filed along with Form No. 35. In our view, the appellate authority was required to adjudicate the issue on merits based on the material available on record. Considering the totality of the facts and circumstances of the case, we are of the view that the addition made by the AO and sustained by the Ld. CIT(A) under section 69A of the Act is not justified. Accordingly, the addition of Rs. 7,00,761/- is directed to be deleted and the grounds raised by the assessee are allowed.

11. In the result, the appeal of the assessee is hereby allowed.

Order pronounced in court on 17th day of March, 2026

Sd/-

(KESHAV DUBEY)
Judicial Member

Sd/-

(WASEEM AHMED)
Accountant Member

Bangalore
Dated, 17th 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