

## **Exemption disallowed as assessee failed to prove that his income was from agricultural operations**

**Summary – The High Court of Madras in a recent case of B. Ramachandhiran, (the Assessee) held that where assessee had not properly explained his receipt of income as agricultural income, exemption was to be disallowed**

### **Facts**

- The assessee an individual, had shown an agricultural income to the tune of Rs.6.75 lakhs. Since the assessee did not disclose any evidence to prove the receipt of the income as agricultural income and the nature of the operations done therein to earn the income, the said income was assessed under the head of 'income from other sources'.
- On appeal, the Commissioner (Appeals) called for a remand report, wherein, the Assessing Officer pointed out that in the absence of sufficient materials, the agricultural income shown at Rs. 6.75 lakhs could not be accepted.
- The Commissioner (Appeals) found that the amount of Rs. 6.75 lakhs was not credited in the capital account of the assessee during the year. He further found that the Assessing Officer had not examined the assets held by the assessee outside the balance sheet and did not bring on record that there was unexplained investment or expenditure, which was explained by the assessee as out of agricultural income. In the circumstances, the Commissioner (Appeals) allowed the assessee's claim in this regard.
- On appeal by the revenue, the Tribunal did not treat the entire amount of Rs.6.75 lakhs as agricultural income; instead the Tribunal held that a sum of Rs.4 lakhs be treated as 'agricultural income' and balance of Rs.2.75 lakhs be treated as 'income from other sources'.
- On appeal by assessee to the High Court:

### **Held**

- It was not denied by the assessee that he had not produced any materials whatsoever as to the nature of crop grown and the nature of agricultural operation and the expenditure incurred thereof. When the onus on the earning of agricultural income entirely lies on the assessee to prove that the receipt of income was out of agricultural operation, in the absence of any material produced to discharge the onus in the manner known to law, the Assessing Officer rightly rejected the assessee's claim for granting exemption for receipt of agricultural income.
- As far as the appeal before the first appellate authority is concerned, in the remand report, the Assessing Officer pointed out that in the absence of sufficient materials, the agricultural income shown at Rs.6.75 lakhs could not be accepted. The Commissioner (Appeals) held that the Assessing Officer had not established that there was any unexplained investment or expenditure by the assessee. There was no ground to uphold this line of reasoning on the admitted fact that the

assessee had not produced any materials before the Assessing Officer nor the Commissioner (Appeals), the revenue rightly went on appeal before the Tribunal questioning the order of the Commissioner. Even before the Tribunal, the assessee had not produced any materials; however, taking note of the fact that the assessee was stated to have shown certain extent of land and he had also shown the receipt of agricultural income in the earlier years, the Tribunal thought it fit to restrict the income at Rs. 4 lakhs as agricultural income and the balance of Rs.2.75 lakhs as income from other sources. Thus, on the admitted fact that the assessee had not properly explained his receipt of income at Rs.6.75 lakhs as agricultural income, the Tribunal rightly restricted the agricultural income at Rs.4 lakhs.

- In the instant case, if the assessee had any agricultural operation and earned income, certainly, it was always open to the assessee to bring any such material to substantiate the facts. The facts, therefore, ought to have been brought before the Assessing Officer or before the first appellate authority to substantiate the case of the assessee, that he had been in receipt of the income earned out of agricultural operation. In the absence of any materials shown or onus discharged in the manner known to law, the assessee's contentions that order of the Tribunal was perverse was not acceptable. Hence the order of the Tribunal was confirmed.