

Profit from sale of agricultural land can't be included in book profit for the purpose of MAT

Summary – The Cochin ITAT in a recent case of Nilgiri Tea Estate Ltd., (the Assessee) held that profit from sale of agricultural land would not be included for purpose of computing book profit under section 115JB.

Facts

- The assessee company filed its return of income declaring loss of Rs. 69.42 lakhs and the negative book profit of Rs. 27.21 lakhs under section 115JB.
- The Assessing Officer noticed that the assessee had sold agricultural land and realised a profit of Rs. 1.01 crore. The above said profit was shown in the profit and loss account, but the assessee excluded the same while computing the book profit under section 115JB.
- The Assessing Officer took the view that the assessee cannot so exclude the said profit while computing book profit and the gain arising on sale of agricultural land cannot be considered as agricultural income under section 2(1A) and hence, cannot be treated as an exempted income under section 10(1). Accordingly, the Assessing Officer included the profit on sale of agricultural land in the book profit computed by the assessee.
- On appeal, the Commissioner (Appeals) deleted the said additions.
- On second appeal:

Held

- There should not be any dispute that the profit arising on sale of agricultural land, which does not fall in the category of 'capital asset' as defined under section 2(14) does not come under the purview of the Income-tax Act at all. For example, the profit arising on sale of personal effects is not exigible to Income tax Act. In the similar manner, the profit arising on sale of agricultural land, which is not a capital asset, is also not exigible to income tax. Hence, an item of income which does come under the purview of income tax cannot be subjected to tax under any of the provisions of the Act.
- Accordingly, the profit from sale of agricultural land, which is not a 'capital asset', cannot be included for the purpose of computing book profit under section 115JB. Accordingly, the decision taken by the Commissioner (Appeals) to be uphold.
- In the result, the Revenue's appeal is dismissed.