

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH : BANGALORE**

**BEFORE SHRI.LAXMI PRASAD SAHU, ACCOUNTANT MEMBER
AND SHRI.SOUNDARARAJAN K, JUDICIAL MEMBER**

ITA No.1509/Bang/2025
Assessment Year : 2020-21

ITO, Ward – 7(2)(3), Bangalore.	Vs.	Mr. Mohammed Farooq Kanana, 6 9 th Cross, H Siddaiah Road, Bangalore – 560 027, Karnataka. PAN : ABVPM 1212 A
APPELLANT		RESPONDENT

Assessee by	:	Shri. Thirumala Naidu, CA
Revenue by	:	Shri. Subramanian S, JCIT(DR)(ITAT), Bangalore.

Date of hearing	:	27.10.2025
Date of Pronouncement	:	30.10.2025

ORDER

Per Laxmi Prasad Sahu, Accountant Member :

This appeal is filed by the Revenue against the Order passed by the CIT(A) under section 250 of the Act, vide DIN & Order No. ITBA/NFAC/S/250/2024-25/1075141050(1) dated 27.08.2025 on the following grounds:-

- 1. The learned CIT(A), NaFAC has erred in deleting the addition made by the Assessing Officer on account of disallowance of agricultural income, despite the fact that the assessee failed to furnish complete and reliable documentary evidence to substantiate the claim.*
- 2. The learned CIT(A), NaFAC has failed to appreciate that during the assessment proceedings, the assessee has not submitted the receipts from contractors or proper bills/vouchers to support the*

quantum of agricultural income declared, which was duly admitted by the Authorized Representative of the assessee during the video conference.

- 3. The learned CIT(A), NaFAC has erred in ignoring the fact that even though it was contended that 70% of the mangoes grown were of export quality, no export invoices, shipping bills, or corroborative evidence were furnished to substantiate the same which was admitted by the A/R of the assessee during the course of assessment proceedings when the AO has provided the facility of video conference to the assessee as per the principles of natural justice.*
- 4. The learned CIT(A), NaFAC has failed to appreciate that due to the absence of verifiable documentation and lapses on the part of the accountant, the Assessing Officer rightly disallowed a part of the agricultural income declared, after taking into consideration the erratic movement in agricultural prices, the verification report and the local factors.*
- 5. That the appellant craves leave to add, amend or alter any ground(s) of appeal at the time of hearing.*

2. At the outset of hearing, it was noticed that the appeal filed by the Revenue is delayed by 38 days. The Revenue has filed condonation petition which is as under:

“Request to condone the delay of 38 days in filing appeal to ITAT in case of Mr. Mohammed Faroog Kanana, PAN ABVPM1212A, AY - 2020-21. Kind reference is invited to the appeal dated 08.07.2025 filed by ITO Ward-7(2X3). Bengaluru to Hon'ble ITAT against the order of Ld. CIT(A) dated 27.03.2025 in case of Mr. Mohammed Faroog Kanana, PAN ABVPM1212A for AY-2020-21. The Appellant, the Income Tax

Department, respectfully submits this application seeking condonation of a delay of 38 days in filing the appeal against the order of the Commissioner of Income Tax (Appeals) vide CIT(A), DIN & Order No : 1TBA/NFAC/S/250/2024-25/1075141050(1) dated 27/03/2025 for the Assessment Year 2020-21. The reasons for the delay are submitted hereunder for the kind consideration of this Hon'ble Tribunal, with a humble request to condone the same in the interest of justice. The delay in filing the appeal was neither deliberate nor intentional but has occurred due to the following bona fide reasons beyond the control of the undersigned: 1. Change of incumbent: During the relevant period, there was a change in the incumbent Assessing Officer. The charge was handed over on 01.05.2025, and additional time was required to acquaint with the pending matters, preparation of scrutiny reports including the preparation of this appeal. 2. Heavy workload due to multiple charges: The undersigned was holding multiple charges concurrently (All the 5 wards of Range -7(1)) soon after assuming charge of the present office, resulting in an unusually heavy workload. This led to an inadvertent delay in finalizing and filing the appeal/submission. 3. Handling of Reopened Assessment Cases: The reopening of assessments under section 147, especially post amendments and due to stricter judicial scrutiny, entails considerable procedural diligence. It involves reassessing cases based on fresh information or audit objections, obtaining approvals at various levels, and ensuring that all notices and orders are issued within prescribed statutory deadlines. The increase in the number of such reopened cases added to the workload manifold. 4. Preparation of Remand Reports: In a number of cases pending before the appellate authorities, remand reports were called for. Preparing such reports demands careful examination of the appellate issues, thorough review of assessment records, collection of fresh

evidence where permitted, and presenting the Department's stand in a clear, reasoned, and legally sustainable manner. 5. Issuance of Orders Giving Effect (OGE) to Appellate Orders: The appellate authorities orders whether passed by the CIT(A), ITAT, or higher forums-necessitate timely giving of effect to ensure compliance with judicial pronouncements. This again involves making necessary rectifications, issuing revised demand notices or refunds, and updating records in the tax system, all within specified timelines. The introduction of the Vivad Se Vishwas Scheme (VSVS) 2024 from October 2024 onwards further intensified the workload. The PCIT-2, Bengaluru office prioritized VSVS-related OGEs and other further appeal-recommended cases, necessitating the reallocation of limited staff resources to these time-bound matters. 6. Addressing Grievances and Representations: It is pertinent that this office received plenty of grievances in the form of E-nivaran, regular enquiries and frequent visit to the offices by the assessees. Further, this office remains committed to redressing taxpayer grievances, both online and offline, under CPGRAM and other mechanisms. Addressing such representations involves detailed verification, coordinated action, and reporting, which consumed a substantial part of staff time and effort during the relevant period. 7. Time Bound Statutory Statistical Reports: Besides the above, the office was also engaged in furnishing of statistical reports such as GEP reports, Due Diligence Reports, DO Reports, Rectifications, OGEs, Audit, CPGRAMS, Condonation of Delay, RTI applications and time bound other reports. 8. Unavoidable Circumstances Leading to Delay The delay of 38 days in filing the appeal was attributable to the exceptional circumstances as stated above, including handling time bound scrutiny proceedings, reopening proceedings, further appeal related statutory priorities and other time-bound tasks. The department

was constrained to prioritize the time-bound requirements as per instructions of the CBDT. Prayer In view of the foregoing, the Income Tax Department humbly prays that this Hon'ble Tribunal may be pleased to: Condone the delay of 38 days in filing this appeal considering genuine and unavoidable administrative constraints faced by the Department. Admit the appeal for adjudication on merits.”

3. Considering the reasons explained in the above petition, we noted that Revenue had sufficient cause for not filing appeal within time. Therefore, relying on the judgment of the Hon'ble Supreme Court in the case of Collector of Land Acquisition Vs. MST Katiji and Others, (1987) 2 SCC 107 : 1987 (2) SC, the delay in filing the appeal is condoned.

4. Briefly stated the facts of the case are that assessee filed return of income on 01.02.2021 declaring total income of Rs.48,58,140/-. The case was selected for limited scrutiny under CASS for the following reasons:

- i. Large agricultural income
- ii. Agricultural income

5. Accordingly notice under sections 143(2) and 142(1) of the Act were issued to the assessee. Assessee filed reply on different dates. From the documents it was noticed that assessee is carrying agricultural activity in 23.78 acres of agricultural land situation in Manchuru Village, Vayalapad Mandal, Chittoor District, Andhra Pradesh. Assessee owns about 22.24 acres of land and the rest are in the name of his children. The land was purchased in June, 2018. Copy of the sale and purchase deeds were submitted. Assessee derives agricultural income from the sale of mango and other fruits grown in the land. The gross receipts from sale of mango and other fruits during the Assessment

Year 2021 was Rs.1,85,63,174/-. The details of the expenditure incurred by the assessee is as under:

Sl No	Details	Amount(Rs)
1.	Cost of manure and pesticides	359720
1.	Labour	2460000
1.	Repairs to motor pump and other irrigation equipments	304750
1.	Food and other amenities to labour	552000
1.	Power	125630
1.	Salary to Manager	300000
	Total	4102100

6. Assessee has calculated agricultural income as under:

	Amount(Rs)
Gross receipts from sale of mango fruits	18279000
Miscellaneous receipts from other fruits	284174
Total Gross Receipts	18563174
Total expenditure incurred relevant to earning of agricultural income	4102100
Total income from agriculture	14461074

7. During the course of assessment proceedings, assessee has submitted copies of affidavits endorsing payments received by him from various buyers

of the mangoes for the Financial Year 2019-20 totalling to Rs.82,79,000/-. The case was referred to Verification Unit through Insight for physical verification of the agricultural land, whether any agricultural activity has been conducted by the assessee in the agricultural land at Survey Nos. 304/2, 305/3, 307,310,310/A,311,318,319 of Manchuru Village, Vayalpad Mandal, Chittoor District. Andhra Pradesh, PIN- 517299 during the Financial Year 2019-20. There is no doubt that agricultural activity was carried out but the rates reported by the verification unit Rs.7,000/- to Rs.8,000/- per ton and in Financial Year 2019-20 production was 3 to 4 ton per acre. The highest rate for very good variety of mango was approximately Rs.10,000/-. Accordingly, verification unit submitted report that the total turnover for Rs.9,60,000 (24 X 4 X 10,000). However, assessee had reported a net agricultural income of Rs.1,44,61,074/-. out of that only Rs.2,84,174/- is reported as gross receipts from sale of other fruits during the Financial Year 2019-20. Even if we discount the gross receipts from sale of other fruits the number of net receipts from sale of mangoes the expenses related to earning of agricultural income comes to Rs.1,44,61,074-Rs 2,84,174 i.e., Rs 1,41,76,900/-. The statistics reported by the Verification Unit is in line with the data that comes up when sought information on the internet on the average yield of mangoes per acre in Andhra Pradesh. Therefore, the data for the year 2020 is 3 tonnes per acre which is even less than the figure taken in the above calculation. As per the information gathered from the internet, an article was found dated 08.03.2020 where it is mentioned that mango price has shot up in Andhra Pradesh as yield takes a dip. There it is mentioned that the prices of Banginapally variety ranged between Rs.60,000/- to 70,000/- per ton in the market. While the Collector variety was Rs 35,000 per ton, Pedda Rasalu was around Rs.45,000/- per ton and China Rasalu is Rs 30,000/- per ton. The AO calculated the average of the above prices i.e. Rs 45,000/- per ton and he calculated turnover of Rs 43,20,000/- and 50% of sales amount was considered as expenditure.

The net agricultural income was calculated at Rs.21,60,000/- and excess income of Rs.1,20,16,900/- was treated as cash credit under section 68 of the Act. Accordingly a show cause notice was issued on 09.09.2022 which was delivered on 19.09.2022 and compliance date was granted as 2.09.2022. In response to the show cause notice assessee asked for video conferencing which was allowed to the assessee on 29=6.09.2022 at 3 p.m. and Shri. K. Srirangarajan Chartered Accountant appeared through video conference and contended by stating that the prices of agricultural products are not stable and that about 70 percent of the mangoes grown in the land of the assessee are of export quality. He further admitted that there has been certain lapses on the part of the accountant as the receipts from the contractors could not besubmitted at the time of assessment and considering the submission of the assessee before the verification unit amount of Rs.1,20,16,900/- was treated as unexplained cash credit under section 68 of the Act and applied section 115BBE of the Act.

8. Aggrieved from the above Order, assessee filed appeal before the learned CIT(A) and he filed detailed written submissions. The learned CIT(A) noted from the submission of the assessee that rate of mango crop varies from year to year and it depends on the variety. Normally the variety of mangoes sold to factories engaged in juice extraction are the lowest priced while other varieties meant for direct human consumption are premium with varying prices depending on the variety, colour, aroma, taste, etc. Therefore, it is not easy to estimate income out of mango crop without the complete details of the yield and the price during that period both variety-wise. The learned CIT(A) further observed as under. Accordingly, he deleted the addition made by the AO:

*“5.5. As established, the quintessential points for any addition u/s 68 of the I T Act are identity and credit worthiness of the party and genuineness of the transaction. In the instant case, as seen from the assessment order, the assessee has produced all the information called for including the extent of land, agricultural produce, details of buyers and affidavits from the buyers who were stated to have bought the agricultural produce from the assessee. Thus. the appellant has discharged his primary onus in support of his claim. The AO has neither rejected them nor called for confirmations or any other details from the said buyers. The AO has not enquired into the identity and credit worthiness of the said buyers. In other words, the AO, without enquiring into the genuineness of the agricultural income admitted by the assessee and without disproving the claim of the appellant, simply proceeded to estimate the said income relying on some questionable partial information. Income from agriculture admitted by the appellant over and above such estimation was simply added u/s 68 of the I T Act. Such an addition that cannot succeed the test of appeal cannot be upheld by any means. Therefore, the addition made by the AO does not have strong footing and requires to be deleted. Accordingly, the addition of Rs.1,20,16,900/- u/s 68 as unexplained cash credit is deleted and the ground of appeal is **allowed.**”*

9. Aggrieved from the above Order of the learned CIT(A), Revenue filed appeal before the Tribunal. The learned DR relied on the Order of AO and submitted that rate shown by the assessee is very high. Ample opportunities were given to the assessee to submit the documents in support of the sales figures shown. The verification unit physically investigated the particular place and obtained report as per the prevailing market rate in that area.

Therefore the rates shown by the assessee are very high and he submitted that the amount was the income shown in previous years and subsequent years are also important to decide this case.

10. On the other hand, learned Counsel has filed a written synopsis which is as under:

“1. Background of the Case

The appellant is an agriculturist and a trader engaged in the retail business of paints and hardware. He is the owner of approximately 22.24 acres of mango plantation land situated at Manchuru Village, Vayalpad Mandal, Chittoor District, Andhra Pradesh. The land is irrigated with multiple borewells, and the cultivation of high-yield mango varieties has been carried out on the said land for several years.

For the relevant Assessment Year 2020-21, the appellant disclosed agricultural income amounting to 1,44,61,074/-, which was derived through contract farming arrangements with four identified contractors who undertook the plucking and marketing of the mango produce. The Assessing Officer, however, restricted the agricultural income to 24,44,174/- and treated the balance amount of 1,20,16,900/- as unexplained cash credit under Section 68 read with Section 115BBE of the Income Tax Act, 1961. The said addition was made despite the fact that the appellant had placed on record cogent evidence in the form of affidavits from the contractors and other supporting documents, which were neither disputed nor disproved by the Department.

2. Facts and Evidences Placed on Record

The appellant had entered into duly negotiated oral agreements with four contractors, who undertook the plucking and marketing of the mango crop. The total consideration agreed and received from the said contractors was 1,82,79,000/-, which was paid in instalments during the relevant season, predominantly in cash—a prevalent and accepted practice in mango trading in Andhra Pradesh and the adjoining Kolar belt in Karnataka.

Affidavits sworn by all four contractors were filed before the Assessing Officer confirming the quantum of consideration, the

nature of the transaction, and the mode of payment. It is a matter of record that the Assessing Officer did not summon or cross-examine any of the deponents nor did he bring any material on record to disprove the contents of the said affidavits.

Instead, the Assessing Officer placed reliance upon a Verification Report prepared on the basis of superficial local enquiries. The said report failed to consider the actual number of mango trees (4062), the age of the plantation, the yield per tree, the variety of mango cultivated (export quality), and the prevailing market rate per ton. The findings were based on generic figures sourced from the internet rather than on actual, verified facts.

3. Legal Position — Evidentiary Value of Affidavits

*The legal position regarding the evidentiary value of uncontroverted affidavits is well settled. In the landmark decision of **Mehta Parikh & Co. v. CIT (1956) 30ITR 181 (SC)**, the Hon'ble Supreme Court categorically held that where the assessee produces sworn affidavits in support of its explanation and the Revenue neither cross-examines the deponents nor adduces any evidence to rebut them, the statements made in the affidavits are to be accepted as true. Additions made merely on suspicion, surmise or conjecture are not sustainable in law. The Hon'ble Court further clarified that the fact-finding authorities cannot substitute legally acceptable Evidence with presumptions or arbitrary calculations. Once the assessee has discharged the initial burden by producing credible evidence, the onus shifts upon the Revenue to disprove the same. In the present case, no such rebuttal has been made by the Department.*

4. Application of the Legal Principle to the Present Case

The appellant has produced sworn affidavits from four independent contractors confirming the payment of the total consideration for the mango crop. These affidavits have not been subjected to cross-examination. No contrary material has been brought on record to discredit these statements. The Assessing Officer has, instead, proceeded to make additions on the basis of yield figures and price data culled from generic internet sources and on a Verification Report that does not reflect the true facts.

*Such an approach is contrary to the principle laid down by the Hon'ble Supreme Court in **Mehta Parikh & Co.** wherein it was*

held that the Revenue cannot discard uncontroverted affidavits and substitute them with hypothetical calculations. The affidavits filed by the appellant constitute admissible evidence and, in the absence of any rebuttal, ought to have been accepted.

5. Contradictions and Procedural Lapses in the Assessment

It is pertinent to note that the Assessing Officer himself has taken the agricultural income of 1,44,61,074/- into account for rate purposes while computing tax liability. This itself establishes that the agricultural activity and the income derived therefrom were accepted as genuine. Yet, without assigning cogent reasons or disproving the evidence on record, the Assessing Officer disallowed 1,20,16,900/- under Section 68 of the Act.

Further, no effort was made to examine the contractors, no adverse inference was drawn on the affidavits, and no independent material was produced to suggest that the amount represented any unexplained credit. The entire addition rests on conjectures, generic statistics, and assumptions, which are impermissible in law.

6. Permissibility of Cash Transactions in Agricultural Operations

The receipt of agricultural proceeds in cash is permissible under law, and there exists no statutory prohibition in this regard. It is an established trade practice in mango cultivation that contractors enter into lump-sum purchase arrangements and make payments in cash. This position has also been judicially recognized in various decisions, and the mere fact that payments were received in cash cannot, by itself, justify an addition under Section 68 of the Act.

7. Conclusion and Prayer

In light of the foregoing submissions and in view of the binding ratio laid down by the Hon'ble Supreme Court in *Mehta Parikh & Co.*, it is respectfully submitted that the addition of 1,20,16,900(V- made under Section 68 r.w.s. 115BBE is wholly unsustainable in law and on facts. The evidences placed on record by the appellant stand un rebutted, and the addition has been made on the basis of assumptions and suspicion without any legally admissible evidence.

It is, therefore, most humbly prayed that this Hon'ble Tribunal may be pleased to:

- 1. Delete the addition of 1,20,16,900/- made under Section 68 of the Act;*
- 2. Accept the agricultural income as disclosed by the appellant as genuine; and*
- 3. Grant such other and further reliefs as this Hon'ble Tribunal may deem fit in the facts and circumstances of the case.”*

11. In addition to the above written synopsis, the learned Counsel reiterated the submissions made before the lower authorities and further submitted that the subsequent year and previous years are not much relevant to decide this issue because the income for sale of mango depends upon the production, market, market demand, etc., and he further submitted that the entire affidavits were submitted during the assessment proceeding from the contractors to justify the sales shown in the financial statement. However, the AO has not done any further enquiry and accepted the affidavits and he relied on the judgment of Hon'ble Apex Court in the case of M/s. Mehta Parikh and Co., Vs. CIT reported in 1956) 30 ITR 181 (SC).

12. Considering the rival submissions, we noted that here the dispute is regarding excess turnover shown by the assessee from the sale of mango products from 24 acres (approx.) of land. However, during the course of assessment proceedings, assessee had filed affidavits from 4 contractors who entered into contract with the assessee at the flowering stage and these affidavits have not been discarded by the AO. The verification unit submitted report and from internet the AO estimated total turnover of Rs.43,20,000/- and 50% of the receipts have been treated as expenditure of Rs.21,60,000/-. As per the above table assessee has shown expenditure of Rs.41,02,100/- which is more than estimates expenditure of Rs.21,60,000/- by the AO. On going through the Order of the learned CIT(A), it is noticed that learned CIT(A) has allowed appeal of the assessee observing as noted supra. The learned CIT(A) observed that assessee has satisfied the necessary ingredients of section 68 of

the Act as called for by the AO. Details of the buyers, affidavits from the buyers who are stated to have bought agricultural produce from the assessee and the assessee has discharged his primary onus cast upon. After submitting all the documents, the AO neither rejected them nor called for confirmations or any other details from the said buyers. The AO has not enquired the identity and credit worthiness of the said buyers. AO without enquiring the genuineness of the agricultural income admitted by the assessee and without disproving the claim of the assessee simply proceeded to estimate the said income by relying on the report of verification unit and rate available in the internet which cannot be relied upon without verifying the true facts submitted by the assessee. The case law relied on by the learned Counsel of the Hon'ble Apex Court in the case of Mehta Parikh and Co., cited supra supports the case of the case of the assessee. Accordingly we do not find any infirmity in the Order of the learned CIT(A) and we dismiss appeal of the Revenue.

13. In the result, appeal filed by the Revenue is dismissed.

Pronounced in the open court on the date mentioned on the caption page.

Sd/-

(SOUNDARARAJAN K)
Judicial Member

Sd/-

(LAXMI PRASAD SAHU)
Accountant Member

Bangalore.

Dated: 30.10.2025.

/NS/*

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| 1. Appellants | 2. Respondent |
| 3. DRP | 4. CIT |
| 5. CIT(A) | 6. DR,ITAT, Bangalore. |
| 7. Guard file | |

By order

Assistant Registrar,
ITAT, Bangalore.