State Of Uttar Pradesh vs Yashpal Singh on 30 September, 1966

Equivalent citations: [1967]63ITR216(SC), AIRONLINE 1966 SC 2

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Bench: J.C. Shah

JUDGMENT

Bhargava, J.

1. This appeal brought up by special leave arises out of proceedings for assessment of agricultural Income-tax under the U.P. Agricultural Income-tax Act, 1948 (U. P. Act No. III of 1949) (hereinafter referred to as "the Act"). The respondent was an agriculturist in the district of Agra, and was assessed to agricultural Income-tax for the year 1358, Fasli. The income that came up for assessment included income derived from direct agricultural operations carried on by the respondent himself. In the return filed, the respondent had shown a gross receipt of Rs. 10,899 as the proceeds of sale of all his agricultural produce and had claimed a sum of Rs. 5,769-12-3 as expenses of cultivation. The agricultural income from this source had to be computed under section 6(2)(b) of the Act because of the option exercised by the respondent. The assessing authority did not accept the figures of income given by the respondent and held that the yield from the cultivation was of the value of Rs. 16,421. In calculating the net income assessable, he allowed a margin of 50% for expenses, so that the sum allowed for expenses was Rs. 8,210-8-0 which was deducted from the gross proceeds of sale of the produce. The State Government, through the Collector of Agra, filed an application for revision against this order of the assessing authority before the Boar of Revision, Agricultural Income-tax, U.P., urging that the assessing authority had erred in allowing a deduction of the sum of Rs. 8,210-8-0 for expenses of cultivation against the sum of Rs. 5,769-12-3 actually spent and claimed by the respondent in his return. The Revision Board, instead of deciding the question, expressed its opinion on it and referred the following question for the opinion of the Allahabad High Court "An assessee files a return showing his income from and the expenses of cultivation under section 6(2)(b) of the Agricultural Income-tax Act. His returns are rejected and the income is determined to be much higher than what has been shown in the returns. Is it open to the assessing authority in view of the increase in the income to allow a larger amount by way of expenses than what was shown in the returns, or is the statement made in the returns binding on the assessee ?"

2. The High Court answered the question in favour of the assessee- respondent, and, consequently, the State Government has come up in this appeal to this court.

3. Mr. C. B. Agarwala, on behalf of the State, urged that in view of rule 13 framed by the U.P. Government in exercise of the rule-making power under the Act, the assessing authority was incompetent to allow as expenses any amount other than the amounts actually paid by the assessee on account of agricultural operations mentioned in that rule; and since the respondent himself claimed that he actually spent the sum of Rs. 5,769-12-3, there was no justification for the assessing authority to allow any amount in excess of this amount as expenses of cultivation. The computation of the agricultural income-tax from agricultural operations has to be made by the assessing authority in accordance with section 6(2)(b) of the Act. Under sub-clause (iv) of that provision, the assessing authority, in calculating the assessable agricultural income, has to allow "the expenses incurred in the previous year in raising the crop from which the agricultural income is derived, in making it fit for market and in transporting it to market, including the maintenance or hire of agricultural implements and cattle require for these purposes".

4. It is to be noticed that under this provision contained in the Act itself, there is no limitation that the expenses must be proved to be amounts of money actually paid for any specified operations. What this provision contemplates is that the assessing authority must determine the expenses incurred in raising the crop and on operations leading to its sale. Rule 13 framed by the U.P. Government can only be interpreted as laying down the principles according to which the assessing authority must ordinarily determine the expenses incurred for the purpose of deduction under section 6(2)(b)(iv) of the Act. These principles cannot, however, be held to fetter the power of the assessing authority to arrive at the correct figure of expenses incurred allowable under section 6(2)(b)(iv) of the Act. In the case before us, the expenses by the respondent had been claimed on the basis of a yield which according to the assessing authority, was lower than the actual yield. The assessing authority, therefore, estimated the produce at a higher figure, and we do not see any reason why, when the assessing authority estimated that the produce was higher than that shown by the respondents, he could not also estimate that the expenses incurred in respect of that higher produce must have been larger than the amount actually shown by the respondent. The assessing authority, in thus estimating the allowable expenditure at a figure higher than the amount claimed by the respondent, had full justification in the circumstances that he had estimated the produce also at a higher figure. The answer returned by the High Court was, therefore, perfectly correct. The appeal fails and is dismissed with costs.

5. Appeal dismissed.