Supreme Court of India
Commissioner Of Agricultural ... vs New Ambadi Estates Ltd. on 12 October, 1966
Equivalent citations: 1967 63 ITR 325 SC
Author: Bhargava
Bench: J Shah, V Khare, Y Chandrachud
JUDGMENT Bhargava, J.

1. The respondent is a company which, for assessment to agricultural income-tax under the Coorg Agricultural Income-tax Act, 1951 (hereinafter referred to as "the Act"), for the assessment year 1952-53, filed a return showing a loss of Rs. 43,071. The relevant accounting year was the calendar year ending 31st December, 1951. The assessing authority thereupon issued a notice under section 18(2) of the Act in response to which the account books of the respondent were produced, and the assessing authority held that the respondent had not accounted for the receipts from the crop so the agricultural year 1950-51. The explanation of the respondent for not including those receipts was that the standing crops of that year were purchased separately from the previous owners for a sum of Rs. 2,16,000 and, consequently, the respondent did not treat that crop as its agricultural receipts. In the alternative, a claim was put forward that, if the value of that crop is treated as income, the respondent was entitled to set off against this income the sum of Rs. 2,16,000 paid for the purchase of the crops. The assessing authority held that the value of the entire crop of the year 1950-51 represented agricultural income of the respondent, and, consequently, added the amount of Rs. 2,16,000, representing its value, to the agricultural income of the respondent and assessed the tax thereon. The respondents appeal to the Deputy Commissioner for Agricultural Income-tax failed. The respondent applied to the Commissioner of Agricultural Income tax asking for a reference of the following question to the Mysore High Court :

"Whether, on the facts and in the circumstances of the case, the Deputy Commissioner of Agricultural Income-tax was right in holding that the applicants were liable to be assessed to agricultural income- tax on the entire income from the Dubarry Group of Estates for the agricultural season 1950-5 ?"

2. The Commissioner rejected the application. The High Court, however, on an application presented by the respondent under section 54 of the Act, directed the Commissioner to submit a statement of the case in respect of the following question :

"Whether the crop of the season 1950-51 of the value of Rs. 2,16,000 would be agricultural income of the assessee under the Coorg Agricultural Income-tax Act, 1951, and is the assessee liable to pay agricultural income-tax in respect thereof ?"

3. After receipt of the statement of the case and hearing counsel for the parties, the High Court returned the following answer :

"All monies realised by the assessee in respect of crops of all description which had already been harvested before the date of sale, viz., 22nd of March, 1951, do not constitute the agricultural income of the assessee within the meaning of the Coorg Agricultural Income- tax Act.

The net realisations by the assessee of crops of all description standing on the land on the date of purchase of the estate by him, viz., 22nd of March, 1951, computed in the manner provided in the Coorg Agricultural Income-tax Act constitute the agricultural income of the assessee within the meaning of the Act and is liable to tax under the Act."

4. The High Court also added that, in the light of these answers, the actual agricultural income of the assessee liable to payment of tax under the Act will have to be computed fresh. The Commissioner of Agricultural Income-tax has now come up to this court, by special leave, in this appeal against the first part of the answer.

5. It appears to us that the first part of the answer returned by the High Court is so obvious that hardly anything at all can be said to challenge it. The crops of the land, which was purchased by the respondent during the account year in question, it appears, were at two stages. Some of those crops had been harvested, while others were standing. These crops were also purchased. The High Court has already held that the net realisations by the respondent from crops standing at the time of purchase will be included in the agricultural income of the respondent under the Act. With the correctness of this answer we are not concerned. With regard to the crops, which has already been harvested, the High Court has held that they do not constituted the agricultural income of the assessee. In returning this answer, the High Court was perfectly correct. From those crops, the income accrued to the respondent because he had purchased the ready harvested crops. Income in respect of those crops was not, therefore, derived by the respondent by any agricultural operations carried on by the respondent, or by performance by the respondent of any process ordinarily employed by a cultivator to render the produce raised or received by him if to be taken to the market, or by the sale by the respondent of produce raised or received by it. The crops, which had already been harvested, were raised and removed from the land by the vendor from whom the respondent purchased these crops. The sale price received by the vendor might have been treated as agricultural income of the vendor who had raised the crops and so these harvested crops to the respondent. In no case, could this income received by the respondent by sale of harvested crops purchased by it in that condition be treated as agricultural income received by the respondent. The appeal fails and is dismissed with costs.

6. Appeal dismissed.