# Legal Case Summary: Commissioner of Income Tax, Madras vs R. Venkataswamy Naidu (1956)

Case Title: Commissioner of Income Tax, Madras vs R. Venkataswamy Naidu

Citation: AIR 1956 SC 522, [1956] 59 ITR 529 (SC)

Court: Supreme Court of India

Date of Judgment: 17 February 1956

Bench: Justice Bhagwati

## Facts of the Case:

- The assessee was a Hindu Undivided Family (HUF) owning 70 acres of agricultural land at Perur near Coimbatore.  
- The HUF maintained 65 cows and 10 pairs of bulls, using the land partly for agriculture and partly as pasture.  
- In the accounting year 1945–46, the assessee earned ₹28,000 by selling milk to the Co-operative Milk Supply Union at Coimbatore.  
- The assessee claimed this milk sale income as 'agricultural income' exempt from income tax.  
- The Income Tax Officer rejected this claim due to lack of supporting evidence and estimated taxable profit as ₹4,000.

## Procedural History:

- Appeals before the Appellate Assistant Commissioner and the Income Tax Appellate Tribunal (ITAT) failed.  
- The assessee moved the Madras High Court under Section 66(2) of the Income-tax Act, 1922.  
- The High Court ruled in favor of the assessee, holding there was insufficient material to deny the exemption.  
- The Commissioner of Income Tax, Madras, appealed to the Supreme Court.

## Issues before the Court:

1. Whether the income from sale of milk constituted 'agricultural income' under the Income-tax Act, 1922.  
2. Who bears the burden of proof for claiming exemption from tax on the ground of agricultural income.  
3. Whether the High Court erred in placing the burden on the Income Tax Department.

## Judgment:

- The Supreme Court allowed the appeal.  
- It set aside the High Court’s answer.  
- It held that the income from milk sales was not agricultural income.

## Key Legal Findings:

1. Burden of Proof on Assessee: The assessee must provide evidence that the income qualifies as 'agricultural income.'  
2. Lack of Evidence: The assessee failed to provide necessary records, accounts, or other materials.  
3. Nature of Business: The regular sale of milk appeared to be a commercial business rather than an agricultural activity.  
4. Wrong Legal Approach by High Court: The High Court wrongly placed the burden on the Income Tax Department.  
5. Requirement for Exemption: Vague claims and references to past judgments were insufficient without factual proof.

## Final Decision:

✅ Appeal allowed  
✅ High Court order quashed  
✅ Income from milk sales not considered agricultural income  
✅ Assessee liable for income tax on the profits from milk sales