आयकरअपीलीयअधिकरण,इंदौरन्यायपीठ,इंदौर
IN THE INCOME TAX APPELLATE TRIBUNAL
INDORE BENCH, INDORE

BEFORE SHRI PARESH M. JOSHI, JUDICIAL MEMBER
AND
SHRI ARVIND SONI, ACCOUNTANT MEMBER
ITA No. 767/Ind/2024
Assessment Year-2018-19

Agrawal Agro Farm Shanwara Burhanpur **(PAN: AAMFA9933E)**	**बनाम/** Vs.	Income Tax Department Delhi
(Revenue/Appellant)		(Assessee/Respondent)

Assessee by	Sh. S.S.Deshpande,CA
Revenue by	Sh. Binay Kumar Rai, SR DR
Date of Hearing	01.09.2026
Date of Pronouncement	22.10.2026

Per Arvind Soni, AM:

1.This is an Appeal filed by the Assessee under section 253 of the Income Tax Act 1961, [herein after referred to as the Act for the sake of brevity] before this tribunal as & by way of a second Appeal. The Assessee is aggrieved by the order dated 28.09.2024 passed by the Ld. CIT(A) U/S 250 of the Act, which is herein after referred to as the **"Impugned Order".**

2. The assessee is a partnership firm engaged in agricultural activities, including cultivation and sale of banana, turmeric, ginger and other agricultural produce. For A.Y. 2018-19, the assessee filed its return of income on 21.07.2018 declaring nil taxable income and agricultural income of Rs 32,85,040/-

against total agricultural sales of Rs. 61,31,414/- including banana sales of Rs. 38,07,437/- The return was processed under section 143(1) of the Income-tax Act, 1961 (hereinafter referred to as "the Act") on 25.07.2019.

3. The case was selected for scrutiny under section 143(3) of the Act. During the assessment proceedings, the learned Assessing Officer (Ld AO) questioned the genuineness of the banana sales and issued a show-cause notice in the form of a draft assessment order dated 27.03.2021. The assessee submitted its objections on 03.04.2021. However, the learned AO, vide assessment order dated 07.04.2021, treated the banana sale proceeds of Rs 38,07,437/- as unexplained cash credits under section 68 of the Act and made an addition of the said amount to the total income of the assessee.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the learned Commissioner of Income-tax (Appeals) [CIT(A)], who, vide order dated 28.09.2024, confirmed the addition made by the learned AO. Being dissatisfied with the appellate order, the assessee is in appeal before the Tribunal. The ground raised by the assessee in his appeal as under: -

> *1) That the learned AO failed to consider the reply to the show cause draft assessment filed on 03-04-2021 and further erred in passing a cryptic order in the mechanical manner. Hence, the order deserves to be modified.*
> *2) That the learned assessing officer erred in making addition of Rs. 3807437.00 under section 68 of the Income Tax Act, 1961 under misconception of facts and improper consideration of provisions of the Act and therefore said addition of Rs. 3807437.00 being contrary to the law, same is not sustainable and deserves to be deleted fully.*

3) Without prejudice to above addition of Rs. 3807437.00 under section 68 of the Income Tax Act, 1961 is unwarranted being purely based on surmises and conjecture and thus requires to be deleted.

4) Without prejudice to above, addition of Rs. 3807437.00 under section 68 of the Income Tax Act is illegal for any other reason keeping in view the cogent evidence filed by the appellant and available on record. Hence said addition of Rs. 3807437.00may kindly be deleted.

5) That the learned assessing officer ought to have accepted the agricultural income of Rs. 3807437.00 which was duly supported by the required evidence and therefore rejection of same without assigning any valid reason is unjustified.

6) Without prejudice to above rejection of claim of agricultural income of Rs. 3807437.00is not only illegal but also bad in law especially when the principles of consistency is applicable and when the judgement of Honourable Apex Court was referred in course of hearing. In the interest of justice the learned assessing officer ought to have accepted the agriculture income of Rs. 3285040.00.

7) That the learned assessing officer ought to have asked the assessee about addition of business income of Rs. 3285040.00as determined by the CPC in processing the income tax return, in order to set right the issue in question. Alternatively the learned assessing officer himself ought to rectify the mistake apparent on the face of record arising from technical mistake of the software keeping in view the judgement of Honourable M.P. High Court in the case of CIT v. K. N. Industries (1983) 142 ITR, 13 (MP)

8) Without prejudice to above the impugned order suffers from the vice of non-application of mind, non-assignment of reasons and therefore, the entire action of the learned AO for not passing legal order is vitiated in law.

9) Without prejudices to above, the assessment order is bad in law, illegal, unjustified and contrary to the facts and law based upon incorrect assumption of facts and therefore, the addition made, deserves to be quashed.

10) In view of all these and other grounds which may be produced during the hearing of appeal, the appeal may kindly be allowed and justice be rendered.

11) The 'appellant' craves leave to add, alter or vary the grounds of appeal before or at the time of hearing.

5. Since all the grounds of appeal raised by the assessee are interconnected and arise from common facts and issues, we deem it appropriate to take up all the grounds together for the sake of convenience and adjudicate them collectively.

6. The assessee is partnership firm doing the business of Agriculture and the learned AR submitted that the assessee maintained regular books of account and furnished documentary evidence establishing agricultural operations, including land

ownership records, Khasra Utara reflecting banana cultivation, commission agents' sale diaries, Mandi records and transportation details (Jantri) evidencing the movement and sale of agricultural produce. In this regards the Ld AR submitted the written statement in brief facts of the case dated 01-05-2025 on 06-05-2025 and the paper book on 02-05-2026 and 06-06-2025 containing page no 01 to 268 and Page no 01-112 as under: -

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The above papers have been filed on the direction of the Hon. Tribunal.

7. The learned Authorised Representative (AR) submitted that the assessee is regularly engaged in agricultural activities and owns 16.48 hectares of agricultural land, comprising 2.53 hectares in Madhya Pradesh and 13.95 hectares in Maharashtra. In addition, the assessee has taken 3.95 hectares of agricultural land on lease for cultivation.

8. It was further submitted that banana sales were conducted through commission agents at the Krishi Upaj Mandi Samiti by auction. The relevant sale records and evidence of Mandi tax payments were furnished before the learned AO. The learned AR also submitted that the assessee had been carrying on agricultural activities for several years and had consistently disclosed substantial agricultural income in earlier assessment years and maintain regular books of account and getting them verified through Chartered Accountant year to year, which the department accepted in the respective year as under: -

Statement of Agriculture Income

A.Y.	Net Agriculture Income	Income Assessed	Assessment u/s 143(3) Scrutiny / Date of Order
2006-07	10,24,180/-	10,24,180/-	03/06/2008
2007/08	13,73,325/-	13,73,325/-	19/03/2009
2014/15	21,44,013/-	21,44,013/-	30/05/2016
2015/16	23,64322/-	23,64322/-	01/06/2017
2016/17	34,31,654/-	34,31,654/-	09/10/2018
2017/18	27,53281/-	27,53281/-	04/11/2019
2018-19	32,85,040/-	Nil	In Appeal
2019-20	22,42,840/-	22,42,840	28/11/2019
2020-21	29,77,010/-	29,77,010/-	29/03/2021

9. The learned AR further relied upon the report of the Income-tax Inspector dated 06.03.2009, wherein the Inspector, after conducting field inquiries, confirmed that the assessee was engaged in cultivation of banana, cotton and wheat. The report also recorded the availability of irrigation facilities and confirmation of agricultural activities by neighbouring cultivators. It was contended that the learned AO had neither disputed the ownership of agricultural land nor established that the assessee was not engaged in agricultural activities. The addition was made primarily on account of the manner and timing of payments received from the commission agents, without bringing any positive evidence on record to establish that the sale transactions were fictitious.

10. The learned AO rejected the explanation of the assessee mainly on the following grounds: -

i. *The assessee had not paid any commission to the commission agents.*
ii. *The confirmation furnished by New Agarwal Kela Group was signed by a person who was also a partner of the assessee firm, thereby raising doubts regarding the independence of the transaction.*
iii. *In the case of New Agarwal Kela Group, although sales were recorded over different months, the sale consideration was received on a single date through banking channels.*
iv. *In the case of Nitin Shyam Sundar Mittal, sales were recorded between September and January, whereas payments were received in lump sums on four occasions, substantially towards the end of the financial year.*
v. *A substantial portion of the sales was routed through New Agarwal Kela Group despite the engagement of another commission agent.*
vi. *The assessee failed to explain the applicable rate of commission and the non-deduction of tax at source on such commission.*

11. On the basis of the aforesaid observations, the learned AO concluded that the banana sale proceeds were not genuine agricultural receipts and treated Rs 38,07,437/- as unexplained cash credits under section 68 of the Act.

12. We have heard the rival submissions and perused the material available on record, including the assessment order, the impugned first appellate order and the documentary evidence furnished by the assessee.

13. We observe that the assessee is engaged in agricultural activities and possesses substantial agricultural land. The assessee has furnished land revenue records, including Khasra Utara, indicating cultivation of banana, besides sale diaries maintained by the commission agents, Mandi-related documents and transportation details in support of the agricultural sales.

14. We further observe that the agricultural activities of the assessee were independently verified by the Income-tax Inspector in his report dated 06.03.2009. The report confirms the existence of agricultural operations, irrigation facilities and cultivation of banana and other crops. Although the said report pertains to an earlier period and cannot, by itself, establish the quantum of agricultural production during the year under consideration, it constitutes relevant corroborative evidence regarding the nature and continuity of the assessee's agricultural activities.

15. The learned AO has principally doubted the genuineness of the banana sales on account of the relationship between the assessee and one of the commission agents, the absence of commission payments and the receipt of sale consideration in consolidated amounts rather than immediately upon each sale.

16. We also find that the absence of commission payments or the alleged non-deduction of tax at source may require examination under the relevant provisions of the Act, depending upon the actual contractual arrangement and the nature of the payments. However, these circumstances, standing alone, are insufficient to establish that the entire sale proceeds represent unexplained cash credits.

17. The crucial issue for consideration is whether the assessee has satisfactorily established the nature and source of the amounts credited in its books of account. Where the assessee claims that the credits represent agricultural sale proceeds, the supporting evidence relating to cultivation, production, sale, transportation and receipt of consideration must be examined in its entirety. In our considered view, the mere fact that sale consideration was received in consolidated payments cannot, by itself, establish that the underlying agricultural sales were fictitious. Similarly, the relationship between the assessee and a commission agent may warrant closer examination of the transactions but does not automatically render such transactions non-genuine.

18. In the present case, the assessee has furnished documentary evidence relating to agricultural landholdings, cultivation of banana, sale transactions through commission agents and transportation of agricultural produce. The learned AO has raised doubts regarding the manner of settlement of sale proceeds but has not, on the facts placed before us, demonstrated any specific falsity in the land records, sale diaries or transportation documents.

19. We are of the considered view that suspicion arising from the timing of payments, the relationship between the parties or the absence of commission charges cannot substitute for an examination of the primary documentary evidence. Once the assessee furnishes a prima facie explanation supported by relevant documents, the explanation must be evaluated objectively, and any rejection thereof must be founded upon identifiable deficiencies or contrary material.

20. We further observe that the learned AO has not brought on record any independent material establishing that the amounts received from the commission agents originated from undisclosed sources of the assessee or that the agricultural sale transactions recorded in the books were fictitious.

21. The learned CIT(A), while confirming the addition, has not adequately addressed the cumulative evidentiary value of the land records, historical agricultural activities, commission agents'

sale records and transportation documents furnished by the assessee.

22. Considering the totality of the facts and circumstances, and subject to the documentary evidence being duly available on record and remaining unrebutted, we find that the addition of Rs. 38,07,437/- under section 68 of the Act, based substantially on the aforesaid suspicions, is not sustainable.

23. In view of the foregoing discussion, we hold that the learned AO was not justified in treating the entire banana sale proceeds of Rs 38,07,437/- as unexplained cash credits under section 68 of the Act merely on account of the timing of receipt of sale consideration, the relationship with the commission agent and the absence of commission payments, without establishing that the underlying agricultural sale transactions were fictitious.

24. Accordingly, the addition of Rs 38,07,437/- made by the learned AO and sustained by the learned CIT(A) is directed to be deleted.

25. In the result, the appeal of the assessee is allowed.

Pronounced in open court on 22.10.2026.

Sd/- Sd/-

(Paresh M. Joshi)
Judicial Member

(Arvind Soni)
Accountant Member

Indore

दिनांक/Dated : 22 /10/2026

Copies to:
(1) The appellant
(2) The respondent
(3) CIT
(4) CIT(A)
(5) Departmental Representative
(6) Guard File

By order
Sr. Private Secretary
Income Tax Appellate Tribunal
Indore Bench, Indore