

## AGRICULTURAL INCOME AND TAX LIABILITY

1. Mr X furnishes the return of income for the financial year 2008-2009. His total income (non-agricultural) is Rs 12,10,000 and net agricultural income is Rs 1,90,000. He is entitled to a rebate of Rs 4,000 under Sec. 88E. Compute the amount of tax payable by Mr X for the assessment year 2009-2010.

**Solution:** Computation of tax for the assessment year 2009-2010

**(a)** Income tax on the aggregate of non-agricultural income and net agricultural income (i.e. Rs 14,00,000) as if it is the total income.

On the first	1,10,000	Nil	Nil
On the next	40,00	10%	4,000
On the next	1,00,00	20%	20,000
On the balance	11,50,000	30%	3,45,000
	14,00,000		3,69,000

**(b)** Income tax on net agricultural income plus the basic exemption limit i.e. Rs 1,10,000 (i.e. Rs 3,00,000) as if it is the total income.

On the first	1,10,000	Nil	Nil
On the next	40,000	10%	4,000
On the next	1,00,000	20%	20,000
On the balance	50,000	30%	15,000
	3,00,000		39,000

(c) Gross income tax: (a) – (b): Rs 3,69,000 – Rs 39,000 =	3,30,000
(d) Less: Rebate of tax (Sec. 88E) =	4,000
<b>Net income tax</b>	<b>3,26,000</b>
(e) Add: (i) Surcharge on income tax @ 10%	32,600
	3,58,600
(ii) Education cess @ 2% on the aggregate of income + surcharge	7,172
(iii) SHEC @ 1%	<b>3,69,358</b>
<b>Tax payable</b>	<b>3,69,360</b>
Tax payable to be rounded off to the nearest multiple of Rs. 10 (Sec. 288B)	

2. Mr. Gangaprasad, resident in India, turns out 65 years of age on 31 March 2009. He furnishes the following particulars of his income for the previous year 2008-2009:

Particulars	Rs
(i) Rent from agriculture land, located in a village of Jharkhand district	2,50,000
(ii) Rent from building, located in the vicinity of agriculture land, which is assessed to land to revenue and the tenant, cultivating the agricultural land, occupies it for his dwelling and storing purposes	60,000
(iii) Income from business	3,00,000
(iv) Long-term capital gain	1,00,000

He maintains a motor car which is used 70% for business purpose, 10% for collecting rent from building and 20% for collecting rent from agriculture land. He has incurred and expenditure of Rs.1,00,000 by way of petrol, repair and salary of the driver. He also claims depreciation on the written down value of the motor car on 1.4.2008. Rs 2,00,000 @ 15%. He has paid Rs 2000 as local tax to the village panchayat in respect of the building. He also paid Rs 30,000 land revenue to the Government on account of agriculture land.

Determine his total income and tax liability in the following cases:

- (i) Agriculture produce goes under marketing process to fetch better rates in the market,
- (ii) Agriculture produce goes under marketing process to make it saleable in the local market.

#### Computation of Total Income for the assessment year 2009-2010

(i) Income from house property: Gross annual value based on rent	60,000	
Less : Local tax to village panchayat : No deduction is allowed as it is not a municipal tax	—	
<b>Net annual value</b>	<b>60,000</b>	
Less: (i) Statutory deduction @ 30% of NAV	<u>18,000</u>	
<b>Income from House Property</b>	<b><u>42,000</u></b>	
Income from house property to be treated as agriculture income provided the agriculture produce is not subjected to marketing produce to fetch better rates [Sec. 2(1A)(c)]		
(ii) Income from business		3,00,000
(iii) Long-term capital gain		1,00,000
(iv) Income from other sources: Rent from agriculture land	2,50,000	
Less: Permissible deduction (Sec. 57):		
(a) Land revenue	(-) 30,000	
(b) Realisation expenses	(-) 20,000	
(c) Depreciation: Not admissible Sec. 57(ii)—see Note below		
<b>Income from agriculture [Sec. 2(1A)(a)]</b>	<b><u>2,00,000</u></b>	
<b>Total income</b> , subject to increase by Rs 42,000 when produce is subjected to marketing process to fetch better rates.		<b>4,00,000</b>

Computation of tax liability: AY. 2009-2010

Particulars	Senior citizen		Not a senior citizen	
	Case I Produce subjected to marketing process for better rates Rs	Case II Produce subjected to marketing process to make it saleable Rs	Case III Produce subjected to marketing process for better rates Rs	Case IV Produce subjected to marketing process to make it saleable Rs
Non-agriculture income	4,42,000	4,00,000	4,42,000	4,00,000
Agriculture income	2,00,000	2,42,000	2,00,000	2,42,000
<b>(a) Tax on non-agriculture income + agriculture income as if it is the total income:</b>	<b>6,42,000</b>	<b>6,42,000</b>	<b>6,42,000</b>	<b>6,42,000</b>
(i) Tax on long-term capital gain	20,000	20,000	20,000	20,000

(ii) Tax on balance of total income at slab rates	98,600	98,600	1,11,600	1,11,600
	<b>1,18,600</b>	<b>1,18,600</b>	<b>1,31,600</b>	<b>1,31,600</b>
<b>(b)</b> Tax on agriculture income + exemption limit of Rs 1,95,000 (for Case I & II)	<b>54,500</b>	<b>67,100</b>	<b>42,000</b>	<b>54,600</b>
<b>(c) Tax payable: (a) – (b)</b>	<b>64,100</b>	<b>51,500</b>	<b>89,600</b>	<b>77,000</b>
Add: Surcharge on income tax	Nil	Nil	Nil	Nil
Education cess @ 2%	1,282	1,030	1,792	1,540
SHEC @ 1%	641	515	896	770
<b>Tax payable</b>	<b>66,023</b>	<b>53,045</b>	<b>92,288</b>	<b>79,310</b>
Tax payable to be rounded off to the nearest multiple of Rs 10 (Sec. 288B)	<b>66,020</b>	<b>53,040</b>	<b>92,290</b>	<b>79,310</b>

**Note:** While computing income under “other sources” depreciation is allowed only in case where plant, machinery or furniture is let out on hire or building along with plant, machinery or furniture is let out on hire [Sec. 57(ii)]

Hence no depreciation is allowed in respect of motor car.

Proportionate depreciation on motor car is permissible under the head “business or profession”. It is assumed it has been allowed as the expression “income from business” refers to taxable income after permissible deductions.

**3.** RP Bros., an HUF, furnishes the following particulars of its income and outgoing for the previous year 2008-2009. Receipts

<b>Receipts:</b>	4,00,000
(i) Short-term capital gain	1,00,000
(ii) Gross winning from lottery	12,00,000
(iii) Sale consideration of 3/4th of agriculture produce, derived from land located in India, the balance produce has been kept for family use.	50,000
(iv) Net sale proceeds of wild grass and fruits from trees of spontaneous growth	
<b>Payments:</b>	
(i) Repair of tube-well	60,000
WDV of tube-well on 1-4-2007	10,00,000
(ii) Wages paid to agriculture labour	6,00,000
(iii) Manuring and spraying charges	50,000
(iv) Rent of the building, used for storing agriculture produce on site	50,000
(v) Petrol, repair, salary of driver and insurance of motor car.	1,50,000
WDV of motor car on 1-4-2007	2,00,000
50% use of the motor car is for personal purpose of the family	
(vi) LIP paid to insure members of the family	20,000
(vii) School fees paid for 3 children of the family @ Rs 15,000 per child	45,000
(viii) Purchase of infrastructure bonds, covered under Sec. 80C(2)(xix)	90,000
(ix) Deposit with LIC for maintenance of a dependant member with disability:	
Unabsorbed losses brought forward:	
AY: 1998-1999	40,000
AY: 1999-2000	5,00,000
AY: 2003-2004	1,00,000

Determine the total income of the HUF and its tax liability for the assessment year 2009-2010.

**Computation of Total Income: AY 2008-2009**

Particulars	Rs	Rs
<b>Computation of net agriculture income for the purpose of aggregation to determine the rate of tax applicable to non-agriculture income of the HUF. Such computation is done under the head business profession:</b>		
Sale proceeds of agriculture produce		12,00,000
Add: Market value of produce kept for family use:		4,00,000
12,00,000 x (4/3) x (1/4)		16,00,000
Less: Permissible deductions:		
(i) Repair of tube-well	60,000	
(ii) Wages	6,00,000	
(iii) Rent	50,000	
(iv) Petrol, repair, salary of driver— 50%	75,000	
(v) Manuring and spraying	50,000	
(vi) Depreciation on tube-well @ 10% on WDV	1,00,000	9,50,000
(vii) 50% depreciation on motor car: (15% of 2,00,000) x 50%	15,000	
Less: Carried forward: Losses:		
(i) Loss 1999-2000-not allowed		
(ii) Loss from AY 2000-2001	1,00,000	
(iii) Loss from AY 2004-2005	45,000	1,45,000
<b>Net Agriculture Income</b>		<b>5,05,000</b>
(b) Computation of Total Income		
(i) Short-term capital gain		4,00,000
(ii) Income from other sources:		
(a) Winnings from lottery	1,00,000	
(b) Net sale proceeds of non-agriculture produce	50,000	1,50,000
<b>Gross Total Income</b>		
Less: 1. Contributions paid for approved savings [Sec. 80C(2)]:		
(i) LIP on the life of members	20,000	
(ii) School fees for 3 children of the HUF [Sec. 80(4)(c)]	Nil	
(iv) Purchase of infrastructure bonds	90,000	
	1,10,000	
But deduction restricted upto a maximum of Rs.1,00,000		1,00,000
2. Deposit for maintenance (including medical treatment) of a dependant with disability (Sec. 80DD)		50,000
<b>Total income</b>		<b>4,00,000</b>
<b>Computation of Tax Liability</b>		
(i) Income tax on winnings 30%		30,000
(ii) Income tax on non-agriculture + agriculture income:		
3,00,000 + 5,05,000 at slab rates		
(Non-agricultural income=3,00,000 = 5,50,000 – 1,00,000 – 1,00,000 – 50,000)		

(a) Income tax on 8,05,000 as if it is the total income	1,90,500	
(b) Income tax on agriculture income + exemption limit as if it is the total income: 5,05,000 + 1,10,000 =	1,31,500	
Income tax on non-agriculture income: a - b	60,000	60,000
Tax on total income		90,000
Add: (i) Surcharge on income tax		Nil
(ii) Education cess @ 2%		1,800
(iii) SHEC @ 1%		900
<b>Tax payable</b>		<b>92,700</b>

**4:** B Ltd. grows sugarcane to manufacture sugar. The data for the financial year 2007-08 is as follows:

Cost of cultivation of sugarcane	Rs.6,00,000
Market value of sugarcane when transferred to factory	Rs.10,00,000
Other manufacturing cost	Rs.6,00,000
Sales of sugar	Rs.25,00,000
Salary of Managing Director who looks after all operations of the Company	Rs. 3,00,000

**Solution:**

(1) Business Income:

Sales of Sugar	Rs.25,00,000
Less: Market value of sugarcane when transferred to factory	Rs.10,00,000
Other manufacturing cost	Rs. 6,00,000
Salary of Managing Director	Rs. 3,00,000
	<b><u>Rs. 6,00,000</u></b>

(2) Agricultural Income:

Market value of sugarcane when transferred to factory	Rs.10,00,000
Less: Cost of cultivation	Rs. 6,00,000
	<b><u>Rs. 4,00,000</u></b>

**5.** Mr. P has estates in Rubber, Tea and Coffee. He has also a nursery wherein he grows plants and sells. For the previous year ending 31.3.2009, he furnishes the following particulars of his sources of income from estates and sale of Plants. You are requested to compute the taxable income for the Assessment year 2009-2010:

Manufacture of Rubber	Rs.5,00,000
Manufacture of Coffee grown and cured	Rs.3,50,000
Manufacture of Tea	Rs.7,00,000
Sale of Plants from Nursery	Rs.1,00,000

### Computation of Taxable Income

Rule	Nature of Business	Agl Inc.	Non-Agl. Inc.
7A	Sale of centrifuged latex or cenex manufactured from rubber	3,25,000	1,75,000
7B	Sale of grown and cured coffee by seller in India	2,62,500	87,500
8	Growing and Manufacturing Tea	4,20,000	2,80,000
	Sale of plants from nursery	1,00,000	—
	<b>Total</b>	<b>11,07,500</b>	<b>5,42,500</b>

### Computation of Tax Liability:

	Rs.
(a) Total Income (Agricultural Income + Non-agricultural Income)	= 16,50,000
(b) Tax on (a) above	= 4,44,000
(c) Total of (Agricultural Income + Basic Exemption Limit)	= 13,17,500
(d) Tax on (c ) above	= 3,44,250
(e) Tax Payable (b) – (d)	= 99,750
Add: Surcharge @ 10% (since aggregate income > Rs.10 lakhs)	= 9,975
Total of Tax (e) + Surcharge	1,09,725
Add: Education Cess @ 2%	2,195
Add: SHEC @ 1%	1,097
Total Tax Liability	1,13,017
Tax payable rounded off u/s 288B	1,13,020