

Chapter 4 Taxes on Agricultural Income

4.1 Results of audit

Test check of records of Agricultural Income-tax Offices, conducted in audit during the year 2001-2002, disclosed under-assessments of tax, non-levy of penalty, etc. amounting to Rs.0.96 crore in 37 cases, under the following broad categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1	Non-levy/short-levy of tax	21	0.29
2	Non-levy of penalty	13	0.63
3	Other irregularities	03	0.04
	Total	37	0.96

During the course of the year 2001-2002, the Department accepted under-assessments of tax amounting to Rs.26.99 lakh in 38 cases which had been pointed out in audit in earlier years and recovered the entire amount.

A few illustrative cases (including certain cases noticed in earlier years which could not be included in previous Reports) involving Rs.57.60 lakh are given in the following paragraphs. Of this, Rs.0.80 lakh had been recovered.

4.2 Short levy of tax due to incorrect computation of agricultural income

According to the Karnataka Agricultural Income-tax Act 1957 as amended from time to time, 'agricultural income' includes any revenue derived from land situated in the State and used for growing plantation crops. Under the Act, the total agricultural income of a person in a 'previous year' is computed after allowing revenue expenditure laid out or expended wholly and exclusively for the purpose of deriving agricultural income.

It was noticed (between July 2001 and January 2002) in Chickmagalur and Hassan districts that in 13 assessments of 11 assessees for the years 1996-97 to 1999-2000 finalised (between February 1999 and October 2000), the assessing officers allowed inadmissible expenditure of Rs.35.90 lakh and excluded chargeable income of Rs.6.99 lakh while arriving at the taxable agricultural income. The short computation of income resulted in short levy of tax of Rs.19.20 lakh.

On these being pointed out (between July 2001 and January 2002), the Department created (September 2002) additional demand of Rs.5.80 lakh in five cases and recovered Rs.0.80 lakh. Final replies for the remaining cases have not been received (December 2002).

The matter was referred to Government (April 2002); their reply has not been received (December 2002).

4.3 Non-levy of interest

Under the Karnataka Agricultural Income-tax Act 1957, where a 'person' having taxable agricultural income in a 'previous year' does not furnish the prescribed annual return along with proof of payment of tax due on that basis to the assessing authority within four months from the end of the previous year, interest is leviable at 24 per cent per annum up to the date of furnishing the return or if the return is not submitted, up to the date of completion of assessment to the best of judgement, as the case may be, on the amount of tax payable.

In two districts (Chickmagalur and Hassan), in respect of 45 assessments of 27 assessees for the years 1994-95 to 1998-99 finalised (between

January 1998 and March 2001), interest of Rs. 38.40 lakh due for delays in furnishing returns ranging between 2 to 62 months had not been levied.

On these being pointed out (between August 2001 and January 2002), the Department raised (September 2002) demand of Rs. 5.06 lakh in 13 assessments of seven assessees. Final replies in respect of the remaining cases have not been received (December 2002).

The matter was referred to Government (May 2002); their reply has not been received (December 2002).

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