CONCEPT

AGRICULTURAL INCOME

INTRODUCTION :

- **Agricultural Income is exempt from Tax (u/s. 10 (1))**
- **Agricultural land should situate in India.**
- **But while computing the non agricultural income agricultural income is also taken into consideration.**
- **Applicable to Individuals/ HUF/ AOP/BOI/ Artificial Judicial persons/ Unregistered firms.**
- **It is a partial integration of taxes. So, the following two conditions must be satisfied.**

1. **Net Agricultural income should Exceed Rs. 5,000/-**
2. **Non Agricultural income should exceed the maximum amount not chargeable to tax.**

AGRICULTURAL INCOME MEANS:

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1. **Rent receipts – Arises from using of Land for agricultural produce.**
2. **Any income derived from such land by agricultural operations including processing of agricultural produce, raised or received as rent in kind so as to render it fit for the market, or sale of such produce.**
3. **Income attributable to a farm house used as a dwelling house, store house etc. such that building is situated on or in the immediate vicinity of the land.**
4.

THE POINT SHOULD CONSIDER BEFORE GOING TO DECIDE THE AGRICULTURAL INCOME:

The land must exists and used for Agricultural procedures/ operations/ activities and necessary efforts taken for the crop to sprout of the land.

IMPORTANT POINTS TO BE CONSIDERED

1. **Agricultural income can be considered even if the agricultural land situated in specified urban area.**

2. Its computation is same as business income
3. Loss can be carried forward and set off with agricultural income of next 8 Assessment years.

CALCULATION OF AGRICULTURAL INCOME (with an example)

For example Mr. Tarun who is an individual having Net agricultural income of Rs. 50,000/- and Non Agricultural income of Rs. 2,50,000.Compute Taxable Income for the Assessment year 2014-2015?

STEPS	AS PER RULE	EXAMPLE
1	Add non-agricultural income with net agricultural income	50,000+ 2,50,000=3,00,000
2	Compute Tax on Step 1 (not including Cess)	10,000
3	Add net agricultural income and the *maximum exemption limit available to the assessee*	50,000+2,00,000 = 2,50,000
4	Compute tax on Step 3. (not including Cess)	5,000
5	Compute Net Tax Payable (Step 2 – Step 4)	10,000- 5,000 =5,000
6	The sum so arrived at shall be increased by education cess @2% and secondary and higher education cess @1%.	5000+100+50 = 5,150

WHAT IF THE AGRICULTURAL LAND SOLD ?

- Specified Area -Attracts capital gains – Deductions available U/s .54 B, 54EC, 54F depending upon the case.
- Non Specified Area (rural area) - Does not attract capital gain

TAX DEDUCTED AT SOURCE [TDS] :

- No TDS should be paid if any agricultural land sold by way of compulsory acquisition whether held as stock in trade or investment.

CERTAIN INCOME WHICH IS TREATED AS AGRICULTURAL INCOME:

(a) Income from sale of replanted trees.
(b) Rent received for agricultural land.
(c) Income from growing flowers and creepers.
(d) Share of profit of a partner from a firm engaged in agricultural operations.
(e) Interest on capital received by a partner from a firm engaged in agricultural operations.
(f) Income derived from sale of seeds.

CERTAIN INCOME WHICH IS NOT TREATED AS AGRICULTURAL INCOME:

(a) Income from poultry farming.
(b) Income from bee hiving.
(c) Income from sale of spontaneously grown trees.
(d) Income from dairy farming.
(e) Purchase of standing crop.
(f) Dividend paid by a company out of its agriculture income.
(g) Income of salt produced by flooding the land with sea water.
(h) Royalty income from mines.
(i) Income from butter and cheese making.
(j) Receipts from TV serial shooting in farm house is not agriculture income.

THANK YOU

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