

Instruction No. 8 /2014

F.No.225/271/2014-ITA.II
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Room No. 143E, North-Block, New-Delhi
Dated the 27th of October, 2014

To

All Pr. Chief-Commissioners of Income-tax/Chief-Commissioners of Income-tax
All Pr. Directors-General of Income-tax/Directors-General of Income-tax

Sir/Madam

Subject: - Framing of scrutiny assessments in cases of fish farmers involved in running inland fresh water fish tanks -regarding-

Representations have been received by the Board from various quarters regarding difficulties being faced on account of surveys and income-tax scrutiny assessments by fish farmers, being involved in business and profession of running inland fresh water fish tanks specifically in cases where the books-of-accounts are not being maintained by the assesseees concerned.

2. While conducting scrutiny in such cases, issue arises about quantification of income from activity of fish farming during the relevant financial year. As the books-of-accounts are unavailable, an Assessing Officer is required to assess the income from activity of fish farming on estimated basis. While making such estimates on basis of 'per Acre water spread area', it has been reported that there are wide disparities in the figure of income being so estimated as non-uniform yardsticks/benchmarks are being adopted by the different Assessing Officers. Likewise, in such cases, taxpayers estimate their income on basis of benchmarks prescribed in earlier circular of the Board in F.No. 225/222/93/ITA.II dated 19.10.1993 which for the Assessment Year 1993-94, on 'per Acre water spread area' basis, prescribed a rate of Rs. 4,000/- as income from activity of fish culture in Andhra Pradesh. On the basis of this limit, taxpayers claimed that their income is computable after due consideration of the price index for the relevant year. While this approach in estimating the income on basis of parameter determined way back in the year 1993 by merely accounting for the inflation as suggested by the Farmers association, may be a ready and rough method, it may not represent the current situation and business reality. It is also apparent that conflicting views of the Assessing Officers lead to framing of subjective and high pitched assessments, which besides leading to infructuous work for the Department, causes harassment and grievance to the taxpayer concerned.

3. Therefore, considering the genuine difficulties (business located in far off and interior areas lacking banking facilities, vagaries of nature including

availability of water, lack of education and knowledge of accounting, etc.) being faced, for proper administration of relevant provisions of the Income-tax Act, 1961 ('Act') to cases of fish farmers, Board is of the view that uniform and appropriate norms may be applied while computing income from fish culture on basis of 'per Acre of water spread area'. To ensure consistency in approach, a Committee comprising of two Commissioners and two representatives of the fish farmers or fish farmers' association may be constituted by the Pr. Chief-Commissioner to determine reasonably the income that may be estimated for the financial year. In making such a determination, due consideration of various local factors and inputs from the concerned agency of the State Government may also be obtained. A suitable standard benchmark may also be adopted for estimating water spread area as a percentage of total land area. While passing scrutiny assessments in cases of fish farmers, Assessing Officers may apply the benchmarks as prescribed by the committee, to cases falling under their respective jurisdiction. In the scrutiny assessments, no further deduction under sections 30 to 38 of the Act shall be allowed to the taxpayer concerned as the income from activity of fish farming is being estimated on net basis after due consideration of allowable business expenses in such an estimation.

4. Further, section 133A of the Act may not be invoked indiscriminately for purposes of mere estimation of the income of fish farmers and may only be undertaken in those cases where the Department has credible and verifiable information about taxes being evaded by the person engaged in business or profession of running inland fresh water fish tanks.

5. It is reiterated that the above guideline applies only to cases of fish farmers running inland fresh water fish tanks, who are not maintaining books-of-accounts in the regular course of business as per the requirement of section 44AA(2) of the Act.

6. The above guideline is applicable to cases under scrutiny in the current financial year and subsequent years.

7. This may be brought to the notice of all concerned for necessary compliance.


(Rohit Garg)

Deputy Secretary to the Government of India

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