Agriculture Income

⇒ Sec 10(1)

Agriculture Income is exempt.

⇒ Sec 2(1A)

Agriculture Income

Ⓐ Income from Agricultural Produce

Conditions:

(i) There must be a agricultural land situated in India

&

(ii) Basic Operation must be performed

Ⓑ Rent from Let Out of Agricultural Land

Conditions:

(i) There must be a agricultural land situated in India

&

(ii) The person to whom it is letout must be Using it for agriculture purpose

Ⓒ Rent from farm house

Conditions:

(i) It must be given on rent along with Agriculture land

&

(ii) It must be used as Storehouse or dwelling.

Income from Nursery is also Agriculture Income.

Non Agriculture Income (ie taxable)

1. Income from agriculture operations outside India
2. Income from Spontaneous growth of grass, vegetation or timber.
3. Rent from let out of agriculture land outside India
4. Rent from let out of only farm house.

→ Particulars | Agriculture Income | Non Agriculture Income

Particulars	Agriculture Income	Non Agriculture Income
1. Tea: Growing & further processing	60%	40%
2. Coffee: (i) Growing & curing	75%	25%
(ii) Growing, curing, Grounding & Roasting	60%	40%
3. Rubber: Growing & further processing	65%	35%

→ Composite Income

Agriculture Income

Selling Price (Fair Market Value on day of transfer to factory)

(−) Cost of Production (labour, wages, fertilizer, seed, water expenses)

= Agriculture income ~~ex~~ exempt U/S 10(1)

Non Agriculture Income

Selling Price

(−) Purchase Cost

(−) Direct & Indirect exps

= Non agriculture Income

↓

Taxable under PGBP.

classmate
Date
Page

→ Partial Merger Scheme

It is applicable to Individual / HUF / AOP / BOI

It is applicable when

① Agriculture income is > ₹5000/- &

② Non Agriculture income is > Basic Exemption Limit (BEL) (₹)

Calculation of Tax

Step 1. Calculate Tax on Agriculture & Non Agriculture Income.

Step 2. Calculate Income tax on (BEL + Agriculture Income)

Step 3. Step 1 − Step 2

= Income tax

(−) Rebate + Surcharge

= Amount

\+ 4% health & education cess

= Total tax liability.