

**ASSESSMENTS RELATING TO AGRICULTURAL  
INCOME**

**[Action Taken by the Government on the  
Observations/Recommendations of the  
Committee contained in their 49<sup>th</sup> Report (17 Lok  
Sabha)]**

**MINISTRY OF FINANCE**

**PUBLIC ACCOUNTS COMMITTEE  
(2023-24)**

**ONE HUNDRED AND SIXTEENTH**

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**SEVENTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

PAC No. 2346

**ONE HUNDRED AND  
SIXTEENTH**  
**PUBLIC ACCOUNTS COMMITTEE**  
**(2023-24)**

(SEVENTEENTH LOK SABHA)

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Lok Sabha)]**

**MINISTRY OF FINANCE**



*Presented to Lok Sabha on: 08.02.2024*

*Laid in Rajya Sabha on: 08.02.2024*

**LOK SABHA SECRETARIAT  
NEW DELHI**

**February, 2024/, 1945 (Saka)**

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
(2023-24)**

**Shri Adhir Ranjan Chowdhury - Chairperson**

**M E M B E R S**

**L O K S A B H A**

2. Shri Thalikkottai Rajuthevar Baalu
3. Shri Subhash Chandra Baheria
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Vishnu Dayal Ram
7. Shri Pratap Chandra Sarangi
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
10. Shri Brijendra Singh
11. Shri Rajiv Ranjan Singh *alias* Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabbhaneni
15. Shri Ram Kripal Yadav

**R A J Y A S A B H A**

16. Shri Shaktisinh Gohli
17. Dr. K. Laxman
18. Shri Derek O' Brien<sup>1</sup>
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

**S E C R E T A R I A T**

- |                               |   |                   |
|-------------------------------|---|-------------------|
| 1. Dr. Sanjeev Sharma         | - | Joint Secretary   |
| 2. Smt. Bharti Sanjeev Tuteja | - | Director          |
| 3. Shri Girdhari Lal          | - | Deputy Secretary  |
| 4. Shri Ashikho Alemo         | - | Executive Officer |

(i)

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<sup>1</sup> Elected w.e.f. 19.08.2023 consequent upon retirement of Shri Sukhendu Sekhar Ray, MP on 18.08.2023.

## **INTRODUCTION**

I, the Chairperson, Public Accounts Committee (2023-24), having been authorised by the Committee, do present this One Hundred and Sixteenth (Seventeenth Lok Sabha) on Action taken by the Government on the Observations/Recommendations of the Committee contained in their 48<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) on '**Assessments relating to Agricultural Income**' relating to the Ministry of Finance.

2. The Forty Ninth was presented to Lok Sabha/laid on the Table of Rajya Sabha on 05.04.2022. The Committee considered the draft Action Taken Report on the subject and adopted the same at their sitting held on 06.02.2024. Minutes of the Sitting of the Committee form appendix to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** and form Part II of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the office of the Comptroller and Auditor General of India.

5. An analysis of the Action Taken by the Government on the Observations/Recommendations contained in the 49<sup>th</sup> Report (17<sup>th</sup> Lok Sabha) is given at Appendix-II

NEW DELHI;  
February, 2024  
Magha, 1945 (Saka)

Adhir Ranjan Chowdhury  
Chairperson  
Public Accounts Committee

**REPORT  
PART – I**

**INTRODUCTORY**

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their Forty Ninth Report (17<sup>th</sup> Lok Sabha) on the subject "**Assessments relating to Agricultural Income**" based on Chapter V of the C&AG Report No. 9 of 2019 relating to the Ministry of Finance.

2. The 49<sup>th</sup> Report (17<sup>th</sup> Lok Sabha), which was presented to Lok Sabha and laid in Rajya Sabha on 5<sup>th</sup> April, 2022 contained 13 Observations and Recommendations. The Committee take strong exception to the delay in furnishing of Action Taken Notes and find that the same have been furnished in respect of only 8 Observation/Recommendations by the Ministry of Finance, Department of Revenue that have been broadly categorized as under:

(i) Observations/Recommendations which have been accepted by the Government:

**Para Nos. 3, 5, 7, 9, 10 and 13**

**Total: 06**

**Chapter - II**

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

**Para Nos. Nil**

**Total: Nil**

**Chapter - III**

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

**Para No. 2**

**Total: 01**

**Chapter - IV**

(iv) Observations/Recommendations in respect of which Government have furnished interim replies/ no replies\*:

**Para Nos. 1\*, 4\*, 6, 8\*, 11\* & 12\***

**Total: 06**

**Chapter – V**

\*Action taken Note on Recommendation Para No. 1, 4, 8, 11 & 12 has not been furnished by the Ministry.

3. A detailed examination of the subject by the Committee revealed a number of irregularities in the assessment of agricultural income like exemption of income tax without verification of supporting documents, incorrect reflection of agricultural income in ITD database, deficiencies in the status of verification of returns, mistakes in the assessment of agricultural income etc. The Committee had accordingly given the Observations/Recommendations in their Forty Ninth Report.

4. The Action Taken Notes furnished by the Ministry of Finance in respect of 8 of the Observations and Recommendations of the Committee have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on the Observations and Recommendations of the Committee made in the Original Report which either need reiteration or merit comments.

**5. The Committee desire the Ministry of Finance to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I and V of the Report, positively within six months of the presentation of the Report to the Parliament. The Committee further desire that some kind of responsibility may be fixed against the officers responsible for not furnishing the complete set of replies and also for the delay in furnishing the same.**

**(Recommendation Para No. 2)**

6. As per Audit, the observations of the Third Tax Administration Reforms Commission Report (2014) inter-alia included that agricultural income of non-agriculturists is being increasingly used as a conduit to avoid tax and for laundering funds, resulting in leakage to the tune of crores of rupees in revenue annually. The Committee wished to point out that agriculturists are a heterogeneous category that includes small and marginal farmers as well as corporate houses etc. Therefore, the Ministry should look at the possibility of introducing different codes for farmers who have income only from agricultural sources as against those who have income from agriculture as well as non-agricultural sources. The Committee were of the view that this will help in segregation of cases involving income solely from agricultural sources from the other cases, and be of assistance in better targeting and scrutiny of cases. Further, taking into account the fact of increased financial inclusion due to opening of bank accounts under Pradhan Mantri Jan Dhan Yojana, the Government may encourage digital payments in the agriculture sector. The Ministry should also look into and analyse the practices being followed in States such as Odisha where agricultural produce is sold to co-operative societies and payment for the same is deposited in the bank accounts of assesseees, which enables easy verification of the income earned.

7. The Ministry in their Action taken reply stated as under:

“It is pertinent to note here that agricultural income is exempt under the Income-tax Act, 1961 (“the Act”). Therefore, a person having only agricultural income will have no taxable income under the Act. Under the provisions of the Act, such a person, not being a company or a firm, is not mandatorily required to furnish return of income as the taxable income is below exemption limit. Further, in the ITR forms required to be furnished by firms and companies, details of agricultural income, if any, have to be entered in Schedule EI of the respective forms. The relevant forms for firms and companies are quite exhaustive and require the taxpayers to submit information about income under various heads of income. In such a scenario it is easily ascertainable whether they have income other than agricultural income.

In light of the above discussion, a separate code for farmers who have only agricultural income and therefore, have income below the exemption limit will not serve the purpose of creating a distinction that could help determine potential cases of tax avoidance and money laundering through agricultural activities.

Therefore, the above suggestion is not feasible. Finance (No.2) Act, 2019 introduced Section 269SU in the Act to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds fifty crore rupees during the immediately preceding previous year.

Further, section 269ST of the Act prohibits cash receipt of rupees two lakh or more. In order to enforce restriction on cash transactions, section 271 DA of the Act provides that if a person contravenes the provisions of section 269ST, he shall be liable to pay penalty of a sum equal to the amount of such receipt.

The above provisions are applicable to agricultural sector as well and give major impetus to digital transactions. Therefore, the above suggestion has already been implemented.”

- 8. While observing that agriculturists are a heterogeneous category and include small and marginal farmers as also corporate houses etc, the Committee had desired the Ministry to look at the possibility of introducing different “codes” for farmers who have income only from agricultural sources as against those who have income from agriculture as well as non-agricultural sources to help in segregation**



of cases involving income solely from agricultural sources from the other cases, and be of assistance in better targeting and scrutiny of cases. The Committee also recommended that the Government may encourage digital payments in the agriculture sector and analyse the practices being followed in States such as Odisha where agricultural produce is sold to co-operative societies and payment for the same is deposited in the bank accounts of assesseees, which enables easy verification of the income earned. The Committee note from the reply of the Ministry that Section 269SU and 269ST of the Income Tax Act that give major impetus to digital transactions are applicable to agricultural sector. As regards the recommendation regarding the possibility of introducing different “codes” for farmers, the Ministry has stated that a separate code for farmers who have only agricultural income and therefore, have income below the exemption limit will not serve the purpose of creating a distinction that could help determine potential cases of tax avoidance and money laundering through agricultural activities. The Committee, however, are of the opinion that adequate tax data pertaining to a particular sector eventually benefits the Government in ensuring better compliance and in planning and implementation of other welfare schemes. The Committee, therefore, reiterate their earlier recommendation that introducing different “codes” for farmers who have income only from agricultural sources who may have to file income tax returns for other purposes etc. as against those who have income from agriculture as well as non-agricultural sources will help in better and targeted scrutiny.

**(Recommendation Para No. 5)**

9. The Committee were informed that as a corrective measure to ensure appropriate documentation and verification, the Ministry had taken various actions viz. details of exempt income to be furnished in the ITR has been made more exhaustive from AY 2019-20 onwards; Faceless Assessment Scheme 2019 and Team based assessment procedure where the Assessment Unit can request verification by Verification Unit and seek technical assistance from the Technical Unit introduced. The Ministry had further stated that since the definition of Agricultural Income as per Section 2(1A) of the Act is wide, the facts regarding agricultural income may vary from case to case. Considering the aspect of non-uniformity in cases, for enhancing awareness of the AOs, the Department had been undertaking various measures such as, imparting training by Direct Taxes Regional Training Institutes (DTRTIs) and/ or Ministerial Staff Training Units (MSTUs) across India. Further, various books have also been published

viz. — 'Techniques of Investigation for assessment', 'Let Us Share' etc. containing specific instances of assessment cases and certain best practices followed in various areas. According to the Ministry, all these measures guide the Assessing Officers (AOs) in the field in examining the veracity of agricultural income. The Committee desired that besides measures like imparting training to the Assessing Officers and publishing books, which act as a means of guidance, the Ministry should also formulate SOPs to guide the Assessing Officers who are involved in the process of examination of the veracity of agricultural income claimed for exemption. The Committee further desired that the Ministry may make available an on-line compendium of list of possible sources based on their experience as well as records of Assessment Orders; and the Order Sheets envisaged in the relevant Sections of the Income Tax Act of the Manual of Office Procedure.

10. In response the Ministry in their Action Taken Note stated us under:

“As per Section 2(1A) of the Income-tax Act, 1961 (the Act), definition of agricultural income includes rent or revenue (Section 2(1A) (a) of the Act), income derived from the building (Section 2(1A)(c) of the Act) apart from the income from agriculture or sale of produce. The definition as per Section 2(1A) of agricultural income is wide enough and the facts regarding agricultural income may vary from case to case which may not be adequately covered in SOP.

Regarding on-line compendium of list of possible sources based on experience as well as records of assessment orders, it is stated that various books published viz. 'Techniques of Investigation for assessment', 'Let Us Share' etc. containing specific instances of assessment cases and certain best practices followed in various areas, are available in Knowledge portal at website [irsofficersonline.gov.in](http://irsofficersonline.gov.in).”

11. Audit, in their vetting comments have stated the following:

“Action taken by the Ministry for identifying inconsistency in assessments pertaining to claim of exemption of agricultural income for formulation of Standard Operating Procedure as recommended by Honorable Public Accounts Committee may be intimated.”

**12. The Committee in their Report had recommended for formulation of SOPs to guide the Assessing Officers who are involved in the process of examination of the veracity of agricultural income claimed for exemption. The Committee had further desired that the Ministry may make available an on-line compendium of list of possible sources based**

on their experience as well as records of Assessment Orders; and the Order Sheets envisaged in the relevant Sections of the Income Tax Act of the Manual of Office Procedure. In response, the Ministry have submitted that a knowledge portal at website [irsofficersonline.gov.in](http://irsofficersonline.gov.in), containing experience based instances of assessment cases, certain best practices followed in various areas, books etc. has been made available to Assessing Officers (AOs) for reference. To ensure veracity of exemption claims without an element of discretion by the AOs, as well as to maintain uniformity in the assessment process, particularly when the definition of agricultural income is wide enough and the facts regarding agricultural income may vary from case to case, it is imperative that a standard procedure be evolved by the CBDT. The Committee, therefore, reiterate their earlier recommendation that comprehensive SOP may be formulated encompassing the varied range of claims under agricultural income.

**(Recommendation Para No. 6)**

13. The Committee noted that as regards the action taken by the Ministry towards implementation of the recommendation for 100 percent check of all cases by Audit in all Commissionerates, where agricultural income claimed was above Rs.10 lakh, the Ministry had inter-alia submitted that for AY 2020-21, 21,55,368 taxpayers reported Agriculture Income in their return of income, out of whom 59,707 taxpayers reported Agriculture Income exceeding Rs.10 lakh. In view of the significant number of the returns filed for a particular assessment year, the number of cases selected for scrutiny was fine tuned with a view to striking a balance between available resources and various types of risk (which requires investigation) through Computer Aided Scrutiny Selection (CASS), a centralized system for selection of cases of scrutiny based on information in ITR, IT forms, TDS/TCS, data as reported by third parties, data received through inter-departmental MoUs etc. Further, CASS had been equipped with the aspect of identifying scenarios for selection of cases of agricultural income above a threshold level.

The Chairman, CBDT, while tendering evidence before the Committee, mentioned that 3379 cases were chosen out of the afore-mentioned total of 21,55,388 cases. The Committee were apprised that as against 100 percent check of all cases in all Commissionerates, where agricultural income claimed was above Rs. 10 lakh, the Ministry had devised its own mechanism for picking up cases for scrutiny due to paucity of manpower to handle the same. The Committee recommended that a system may be designed to examine the 3379 cases so picked with due promptitude and based on these assessments, new scenarios may be included in the CASS for refining the process of selection of cases for scrutiny. The Committee noted that the 3379 cases chosen by CBDT includes cases of taxpayers reporting agricultural income less than Rs. 10 lakh. The Committee were of the considered view that focus of scrutiny should be on assesseees reporting higher agricultural income. The Committee, therefore, recommended that the Ministry consider devising a

mechanism for categorization of cases of agricultural income in three slabs i.e. above Rs. 10 lakh, Rs. 50 lakh and Rs.1 crore in CASS so as to better target high risk cases in the aforementioned categories. Such a measure will also facilitate scrutiny of different types of agriculturists with the limited resources available with the Ministry/CBDT and enable in preventing possible leakage of revenue.

14. In response the Ministry in their Action Taken Note stated us under:

“For every scrutiny assessment case, feedback is uploaded on the ITBA portal by the AO capturing details like the reasons for selection of the case, addition made in the case on different CASS reasons etc. Every year this feedback is taken into account for refining risk parameters for selection of cases for scrutiny.

The recommendation regarding categorization of cases of agricultural income in different slabs in CASS to better target high risk cases has been noted and will be put before the CASS Committee for consideration.”

15. Noting that Computer Aided Scrutiny Selection (CASS) had been equipped with the aspect of identifying scenarios for selection of cases of agricultural income above a threshold level, the Committee, in their Report had recommended for devising a mechanism for categorization of cases of agricultural income in three slabs i.e. above Rs. 10 lakh, Rs.50 lakh and Rs.1 crore in CASS so as to better target high risk cases in the aforementioned categories. In response, the Ministry have submitted that the recommendation of the Public Accounts Committee would be placed before that CASS committee for consideration. The Committee emphasize that an effective CASS system must enable targeting the high risk cases of agricultural income in a better way. The Committee, therefore, would like to be apprised of the outcome of the action taken by the Ministry in this regard expeditiously but mandatorily at the time of furnishing Action Taken Statements.

## CHAPTER II

### OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Observation/Recommendation

The Committee note that, Section 143(3) of the Act dealing with detailed scrutiny envisages that after hearing the evidence produced by the assessee and such other evidence as the AO may require, and after taking into account all relevant material gathered, the AO shall, by an Order in writing, make an assessment of the total income of the assessee, and determine the sum payable by him or refund of any amount due to him on the basis of such assessment. Further, as per the Departmental Manual of Office Procedure, the Minutes of a case posted for hearing by issuing a notice during assessment proceedings under the relevant provisions of the Income Tax Act viz. Section 143(2) or 142(1) or 131 etc. must be entered with date in the Order-Sheet. The entry should cover, inter alia, the names of the persons attending the hearing on behalf of the assessee and their occupation, documents produced, (specifying documents examined and returned and documents filed), documents called for, issues discussed and re-posting, if any. Documents produced by the assessee (except those to be returned) must be filed in the Miscellaneous Record. Thus, detailed scrutiny as prescribed in law involves not only a detailed examination of records but also the maintenance of proper record of the documents etc. scrutinized in arriving at the Assessment Order. Notwithstanding the procedure as laid down, as observed by Audit, neither the Assessment Order nor the order-sheet in the cases scrutinized indicate that adequate reliance has been placed on such documents/data referred to above or any other documents. The Committee desire that all efforts should be made to ensure compliance with the procedure prescribed and necessary instructions issued to all Commissionerates for strict compliance of the stipulations of the relevant Sections of the Income Tax Act and the Departmental Manual of Office Procedure, during scrutiny.

[Para No. 3]

#### Action taken by the Ministry

Income Tax Department has implemented the 'Faceless Assessment Scheme' since 25.09.2020 except in International Taxation and Central charges. National Faceless Assessment Centre (NaFAC) has been set up to facilitate the conduct of Faceless Assessment proceedings in a centralized manner.

In International taxation and Central charges, the assessments are being conducted through e-proceedings facility in Income Tax Business Application portal (ITBA).

The functionality for e-Proceedings is available for Departmental Users in ITBA and for the taxpayers on e-Filing portal ([www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in)).

For assessment proceedings in case of each assessee, order sheet is generated automatically in electronic mode, both in 'Faceless Assessment Scheme' and 'e proceedings' facility. Notes of the Assessing Officer with respect to any stage of the assessment proceedings are available electronically. Notices/letters are issued to the assessee during proceedings electronically through NaFAC or "e-proceedings facility", as per the category of the assessee. The reply along with attachments, if any of the assessee, is accessible to the Departmental user in ITBA under 'Case History/ Notings' of the relevant proceedings. This is akin to the Electronic Folder with full details of all exchanges between the Department and taxpayer in chronological order. Whenever a case is scheduled for hearing by issuing a notice during assessment proceedings under the relevant provisions of the Income Tax Act viz. Section 143(2) or 142(1) or 131. etc., the copy of the notice with Document Identification Number (DIN) along with the date of issuance of the notice are available in the order sheet of the case. The entry also covers, inter alia, reply of the assessee, documents produced, if any, etc. In light of the above system has been put in place for maintenance of proper record of proceedings.

#### **Vetting Comments of Audit**

In view of the reply of the Ministry, Audit has no further comments to offer.

#### **Observation/Recommendation**

The Committee have been informed that as a corrective measure to ensure appropriate documentation and verification, the Ministry has taken various actions viz. details of exempt income to be furnished in the ITR has been made more exhaustive from AY 2019-20 onwards; Faceless Assessment Scheme 2019 and Team based assessment procedure where the Assessment Unit can request verification by Verification Unit and seek technical assistance from the Technical Unit introduced. The Ministry have further stated that since the definition of Agricultural Income as per Section 2(1A) of the Act is wide, the facts regarding agricultural income may vary from

case to case. Considering the aspect of non-uniformity in cases, for enhancing awareness of the AOs, the Department has been undertaking various measures such as, imparting training by Direct Taxes Regional Training Institutes (DTRTIs) and/ or Ministerial Staff Training Units (MSTUs) across India. Further, various books have also been published viz. — 'Techniques of Investigation for assessment', 'Let Us Share' etc. containing specific instances of assessment cases and certain best practices followed in various areas. According to the Ministry, all these measures guide the Assessing Officers (AOs) in the field in examining the veracity of agricultural income. The Committee desire that besides measures like imparting training to the Assessing Officers and publishing books, which act as a means of guidance, the Ministry should also formulate SOPs to guide the Assessing Officers who are involved in the process of examination of the veracity of agricultural income claimed for exemption. The Committee further desire that the Ministry may make available an on-line compendium of list of possible sources based on their experience as well as records of Assessment Orders; and the Order Sheets envisaged in the relevant Sections of the Income Tax Act of the Manual of Office Procedure.

[Para No. 5]

#### **Action taken by the Ministry**

As per Section 2(1A) of the Income-tax Act, 1961 (the Act), definition of agricultural income includes rent or revenue (Section 2(1A)(a) of the Act), income derived from the building (Section 2(1A)(c) of the Act) apart from the income from agriculture or sale of produce. The definition as per Section 2(1A) of agricultural income is wide enough and the facts regarding agricultural income may vary from case to case which may not be adequately covered in SOP.

Regarding on-line compendium of list of possible sources based on experience as well as records of assessment orders, it is stated that various books published viz. 'Techniques of Investigation for assessment', 'Let Us Share' etc. containing specific instances of assessment cases and certain best practices followed in various areas, are available in 1 Knowledge portal at website [irsofficersonline.gov.in](http://irsofficersonline.gov.in)

#### **Vetting Comments of Audit**

Action taken by the ministry for identifying inconsistency in assessments pertaining to claim of exemption of agricultural income for formulation of standard operating procedure as recommended by honorable public accounts committee may be intimated.”

## **Observation/Recommendation**

The Committee also note that a major chunk of agriculturists are reluctant to file income tax returns due to practical difficulties which relate inter-alia to lack of awareness, frequency of going to IT Office and connectivity issues faced by them to travel to the Income Tax office etc. This has had the effect of resulting in non-availability of crucial information pertaining to agricultural production, land records etc. for the ITD database. There are also apprehensions of farmers that inclusion of their personal information in the Income Tax Database may disqualify them from accessing various welfare schemes of the Government. The reluctance of farmers is indicative of lack of trust and a negative perception regarding the Income Tax filing procedure. The Committee opine that if data of agriculturists is included in ITD Database, it will aid in not only widening the tax base of the country but also enable better monitoring and detection of cases of money laundering by ITO. The Committee, however, note that the process of filing returns through a website may seem challenging to agriculturists in the rural hinter land especially due to lack of awareness, digital divide and limitation of resources. The Committee are thus, of the considered opinion that Ministry may make efforts towards generating awareness regarding ITR filing procedures and also towards bridging the trust deficit. The Committee desire that the Ministry may consider the possibility of taking assistance of Panchayat Block level officers and NGOs to address these issues and carry out trust building exercises and educational seminars for small and marginal farmers to file and claim exemption on agricultural income. To further simplify the process of filing returns and address infrastructural issues faced by farmers such as lack of computer devices and stable internet connection, the Ministry may take assistance from Post Offices which have a significant penetration at Village level. The Ministry may also see that refunds, if any, may be initiated with help of Adhaar Enabled Payment System so that assessee claiming refunds get access to cash at their own doorstep without having to bear the cost of transportation to the Income Tax Office.

**[Para No. 7]**

### **Action taken by the Ministry**

- i. The Ministry regularly carries out various campaigns in different forms of media along with taxpayer outreach activities to familiarise the people with various provisions of Direct Taxes, Procedures and Due Dates provided under the Income Tax Act, 1961. The basic purpose of the publicity campaigns carried out is to create awareness in respect of various tax compliances including return filing procedure and different deductions and exemptions available to taxpayers.



The goal of widening the tax base is achieved by educating/encouraging taxpayers to pay due taxes honestly and promptly. The following communication and outreach campaigns and activities are carried out-

a) Campaigns are carried out on TV, Radio and Print media in Hindi and 10 Regional languages to spread awareness on important reform measures in tax administration, due dates under Income-Tax Act 1961 for eg. Advance Tax, Return Filing, TDS statement, Statement of Financial Transaction (SFT) filing etc.

b) 430 Aaykar Seva Kendras (ASK) centres) are functioning all over the country with "May I help you" desk for assisting the taxpayer including filing of return of income.

c) The Department releases booklets/pamphlets in Hindi and English on major reforms introduced in tax compliances. Some of the booklets are on Form 26AS, Taxpayer Charter, e- filing, computation of income etc. The pamphlets are placed in ASK centres across the country and are also available in soft copy on Departmental website.

d) As citizens of all walks of life increasingly use social media. these platforms are being actively used to spread awareness and do public outreach. Still creatives, gifs, videos, animations are posted regularly as part of various campaigns. Communication is done through social media handles of the Department including Twitter, YouTube, Instagram and Facebook wherein important circulars/information on Direct Taxes is regularly posted for information of the people.

e) The Department in the recent past has also taken several measures to reach out to the future taxpayers of the country through Board games and Comic books aimed at developing tax literacy and tax culture children and young adults.

f) The field formations of the Department under Pr. CCSIT carry out several outreach programmes in their regions for different categories of taxpayers to inform them on various procedures and due dates under the Income Tax Act, 1961.

g) The Department has made a communication studio "Samvaad" at Mayur Bhawan office, New Delhi where sessions with senior officers on important taxation issues are recorded and thereafter uploaded on YouTube and social media handles as a part of taxpayer outreach.

ii. A letter is being separately issued to all Pr.CCSIT requesting them that taxpayer outreach programmes may be carried out in their regions to generate awareness among taxpayers about computation of Income, ITR filing procedures, dues dates, treatment of agriculture income in ITR for rate purposes etc. They are also advised to conduct educational seminars for section of taxpayers who in addition to income under other heads also have

agricultural income. These outreach programmes may explain in detail about the ITR filing procedure and how to treat agricultural income in Income Tax Return for tax rate purposes.

With respect to taking assistance of Panchayat Block level officers and NGOs to address these issues and carry out trust building exercises and educational seminars for small and marginal farmers to file and claim exemption on agricultural income, it is being endeavored to conduct extensive outreach programs to make existing and prospective taxpayers aware of provisions of Income Tax Act, to educate them about necessity of paying taxes and also to facilitate their queries and grievances on taxation issues, Taxpayers Hubs have been proposed to be set up in tier 2 and tier 3 cities of 7 Pr. CCIT regions- Gorakhpur, Shillong, Bhagalpur, Vizag, Jhansi, Bhilwara and Cuttack, where the presence of the Department is not as visible. The Taxpayers' Hubs will be set up in seven cities, in a central atrium area with comparatively higher footfall, during various dates in October, November, December, January and it will have one Information kiosk, one Grievance Kiosk and one Educational kiosk for fostering awareness regarding various initiatives and provisions of Income Tax Act to the taxpayers. It will also be sought to create a bond between the Department and the future taxpayers by educating them about their rights and responsibilities.

Further, the Taxpayers Hubs have successfully been carried out in Gorakhpur from 20th October to 22nd October, 2023 and in Jhansi from 2nd November, 2023 to 4<sup>th</sup> November, 2023.

Exploring the possibility for Aadhar enabled payment system for claiming refund: On perusal of the report, it is noticed that this recommendation has been made so that assessee claiming refunds get access to cash at their on door step without having to bear the cost of transportation to the Income-tax office. In this regard, it is submitted that refunds, if any are credited to bank accounts of the taxpayers as mentioned in the ITR. Further, as per the policy of the department, no manual refund are to be issued. It is pertinent to mention that the agriculturists are having bank account as various government benefits such as Kisan Samman Nidhi is credited to bank accounts only. Further, credits availed by the agriculturist from cooperative society or banks are also routed through bank accounts only. Therefore, for delivery of the cash to door-step will be responsibility of the concerned bank as per the existing regulation and framework of scheme.

### **Observation/Recommendation**

The Committee observe that of the 48 cases pointed out by Audit in ITD database, 42 cases were auto-populated through AST and six cases were entered manually. The Ministry stated that prior to Assessment Year (AY) 2016- 17, tax assessment and calculation were made as per the old system of Income Tax Department. However, AY 2016-17 onwards, the Assessment Orders are passed in the new software namely, Income Tax Business Application (ITBA). In ITBA, the AO is required to follow a more detailed and comprehensive approach while making addition sides allowing exemption claims' to compute taxable income. Based on the additions/disallowances in various schedules made by the AO, the software computes income in various heads that have been amended and allows benefits of relevant deductions/ exemptions/ relief / adjustments and determines the taxable income and tax thereon. Through this software, the data in the system reflects data of agriculture income as determined in the assessment proceedings. Further, to minimise interface with the assessee or his/her representative, the assessment procedure has been digitized and the same is conducted through e- assessment. Moreover, E Assessment Schemes 2019 has already been implemented from A Y 2018-19 onwards. The Committee observe that due to non-updating of database in the AST systems the agricultural income allowed during assessment was not captured in the ITD database and there was a risk of incorrect reporting of agricultural income and rebate allowed to the assessee for MIS purposes. The Committee hope that the Income Tax Business Application (ITBA) software is appropriately equipped to address such concerns. The Committee desire that Ministry undertake a study to ascertain the effectiveness of the ITBA so that legacy issues from AST systems are not continued in any form in ITBA.

**[Para No.9]**

### **Action taken by the Ministry**

The observations of the Committee are noted. It is confirmed that when assessment proceedings are carried out in ITBA, the agricultural income as determined during assessment proceedings, is the income that gets captured in the system/database.

### **Observation/Recommendation**

As regards ITBA, another aspect brought to the notice of the Committee has been that Audit was not provided access to ITBA by the Ministry to enable examination of the operational efficiency of this new system. The Committee

desire that access to relevant fields of ITBA needs to be provided to Audit as it will have the effect of helping the Ministry to further improve the system.

[Para No. 10]

### **Action taken by the Ministry**

Regarding the access to the ITBA System, it is intimated that the "IT Audit of ITBA" is already being carried out by the Director General of Audit (Central Receipt), Delhi. There were certain technical challenges, which were duly communicated to the audit team, due to which the direct access to the production environment of ITBA could not be provisioned to the audit team. However, a mechanism has been worked out through which the audit team has the facility for running data queries of specific nature in ITBA production environment.

### **Vetting Comments of Audit**

IT Audit of Income Tax Business Application was heavily constrained as assisted access to production environment in ITBA to the Audit Team from the Office of DGA(CR) Delhi (ITD themselves ran the queries and provided the results to the Delhi Audit Team after a gap ranging from one to six months) and access to User Acceptance Testing (UAT) and UAT environment to the Audit Team from the Office of PDA(Central) Bengaluru was not provided by Income Tax Department despite all out efforts made by Audit at all levels.

### **Action taken by the Ministry on Audit Comments**

All access, as technically possible, was extended to the audit team during the IT audit of ITBA. In all, 45 Audit Requisitions (ARs) & 68 Audit Queries (AQs) were raised during the audit and response to all these ARs & AQs were duly furnished by ITBA. Further, 72 Half Margins were also issued and replies to all of them were furnished to the audit team by ITBA. In addition to the above, assisted access of User Acceptance Test (UAT) environment of ITBA had also been provided to C&AG Audit Team during which Module-wise UAT was accessed by the Audit Team. The audit team availed this access to the UAT environment for over 5 months.

The audit team was also provided assisted access to the ITBA production environment wherein data requisition requests (DQs) provided by the audit team were converted into software queries by the ITBA Technical team and data was extracted from the database using such software queries

and furnished to the audit team. These software queries framed by the Technical team were also provided to the audit team for their reference, along with the data extracted.

### **Observation/Recommendation**

Audit noticed non-compliance to provisions of the Act in 20 cases which involve granting incorrect exemption for income derived from agricultural land, 'allowance' of exemption incorrectly for partial agricultural income, permitting excess 'allowance' of replantation expenditure/due to adoption of incorrect export turnover, and granting exemption to non- agricultural income on account of sale of fish, goats, dry grapes, milk etc. and illustrated nine such cases. The Committee note from the reply of the Ministry that remedial action has been initiated in respect of each of the 20 cases. As per Section 2(1A) of the Income Tax Act, 1961, 'agricultural income' means (a) Any rent or revenue derived from land which is situated in India and is used for agricultural purposes; (b) Any income derived from such land by agricultural operations including processing of agricultural produce so as to render it fit for market or sale of such produce; (c) Any income attributable to a farm house subject to fulfillment of conditions specified in the Act; and (d) Any income derived from saplings or seedlings grown in a nursery. For instance, in Charge: Pr.CIT-1, Pune, Maharashtra the AO allowed (December 2016) exemption of Rs. 117.21 lakh to the assessee for AY 2014-15 towards agricultural Income which included the sale of dry grapes of Rs. 93.31 lakh and sale of milk of Rs. 0.37 lakh. As dry grapes (kismis) are an agro-based industrial product and milk is a dairy product, the income there from could not be considered as income derived from the agricultural land. The Apex Court held that the regularity of the sale of milk was effected and the quantity of milk sold showed that what the assessee carried on was a regular business of producing milk and selling it as a commercial proposition. Not having 'disallowed' the claim resulted in excess allowance of exemption of Rs. 93.68 lakh involving tax effect of Rs.28.95 lakh. The Ministry have stated that since definition of Agricultural Income 'as per Section 2(1A) of the Act is wide, the facts regarding agricultural income may vary from case to case. The Committee express the view in this regard that such cases may be prevented if AOS are kept apprised of updated 'case laws' pertaining to definition of Agricultural Income. The Committee desire that issues relating to interpretation of definition of agricultural income can be clarified to the AOS by regularly updating the 'case laws' in the compendium, as recommended so that AOs may get access to all updated information necessary for assessment of agricultural income in a Single digital compilation.

### **Action taken by the Ministry**

The department has taken following initiatives for having clear and consistent views on legal issues and dissemination of knowledge on relevant legal issues for the information of officers:-

1. Central Technical Committee:

The CBDT has formed a Central Technical Committee (CTC) as another measure towards better litigation management. This is an institutional mechanism in the Directorate of Income Tax (Legal & Research) to provide clarity and consistency on contentious legal issues and to formulate departmental view. The Committee holds regular meetings to deliberate and arrive at a consistent departmental view on contentious legal issues.

2. Audit & Judicial Corner

The Department has started Audit and Judicial (A&J) corner on the official website of IRS officers ([irsofficersonline.gov.in](http://irsofficersonline.gov.in)) where important case laws are regularly uploaded to disseminate important judicial pronouncements of various appellate authorities to department officers all over the country.

3. Instructions have also been issued to all Pr. CCSIT to place favourable High Court orders on their local websites.

**CHAPTER III**

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO  
NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM  
THE GOVERNMENT**

-NIL-

## CHAPTER IV

### OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### Observation/Recommendation

As per Audit, the observations of the Third Tax Administration Reforms Commission Report (2014) inter-alia included that agricultural income of non-agriculturists is being increasingly used as a conduit to avoid tax and for laundering funds, resulting in leakage to the tune of crores of rupees in revenue annually. The Committee wished to point out that agriculturists are a heterogeneous category that includes small and marginal farmers as well as corporate houses etc. Therefore, the Ministry should look at the possibility of introducing different codes for farmers who have income only from agricultural sources as against those who have income from agriculture as well as non-agricultural sources. The Committee were of the view that this will help in segregation of cases involving income solely from agricultural sources from the other cases, and be of assistance in better targeting and scrutiny of cases. Further, taking into account the fact of increased financial inclusion due to opening of bank accounts under Pradhan Mantri Jan Dhan Yojana, the Government may encourage digital payments in the agriculture sector. The Ministry should also look into and analyse the practices being followed in States such as Odisha where agricultural produce is sold to co-operative societies and payment for the same is deposited in the bank accounts of assesseees, which enables easy verification of the income earned.

[Para No.2]

#### Action taken by the Ministry

It is pertinent to note here that agricultural income is exempt under the Income-tax Act, 1961 ("the Act"). Therefore, a person having only agricultural income will have no taxable income under the Act. Under the provisions of the Act, such a person, not being a company or a firm, is not mandatorily required to furnish return of income as the taxable income is below exemption limit. Further, in the ITR forms required to be furnished by firms and companies, details of agricultural income, if any, have to be entered in Schedule EI of the respective forms. The relevant forms for firms and companies are quite exhaustive and require the taxpayers to submit information about income under various heads of income. In such a scenario it is easily ascertainable whether they have income other than agricultural income.

In light of the above discussion, a separate code for farmers who have only agricultural income and therefore, have income below the exemption limit will



not serve the purpose of creating a distinction that could help determine potential cases of tax avoidance and money laundering through agricultural activities.

Therefore, the above suggestion is not feasible. Finance (No.2) Act, 2019 introduced Section 269SU in the Act to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds fifty crore rupees during the immediately preceding previous year.

Further, section 269ST of the Act prohibits cash receipt of rupees two lakh or more. In order to enforce restriction on cash transactions, section 271 DA of the Act provides that if a person contravenes the provisions of section 269ST, he shall be liable to pay penalty of a sum equal to the amount of such receipt.

The above provisions are applicable to agricultural sector as well and give major impetus to digital transactions. Therefore, the above suggestion has already been implemented.

## CHAPTER V

### OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Observation/Recommendation

The Committee note that as regards the action taken by the Ministry towards implementation of the recommendation for 100 percent check of all cases by Audit in all Commissionerates, where agricultural income claimed is above Rs.10 lakh, the Ministry has inter-alia submitted that for AY 2020-21, 21,55,368 taxpayers reported Agriculture Income in their return of income, out of whom 59,707 taxpayers reported Agriculture Income exceeding Rs. 10 lakh. In view of the fact that number of the returns filed for a particular assessment year is significant, the number of cases selected for scrutiny is fine tuned with a view to striking a balance between available resources and various types of risk (which requires investigation) through Computer Aided Scrutiny Selection (CASS), which is a centralized system for selection of cases of scrutiny based on information in ITR, IT forms, TDS/TCS, data as reported by third parties, data received through inter-departmental MoUs etc. Further, CASS has been equipped with the aspect of identifying scenarios for selection of cases of agricultural income above a threshold level. The Chairman, CBDT, while tendering evidence before the Committee, mentioned that 3379 cases were chosen out of the afore-mentioned total of 21,55,388 cases. The Committee have been apprised that as against 100 percent check of all cases in all Commissionerates, where agricultural income claimed is above Rs. 10 lakh, the Ministry has devised its own mechanism for picking up cases for scrutiny due to paucity of manpower to handle the same. The Committee recommend that a system may be designed to examine the 3379 cases so picked with due promptitude and based on these assessments, new scenarios may be included in the CASS for refining the process of selection of cases for scrutiny. The Committee note that the 3379 cases chosen by CBDT includes cases of taxpayers reporting agricultural income less than Rs. 10 lakh. The Committee are of the considered view that focus of scrutiny should be on assessee reporting higher agricultural income. The Committee, therefore, recommend that the Ministry consider devising a mechanism for categorization of cases of agricultural income in three slabs i.e. above Rs. 10 lakh, Rs. 50 lakh and Rs. 1 crore in CASS so as to better target high risk cases in the aforementioned categories. Such a measure will also facilitate scrutiny of different types of agriculturists with the limited resources available with the Ministry/CBDT and enable in preventing possible leakage of revenue.

[Para No. 6]

### **Action taken by the Ministry**

For every scrutiny assessment case, feedback is uploaded on the ITBA portal by the AO capturing details like the reasons for selection of the case, addition made in the case on different CASS reasons etc. Every year this feedback is taken into account for refining risk parameters for selection of cases for scrutiny.

The recommendation regarding categorization of cases of agricultural income in different slabs in CASS to better target high risk cases has been noted and will be put before the CASS Committee for consideration.

**(APPENDIX – II)**  
**(Vide para 5 of Introduction)**

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE  
OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS  
COMMITTEE CONTAINED IN THEIR FORTY NINTH REPORT  
(SEVENTEENTH LOK SABHA)**

- (i) Total No of Observations/Recommendations - 13
- (ii) Observations/Recommendations of the Committee which have been accepted by the Government: - Total: 06  
Percentage – 46 %  
*Para Nos. 3, 5, 7, 9, 10 and 13*
- (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: - Total: Nil  
Percentage - 0%  
*-Nil-*
- (iv) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: - Total: 01  
Percentage– 8 %  
*Para No. 2*
- (v) Observations/Recommendations in respect of which Government have furnished interim replies: - Total: 06  
Percentage –46 %  
*Para Nos. 1\*, 4\*, 6, 8\*, 11\* & 12\**

NEW DELHI;  
February, 2024  
Magha, 1945 (Saka)

Adhir Ranjan Chowdhury  
Chairperson  
Public Accounts Committee