

F. No. 173/49/2022-ITA-I
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

Room No.245A, North Block,
New Delhi, dated 21 October, 2025

To

All Principal Chief Commissioners of Income Tax,

Madam/Sir

Subject: C&AG's performance Audit report No.9 of 2019 on "Assessment of Agricultural income"- observations and suggested course of action during assessment proceedings-reg

Kind reference is invited to C&AG's performance Audit report No.9 of 2019 on "Assessment of Agricultural income" (available at: <https://cag.gov.in/en/audit-report/details/121129>).

2. In the above performance audit report of C & AG, it was pointed out that there are some common mistakes in the assessment proceedings despite the facts and circumstances being similar in nature indicating inconsistent approach adopted by Assessing Officers (AOs) in these cases.

3. In this connection, a brief summary of the major issues pointed out by the C & AG in Report No. 9 Of 2019 is tabulated and suggested course of action, wherever necessary, is as indicated below:

Sr. No.	Observation of C&AG	Summary of the issue	Suggested course of action for AOs
(i)	Improper Verification and lack of independent cross-verification	".. agricultural income was allowed without proper verification of land records, sales invoices, and agricultural expenses."	AOs may call for and verify documentary evidences pertaining to: - land records (ownership & land type/ use- viz. Khasra-khatauni/7-12 extract/Mutation etc.), - input expenses (viz. tilling, irrigation, fertilizer/pesticides, electricity, labour, storage, transport etc),

		- sales documents (viz. Mandi/Buyers receipts, bank statements etc.).
(ii)	Exemptions granted to Non-agricultural activities.	<i>"Exemptions were granted for income derived from activities not qualifying as agricultural income under Section 2(1A) of the Income Tax Act, such as sale of fish, goats, dry grapes, and milk."</i>
(iii)	Income derived from agricultural land	<i>"Incorrect exemption granted for Income derived from agricultural land"</i>
(iv)	Partial agricultural income	<i>"Incorrect allowance of exemption for partial agricultural income"</i>

4. In order to facilitate proper verification during assessment of agricultural income, suggested course of action (as above) is only indicative & not exhaustive. The Assessing Officers (AOs) are required to verify every case based on the facts and circumstances of that case,
5. The above may be brought to the notice of all officers posted in your region.


 (Meenakshi Singh)
 Deputy Secretary
 ITA-I, CBDT

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1. PS to FM/PS to MoS (F)
2. PS to Secretary (Revenue)
3. PS to Chairman, CBDT & all Members, CBDT

4. All Pr. DGsIT/DGsIT
5. DGIT (Systems)
6. All Joint Secretaries/CsIT, CBDT



**Deputy Secretary
ITA-I, CBDT**