

Agricultural Income excluded from purview of Central Act: Kerala High Court disallows Deduction to Oil Palm India

Fact of the Case

- The assessee, Oil Palm India is a company with the shareholding held by the Governments of India and Kerala. The appellant undertakes Oil Palm cultivation and manufacture and production of crude palm oil.
- The assessee, till the assessment year 2005-2006, has been paying returns under Act 1991 on the 100% income derived from the agriculture and business income from manufacture/production of crude palm oil. A controversy arose between the assessee and the revenue, with the revenue implementing Rule 7 of the Central Income Tax Rules, 1962 providing for the assessment of income which is partly agricultural and partly business income.
- The Assessing Officer rejected deduction claimed by the assessee on the ground that the assessee has paid tax under Act 1991 on the whole of its income, whereas a part of income alone is amenable to the Agricultural Income Tax Act. The agricultural income is excluded from the purview of the Central Act and therefore is not part of the computation of income under the Central Act.

Decision of the Case

- The division bench of Justice S.V.Bhatti and Justice Viju Abraham held that agricultural income does not form part of computation under Section 14 of the Act, 1991. Further, the deduction is envisaged for the purpose of ascertaining the net income of the assessee under different heads.
- The agricultural income tax paid for the apportioned agricultural income cannot overlap into the business income as tax payable by the assessee for earning business income.
- Therefore from a plain and literal meaning of the applicable clause, the argument that the tax paid under Act 1991, ensures deduction is unsustainable and accordingly rejected.