

Class - B.Com. Part IV

Subject - Income Tax

Topic - Agricultural Income Meaning

Income Tax Act has its own definition of agricultural income which constitute the following three main activities -

① Rent or revenue got from agricultural land situated in India.

Rent is the consideration for the right to use the land - thus, revenue from land does not include consideration received on sale of land.

② Income derived from agricultural land in the following way: -

Ⓐ Agriculture - This include two types of operation: -

(i) Basic operation

(ii) Subsequent operation

The basic operation would include cultivation of the land and consequently tilling of the land, sowing of seeds, planting and all such operations that require the human skill and effort directly on the land itself.

Subsequent operation include operation that are carried out for growth and preservation of the produce like weeding, digging soil around the crop grown etc and for fitness of produce for market like sappling, weeding, nursery etc.

Ⓑ Making manual or mechanical operation for fit to market keeping original character retained.

Ⓒ Through sale of such agricultural product.

③ Income derived from farm building required for agricultural operation: -

Ⓐ The building should be on or in immediate vicinity of the agricultural land and is one which the receiver of rent or revenue or the cultivator by reason of his connection with the land.

Ⓑ The land is used by either land revenue or a local rate, assessed and collected by govt. officers or show land should be located in specified area.