(1992) 03 MAD CK 0013

In the Madras High Court

Case No : T.C. No. 381 of 1983 (Revision No. 145 of 1983)

Puthutotam Estates (1943) Ltd. APPELLANT

Vs

State of Tamil Nadu RESPONDENT

Date of Decision : 08-03-1992

Acts Referred:
Tamil Nadu Agricultural Income Tax Act, 1955 — Section 5

Citation : (1994) 207 ITR 878

Hon'ble Judges : Raju, J;Bhakthavatsalam, J

Bench : Division Bench

Advocate : T. Srinivasamoorthy, for the Appellant; Mrs. Chitra Venkataraman, for the Respondent

Judgement

Bhakthavatsalam, J.—This revision petition is filed against the orders of the Agricultural Income Tax Appellate Tribunal, Madras, disallowing

two items claimed by the petitioner as allowable deductions under the Tamil Nadu Agricultural Income Tax Act, 1955 (""T. N. A. I. T."", in short).

The petitioner claims deduction of Rs. 2,400 and Rs. 2,056 under the head ""Labour welfare expenses"" in respect of payments made for

conducting dramas and another deduction of Rs. 2,83,742.86 in respect of payment of interest on the loans borrowed and spent on immature

plants. Though the Tribunal allowed in part the claim regarding interest on loans borrowed and spent on immature plants, it rejected the claim of the

petitioner under the head ""Labour welfare expenses"" in respect of payments made for conducting dramas. Earlier, the Assessing Officer disallowed

the claim under the head ""Labour welfare expenses"", but gave relief under the head ""payment of interest on loans borrowed and spent on immature

plants"" to the extent of Rs. 1,38,780.05. On appeal, as stated earlier, the

Tribunal disposed of the claim of the petitioner in part regarding interest

on loans while rejecting the payment made for conducting dramas. The petitioner is before us questioning the two items disallowed by the Tribunal.

2. With regard to the interest paid on the amounts borrowed for maintaining immature coffee plants, a Division Bench of this court in the case of

the very same assessee, had held that it is an allowable deduction u/s 5(e) of the Tamil Nadu Agricultural Income Tax Act, 1955, and the case is

reported in Puthutotam Estates (1943) Ltd. Vs. State of Tamil Nadu, . Following that, another Division Bench of this court has applied the same

ratio in a case reported in Sakthi Estates v. State of Tamil Nadu [1990] 185 ITR 600. In view of the categorical decisions of the two Division

Benches of this court, we do not think the learned Additional Government Pleader (Taxes) can have any valid defence on this aspect of the matter.

So the order of the Tribunal, in so far as it has denied the benefit of section 5(e) of the Tamil Nadu Agricultural Income Tax Act to the petitioner is

concerned, has got to be set aside.

3. With regard to the expenses incurred for payments made for conducting dramas in the sums of Rs. 2,400 and Rs. 2,056, the Tribunal gave a

finding that the connection with the agricultural activity, if anything, is indirect and remote. In our view, the conclusion reached by the Tribunal is

unassailable. Mr. Srinivasamoorthy, learned counsel for the petitioner/assessee relied upon the decision of the apex court in Sassoon J. David and

Co. Pvt. Ltd., Bombay Vs. Commissioner of Income Tax , Bombay, , with regard to the construction of the expression ""wholly and exclusively

used in section 10(2) (xv) of the Indian Income Tax Act, 1922. In construing the provisions of the said section of the Indian Income Tax Act,

1922, the apex court of the land has held that the expression ""wholly and exclusively"" used in section 10(2) (xv) of the Indian Income Tax Act,

1922, does not mean ""necessarily"". In our view, the question before us is with regard to the construction of the expression ""wholly and exclusively

for the purposes of the land"" used in section 5(e) of the Tamil Nadu Agricultural Income Tax Act, 1955. A Division Bench of this court, while

construing the expression ""for the purpose of the land"" in the case of Kil Kotagiri Tea and Coffee Estates Co. Ltd. Vs. Government of Madras, , at

page 168, observed as follows :

These decision show that the expression ''for the purpose of the land'' covers a wide range of expenses taking in not only the expenses incurred

actually for deriving agricultural income, but also expenses which are not directly incurred for deriving agricultural income but expended in

connection with the lands which do not have any relationship to the agricultural income derived in the previous year.

4. If the above principle is borne in mind, we have no hesitation to hold that the Tribunal is right in coming to the conclusion that the deduction was

claimed in connection with the expenses which do not have any relationship to the agricultural income derived in the previous year. The very same

view has been taken by us in an unreported case in New Ambadi Estates (Pvt.) Ltd. Vs. State of Tamil Nadu,) (T. C. No. 154 of 1983, dated

June 29, 1992) when construing the scope of section 5(e) of the Tamil Nadu Agricultural Income Tax Act, 1955. Hence, we do not find any merit

in the contention of learned counsel for the petitioner/assessee with regard to this decision.

5. In the result, the revision petition is allowed in part and we hold that the assessee is entitled to claim deduction u/s 5(e) of the Tamil Nadu

Agricultural Income Tax Act towards payment of interest on the loans borrowed and spent on immature plants to the tune of Rs. 3,83,742.86. No

costs.