

**EKATVAM ACADEMY**  
**SOLUTION FOR PAPER 3 : AGRICULTURE INCOME**  
**CA/CMA INTER**

**SOLUTION 1**

**Computation of Business Income and Agriculture Income of Mr. B**

Particulars	Business Income	Agricultural Income	
	(₹)	(₹)	(₹)
<b><u>Sale of Sugar</u></b>			
<b><u>Business income</u></b>			
Sale Proceeds of sugar	25,00,000		
Less: Market value of sugar (70%)	22,00,000		
Less: Manufacturing exp.	<u>1,50,000</u>		
<b><u>Agricultural income</u></b>	<b><u>1,50,000</u></b>		
Market value of sugarcane (70%)		22,00,000	
Less: Cost of cultivation		<u>14,00,000</u>	
<b><u>Sale of sugarcane</u></b>			8,00,000
<b><u>Agricultural Income</u></b>			
Sale proceeds of sugarcane(30%)		10,00,000	
Less: Cost of cultivation		<u>5,00,000</u>	
			<u>5,00,000</u>
			<b><u>13,00,000</u></b>

- (i) **Rule 7A Income from growing and manufacturing of rubber :** This rule is applicable when income derived from the sale of centrifuged latex or cenex or latex based crepes or brown crepes or technically specified block rubbers manufactured or processed from field latex or coagulum obtained from rubber plants grown by the seller in India. In such cases 35% profits on sale is taxable as business income under the head “profits and gains from business or profession”, and the balance 65% is agricultural income and is exempt.

**Solution 2 :**

**Computation of Agricultural and Non-agriculture of Mr. A**

Particulars	Agriculture Income	Non-Agriculture Income
Tea	300000	200000
Coffee Grown and Cured	525000	175000
Coffee grown, cured & roasted	540000	360000
Rubber	650000	350000
<b>Total</b>	<b>2015000</b>	<b>1085000</b>

**Solution 3:****Computation of business income and agricultural income of Ms. Varada for the A.Y. 2024-25:**

Particulars	Gross	Business Income		Agriculture Income
	₹	%	₹	₹
Sale of centrifuged latex from rubber plants grown in India.	3,00,000	35	1,05,000	1,95,000
Sale of coffee grown and cured in India.	1,00,000	25	25,000	75,000
Sale of coffee grown, cured, roasted and grounded outside India. (See Note 1 below)	2,50,000	100	2,50,000	-
Sale of tea grown and manufactured in India	4,00,000	40	1,60,000	2,40,000
Saplings and seedlings grown in nursery in India (See Note 2 below)	80,000		Nil	80,000
<b>Total</b>			<b>5,40,000</b>	<b>5,90,000</b>

**Notes :**

1. Where income is derived from sale of coffee grown, cured, roasted and grounded by the seller in India, 40% of such income is taken as business income and the balance as agricultural income. However, in this question, these operations are done in Colombo, Sri Lanka. Hence, there is no question of such apportionment and the whole income is taxable as business income. Receipt of sale proceeds in India does not make this agricultural income. In the case of an Assessee, being a resident and ordinarily resident, the income arising outside India is also chargeable to tax.
2. Explanation 3 to section 2(1A) provides that the income derived from saplings or seedlings grown in a nursery would be deemed to be agricultural income whether or not the basic operations were carried out on land.