

# Aggregation of Income, Set-Off and Carry Forward of Losses

## Question 1

Mr. A (aged 35 years) submits the following particulars pertaining to the A.Y.2023-24:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from self-occupied property	(-)70,000
Loss from let-out property	(-) 1,50,000
Business loss	(-)1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. A for the A.Y.2023-24, assuming that he does not opt for the provisions of section 115BAC. [SM Q.]

## Answer 1

### Computation of total income of Mr. A for the A.Y.2023-24

Particulars	Amount (₹)	Amount (₹)
Income from salary	4,00,000	
Less: Loss from house property of ₹ 2,20,000 to be restricted to ₹ 2 lakhs by virtue of section 71(3A)	(-) 2,00,000	2,00,000
<b>Balance loss of ₹ 20,000 from house property to be carried forward to next assessment year</b>		
Income from other sources (interest on fixed deposit with bank)	80,000	
Business loss of ₹ 1,00,000 set-off to the extent of ₹ 80,000		
Business loss of ₹ 20,000 to be carried forward for set-off against business income of the next assessment year	(-) 80,000	-
<b>Gross total income [See Note below]</b>		<b>2,00,000</b>
Less: Deduction under Chapter VI-A		Nil
<b>Total income</b>		<b>2,00,000</b>

**Notes:** (i) Gross Total Income includes salary income of ₹ 2,00,000 after adjusting loss of ₹ 2,00,000 from house property. The balance loss of ₹ 20,000 from house property to be carried forward to next assessment year for set-off against income from house property of that year.

(ii) Business loss of ₹ 1,00,000 is set off against bank interest of ₹ 80,000 and remaining business loss of ₹ 20,000 will be carried forward as it cannot be set off against salary income.

**Question 2**

Mr. B, a resident individual, furnishes the following particulars for the P.Y.2022-23:

Particulars	₹
Income from salary (computed)	45,000
Income from house property	(24,000)
Income from non-speculative business	(22,000)
Income from speculative business	(4,000)
Short-term capital losses	(25,000)
Long-term capital gains taxable u/s 112	19,000

What is the total income chargeable to tax for the A.Y.2023-24, assuming that he does not opt for the provisions of section 115BAC? **[SM Q.]**

**Answer 2**

**Total income of Mr. B for the A.Y. 2023-24**

Particulars	Amount (₹)	Amount (₹)
Income from salaries	45,000	
Income from house property	(24,000)	21,000
<b>Profits and gains of business and profession</b>		
Business loss to be carried forward [Note (i)]	(22,000)	
Speculative loss to be carried forward [Note (ii)]	(4,000)	
<b>Capital Gains</b>		
Long term capital gain taxable u/s 112	19,000	
Short term capital loss ₹ 25,000 set off against long- term capital gains to the extent of ₹ 19,000 [Note (iii)]	(19,000)	
	Nil	
Balance short term capital loss of ₹ 6,000 to be carried forward [Note (iii)]		
<b>Taxable income</b>		<b>21,000</b>

**Notes:** (i) Business loss cannot be set-off against salary income. Therefore, loss of ₹ 22,000 from the non-speculative business cannot be set off against the income from salaries. Hence, such loss has to be carried forward to the next year for set- off against business profits, if any.

(ii) Loss of ₹ 4,000 from the speculative business can be set off only against the income from the speculative business. Hence, such loss has to be carried forward.

(iii) Short term capital loss can be set off against both short term capital gain and long-term capital gain. Therefore, short term capital loss of ₹ 25,000 can be set-off against long-term capital gains to the extent of ₹ 19,000. The balance short term capital loss of ₹ 6,000 cannot be set-off against any other income and has to be carried forward to the next year for set-off against capital gains, if any.

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

### Question 3

During the P.Y. 2022-23, Mr. C has the following income and the brought forward losses:

Particulars	₹
Short term capital gains on sale of shares	1,50,000
Long term capital loss of A.Y.2021-22	(96,000)
Short term capital loss of A.Y.2022-23	(37,000)
Long term capital gain u/s 112	75,000

What is the capital gain taxable in the hands of Mr. C for the A.Y.2023-24? **[SM Q.]**

### Answer 3

#### Taxable capital gains of Mr. C for the A.Y. 2023-24

Particulars	₹	₹
Short term capital gains on sale of shares	1,50,000	
Less: Brought forward short term capital loss of the A.Y.2022-23	(37,000)	1,13,000
Long term capital gain	75,000	
Less: Brought forward long-term capital loss of A.Y.2021-22		
₹ 96,000 set off to the extent of ₹ 75,000 [See Note below]	(75,000)	Nil
<b>Taxable short-term capital gains</b>		<b>1,13,000</b>

**Note:** Long-term capital loss cannot be set off against short-term capital gain. Hence, the unadjusted long-term capital loss of A.Y.2021-22 of ₹ 21,000 (i.e. ₹ 96,000 – ₹ 75,000) can be carried forward to the next year to be set-off against long-term capital gains of that year.

### Question 4

Mr. D has the following income for the P.Y.2022-23:

Particulars	₹
Income from the activity of owning and maintaining the race horses	75,000
Income from textile business	85,000
Brought forward textile business loss (relating to A.Y. 2022-23)	50,000
Brought forward loss from the activity of owning and maintaining the race horses (relating to A.Y.2020-21)	96,000

What is the total income in the hands of Mr. D for the A.Y. 2023-24? **[SM Q.]**

Answer 4

## Total income of Mr. D for the A.Y. 2023-24

Particulars	₹	₹
Income from the activity of owning and maintaining race horses	75,000	
Less: Brought forward loss of ₹ 96,000 from the activity of owning and maintaining race horses set-off to the extent of ₹ 75,000	75,000	
	Nil	
Balance loss of ₹ 21,000 (₹ 96,000 – ₹ 75,000) from the activity of owning and maintaining race horses to be carried forward to A.Y.2024-25		
Income from textile business	85,000	
Less: Brought forward business loss from textile business.	50,000	35,000
<b>Total income</b>		<b>35,000</b>

**Note:** Loss from the activity of owning and maintaining race horses cannot be set-off against any other source/head of income.

## Question 5

Mr. E has furnished his details for the A.Y.2023-24 as under:

Particulars	₹
Income from salaries (computed)	1,50,000
Income from speculation business	60,000
Loss from non-speculation business	(40,000)
Short term capital gain	80,000
Long term capital loss of A.Y.2021-22	(30,000)
Winning from lotteries (Gross)	20,000

What is the taxable income of Mr. E for the A.Y.2023-24?

[SM Q.]

## Answer 5

## Computation of taxable income of Mr. E for the A.Y.2023-24

Particulars	₹	₹
Income from salaries		1,50,000
Income from speculation business	60,000	
Less : Loss from non-speculation business	(40,000)	20,000
Short-term capital gain		80,000
Winnings from lotteries		20,000
<b>Taxable income</b>		<b>2,70,000</b>

**Note:** Long term capital loss can be set off only against long term capital gain. Therefore, long term capital loss of ₹ 30,000 has to be carried forward to the

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

### Question 6

Compute the gross total income of Mr. F for the A.Y. 2023-24 from the information given below – [SM Q.]

Particulars	₹
Income from house property (computed)	1,25,000
Income from business (before providing for depreciation)	1,35,000
Short term capital gains on sale of unlisted shares	56,000
Long term capital loss from sale of property (brought forward from A.Y. 2022-23)	(90,000)
Income from tea business	1,20,000
Dividends from Indian companies carrying on agricultural operations (Gross)	80,000
Current year depreciation	26,000
Brought forward business loss (loss incurred six years ago)	(45,000)

### Answer 6

#### Gross Total Income of Mr. F for the A.Y. 2023-24

Particulars	₹	₹
Income from house property (Computed)		1,25,000
<b>Income from business</b>		
Profits before depreciation	1,35,000	
Less: Current year depreciation	26,000	
Less: Brought forward business loss	45,000	
	64,000	
Income from tea business (40% is business income)	48,000	1,12,000
<b>Capital gains</b>		
Short term capital gains		56,000
<b>Income from Other Sources</b>		
Dividend income (taxable in the hands of shareholders)		80,000
<b>Gross Total Income</b>		<b>3,73,000</b>

#### Note:

- (1) Dividend from Indian companies is fully taxable in the hands of shareholders at normal rates of tax.
- (2) 60% of the income from tea business is treated as agricultural income and therefore, exempt from tax;
- (3) Long-term capital loss can be set-off only against long-term capital gains. Therefore, long-term capital loss of ₹ 90,000 brought forward from A.Y.2022-23 cannot be set-off in the A.Y.2023-24, since there is no long- term capital gains in that year. It has to be carried forward for set-off against long-term capital gains, if any, during A.Y.2024-25.

Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Question 7

Mr. Soohan submits the following details of his income for the assessment year 2023-24:

Particulars	₹
Income from salary (computed)	3,00,000
Loss from let out house property	(-) 40,000
Income from sugar business	50,000
Loss from iron ore business b/f (discontinued in P.Y. 2017-18)	(-) 1,20,000
Short term capital loss	(-) 60,000
Long term capital gain	40,000
Dividend	5,000
Income received from lottery winning (Gross)	50,000
Winnings from card games (Gross)	6,000
Agricultural income	20,000
Short-term capital loss under section 111A	(-) 10,000
Bank interest on Fixed deposit	5,000

Calculate gross total income and losses to be carried forward, assuming that he does not opt for the provisions of section 115BAC. [SM Q.]

Answer 7

Computation of Gross Total Income of Mr. Soohan for the A.Y.2023-24

Particulars	₹	₹
<b>Salaries</b>		
Income from salary	3,00,000	
Less: Loss from house property set-off against salary income as per section 71	(40,000)	2,60,000
<b>Profits and gains of business or profession</b>		
Income from sugar business	50,000	
Less: Brought forward loss of ₹ 1,20,000 from iron-ore business set-off as per section 72(1) to the extent of ₹ 50,000	(50,000)	Nil
Balance business loss of ₹ 70,000 of P.Y.2017-18 to be carried forward to A.Y.2024-25		
<b>Capital gains</b>		
Long term capital gain	40,000	

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Particulars	₹	₹
Less: Short term capital loss of ₹ 60,000 set-off to the extent of ₹ 40,000	(40,000)	
Balance short-term capital loss of ₹ 20,000 to be carried forward		
Short-term capital loss of ₹ 10,000 u/s 111A also to be carried forward		
<b>Income from other sources</b>		
Dividend (fully taxable in the hands of shareholders)	5,000	
Winnings from lottery	50,000	
Winnings from card games	6,000	
Bank FD interest	5,000	
<b>Gross Total Income</b>		<b>3,26,000</b>
<b>Losses to be carried forward to A.Y.2024-25</b>		
Loss of iron-ore business (₹ 1,20,000 – ₹ 50,000)	70,000	
Short term capital loss (₹ 20,000 + ₹ 10,000)	30,000	

### Notes:

1. Agricultural income is exempt under section 10(1)
2. It is presumed that loss from iron-ore business relates to P.Y.2017-18, the year in which the business was discontinued.

### Question 8

Mr. Batra furnishes the following details for year ended 31.03.2023:

Particulars	₹
Short term capital gain	1,40,000
Loss from speculative business	60,000
Long term capital gain on sale of land	30,000
Long term capital loss on sale of unlisted shares	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000
Income from salary (computed)	1,00,000
Loss from house property	40,000

Following are the brought forward losses:

- (i) Losses from activity of owning and maintaining race horses-pertaining to A.Y.2020-21 ₹ 25,000.
- (ii) Brought forward loss from business of textile ₹ 60,000 - Loss pertains to A.Y. 2015-16.

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Compute gross total income of Mr. Batra for the Assessment Year 2023-24, assuming that he does not opt for the provisions of section 115BAC. Also determine the losses eligible for carry forward to the Assessment Year 2024-25. [SM Q.]

Answer 8

### Computation of Gross Total Income of Mr. Batra for the A.Y. 2023-24

Particulars	₹	₹
<b>Salaries</b>	1,00,000	
Less: Current year loss from house property	(40,000)	60,000
<b>Profit and gains of business or profession</b>		
Income from textile business	50,000	
Less: Loss of ₹ 60,000 from textile business b/f from A.Y. 2015-16 set-off to the extent of ₹ 50,000	50,000	NIL
<b>Income from the activity of owning and maintaining race horses</b>	15,000	
Less: Loss of ₹ 25,000 from activity of owning and maintaining race horses b/f from A.Y. 2020-21 set-off to the extent of ₹ 15,000		
Balance loss of ₹ 10,000 to be carried forward to A.Y. 2024-25 [See Note 2]	15,000	NIL
<b>Capital Gain</b>		
Short term capital gain		1,40,000
Long term capital gain on sale of land	30,000	
Less: Long term capital loss of ₹ 1,00,000 on sale of unlisted shares set-off to the extent of ₹ 30,000	30,000	NIL
Balance loss of ₹ 70,000 to be carried forward to A.Y. 2024-25 [See Note 3]		
<b>Gross Total Income</b>		<b>2,00,000</b>

### Losses to be carried forward to A.Y. 2024-25

Particulars	₹
Current year loss from speculative business [See Note-4]	60,000
Current year long term capital loss on sale of unlisted shares	70,000
Loss from activity of owning and maintaining of race horse pertaining to A.Y.2020-21	10,000

#### Notes:-

- (1) As per section 72(3), business loss can be carried forward for a maximum of eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since the eight year period for carry forward of business loss of A.Y. 2015-16 expired in the A.Y. 2023-24, the balance unabsorbed business loss of ₹ 10,000 cannot be carried forward to A.Y. 2024-25.
- (2) As per section 74A(3), the loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum period of 4 assessment years.

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

- (3) Long-term capital loss on sale of unlisted shares can be set-off against long-term capital gain on sale of land. The balance loss of ₹ 70,000 cannot be set-off against short term capital gain or against any other head of income. The same has to be carried forward for set-off against long-term capital gain of the subsequent assessment year. Such long-term capital loss can be carried forward for a maximum of eight assessment years.
- (4) Loss from speculation business cannot be set-off against any income other than profit and gains of another speculation business. Such loss can, however, be carried forward for a maximum of four years as per section 73(4) to be set-off against income from speculation business.

### Question 9

Mr. A furnishes you the following information for the year ended 31.03.2023:

	(₹)
(i) Income from plying of vehicles (computed as per books) (He owned 5 light goods vehicle throughout the year)	3,20,000
(ii) Income from retail trade of garments (Computed as per books) (Sales turnover ₹ 1,35,70,000) Mr. A had declared income on presumptive basis under section 44AD for the first time in A.Y. 2022-23. Assume 10% of the turnover during the previous year 2022-23 was received in cash and balance through A/c payee cheque and all the payments in respect of expenditure were also made through A/c payee cheque or debit card.	7,50,000
(iii) He has brought forward depreciation relating to A.Y. 2021-22	1,00,000

Compute taxable income of Mr. A and his tax liability for the assessment year 2023-24 with reasons for your computation, assuming that he does not opt for section 115BAC. [SM Q.]

### Answer 9

#### Computation of total income and tax liability of Mr. A for the A.Y. 2023-24

Particulars	₹
Income from retail trade – as per books (See Note 1 below)	7,50,000
Income from plying of vehicles – as per books (See Note 2 below)	3,20,000
	10,70,000
Less : Set off of b/f depreciation relating to A.Y. 2021-22	1,00,000
<b>Total income</b>	<b>9,70,000</b>
Tax liability	1,06,500
Add: Health and Education cess @4%	4,260
<b>Total tax liability</b>	<b>1,10,760</b>

#### Note:

- Income from retail trade:** Presumptive business income under section 44AD is ₹ 8,41,340 i.e., 8% of ₹ 13,57,000, being 10% of the turnover received in cash and 6% of ₹ 1,22,13,000, being the amount of sales turnover received through A/c payee cheque. However, the income computed as per books is ₹ 7,50,000 which is to be further reduced by the amount of unabsorbed depreciation of ₹ 1,00,000. Since the income computed as per books is lower than the income deemed under section 44AD, the assessee can adopt the income as per books.

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

However, if he does not opt for presumptive taxation under section 44AD, he has to get his books of accounts audited under section 44AB, since his turnover exceeds ₹ 1 crore (the enhanced limit of ₹ 10 crore would not be available, since more than 5% of the turnover is received in cash). Also, his case would be falling under section 44AD(4) and hence tax audit is mandatory. It may further be noted that he cannot opt for section 44AD for next five A.Ys, if he does not opt for section 44AD this year.

2. **Income from plying of light goods vehicles:** Income calculated under section 44AE(1) would be ₹ 7,500 x 12 x 5 which is equal to ₹ 4,50,000. However, the income from plying of vehicles as per books is ₹ 3,20,000, which is lower than the presumptive income of ₹ 4,50,000 calculated as per section 44AE(1). Hence, the assessee can adopt the income as per books i.e. ₹ 3,20,000, provided he maintains books of account as per section 44AA and gets his accounts audited and furnishes an audit report as required under section 44AB.

It is to be further noted that in both the above cases, had presumptive income provisions been opted, all deductions under sections 30 to 38, including depreciation would have been deemed to have been given full effect to and no further deduction under those sections would be allowable.

**If the assessee opted for income to be assessed on presumptive basis, his total income would be as under:**

Particulars	₹
Income from retail trade under section 44AD [₹ 13,57,000 @ 8% plus ₹ 1,22,13,000 @6%]	8,41,340
Income from plying of light goods vehicles under section 44AE [₹ 7,500 x 12 x 5]	4,50,000
	12,91,340
Less: Set off of brought forward depreciation – not possible as it is deemed that it has been allowed and set off	Nil
<b>Total income</b>	<b>12,91,340</b>
Tax thereon	1,99,902
Add : Health and Education cess @4%	7,996
<b>Total tax liability</b>	<b>2,07,898</b>
<b>Total tax liability (rounded off)</b>	<b>2,07,900</b>

### Question 10

Mr. Aditya furnishes the following details for the year ended 31-03-2023:

Particulars	Amount (₹)
Loss from speculative business A	25,000
Income from speculative business B	5,000
Loss from specified business covered under section 35AD	20,000
Income from salary (computed)	3,00,000
Loss from let out house property	2,50,000
Income from trading business	45,000

**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

Particulars	Amount (₹)
Long-term capital gain from sale of urban land	2,00,000
Long-term capital loss on sale of shares (STT not paid)	75,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,02,000

Following are the brought forward losses:

- (1) Losses from owning and maintaining of race horses pertaining to A.Y. 2021-22 ₹ 2,000.
- (2) Brought forward loss from trading business ₹ 5,000 relating to A.Y.2018-19.

Compute the total income of Mr. Aditya and show the items eligible for carry forward, assuming that he does not opt for the provisions of section 115BAC. [SM Q.]

**Answer 10**

**Computation of total income of Mr. Aditya for the A.Y.2023-24**

Particulars	₹	₹
<b>Salaries</b>		
Income from Salary	3,00,000	
<b>Less:</b> Loss from house property set-off against salary income as per section 71(3A)	<u>2,00,000</u>	1,00,000
Loss from house property to the extent not set off i.e. ₹ 50,000 (₹ 2,50,000 – ₹ 2,00,000) to be carried forward to A.Y. 2024-25		
<b>Profits and gains of business or profession</b>		
Income from trading business	45,000	
<b>Less:</b> Brought forward loss from trading business of A.Y. 2018-19 can be set off against current year income from trading business as per section 72(1), since the eight year time limit as specified under section 72(3), within which set-off is permitted, has not expired.	5,000	40,000
<b>Income from speculative business B</b>	5,000	
<b>Less:</b> Loss of ₹ 25,000 from speculative business A set-off as per section 73(1) to the extent of ₹ 5,000	5,000	
Balance loss of ₹ 20,000 from speculative business A to be carried forward to A.Y.2024-25 as per section 73(2)		Nil
<b>Loss of ₹ 20,000 from specified business covered under section 35AD</b> to be carried forward for set-off against income from specified business as per section 73A.		
<b>Capital Gains</b>		
Long term capital gain on sale of urban land	2,00,000	
<b>Less:</b> Long term capital loss on sale of shares (STT not paid) set-off as per section 74(1)]	75,000	

**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

Particulars	₹	₹
Less: Long-term capital loss on sale of listed shares on which STT is paid can also be set-off as per section 74(1), since long-term capital arising on sale of such shares is taxable under section 112A	1,02,000	23,000
<b>Total Income</b>		<b>1,63,000</b>

**Items eligible for carried forward to A.Y.2024-25**

Particulars	₹
<p><b><u>Loss from House property</u></b></p> <p>As per section 71(3A), Loss from house property can be set-off against any other head of income to the extent of ₹ 2,00,000 only.</p> <p>As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., upto A.Y.2031-32, in this case.</p>	50,000
<p><b><u>Loss from speculative business A</u></b></p> <p>Loss from speculative business can be set-off only against profits from any other speculation business. As per section 73(2), balance loss not set-off can be carried forward to the next year for set-off against speculative business income of that year. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y.2027-28, in this case, as specified under section 73(4).</p>	20,000
<p><b><u>Loss from specified business</u></b></p> <p>Loss from specified business under section 35AD can be set-off only against profits of any other specified business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business .</p>	20,000
<p><b><u>Loss from the activity of owning and maintaining race horses</u></b></p> <p>Losses from the activity of owning and maintaining race horses (current year or brought forward) can be set-off only against income from the activity of owning and maintaining race horses. If it cannot be so set-off, it has to be carried forward to the next year for set-off against income from the activity of owning and maintaining race horses, if any, in that year. It can be carried forward for a maximum of four assessment years, i.e., upto A.Y.2025-26, in this case, as specified under section 74A(3).</p>	2,000

**Question 11**

Mr. Garg, a resident individual, furnishes the following particulars of his income and other details for the previous year 2022-23.

	Particulars	₹
(1)	Income from Salary (computed)	15,000
(2)	Income from business	66,000
(3)	Long term capital gain on sale of land	10,800

**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

	Particulars	₹
(4)	Loss on maintenance of race horses	15,000
(5)	Loss from gambling	9,100

The other details of unabsorbed depreciation and brought forward losses pertaining to Assessment Year 2022-23 are as follows:

	Particulars	₹
(1)	Unabsorbed depreciation	11,000
(2)	Loss from Speculative business	22,000
(3)	Short term capital loss	9,800

Compute the Gross total income of Mr. Garg for the Assessment Year 2023-24 and the amount of loss, if any that can be carried forward or not. **[SM Q.]**

**Answer 11**

**Computation of Gross Total Income of Mr. Garg for the A.Y. 2023-24**

Particulars	₹	₹
<b>(i) Income from salary</b>		15,000
<b>(ii) Profits and gains of business or profession</b>	66,000	
Less: Unabsorbed depreciation brought forward from A.Y.2022-23	<u>11,000</u>	55,000
(Unabsorbed depreciation can be set-off against any head of income other than "salary")		
<b>(iii) Capital gains</b>		
Long-term capital gain on sale of land	10,800	
Less: Brought forward short-term capital loss		
[Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains as per section 74(1)]	9,800	1,000
<b>Gross Total Income</b>		<b>71,000</b>

**Amount of loss to be carried forward to A.Y.2024-25**

	Particulars	₹
(1)	<b>Loss from speculative business [to be carried forward as per section 73]</b> [Loss from a speculative business can be set off only against income from another speculative business. Since there is no income from speculative business in the current year, the entire loss of ₹ 22,000 brought forward from A.Y.2022-23 has to be carried forward to A.Y. 2024-25 for set-off against speculative business income of that year. It may be noted that speculative business loss can be carried forward for a maximum of four years as per section 73(4), i.e., upto A.Y.2026-27]	22,000

Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

	Particulars	₹
(2)	<b>Loss on maintenance of race horses [to be carried forward as per section 74A]</b> [As per section 74A(3), the loss incurred in the activity of owning and maintaining race horses in any assessment year cannot be set-off against income from any other source other than the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum of four assessment years i.e., upto A.Y.2027-28]	15,000
(3)	<b>Loss from gambling can neither be set-off nor be carried forward.</b>	

**Question 12**

The following are the details relating to Mr. Srivatsan, a resident Indian, aged 57, relating to the year ended 31.3.2023:

Particulars	₹
Income from salaries (computed)	2,20,000
Loss from house property	1,90,000
Loss from cloth business	2,40,000
Income from speculation business	30,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	45,000

Compute the total income and show the items eligible for carry forward, assuming that he does not opt for the provisions of section 115BAC. [SM Q.]

**Answer 12**

**Computation of total income of Mr. Srivatsan for the A.Y.2023-24**

Particulars	₹	₹
<b>Salaries</b>		
Income from salaries	2,20,000	
Less: Loss from house property	1,90,000	30,000
<b>Profits and gains of business or profession</b>		
Income from speculation business	30,000	
Less: Loss from cloth business of ₹ 2,40,000 set off to the extent of ₹ 30,000	30,000	Nil
<b>Capital gains</b>		
Long-term capital gains from sale of urban land	2,50,000	40,000
Less: Set-off of balance loss of ₹ 2,10,000 from cloth business		

Particulars	₹	₹
<b>Income from other sources</b>	2,10,000	
Income from betting		45,000
<b>Gross Total Income</b>		
Less: Deduction under section 80C (life insurance premium paid) [See Note (iv) below]		1,15,000
<b>Total income</b>		30,000
		<b>85,000</b>

**Losses to be carried forward:**

Particulars	₹
(1) Loss from cloth business (₹ 2,40,000 – ₹ 30,000 – ₹ 2,10,000)	Nil
(2) Loss from specified business covered by section 35AD	20,000

**Notes:**

- (i) Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. The unabsorbed loss has to be carried forward for set-off against profits and gains of any specified business in the following year.
- (ii) Business loss cannot be set off against salary income. However, the balance business loss of ₹ 2,10,000 (₹ 2,40,000 – ₹ 30,000 set-off against income from speculation business) can be set-off against long-term capital gains of ₹ 2,50,000 from sale of urban land. Consequently, the taxable long-term capital gains would be ₹ 40,000.
- (iii) Loss from card games can neither be set off against any other income, nor can be carried forward.
- (iv) For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium of ₹ 45,000 paid has to be restricted to ₹ 30,000 [i.e., Gross Total Income of ₹ 1,15,000 – ₹ 40,000 (LTCG) – ₹ 45,000 (Casual income)].
- (v) Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.

**Question 13**

Mr. Rajat submits the following information for the financial year ending 31st March, 2023. He desires that you should:

- (a) Compute the total income and
- (b) Ascertain the amount of losses that can be carried forward.

Particulars	₹
(i) He has two houses:	
(a) House No. I – Income after all statutory deductions	72,000
(b) House No. II – Current year loss	(30,000)
(ii) He has three proprietary businesses:	
(a) Textile Business:	
(i) Discontinued from 31st October, 2022 – Current year loss	40,000
(ii) Brought forward business loss of A.Y.2018-19	95,000

Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Particulars	₹
(b) Chemical Business:	
(i) Discontinued from 1st March, 2020 – hence no profit/loss	Nil
(ii) Bad debts allowed in earlier years recovered during this year	35,000
(iii) Brought forward business loss of A.Y. 2019-20	50,000
(c) Leather Business: Profit for the current year	1,00,000
(d) Share of profit in a firm in which he is partner since 2008	16,550
(iii) (a) Short-term capital gain	60,000
(b) Long-term capital loss	35,000
(iv) Contribution to LIC towards premium	10,000

[SM Q.]

Answer 13

Computation of total income of Mr. Rajat for the A.Y. 2023-24

Particulars	₹	₹
<b>1. Income from house property</b>		
House No.1	72,000	
House No.2	(-) 30,000	42,000
<b>2. Profits and gains of business or profession</b>		
Profit from leather business	1,00,000	
Bad debts recovered taxable under section 41(4)	35,000	
	1,35,000	
Less: Current year loss of textile business	(-) 40,000	
	95,000	
Less: Brought forward business loss of textile business for A.Y.2018-19 set off against the business income of current year	95,000	Nil
<b>3. Capital Gains</b>		
Short-term capital gain		60,000
<b>Gross Total Income</b>		<b>1,02,000</b>
Less: Deduction under Chapter VI-A		10,000
Under section 80C – LIC premium paid		
<b>Total Income</b>		<b>92,000</b>

Statement of losses to be carried forward to A.Y. 2024-25

Particulars	₹
Brought forward chemical business loss of A.Y. 2019-20 to be carried forward u/s 72	50,000
Long term capital loss of A.Y. 2023-24 to be carried forward u/s 74	35,000

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

### Notes:

- (1) Share of profit from firm of ₹ 16,550 is exempt under section 10(2A).
- (2) Long-term capital loss cannot be set-off against short-term capital gains. Therefore, it has to be carried forward to the next year to be set-off against long-term capital gains of that year.

### Question 14

Ms. Geeta, a resident individual, provides the following details of her income / losses for the year ended 31.3.2023:

- (i) Salary received as a partner from a partnership firm ₹ 7,50,000. The same was allowed to the firm.
- (ii) Loss on sale of shares listed in BSE ₹ 3,00,000. Shares were held for 15 months and STT paid on sale and acquisition.
- (iii) Long-term capital gain on sale of land ₹ 5,00,000.
- (iv) ₹ 51,000 received in cash from friends in party.
- (v) ₹ 55,000, received towards dividend on listed equity shares of domestic companies.
- (vi) Brought forward business loss of assessment year 2021-22 ₹ 12,50,000.

Compute gross total income of Ms. Geeta for the Assessment Year 2023-24 and ascertain the amount of loss that can be carried forward. [SM Q.]

### Answer 14

#### Computation of Gross Total Income of Ms. Geeta for the Assessment Year 2023-24

Particulars	₹
<b>Profits and gains of business and profession</b>	
Salary received as a partner from a partnership firm is taxable under the head "Profits and gains of business and profession"	7,50,000
Less: B/f business loss of A.Y. 2021-22 ₹ 12,50,000 to be set-off to the extent of ₹ 7,50,000	7,50,000
	Nil
(Balance b/f business loss of ₹ 5,00,000 can be carried forward to the next year)	
<b>Capital Gains</b>	
Long term capital gain on sale of land	5,00,000
Less: Long-term capital loss on shares on STT paid (See Note 2 below)	<u>3,00,000</u>
	2,00,000
<b>Income from other sources</b>	
Cash gift received from friends - since the value of cash gift exceeds ₹ 50,000, the entire sum is taxable	51,000
Dividend received from a domestic company is fully taxable in the hands of shareholders	55,000
	1,06,000
<b>Gross Total Income</b>	<u><b>3,06,000</b></u>

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

### Notes:

1. Balance brought forward business loss of assessment year 2021-22 of ₹ 5,00,000 has to be carried forward to the next year.
2. Long-term capital loss on sale of shares on which STT is paid at the time of acquisition and sale can be set-off against long-term capital gain on sale of land since long-term capital gain on sale of shares (STT paid) is taxable under section 112A. Therefore, it can be set-off against long-term capital gain on sale of land as per section 70(3).

### Question 15

Mr. P, a resident individual, furnishes the following particulars of his income and other details for the previous year 2022-23:

Sl. No.	Particulars	₹
(i)	Income from salary (computed)	18,000
(ii)	Net annual value of house property	70,000
(iii)	Income from business	80,000
(iv)	Income from speculative business	12,000
(v)	Long term capital gain on sale of land	15,800
(vi)	Loss on maintenance of race horse	9,000
(vii)	Loss on gambling	8,000

Depreciation allowable under the Income-tax Act, 1961, comes to ₹ 8,000, for which no treatment is given above.

The other details of unabsorbed depreciation and brought forward losses (pertaining to A.Y. 2022-23) are:

Sl. No.	Particulars	₹
(i)	Unabsorbed depreciation	9,000
(ii)	Loss from speculative business	16,000
(iii)	Short term capital loss	7,800

Compute the gross total income of Mr. P for the Assessment year 2023-24, and the amount of loss that can or cannot be carried forward. [SM Q.]

### Answer 15

#### Computation of Gross Total Income of Mr. P for the A.Y. 2023-24

Particulars	₹	₹
(i) <b>Income from salary</b>		18,000
(ii) <b>Income from House Property</b>		
Net Annual Value	70,000	
Less: Deduction under section 24 (30% of ₹ 70,000)	21,000	49,000

**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

Particulars	₹	₹
<b>(iii) Income from business and profession</b>		
(a) Income from business	80,000	
Less: Current year depreciation	8,000	
	72,000	
Less: Unabsorbed depreciation	9,000	63,000
(b) Income from speculative business	12,000	
Less : B/f loss of ₹ 16,000 from speculative business s/o to the extent of ₹ 12,000	12,000	Nil
(Balance loss of ₹ 4,000 (i.e. ₹ 16,000 – ₹ 12,000) can be carried forward to the next year)		
<b>(iv) Income from capital gain</b>		
Long-term capital gain on sale of land	15,800	
Less: Brought forward short-term capital loss	7,800	8,000
<b>Gross total income</b>		<b>1,38,000</b>

**Amount of loss to be carried forward to the next year**

Particulars	₹
Loss from speculative business (to be carried forward as per section 73)	4,000
Loss on maintenance of race horses (to be carried forward as per section 74A)	9,000

**Notes:**

- (i) Loss on gambling can neither be set-off nor be carried forward.
- (ii) As per section 74A(3), the loss incurred on maintenance of race horses cannot be set-off against income from any other source other than the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum period of 4 assessment years.
- (iii) Brought forward speculative business loss can be set off only against income from speculative business of the current year and the balance loss can be carried forward to A.Y. 2024-25. It may be noted that speculative business loss can be carried forward for a maximum of four years as per section 73(4).

**Question 16**

Compute total income of Mr. Mathur for the assessment year 2023-24 from the following information furnished by him for the financial year 2022-23. [RTP M-20 Q.]

Particulars	₹
Salary income (computed)	4,70,000
Loss from self-occupied house property	2,00,000
Loss from let out house property	60,000
Loss from speculation business-X	80,000

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Particulars	₹
Profit from speculation business-Y	40,000
Income from trading and manufacturing business @ 8%	3,50,000
Interest on PPF deposit	95,000
Long term capital gain on sale of Vacant site (Computed)	2,10,000
Short term capital loss on sale of Jewellery	1,50,000
Investment in tax saver deposit on 31-03-2023	60,000
Brought forward loss of business of assessment year 2017-18	5,50,000
Donation to a charitable trust recognized under section 12AA and approved under section 80G paid by cheque	1,10,000
Enhanced compensation received from government for compulsory acquisition of land (held for a period of 5 years) in the year 2008	3,00,000

### Answer 16

#### Computation of total income of Mr. Mathur for A.Y. 2023-24

Particulars	₹	₹
<b>Salaries</b>		4,70,000
<b>Profits and gains from business or profession</b>		
<b>Profit from speculation business Y</b>	40,000	
Less: Loss of ₹80,000 from speculation business X set-off against profit from speculation business Y to the extent of such profit	(40,000)	
Loss of ₹ 40,000 from speculation business X to be carried forward to A.Y. 2024-25 for set-off against profits from speculation business.		
<b>Income from trading and manufacturing business @8%</b>	3,50,000	
Less: Brought forward business loss of A.Y. 2017-18 set-off since a period of eight assessment years has not expired.	(3,50,000)	Nil
Balance loss of ₹ 2,00,000 to be carried forward to A.Y. 2024-25		
<b>Capital Gains</b>		
Enhanced compensation received from government for compulsory acquisition [Taxable in P.Y. 2022-23 since enhanced compensation is taxable on receipt basis]	3,00,000	
Long term capital gain on sale of vacant site	2,10,000	
Less: Short term capital loss on sale of jewellery	(1,50,000)	
	3,60,000	
Less: Loss from house property can be set-off to the extent of ₹ 2,00,000 as per section 71(3A) [since long-term capital gains would be chargeable to tax @20%, it would be beneficial to set-off the loss from house property against LTCG]. Balance loss of ₹ 60,000 to be carried forward to A.Y. 2024-25.	(2,00,000)	1,60,000

**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

Particulars	₹	₹
<b>Income from Other Sources</b>		
Interest on PPF deposit	95,000	
Less: Exempt under section 10(11)	(95,000)	Nil
<b>Gross Total Income</b>		<b>6,30,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
Deduction under section 80C		
Investment in tax saver deposit on 31.3.2023	60,000	
Deduction under section 80G		
Donation to recognized and approved charitable trust [Donation of ₹ 1,10,000 to be first restricted to ₹ 41,000, being 10% of adjusted total income of ₹ 4,10,000 i.e., [₹ 6,30,000 – ₹ 1,60,000 – ₹ 60,000]. Thereafter, deduction would be computed at 50% of ₹ 41,000.	20,500	80,500
<b>Total Income</b>		<b>5,49,500</b>

**Question 17**

Mr. Krishan, residing in Indore, provides the following information for the financial year 2022-23:

Particulars	₹
Income from textile business	4,60,000
Income from speculation business	25,000
Loss from gambling	12,000
Loss on maintenance of race horse	15,000
Current year depreciation of textile business not adjusted in the income given above.	5,000
Unabsorbed depreciation of assessment year 2021-22	10,000
Speculation business loss of assessment year 2022-23	30,000

Compute the Gross Total Income of Mr. Krishan for the Assessment year 2023-24 and also state the losses eligible for carry forward and period upto which such losses can be carried forward.

[RTP N-20 Q.]

**Answer 17**

**Computation of Gross Total Income of Mr. Krishan for A.Y. 2023-24**

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
Income from Textile business	4,60,000	
Less: Current year depreciation allowable under section 32(1)	5,000	
	4,55,000	

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**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

Particulars	₹	₹
Less: Unabsorbed depreciation brought forward from A.Y.2021-22 as per section 32(2)	10,000	4,45,000
<b>Income from speculation business</b>		
Current year income from speculation business	25,000	
Less: Speculation business loss for A.Y. 2022-23 set-off as per the provisions of section 73(2)	30,000	
Speculation business loss to be carried forward	(5,000)	Nil
<b>Gross Total Income</b>		<b>4,45,000</b>

**Losses eligible for carry forward to A.Y.2024-25**

	Particulars	₹
(1)	Loss from speculation business to be carried forward as per section 73 Loss from speculation business can be set off only against income from another speculation business. The remaining loss from speculation business can be carried forward for a maximum of four assessment years immediately succeeding the assessment year for which the loss was first computed. Thus, such loss can be carried forward upto A.Y.2026-27	5,000
(2)	Loss on maintenance of race horses to be carried forward as per section 74A(3) Loss on maintenance of race horses can be set-off only against income from the activity of owning and maintaining race horses. Such loss can be carried forward for a maximum of four assessment years immediately succeeding the assessment year for which the loss was first computed. Thus, such loss can be carried forward upto A.Y. 2027-28	15,000
(3)	Loss from gambling can neither be set-off nor be carried forward.	

**Question 18**

Ms. Aarti, a resident individual, provides the following information of her income/losses for the year ended on 31st March, 2023: **[RTP N-21 Q.]**

S. No.	Particulars	(₹)
1.	Income from salary (Computed)	8,20,000
2.	Income from house property (let out) (Net Annual Value)	1,20,000
3.	Share of profit from firm in which she is partner	48,000
4.	Loss from specified business covered under section 35AD	67,000
5.	Income from textile business before adjusting the following items:	3,30,000
	(a) Current year depreciation	53,000
	(b) Unabsorbed depreciation of earlier year	1,85,000
	(c) Brought forward loss of textile business of the A.Y. 2020-21	1,90,000

**Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses**

S. No.	Particulars	(₹)
6.	Long-term capital gain on sale of debentures (unlisted)	1,50,000
7.	Long-term capital loss on sale of equity shares (STT not paid)	1,50,000
8.	Long-term capital gain on sale of equity shares listed in recognized stock exchange (STT paid at the time of acquisition and sale)	2,50,000
9.	Dividend from units of UTI	1,15,000
10.	Repayment towards housing loan taken from a scheduled bank. Out of this ₹ 3,28,000 was towards payment of interest and rest towards principal.	4,85,000

Compute the Gross Total Income of Ms. Aarti and ascertain the amount of loss that can be carried forward. Ms. Aarti has always filed her return within the due date specified under section 139(1) of the Income-tax Act, 1961. She does not want to opt for 115BAC.

**Answer 18**

**Computation of gross total income of Ms. Aarti for the A.Y.2023-24**

Particulars	₹	₹
Salary Income (computed)	8,20,000	
Less: As per section 71(3A), loss from house property of ₹ 2,44,000 can be set-off, to the extent of Income from House Property	2,00,000	6,20,000
Net Annual Value of House Property	1,20,000	
Less: Deduction u/s 24		
(a) 30% of NAV	36,000	
(b) Interest on housing loan	3,28,000	
Loss from house property	3,64,000	
	(2,44,000)	
Less: Loss eligible for set-off against salary income restricted to	2,00,000	
Loss to be carried forward to A.Y. 2024-25 for set-off against income from house property, if any, in that year.	(44,000)	
<b>Profits and gains of business or profession</b>		
Share of profit from firm [Exempt u/s 10(2A)]	-	
Loss from specified business u/s 35AD ₹ 67,000 [can be set-off only against income from any specified business. Hence, it has to be carried forward to A.Y.2024-25]	-	
Income from textile business	3,30,000	
Less: Current year depreciation	53,000	
	2,77,000	
Less: Brought forward loss of textile business	1,90,000	
	87,000	
Less: Set-off of unabsorbed depreciation to the extent of ₹ 87,000 against business income	87,000	Nil

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Particulars	₹	₹
<b>Capital Gains</b>		
Long-term capital gains on sale of listed equity shares (STT paid)	2,50,000	
Less: Balance unabsorbed depreciation of ₹ 98,000 set-off	98,000	
Long-term capital gains on sale of listed equity shares [Tax is payable u/s 112A @ 10% on the amount exceeding ₹ 1,00,000]	1,52,000	1,52,000
Long-term capital gains on sale of debentures	1,50,000	
Less: Set-off of Long-term capital loss on sale of equity shares (STT not paid) [Since long-term capital gain on sale of unlisted debentures are taxable @20% and long-term term capital gain on sale of listed shares in excess of ₹1,00,000 taxable @10%, it is beneficial to set-off long-term capital loss against LTCG on sale of debentures]	1,50,000	Nil
<b>Income from Other Sources</b>		
Dividend from units of UTI [Taxable in the hands of the unitholders]		1,15,000
<b>Gross Total Income</b>		<b>8,87,000</b>

Losses to be carried forward to A.Y.2024-25		₹
(i)	Losses from specified business [can be carried forward indefinitely for set-off against income from any specified business]	67,000
(ii)	Loss from house property [can be carried forward upto 8 successive assessment years for set-off against income from house property]	44,000

### Question 19

Compute the gross total income of Mr. Farhan and show the items eligible for carry forward and the assessment years upto which such losses can be carry forward from the following information furnished by him for the year ended 31-03-2023:

Particulars	Amount(₹)
Loss from speculative business MNO	12,000
Income from speculative business BPO	25,000
Loss from specified business covered under section 35AD	45,000
Income from salary (computed)	4,18,000
Loss from house property	2,20,000
Income from trading business	2,80,000
Long-term capital gain from sale of urban land	2,05,000
Long-term capital loss on sale of equity shares (STT not paid)	85,000
Long-term capital loss on sale of listed equity shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Short-term capital loss under section 111A	85,000

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

Following are the brought forward losses:

- (1) Brought forward loss from speculative business MNO ₹ 18,000 relating to A.Y. 2019-20.
- (2) Brought forward loss from trading business of ₹ 12,000 relating to A.Y. 2017-18
- (3) Unabsorbed depreciation ₹ 1,00,000 relating to A.Y. 2022-23

Assume Mr. Farhan has furnished his return of income on or before the due date specified under section 139(1) in all the above previous years. [MTP Q.]

Answer 19

### Computation of Gross total income of Mr. Farhan for the A.Y.2023-24

Particulars	₹	₹
<b>Salaries</b>		
Income from Salary	4,18,000	
<b>Less: Loss from house property set-off against salary</b>	(2,00,000)	2,18,000
[As per section 71(3A), loss from house property to the extent of ₹ 2,00,000 can be set-off against any other head of income.]		
<b>Profits and gains of business or profession</b>		
Income from trading business	2,80,000	
<b>Less: Brought forward loss from trading business of A.Y. 2017-18 can be set off against current year income from trading business as per section 72(1), since the eight-year time limit as specified under section 72(3), within which set-off is permitted, has not expired.</b>	(12,000)	
<b>Less: Unabsorbed depreciation</b>	(1,00,000)	1,68,000
<b>Income from speculative business BPO</b>	25,000	
<b>Less: Loss from speculative business MNO set-off as per section 73(1)</b>	(12,000)	
Loss from speculative business MNO brought forward from A.Y. 2019-20 as per section 73(2), can be set off to the extent of ₹ 13,000. Balance loss will be lapsed, since four years his expired	(13,000)	-
<b>Capital Gains</b>		
Long term capital gain on sale of urban land	2,05,000	
<b>Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 71(3)</b>	(85,000)	
<b>Less: Long-term capital loss on sale of listed equity shares on which STT is paid can also be set-off as per section 71(3), since long-term capital arising on sale of such shares is taxable under section 112A</b>	(1,10,000)	
<b>Less: Short-term capital loss under section 111A as per section 71(2)</b>	(10,000)	-
<b>Gross Total Income</b>		<b>3,86,000</b>

Items eligible for carried forward to A.Y.2024-25

Particulars	₹
<b>Loss from house property</b> As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., upto A.Y. 2031-32, in this case.	20,000
<b>Loss from specified business under section 35AD</b> Loss from specified business under section 35AD can be set-off only against profits of any other specified business. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set off against income from specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business .	45,000
<b>Short-term capital loss under section 111A</b> Short-term capital loss under section 111A can be set-off against long term or short term capital gains. If it cannot be so set-off, it has to be carried forward to the next year for set-off against capital gains, if any, in that year. It can be carried forward for a maximum of eight assessment years, i.e., upto A.Y.2031-32, in this case, as specified under section 74(1).	75,000

**Question 20**

Compute the total income of Mr. Praveen (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2023. Also, show the items eligible for carry forward. [MTP Q.]

Particulars	₹
Income from salaries	2,20,000
Loss from house property	2,50,000
Loss from toy business	1,30,000
Income from speculation business	40,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Long-term capital loss from sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,10,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	50,000

## Computation of total income of Mr. Praveen for the A.Y.2023-24

Particulars	₹	₹
<b>Salaries</b>		
Income from salaries	2,20,000	
Less: Loss from house property set-off against salary as per section 71(1) & 71(3A)	2,00,000	20,000
<b>Profits and gains of business or profession</b>		
Income from speculation business	40,000	
Less: Loss from toy business set off	40,000	Nil
<b>Capital gains</b>		
Long-term capital gains from sale of urban land	2,50,000	
Less: Long term capital loss on sale of listed shares on which STT is paid can be set off as per section 74(1), since long-term capital gain arising on sale of such shares is taxable under section 112A	1,10,000	
	1,40,000	
Less: Loss from toy business set off	90,000	50,000
<b>Income from other sources</b>		
Income from betting		45,000
<b>Gross total income</b>		<b>1,15,000</b>
Less: Deduction under section 80C(life insurance premium paid)		20,000
<b>Total income</b>		<b>95,000</b>

**Losses to be carried forward:**

Particulars	₹
(1) Loss from house property (₹2,50,000 – ₹2,00,000)	50,000
(2) Loss from toy business (₹1,30,000 - ₹40,000 - ₹90,000)	Nil
(3) Loss from specified business covered by section 35AD	20,000

**Notes:**

(i) As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of ₹2,00,000 only.

As per section 71B, balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year. It can be carried forward for a maximum of eight assessment years i.e., upto A.Y. 2031-32, in this case.

(ii) Loss from specified business covered by section 35AD can be set-off only against profits and gains of any other specified business. Therefore, such loss cannot be set off against any other income. If loss cannot be so set-off, the same has to be carried forward to the subsequent year for set-off against profits and gains of any specified business, if any, in that year. As per section 73A(2), such loss can be carried forward indefinitely for set-off against profits of any specified business.

## Chapter 10: Aggregation of Income, Set-Off and Carry Forward of Losses

- (iii) Business loss cannot be set off against salary income. However, business loss of ₹90,000 (₹1,30,000 – ₹40,000 set-off against income from speculation business) can be set-off against long-term capital gains from sale of urban land. Consequently, the taxable long-term capital gains would be ₹50,000.
- (iv) Loss from card games can neither be set off against any other income, nor can it be carried forward.
- (v) For providing deduction under Chapter VI-A, gross total income has to be reduced by the amount of long-term capital gains and casual income. Therefore, the deduction under section 80C in respect of life insurance premium paid has to be restricted to ₹20,000 [i.e., Gross Total Income of ₹1,15,000 – ₹50,000 (LTCG) – ₹45,000 (Casual income)].
- (vi) Income from betting is chargeable at a flat rate of 30% under section 115BB and no expenditure or allowance can be allowed as deduction from such income, nor can any loss be set-off against such income.