



SET OFF AND CARRY FORWARD OF LOSSES

All Last Day Questions – Sept 25 / Dec 25 / Jan 26

Question 1

Compute the total income of Mr. Praveen (aged 48), a resident Indian, from the following information relating to the financial year ended 31.3.2024. Also, show the items eligible for carry forward.

| 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 |

Assumed to be opted out of the default tax regime

Answer

Computation of total income of Mr. Praveen for the A.Y.2024-25

| Particulars | ₹ | ₹ |
|---|----------|--------|
| Salaries | | |
| 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 |



| | | |
|---|----------|---------------|
| Profits and gains of business or profession | | |
| Income from speculation business | 40,000 | |
| Less: Loss from toy business set off | 40,000 | Nil |
| Capital gains | | |
| 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 |
| Income from other sources | | |
| Income from betting | | 45,000 |
| Gross total income | | 1,15,000 |
| Less: Deduction under section 80C(life insurance premium paid) | | 20,000 |
| Total income | | 95,000 |

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., up to A.Y. 2032-33, 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.
- (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.



Question 2

Mr. Suresh is Lawyer by profession and his income from profession for the year 2023-24 is ₹ 10,00,000. From the information given by him, you are required to compute his total income for A.Y. 2024-25 and the losses to be carried forward assuming that he files his income tax returns every year before due date.

| Particulars | ₹ |
|---|-----------|
| Income of minor son Raj from company deposit | 1,60,000 |
| Income of minor daughter Rashmi (professional dancer) from her dance performances | 15,00,000 |
| Interest from Canara bank received by Rashmi on deposit made out of income earned from her dance performances | 15,000 |
| Loss from house property (computed) | 2,50,000 |
| Short term capital loss | 6,00,000 |
| Long-term capital gain from equity shares under section 112A | 1,20,000 |
| Long term capital gain under section 112 | 3,00,000 |
| Short term capital loss under section 111A | 5,00,000 |

Assume that Mr. Suresh does not opt for the provisions of section 115BAC and his income before considering clubbing provisions is higher than that of his wife. (MTP 6 Marks March 22)

Answer

Computation of Total Income of Mr. Suresh for A.Y. 2024-25

| Particulars | ₹ | ₹ | ₹ |
|--|---|---|---|
| Profits and gains from business and profession | | | |



| | | | |
|--|----------|------------|----------|
| Income from profession | | 10,00,000 | 8,00,000 |
| Less: Loss from house property (can be set-off to the extent of ₹ 2,00,000, as per section 71(3A). | | 2,00,000 | |
| Capital gains | | | |
| Long term capital gains on sale of equity shares under section 112A | | 1,20,000 | |
| Long term capital gain under section 112 | | 3,00,000 | |
| Less: Short term capital loss set off against long- term capital gain as per section 74 | | (4,20,000) | Nil |
| Income from other sources | | | |
| Income of minor son Raj | | | |
| Income from company deposit includible in the hands of Mr. Suresh as per section 64(1A) | 1,60,000 | | |
| Less: Exemption in respect of income of minor child u/s 10(32) | 1,500 | 1,58,500 | |
| Income of minor daughter Rashmi | | | |
| Income of ₹ 15,00,000 of minor daughter Rashmi (professional dancer) not includible in the hands of parent, since such income is earned on account of her special skills | Nil | | |
| Interest received on deposit with Canara Bank made out of amount earned on account of her special talent is includible as per section 64(1A), | 15,000 | | |

| | | | |
|---|-------|--------|----------|
| since interest income arises out of deposit made and not on account of her special skills | Nil | | |
| Less: Exemption in respect of income of minor child u/s 10(32) | 1,500 | 13,500 | 1,72,000 |
| Total Income | | | 9,72,000 |

Losses to be carried forward to A.Y.2025-26

| Particulars | ₹ |
|--|----------|
| Loss from house property [₹ 2.50,000 – ₹ 2,00,000] | 50,000 |
| Short term capital loss under section 111A | 5,00,000 |
| Short term capital loss (other than above) [₹ 6,00,000 – ₹ 4,20,000] | 1,80,000 |

Note –

Short-term capital loss under section 111A can be set-off against long-term capital gains under section 112 & 112A. In such a case, the losses to be carried forward to A.Y.2025-26 would be as under –

| Particulars | ₹ |
|--|----------|
| Loss from house property [₹ 2.50,000 – ₹ 2,00,000] | 50,000 |
| Short term capital loss under section 111A [₹ 5,00,000 – ₹ 4,20,000] | 80,000 |
| Short term capital loss (other than above) | 6,00,000 |



Question 3

Ms. Aarti, a resident individual, provides the following information of her income/losses for the year ended on 31st March, 2024:

| 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. 2021-22 | 1,90,000 |
| 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.(MTP 7 Marks April '23, RTP Nov'21)



Answer

Computation of gross total income of Ms. Aarti for the A.Y.2024-25

| 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 | | 2,00,000 | 6,20,000 |
| Income from House Property | | | |
| 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 | 3,64,000 | |
| Loss from house property | | (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. 2025-26 for set-off against income from house property, if any, in that year. | | (44,000) | |
| Profits and gains of business or profession | | | |
| 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.2025-26] | | - | |
| 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 | |
| Less: Set-off of unabsorbed depreciation to the extent of ₹ 87,000 against business income | | 87,000 | Nil |
| Capital Gains | | | |
| 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 loss against LTCG on sale of debentures] | | 1,50,000 | Nil |
| Income from Other Sources | | | |
| Dividend from units of UTI [Taxable in the hands of the unitholders] | | | 1,15,000 |
| Gross Total Income | | | 8,87,000 |



| Losses to be carried forward to A.Y.2025-26 | ₹ |
|---|----------|
| Losses from specified business [can be carried forward indefinitely for set- off against income from any specified business] | 67,000 |
| Loss from house property [can be carried forward upto 8 successive assessment years for set-off against income from house property] | 44,000 |



Question 4

Compute the gross total income of Mr. Farhan and show the items eligible for carry forward and the assessment years up to which such losses can be carry forward from the following information furnished by him for the year ended 31-03-2024:

| 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 |

Following are the brought forward losses:

- (1) Brought forward loss from speculative business MNO ₹ 1 8,000 relating to A.Y. 2020-21.
- (2) Brought forward loss from trading business of ₹ 1 2,000 relating to A.Y. 201 8-1 9. Unabsorbed depreciation ₹ 1,00,000 relating to A.Y. 2023-24 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 year?

Answer

Assumed to be opted out of the default tax regime

Computation of Gross total income of Mr. Farhan for the A.Y.2024-25

| Particulars | ₹ | ₹ |
|---|------------|-----------|
| Salaries | | |
| Income from Salary | 4,18,000 | |
| Less: Loss from house property set-off against salary | (2,00,000) | 2,1 8,000 |
| [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.] | | |
| Profits and gains of business or profession | | |
| Income from trading business | 2,80,000 | |



| | | |
|--|------------|----------|
| Less: Brought forward loss from trading business of A.Y. 2015-16 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 setoff is permitted, has not expired. | (12,000) | |
| Less: Unabsorbed depreciation | (1,00,000) | 1,68,000 |
| Income from speculative business BPO | 25,000 | |
| Less: Loss from speculative business MNO setoff as per section 73(1) | (12,000) | |
| Loss from speculative business MNO brought forward from A.Y. 2020-21 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) | - |
| Capital Gains | | |
| Long term capital gain on sale of urban land | 2,05,000 | |
| Less: Long term capital loss on sale of shares (STT not paid) set-off as per section 71 (3) | (85,000) | |
| 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 11 2A | (1,10,000) | |
| Less: Short-term capital loss under section 111A as per section 71 (2) | (10,000) | - |
| Gross Total Income | | 3,86,000 |

Items eligible for carried forward to A.Y.2025-26

| Particulars | ₹ |
|--|--------|
| Loss from house property As per section 71 B, 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., up to A.Y. 2032-33, in this case. | 20,000 |
| Loss from specified business under section 35AD Loss from specified business under section 35AD can be setoff 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 |
| Short-term capital loss under section 111 A Short-term capital loss under section 11 1A 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., up to A.Y.2032-33, in this case, as specified under section 74(1). | 75,000 |



Question 5

Mr. Akshay, a resident individual, provides the following details of his income/losses for the year ended 31.03.2025:

| | Particulars | Amount (₹) |
|--------|--|------------|
| (i) | Income from salary (computed) | 35,20,000 |
| (ii) | Rent received from house property situated in Delhi | 5,00,000 |
| (iii) | Repayment of loan taken for purchase of above property. Loan was taken from a friend. This repayment includes payment of interest of ₹ 7,00,000 | 15,25,000 |
| (iv) | Rent received from house property situated in Jaipur | 3,20,000 |
| (v) | Interest on loan taken for repair of house properties situated in Mumbai and Delhi. The property in Mumbai is self-occupied. Loan was taken on 01.04.17 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively. | 1,50,000 |
| (vi) | Long-term capital gains on sale of equity shares on which STT has been paid | 7,95,000 |
| (vii) | Interest on fixed deposit | 73,000 |
| (viii) | Loss from textile business | 7,50,000 |
| (ix) | Speculation business profit | 2,30,000 |
| (x) | Lottery income (Gross) | 75,000 |
| (xi) | Loss incurred by the firm in which he is a partner | 1,60,000 |
| (xii) | Salary received as a partner from partnership firm. The same was allowed to firm | 50,000 |
| (xiii) | Life insurance premium paid for his son who is 30 years of age and is working in USA | 15,000 |

He has the following brought forward losses of A.Y. 2024-25

| | |
|---|----------|
| Brought forward short-term capital loss on sale of gold | 2,75,000 |
| Brought forward loss on sale of equity shares u/s 111A | 25,000 |

Compute total income of Mr. Akshay for the assessment year 2025-26 and the amount of loss that can be carried forward. Mr. Akshay has opted out of the default tax regime.

Answer

Computation of total income of Mr. Akshay for the A.Y.2025-26

| Particulars | ₹ | ₹ | ₹ |
|---|----------|---|-----------|
| Income from salary (computed) | | | 35,20,000 |
| Income from house property | | | |
| (i) House property at Delhi (Let out) | | | |
| Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value) | 5,00,000 | | |
| Less: Deduction u/s 24 | | | |



| | | | | |
|--|---------------|-----------------|-------------------|-------------------|
| (a) 30% of NAV | 1,50,000 | | | |
| (b) Interest on loan For purchase of property | 7,00,000 | | | |
| For repairs of property [1,50,000/2] | <u>75,000</u> | <u>9,25,000</u> | (4,25,000) | |
| (ii) House property at Jaipur (Let out) | | | | |
| Rent received (taken as Annual Value in the absence of information relating to Fair Rent and Municipal Value) | | 3,20,000 | | |
| Less: Deduction u/s 24 | | | | |
| 30% of NAV | | <u>96,000</u> | 2,24,000 | |
| (iii) House property at Mumbai (Self-occupied) | | | | |
| Annual Value of self-occupied property | | Nil | | |
| Less: Deduction u/s 24(b) | | | | |
| Interest on loan for repairs (to be restricted to Rs 30,000) | | <u>30,000</u> | <u>(30,000)</u> | |
| Loss from house property | | | <u>(2,31,000)</u> | |
| As per section 71 (3A), loss from house property to be set-off against salary income to the extent of | | | | <u>(2,00,000)</u> |
| | | | | 33,20,000 |
| <u>Profits and gains of business or profession</u> | | | | |
| Speculation business profit | | | 2,30,000 | |
| Salary received as partner of firm is taxable in his hands since the entire salary was allowed as deduction in the hands of the firm | | | <u>50,000</u> | |
| | | | 2,80,000 | |
| Less: Set-off of loss from textile business to the extent of | | | <u>(2,80,000)</u> | Nil |
| Share of loss incurred by the firm in which he is partner cannot be set-off against salary received as partner of firm or any other income, since loss from an exempt source cannot be set-off against profit from a taxable source. | | | | Nil |
| Capital Gains | | | | |
| Long-term capital gains on sale of equity shares on which STT is paid | | | 7,95,000 | |
| Less: Set-off of brought forward short-term capital loss | | | | |
| Brought forward short-term capital loss on sale of gold | 2,75,000 | | | |
| Brought forward short-term capital loss u/s 111A | 25,000 | | <u>3,00,000</u> | |
| | | | 4,95,000 | |
| Less: Set-off of balance loss of textile busines [₹7,50,000 – ₹ 2,80,000 – ₹ 73,000] | | | <u>(3,97,000)</u> | 98,000 |



| | | |
|--|---------------|------------------|
| Income from Other Sources | | |
| Interest on fixed deposit | 73,000 | |
| Less: Set off of loss of textile business against this income would be more beneficial than against LTCG, since it is taxable @30% | (73,000) | Nil |
| Lottery income | <u>75,000</u> | <u>75,000</u> |
| Gross Total Income | | 34,93,000 |
| Less: Deduction under Chapter VI-A | | |
| Under section 80C | | |
| Life insurance premium paid | | |
| Life insurance premium paid to insure the life of her son allowable as deduction even if he is major, resides abroad and is not dependent on her | 15,000 | |
| Repayment of housing loan | | |
| ₹ 8,25,000 for house property in Delhi, not allowable since loan is taken from a friend | <u>Nil</u> | |
| | | <u>15,000</u> |
| Total Income | | 34,78,000 |

Loss to be carried forward to A.Y.2026-27:

| Particulars | ₹ |
|--|--------|
| Loss from house property (₹ 2,31,000 ₹ 2,00,000) | 31,000 |