

Profits from textile business	18,000	
Less: Loss from cosmetic business of ₹ 22,000 set off against profits from textile business to the extent of ₹ 18,000 as per section 70(1).	(18,000)	-
Balance loss of ₹ 4,000 from cosmetic business has to be carried forward to A.Y.2025-26, since the same cannot be set-off against salary income.	15,400	
Capital Gains		
Long term capital gain from sale of property		
Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains. Short term capital loss of ₹ 16,000 set off against long- term capital gains to the extent of ₹ 15,400 as per section 74(1).	(15,400)	-
Balance short term capital loss of ₹ 600 has to be carry forward to A.Y.2025-26		
Income from Other Sources		
Income from betting [No loss is allowed to be set off against such income]	34,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	
Loss on activity of owning and maintenance of race horses [Loss incurred on activity of owning and maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss of ₹ 14,600 has to be carried forward to A.Y.2025-26]	Nil	
<b>Gross Total Income</b>		<b>80,000</b>
		<b>1,02000</b>

**Question 5**

PYQ May'22

Mr. Harsh furnishes the following details for the year ended on 31-03-2024:

PARTICULARS	AMOUNT (₹)
Salary received from partnership firm (the same was allowed to the firm)	8,50,000
Loss on sale of shares listed in stock exchange held for 18 months and the STT paid on the sale and acquisition	6,00,000
Long term capital gain on sale of land	5,00,000
Brought forward business loss of assessment year 2016-17	6,00,000
Loss of the specified business covered in Section 35AD	3,50,000
Loss from house property	2,50,000
Income from betting (gross)	50,000
Loss from card games	35,000

Compute the total income and show the item eligible for carry forward of Mr. Harsh for the assessment year 2024-25.

**4 Marks**

Answer:

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

Particulars	₹	₹
<b>Profits and gains from business and profession</b>		
Salary received from partnership firm (would be fully taxable in the hands of Mr. Harsh as business income, since the same was allowed to the firm as deduction)	8,50,000	
Less: Loss from house property ₹ 2,50,000 (can be set-off against income from any other head only to the extent of ₹ 2 lakh)	2,00,000	
	6,50,000	
Less: Set-off of brought forward business loss of A.Y. 2016-17 (since the eight-year time period for set-off has not expired)	6,00,000	
<b>Capital Gains</b>		50,000
Long-term capital gain on sale of land	5,00,000	
Less: Set-off of long-term capital losses (since held for 18 months i.e., more than 12 months) on sale of STT paid listed shares [Such set-off is permissible since it is a loss from a source of income taxable u/s 112A]	5,00,000	-
<b>Income from Other Sources</b>		
<b>Income from betting (gross)</b>		50,000
[No Loss can be set off against income from betting]		
Loss of ₹ 35,000 from card games can neither be set-off nor be carried forward		-
<b>Total Income</b>		<b>1,00,000</b>

Losses to be carried forward to A.Y. 2025-26		₹
Loss from house property (₹ 2,50,000 - ₹ 2,00,000)		50,000
Loss from specified business covered u/s 35AD [Entire loss is to be carried forward, since there is no income from any specified business for A.Y.2022-23. Such loss has to be carried forward for set-off against income from any specified business in A.Y.2025-26]		3,50,000
Long-term capital loss on sale of listed shares (STT paid) [₹ 6,00,000 - ₹ 5,00,000]		1,00,000

**Question 6**

PYQ Nov'22

Compute the gross total income of Mr. Prakhar for A.Y. 2024-25 and the losses to be carried forward, from the information given below:

4 Marks

(i) Income from House Property (computed)	₹ 3,60,000
(ii) Short term capital loss on shares of a company	₹ (-) 18,700
(iii) Long term capital gain on sale of agricultural land	₹ 6,000
(iv) Income from rubber business (plants grown by Mr. Prakhar)	₹ 80,000
(v) Loss from garment business b/f discontinued in F.Y. 2019-20	₹ (-) 70,000
(vi) Loss from betting	₹ (-) 5,500
(vii) Income from lotteries (net)	₹ 5,460

Answer:

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



## Computation of gross total income of Mr. Prakhar for the A.Y. 2024 -25

Particulars	₹	₹
Income from house property (computed)		3,60,000
Profits and gains from business and profession		
Income from rubber business [35% of income from manufacture of rubber is business income [80,000 × 35%] and the balance 65% would be agricultural income	28,000	
Less: Brought forward loss of ₹ 70,000 from garment business set-off to the extent of ₹ 28,000, set-off is permissible even if the business is discontinued	28,000	Nil
<b>Capital Gains</b> Long-term capital gain on sale of agricultural land (Exempt, assuming that the same is rural agricultural land)		-
Income from Other Sources Income from lotteries (₹ 5,460 × 100/70)		7,800
[Note - Tax @30% has to be deducted on winnings from lotteries u/s 194B only if the amount of payment exceeds ₹ 10,000. However, in the question, winnings from lotteries is only ₹ 5,460 and the word "net" is given in the bracket. Since, the word "net" is written in the bracket in question, main solution is given based on the view that tax has been deducted on income from lotteries @30% and accordingly, the lottery income is grossed up. However, since no tax is deductible u/s 194B where lottery income does not exceed ₹ 10,000, the question can be answered without grossing up the lottery income of ₹ 5,460. In such a case, gross total income would be ₹ 3,65,460]		
<b>Gross Total Income</b>		<b>3,67,800</b>

Losses to be carried forward to A.Y. 2025-26	₹
Loss from garment business pertaining to P.Y. 2019-20 (₹ 70,000 - ₹ 28,000)	42,000
Short term capital loss on shares of a company of A.Y. 2024-25	18,700
Loss of ₹ 5,500 from betting can neither be set-off nor be carried forward.	-

**Note** - In the question, long term capital gain on sale of agricultural land is given as ₹ 6,000. However, it is not mentioned as to whether the same is rural agricultural land or urban agricultural land. The main solution given above is based on the assumption that it is rural agricultural land. An alternate solution has been given below based on the assumption that it is urban agricultural land

Moderate

## Question 1

(MTP Oct'19, PYP Nov '18)

Mr. Satish Sharma has derived the following income/loss, as computed below, for the previous year 2023-24:

Particulars	₹
Loss from let out house property	2,50,000
Loss from non-speculation business	3,20,000



Income from speculation business	12,45,000
Loss from specified business covered u/s 35AD	4,10,000
Winnings from lotteries (Gross)	1,50,000
Winnings from betting's (Gross)	90,000
Loss from card games	3,40,000

You are required to compute the total income of the assessee for the assessment year 2024-25, showing clearly the manner of set-off and the items eligible for carry forward. The return of income has been filed on 30-7-2024.

5 Marks

Answer:

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

Particulars	₹	₹
<b>Profits and gains of business or profession</b>		
Income from speculation business	12,45,000	
Less: Set-off of loss from non-speculation business	3,20,000	
	9,25,000	
Less: Set-off of loss from house property, restricted to	2,00,000	7,25,000
<b>Income from other sources</b>		
Winnings from lotteries	1,50,000	
Winnings from betting's	90,000	2,40,000
<b>Gross Total Income</b>		<b>9,65,000</b>
Less: Deduction under Chapter VI-A		Nil
<b>Total income</b>		<b>9,65,000</b>

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

Particulars	₹
<b>Loss from house property (₹ 2,50,000 - ₹ 2,00,000)</b> 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. Balance loss not set-off can be carried forward to the next year for set-off against income from house property of that year.	50,000
<b>Loss from specified business covered by section 35AD</b> Loss from specified business under section 35AD can be set-off only against profits of any other specified business. As per section 73A (2), 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. Since the return has been filed before the due date, such loss can be carried forward.	4,10,000
<b>Loss from card games</b> Loss from card games can neither be set off against any other income, nor can it be carried forward.	



**Question 2**

Mr. Krishan, residing in Indore, provides the following information for the financial year 2023-24:

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 2022-23	10,000
Speculation business loss of assessment year 2023-24	30,000

Compute the Gross Total Income of Mr. Krishan for the Assessment year 2024-25 and also state the losses eligible for carry forward and period up to which such losses can be carried forward.

Answer:

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

Particulars	₹	₹
Profits and gains of business or profession		
Income from Textile business	4,60,000	
Less: Current year depreciation allowable under section 32(1)	5,000	
	4,55,000	
Less: Unabsorbed depreciation brought forward from A.Y.2022-23 as per section 32(2)	10,000	4,45,000
Income from speculation business		
Current year income from speculation business	25,000	
Less: Speculation business loss for A.Y. 2023-24 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.2021-22

Particulars	₹
<b>Loss from speculation business to be carried forward as per section 73</b> 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 up to A.Y.2027-28	5,000
<b>Loss on maintenance of race horses to be carried forward as per section 74A (3)</b> 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 up to A.Y. 2028-29	15,000
Loss from gambling can neither be set-off nor be carried forward.	



## Question 3

RTP Nov '19

Compute total income of Mr. Mathur for the assessment year 2024-25 from the following information furnished by him for the financial year 2023-24.

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
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 31-03-2024	60,000
Brought forward loss of business of assessment year 2018-19	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 2010	3,00,000

Answer:

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

Particulars	₹	₹
Salaries		4,70,000
Profits and gains from business or profession		
Profit from speculation business Y	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. 2025-26 for set-off against profits from speculation business.		
Income from trading and manufacturing business @8%	3,50,000	
Less: Brought forward business loss of A.Y. 2018-19 set-off since a period of eight assessment years has not expired.	(3,50,000)	
Balance loss of ₹ 2,00,000 to be carried forward to A.Y. 2025-26		Nil
Capital Gains		
Enhanced compensation received from government for compulsory acquisition [Taxable in P.Y. 2023-24 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 jeweler	(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. 2025-26.	(2,00,000)	1,60,000
Income from Other Sources		
Interest on PPF deposit	95,000	
Less: Exempt under section 10(11)	(95,000)	Nil
Gross Total Income		6,30,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Investment in tax saver deposit on 31.3.2024	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 4**

RTP May '23

Mr. Ram, a resident Individual aged 65 years, submits the following details of his income for the assessment year 2024-25:

Particulars	₹
Loss from speculative business A	30,000
Income from speculative business B	1,50,000
Loss from specified business covered under section 35AD	20,000
Income from Salary (computed)	2,00,000
Loss from let out house property	1,90,000
Loss from cloth business	80,000
Long-term capital gain from sale of urban land	3,00,000
Long-term capital loss on sale of shares (STT not paid)	1,00,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,50,000
Income from betting (Gross)	80,000
Loss from gambling	8,000
Interest on saving bank deposits	12,000
Interest on fixed deposits with banks	40,000

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

Answer:



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

Particulars	Amount (₹)	Amount (₹)
Salaries		
Income from Salary	2,00,000	
Less: Loss from house property set-off against salary	1,90,000	
Profits and gains from business or profession		10,000
Income from speculative business B	1,50,000	
Less: Loss of ₹ 30,000 from speculative business A	30,000	
Less: Loss from cloth business [Loss from non- speculative business can be set off against profits from speculative business]	80,000	
Capital Gains		40,000
Long-term capital gain from sale of urban land	3,00,000	
Less: Long-term capital loss on sale of shares (STT not paid)	1,00,000	

## Difficulty

## Question 1

(MTP April'21, RTP May '18)

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.

7 Marks

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

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**

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 is the brought forward losses:

1. Brought forward loss from speculative business MNO ₹ 18,000 relating to A.Y. 2020-21.
2. Brought forward loss from trading business of ₹ 12,000 relating to A.Y. 2018-19.  
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 7 Marks

Answer:

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)	2,18,000
[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.]		
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 set-off 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 set-off 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 112A	(1,10,000)	
Less: Short-term capital loss under section 111A as per section 71(2)	(10,000)	-
<b>Gross Total Income</b>		<b>3,86,000</b>

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

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., up to A.Y. 2032-33, 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., up to A.Y.2032-33, in this case, as specified under section 74(1).	75,000

### Question 3

(MTP Oct'20, MTP Mar'18)

The following are the details relating to Mr. Rajesh, a resident Indian, relating to the year ended 31.03.2024

Particulars	Amount (Rs)
Short term capital gain	1,40,000
Loss from house property	2,20,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward Long term capital loss of A.Y. 2019-20	86,000
Dividend from Shaba Ltd.	11,00,000
Loss from tea business	96,000



Mr. Rajesh's wife, Isha is employed with Shine Ltd., at a monthly salary of ₹25,000, where Mr. Rajesh holds 21% of the shares of the company. Isha is not adequately qualified for the post held by her in Shine Ltd. You are required to compute taxable income of Mr. Rajesh for the A.Y. 2024-25. Ascertain the number of losses which can be carried forward. **7 Marks**

Answer:

Computation of Taxable Income of Mr. Rajesh for the A.Y. 2024-25

Particulars	₹	₹
Salaries		
Iesha's salary (₹25,000 × 12) [See Note 1]	3,00,000	
Less: Standard deduction under section 16(IA) up to ₹50,000	50,000	
	2,50,000	
Less: Loss from house property set off against salary income as per section 71(3A) [See Note 2]	2,00,000	50,000
Capital Gains		
Short term capital gain	1,40,000	
Less: Loss from tea business (₹ 96,000 × 40%) [See Note 3 & 4]	38,400	1,01,600
Income from Other Sources		
Dividend income [See Note 5]		11,00,000
Taxable Income		12,51,600

The following losses can be carried forward for subsequent assessment years:

(I) Loss from house property to be carried forward and set-off against income from house property	₹20,000
(ii) Long-term capital loss of A.Y. 2019-20 can be carried forward and set-off against long-term capital gains	₹86,000
(iii) Loss from speculative business to be carried forward and set-off against income from speculative business	₹50,000

Notes:

- As per section 64(1)(ii), all the income which arises directly or indirectly, to the spouse of any individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has a substantial interest shall be included in the total income of such individual. However, where spouse possesses technical or professional qualification and the income is solely attributable to the application of such knowledge and experience, clubbing provisions will not apply. Since, M<sup>rs</sup> Isha is not adequately qualified for the post and Mr. Rajesh has substantial interest in Shine Ltd by holding 21% of the shares of the Shine Ltd., the salary income of Mrs Isha to be included in Mr. Rajesh's income.
- 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.
- 60% of the losses from tea business is treated as agricultural income and therefore exempt. Loss from an exempt source cannot be set off against profits from a taxable source.
- As per section 71(2A), business loss cannot be set off against salary income. Hence, 40% of the losses from tea business i.e., ₹ 38,400 set off against short term capital gains.
- Set off of losses is not permissible against such income.



*As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assessee. Interest Income incurred to earn such income will be allowed as a deduction but only up to 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.*

6. Loss from Card games can neither be set off against any other income, nor can it be carried forward.
7. Loss of ₹50,000 from speculative business can be set-off only against the income from the speculative business. Hence, such loss has to be carried forward.
8. As per section 74(1), brought forward Long-term capital loss can be set-off only against long-term capital gain. Such loss can be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed. Since, 8 assessment years has not expired, such loss can be carried forward to A.Y. 2025-26 for set-off against long-term capital gains.

**Question 4**

MTP May '20

Mr. Mustafa submits the following information for the previous year 2023-24:

	(Amount in ₹)
(I) Income from salary	6,50,000
(ii) Income from House-I	55,000
(iii) Loss from House-II (self-occupied property)	1,25,000
(iv) Loss from House-III	190,000
(v) Loss from leather business	68,000
(vi) Profit from cloth business	1,70,000
(vii) Short term capital loss in equity-oriented funds on which STT was paid	35,000
(viii) Income from crossword puzzles	12,000
(ix) Dividend from foreign company	8,500
(x) Loss on owning and maintenance of race horses	7,500
(xi) Income from owning and maintenance of race bulls	9,000

Compute the gross total income and losses to be carried forward of Mr. Mustafa for assessment year 2024-25. Mr. Mustafa has filed his return of income on 25.07.2024.

**6 Marks**

Answer:

Gross Total Income of Mr. Mustafa for A.Y. 2024-25

Particulars	₹	₹
Salaries		
Income from salary	6,50,000	
Less: Loss from house property of ₹2,60,000, restricted to	2,00,000	
		4,50,000
Income from house property		
Income from House I	55,000	
Less: Loss from House II (self-occupied) 1,25,000		
Loss from House III 1,90,000	3,15,000	
	(2,60,000)	



Set-off of loss from house property against salary income, restricted to	2,00,000	
Loss to be carried forward to A.Y. 2025-26	(60,000)	
Profits and gains of business or profession		
Profit from cloth business	1,70,000	
Less: Loss from leather business	68,000	
		1,02,000
Capital Gains		
Short term capital loss in equity-oriented funds on which STT is paid ₹35,000 to be carried forward to A.Y. 2025-26 since such loss can be set-off only against capital gains and not against income under any other head	-	
Income from other sources		
Income from owning and maintenance of race bulls	9,000	
Loss of ₹7,500 from the activity of owning and maintenance of race horses cannot be set-off against any source other than income from the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y. 2025-26.	Nil	
Income from crossword puzzles	12,000	
Dividend from foreign company	8,500	
		29,500
<b>Gross Total Income</b>		<b>5,81,500</b>

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

Particulars	₹
Loss from house property	60,000
[to be carried forward for set-off against income from house property]	
Short-term capital loss in equity-oriented funds on which STT was paid	35,000
[to be carried forward for set-off against capital gains, long-term or short-term]	
Loss from owning and maintaining race horses	7,500
[to be carried forward for set-off against income from the activity of owning and maintaining race horses]	

**Note:** Loss from house property can also be set-off to the extent of ₹ 1,02,000 from profits and gains from business or profession and balance i.e., ₹ 98,000 against Income under the head "Salaries".

**Question 5**

MTP April'19 &amp; Oct '18

Compute the total income of Mr. Pratap (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.

**7 Marks**

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

Answer:

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

Particular	₹	₹
<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	
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>		1,15,000
Less: Deduction under section 80C(life insurance premium paid)		20,000
<b>Total income</b>		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 6**

MTP1 Sep' 24

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
<b>Total Income</b>			<b>9,72,000</b>

**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 7**

(MTP Nov'21)

Compute the total income of Mr. Veer for the assessment year 2024-25 under proper heads from the following information furnished by him for the financial year 2022-23:

Particulars	₹
Income from let out house property (computed)	3,50,000
Interest paid on housing loan for self-occupied property	2,00,000
Income from Textile business	5,75,000
Brought forward business loss of Assessment Year 2020-21	1,05,000

