

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B21 to End

#### Set-off & Carry-forward of Losses

#### Build Your Confidence (BYC)

**B21. Comprehensive - CA2019(M) – Mr. Rehman furnishes the following information for FY 2021-22.....**

*Computation of total income for AY 2022-23*

Particulars	Rs.	Rs.
<b>Income from salary (assumed computed)</b>		3,70,000
<b>Income from house property</b>		
Income from let out property	4,20,000	
Less: Loss from self occupied property set off u/s 70 (loss from self occupied property cannot exceed Rs. 2 lakh since this is the limit for interest deduction u/s 24(b))	(2,00,000)	
		2,20,000
<b>Profits and gains of business or profession</b>		
Profit from speculation business B	30,000	
Less: Loss from speculation business A set off u/s 73	(30,000)	
		-
Income from trading and manufacturing business	2,00,000	
Less: Brought forward business loss of AY 2016-17 set off u/s 72	(1,00,000)	
		1,00,000
<b>Capital gains</b>		
Enhanced compensation for compulsory acquisition of land in 2007: Capital gain u/s 45(5) taxable in year of receipt; full value of consideration is amount of compensation	3,00,000	
Long term capital gain on sale of vacant site	1,10,000	
Less: Short term capital loss on sale of jewellery set off u/s 70	(50,000)	
		3,60,000
<b>Income from other sources</b>		
Interest on PPF deposit (exempt u/s 10)		-
<b>Gross total income</b>		10,50,000
Less: Deduction u/s 80C for investment in tax saver deposit		(60,000)
<b>Total income</b>		<b>9,90,000</b>

*Statement of losses to be carried forward to AY 2023-24*

Particulars	Rs.
Unabsorbed loss from speculation business A of AY 2022-23 carried forward u/s 73	40,000

**B22. Comprehensive – CA2011(M) – Following are the details relating to Mr. Srivatsan, a resident Indian, aged 57.....**

*Computation of total income for AY 2022-23*

Particulars	Rs.	Rs.
<b>Salaries</b>		
Income from salaries (assumed computed)	2,20,000	
Less: Loss from house property set off u/s 71	(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 set off u/s 70 to the extent of Rs. 30,000	(30,000)	-

<b>Capital gains</b>		
Long term capital gain from sale of urban land	2,50,000	
Less: Long term capital loss from sale of shares set off u/s 70	(1,10,000)	
	1,40,000	
Less: Loss from cloth business set off u/s 71 to the extent of Rs. 1,40,000	(1,40,000)	-
<b>Income from other sources</b>		
Income from betting		45,000
Loss from card games: Can neither be set off against any other income nor can be carried forward		-
<b>Gross total income</b>		<b>75,000</b>
Less: Deduction u/s 80C (not allowed from winnings)		(30,000)
<b>Total income</b>		<b>45,000</b>

*Statement of losses to be carried forward to AY 2023-24*

Particulars	Rs.
Unabsorbed loss from cloth business of AY 2022-23 carried forward u/s 72 = 2,40,000 – 30,000 – 1,40,000. Cannot be set off against salary income or income from betting.	70,000
Loss from specified business u/s 35AD of AY 2022-23 can be set off only against income from specified business referred u/s 35AD; carried forward u/s 73A	20,000

**B23. Comprehensive - CA2017(M) – Shyam, a resident of Chandigarh, provides the following information for FY 2021-22.....**

*Computation of gross total income of Shyam for AY 2022-23*

Particulars	Rs.	Rs.
<b>Profits and gains of business or profession:</b>		
Income from textile business	4,60,000	
Less: Current year depreciation	(5,000)	
Less: B/fd unabsorbed depreciation adjusted u/s 32(2)	(10,000)	4,45,000
Income from speculation business	25,000	
Less: B/fd speculation business loss of AY 2019-20 (set off u/s 73)	(30,000)	
Unabsorbed loss carried forward to AY 2023-24 year u/s 73	(5,000)	-
<b>Income from other sources:</b>		
Loss from gambling: Cannot be set off; cannot be carried forward		-
Loss on maintenance of race horses: Can be set off only against income from such activity; carried forward u/s 74A to AY 2023-24		-
<b>Gross total income</b>		<b>4,45,000</b>

**B24. Comprehensive – CA2014(M) – Mr. Garg, a resident individual, furnishes the following particulars of his income.....**

*Computation of gross total income of Mr. Garg for AY 2022-23*

Particulars	Rs.	Rs.
Income from salary (assuming it is computed)		15,000
Income from business	66,000	
Less: Unabsorbed depreciation u/s 32(2)	(11,000)	55,000
Loss from speculative business: Can be set off only against income from speculative business u/s 73; carried forward u/s 73 assuming it is within the 4 year time limit (Rs. 22,000)		-
Long term capital gain on sale of land	10,800	
Less: B/fd short term capital loss set off u/s 74	(9,800)	1,000
Loss on maintaining race horses: Can be set off only against such income; carried forward u/s 74A (Rs. 15,000)		-
Loss from gambling: Can neither be set off not carried forward		-
<b>Gross total income</b>		<b>71,000</b>

**B25. Comprehensive – CA2019(N) – Ms. Netra, a resident individual, aged 32 years, furnishes you with the following.....**

*Computation of total income for AY 2022-23*

Particulars	Rs.	Rs.
<b>Profits and gains of business or profession</b>		
Income from business of handloom trading	2,65,000	
Less: B/fd loss from handloom business of AY 2013-14: Cannot be set off since 8 year period u/s 72 expired in AY 2021-22.	-	2,65,000
<b>Capital gain</b>		
Long term capital gain on sale of jewellery	1,55,000	
Less: Long term capital loss on sale of shares set off u/s 70	(1,25,000)	30,000
<b>Total income</b>		<b>2,95,000</b>

*Statement of losses to be carried forward to AY 2023-24*

Particulars	Rs.
Loss from house property can be set off only against income from house property; carried forward u/s 71B	2,20,000

**B26. Comprehensive – CA2015(N) – Mr. Venus provides the following details for the PY ending 31.3.2022.....**

*Computation of taxable income for AY 2022-23*

Particulars	Rs.	Rs.
<b>Income from salaries</b>		
Income from salary (computed)	6,00,000	
Less: Set off loss from house property u/s 71: Mr. Venus is deemed owner of house property u/s 27(i) and loss is assessable in his hands.	(90,000)	
		5,10,000
<b>Capital gains</b>		
Long term capital gain	75,000	
Less: Brought forward long term capital loss of AY 2021-22 set off u/s 74. Balance of Rs. 21,000 carried forward to AY 2023-24 u/s 74.	(75,000)	
		Nil
<b>Income from other sources</b>		
Interest on FD with SBI: Grossed up for TDS = Rs. 72,000 × (100/90). Assuming Mr. Venus is not a senior citizen, deduction u/s 80TTB (see para 203) will not be available from gross total income.	80,000	
Less: Set off business loss of wife's business u/s 71; clubbed with income of Mr. Venus u/s 64(1)(iv). Cannot be set off against salary income. Balance of Rs. 1,20,000 carried forward to AY 2023-24 u/s 72	(80,000)	Nil
<b>Taxable income</b>		<b>5,10,000</b>

**B27. Comprehensive – Master Question - Compute the gross total income of Farman for AY 2022-23 from the.....**

*Computation of gross total income for AY 2022-23*

Particulars	Rs.	Rs.
<b>Income from salary</b>		
Income from salaries (computed)	1,50,000	
Less: Loss from house property set off u/s 71 to the extent of Rs. 1,50,000	(1,50,000)	-
<b>Profits and gains of business or profession</b>		
Income from manufacturing business (before depreciation)	2,70,000	
Less: Current year depreciation u/s 32(1)	(50,000)	
Less: B/fd business loss of AY 2016-17 set off u/s 72	(90,000)	
Less: Unabsorbed depreciation of AY 2021-22 u/s 32(2)	(30,000)	
		1,00,000
Income from rubber business (35% of 2 lakh is business income under Rule 7A)	70,000	
		1,70,000
Less: Share of loss from partnership firm (exempt u/s 10(2A); cannot be set off)	-	
Less: Balance loss from house property (up to limit of Rs. 2 lakh) (2,00,000 – 1,50,000) set off u/s 71	(50,000)	1,20,000

Income from speculative business A	1,40,000	
Less: Loss from discontinued speculative business B of AY 2020-21 set off u/s 73; continuance of business, in which loss incurred, not necessary	(1,40,000)	-
<b>Capital gain</b>		
Short term capital gain on sale of shares of JBK Pvt Ltd. by wife (clubbed u/s 64(1)(iv))	1,00,000	
Less: Short term capital loss on sale of listed shares u/s 111A set off u/s 70	(1,50,000)	
	(50,000)	
Long term capital gain from sale of gold	80,000	
Less: Balance short term capital loss on sale of listed shares u/s 111A set off u/s 70	(50,000)	
Less: Brought forward long term capital loss from sale of listed shares u/s 112A brought forward from AY 2016-17 set off u/s 74	(30,000)	-
<b>Income from other sources</b>		
Income from owning and maintaining race horses	60,000	
Less: Brought forward loss from owning and maintaining race horses of AY 2018-19 set off u/s 74A	(60,000)	
	-	
Loss from card games: Cannot be set off and cannot be carried forward	-	
Winning from lottery (gross of TDS) = 70,000 × (100/70)	1,00,000	
Income from owning and maintaining race bulls	70,000	1,70,000
<b>Gross total income</b>		<b>2,90,000</b>

*Statement of losses to be carried forward to AY 2023-24*

Particulars	Rs.
Unabsorbed loss from let out house property of AY 2022-23 carried forward u/s 71B (2,50,000 – 2,00,000)	50,000
Unabsorbed brought forward loss of self occupied house property of AY 2017-18 can be set off only against income from house property; carried forward u/s 71B; filing of return of loss in time is not required u/s 80	60,000
Unabsorbed brought forward loss of speculative business B of AY 2020-21; can be set off only against income from speculation business; carried forward u/s 73	1,00,000
Unabsorbed brought forward loss from hotel business specified u/s 35AD of AY 2021-22; can be set off only against income of business specified u/s 35AD; carried forward u/s 73A	70,000
Brought forward loss from cold chain business specified u/s 35AD of AY 2017-18 (return was filed after due date); cannot be carried forward from AY 2017-18 in view of section 80	-
Unabsorbed brought forward long term capital loss from sale of listed shares u/s 112A of AY 2016-17; can only be set off against long term capital gain; carried forward u/s 74 (1,30,000 – 30,000)	1,00,000
Unabsorbed brought forward loss from owning and maintaining race horses of AY 2018-19; can be carried forward u/s 74A only up to AY 2022-23; hence cannot be carried forward to AY 2023-24	-