

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B11 to B20

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

#### Build Your Confidence (BYC)

**B11. Comprehensive - CA2021(JAN) - Mr. Tarun, a resident individual, furnishes the following particulars of his income.....**

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

Particulars	Rs.	Rs.
<b>Income from salary (computed)</b>	<b>25,00,000</b>	
Less: Loss from house property (on account of interest on loan for self occupied property) set off u/s 71 to the extent of 2,00,000 (i.e., whole extent since income from house property will be a loss of 2,00,000)	(2,00,000)	
		23,00,000
<b>Profits and gains of business or profession:</b>		
Income from specified business (not eligible for deduction u/s 35AD)	20,000	
Less: Loss from specified business (eligible for deduction u/s 35AD) set off u/s 73A. Loss can be set off against income of any specified business referred u/s 35AD whether or not eligible for deduction u/s 35AD.	(20,000)	
		Nil
<b>Income from other sources:</b>		
Interest from fixed deposit	12,14,000	
Less: Current year business loss (after current year depreciation) set off u/s 71	(2,00,000)	
Less: B/fd unabsorbed depreciation u/s 32(2): Can be set off against any income other than salary	(58,000)	
		9,56,000
<b>Total income</b>		<b>32,56,000</b>

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

Particulars	Rs.
Unabsorbed loss from specified business: C/fd u/s 73A	4,000

**B11A. Comprehensive – CA2020(N) – Pooja, a resident individual, provides the following information of her income.....**

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

Particulars	Rs.	Rs.
<b>Income from salary (computed)</b>	<b>2,20,000</b>	
Less: Loss from house property set off u/s 71 (see below)	(2,00,000)	
		20,000
<b>Income from house property</b>		
NAV	1,50,000	
Less: Standard deduction u/s 24(a) @ 30%	(45,000)	
Less: Interest u/s 24(b)	(3,16,000)	
	2,11,000	
Less: Set off against income from salary (see above)	(2,00,000)	
C/fd to AY 2023-24 u/s 71B	11,000	
		Nil
<b>Profits and gains of business or profession</b>		
Share of loss from firm (cannot be adjusted since income is exempt u/s 10(2A); cannot be c/fd)	-	

Loss from specified business covered u/s 35AD: Can only be set off against income from specified business covered u/s 35AD; carried forward to AY 2023-24 u/s 73A	-	
Income from textile business	3,00,000	
Less: Current year depreciation u/s 32	(60,000)	
Less: B/fd business loss of AY 2020-21 u/s 72	(90,000)	
Less: Unabsorbed depreciation u/s 32(2) to the extent of Rs. 1,50,000	(1,50,000)	
		Nil
<b>Capital gains</b>		
Long term capital gain on sale of debentures	75,000	
Long term capital gain on sale of equity shares u/s 112A	1,50,000	
	2,25,000	
Less: Long term capital loss on sale of equity shares (STT not paid) u/s 112, set off u/s 70	(1,00,000)	
	1,25,000	
Less: Unabsorbed depreciation set off (2,25,000 – 1,50,000 – 5,000) (better to set off against IFOS taxable at normal rates (see below) and then set off balance against LTCG taxable at concessional rate)	(70,000)	
		55,000
<b>Income from other sources</b>		
Dividend from units of UTI	5,000	
Less: Unabsorbed depreciation	(5,000)	
		Nil
<b>Gross total income</b>		<b>75,000</b>

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

Particulars	Rs.
Loss from house property c/fd u/s 71B	11,000
Loss from specified business covered u/s 35AD, c/fd u/s 73A	20,000

**B12. Comprehensive – CA2020(N) – The following information is furnished by Shankar for the FY 2021-22.....**

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

Particulars	Rs.	Rs.
<b>Income from house property</b>		
Income from let out house property (computed)	3,50,000	
Less: Loss from self occupied property set off u/s 70 (interest paid on housing loan represents loss from house property)	(2,00,000)	
		1,50,000
<b>Profits and gains of business or profession</b>		
Income from textile business	5,75,000	
Brought forward business loss of AY 2018-19 (cannot be c/fd from AY 2018-19 since return filed after due date; hence cannot be set off)	-	
		5,75,000
<b>Capital gains</b>		
Long term capital gain on sale of house	75,000	
Less: Short term capital loss set off u/s 70	(70,000)	
Less: Brought forward long term capital loss from AY 2020-21 set off u/s 74	(5,000)	
		Nil
<b>Income from other sources</b>		
Interest on enhanced compensation = Rs. 5 lakh less 50% deduction	2,50,000	
Dividend received from ABC Ltd., Andhra Pradesh	15,000	
Loss from owning and maintaining race horse of AY 2020-21: Can be set off only against income from such activity u/s 74A	-	
Loss from gambling: Cannot be set off or c/fd	-	
		2,65,000
<b>Gross total income</b>		<b>9,90,000</b>
Less: Deduction u/s 80C for deposit in PPF		(75,000)
<b>Total income</b>		<b>9,15,000</b>

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

Particulars	Rs.
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Unabsorbed long term capital loss of AY 2020-21	85,000
Unabsorbed loss from owning and maintaining race horse of AY 2020-21	20,000

**B13. Comprehensive – CA2019(N) – Following are the details of incomes/losses of Mr. Rishi for FY 2021-22.....**

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

Particulars	Rs.	Rs.
Income from house property		
• Income from property X	1,20,000	
• Less: Loss from property Y (inter source set off u/s 70)	(3,40,000)	
	(2,20,000)	
• Less: Loss eligible for set off against salary income (inter head set off u/s 71: see below)	2,00,000	
• Loss to be carried forward to AY 2023-24 u/s 71B	(20,000)	-
Income from salary		
• Salary income (computed)	3,60,000	
• Less: Set off of loss from house property (inter head set off u/s 71)	(2,00,000)	
		1,60,000
Profits and gains of business or profession		
• Income from business P	2,30,000	
• Less: Loss from business Q (inter source set off u/s 70)	(12,000)	
		2,18,000
• Income from speculative business R	15,000	
• Less: Loss from speculative business T (can be set off only against income from speculative business u/s 73)	(25,000)	
• Unabsorbed loss carried forward to next year u/s 73	(10,000)	-
Income from other sources		
• Income from card games	16,000	
• Interest on securities	5,000	
• Loss from owning and maintaining race horses: Can be set off only against income from such activity; carried forward to AY 2023-24 u/s 74A	-	
		21,000
<b>Gross total income</b>		<b>3,99,000</b>

*Mistake by students – Setting off entire loss from house property against salary income instead of Rs. 2 lakh.*

**B14. Comprehensive – CA2018(N) – Rakesh Gupta has derived the following income/loss, as computed below, for the.....**

*Computation of total income of Rakesh Gupta for AY 2022-23*

Particulars	Rs.	Rs.
Profits and gains of business or profession:		
• Income from speculation business	12,45,000	
• Less: Loss from non speculation business (inter source set off u/s 70)	(3,20,000)	
	9,25,000	
• Less: Loss from let out property (inter head set off u/s 71 up to Rs. 2 lakh). Balance carried forward to AY 2023-24 u/s 71B.	(2,00,000)	
		7,25,000
Income from other sources:		
• Winning from lotteries	1,50,000	
• Winning from betting	90,000	
• Loss from card games (cannot be set off against any other income and cannot be carried forward)	-	
		2,40,000
Gross total income		9,65,000
Less: Deduction u/c VIA		-
<b>Total income</b>		<b>9,65,000</b>

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

Particulars	Rs.
Loss from specified business u/s 35AD: Can be set off only against income from such business u/s 73A. Carried forward to next year.	4,10,000
Loss from let out property in excess of Rs. 2 lakh, carried forward to next year u/s 71B.	50,000

*Mistake by students:*

1. Not aware that loss from card games cannot be set off and cannot be carried forward.
2. Did not specify items to be carried forward.

**B15. Comprehensive – CA2018(N) (modified) – Rajeev submits the following information for PY 2021-22.....**

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

Particulars	Rs.	Rs.
<b>Income from salary</b>		
Income from salary (assumed computed)	6,50,000	
Less: Loss from house property set off u/s 71 to the extent of 2 lakh	(2,00,000)	
		4,50,000
<b>Income from house property</b>		
Income from House I	55,000	
Less: Loss from House II set off u/s 70	(1,25,000)	
Less: Loss from House III set off u/s 70	(1,90,000)	
	(2,60,000)	-
<b>Profits and gains of business or profession</b>		
Profit from cloth business	1,70,000	
Less: Loss from leather business set off u/s 70	(68,000)	
	1,02,000	
Less: Loss of chemical business acquired by inheritance set off u/s 72 (assuming it is brought forward within the 8 year period): Successor cannot carry forward and set off loss of predecessor, except in case of inheritance, u/s 78(2).	(45,000)	
	57,000	
Less: B/fd loss of discontinued business of textile relating to FY 2016-17, set off u/s 72. It is not necessary that textile business should continue in year of set off.	(50,000)	
		7,000
<b>Capital gains</b>		
Long term capital gain on transfer of listed equity shares on which STT was paid	25,000	
Less: Short term capital loss in equity oriented funds on which STT was paid, set off u/s 70	(25,000)	
		-
<b>Income from other sources</b>		
Income from crossword puzzles	12,000	
Dividend from foreign company	8,500	
Loss on owning and maintenance of race horses: Can be set off only against income from such activity	-	
Income from owning and maintenance of race bulls	9,000	
		29,500
<b>Gross total income</b>		<b>4,86,500</b>

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

Particulars	Rs.
Unabsorbed loss from house property of AY 2022-23 carried forward u/s 71B (2,60,000 – 2,00,000)	60,000
Unabsorbed short term capital loss of AY 2022-23 carried forward u/s 74 (35,000 – 25,000)	10,000
Loss on owning and maintenance of race horses of AY 2022-23 carried forward u/s 74A	7,500

*Mistake by students – Did not restrict set off of house property loss to 2 lakh; wrongly set off loss on owning and maintenance of race horses against income from owning and maintenance of race bulls.*

**B16. Comprehensive – CA2016(M) – Mr. Aditya furnishes the following details for the year ended 31.3.2022.....**

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

Particulars	Rs.	Rs.
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<b>Income from salary</b>		
Income from salary (assumed to be computed)	2,50,000	
Less: Loss from house property (inter head set off u/s 71)	(1,50,000)	
		1,00,000
<b>Profits and gains of business or profession:</b>		
Income from speculative business B	5,000	
Less: Loss from speculative business A (inter source set off u/s 70). Balance of Rs. 20,000 carried forward to next year u/s 73.	(5,000)	
		-
Income from trading business	45,000	
Less: B/fd loss from trading business relating to AY 2016-17 set off u/s 72	(5,000)	
		40,000
<b>Capital gains:</b>		
Long term capital gain from sale of urban land	2,00,000	
Less: Long term capital loss on sale of shares (STT not paid) (inter source set off u/s 70)	(75,000)	
Less: Long term capital loss on sale of listed shares in recognized stock exchange (STT paid) (inter source set off u/s 70)	(82,000)	
		43,000
<b>Income from other sources:</b>		
B/fd loss from owning and maintaining race horses pertaining to AY 2018-19: Can be set off only against such income; cannot be carried forward to next year u/s 74A since time limit of 4 years expires in AY 2022-23.		-
<b>Total income</b>		<b>1,83,000</b>

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

Particulars	Rs.
Unabsorbed loss from speculative business A carried forward to next year u/s 73.	20,000
Loss from specified business covered u/s 35AD: Can be set off only against such income u/s 73A. Carried forward to next year	20,000

**B17. Comprehensive – CA2013(M) – From the following information of Mohit for the FY 2021-22, you are required to.....**

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

Particulars	Rs.	Rs.
<b>Income from house property</b>		
Income from House No. 1	80,000	
Less: Loss from House No. 2 set off u/s 70 (assumed it is computed)	(38,000)	42,000
<b>Profits and gains of business or profession:</b>		
Profits of leather business	1,00,000	
Share of profit in firm – Exempt u/s 10(2A)	-	
Bad debts of chemical business recovered: Taxable u/s 41(4) even if chemical business is discontinued	35,000	
	1,35,000	
Less: Current year loss of textile business set off u/s 70	(40,000)	
	95,000	
Less: B/fd loss of textile business set off u/s 72	(95,000)	-
<b>Capital gains</b>		
Short term capital gain (long term capital loss cannot be set off against short term capital gain u/s 70)		60,000
<b>Gross total income</b>		<b>1,02,000</b>
Less: Deduction u/s 80C for LIC premium paid		(10,000)
<b>Total income</b>		<b>92,000</b>

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

Particulars	Rs.
Unabsorbed business loss of chemical business of AY 2018-19 carried forward u/s 72	50,000
Unabsorbed long term capital loss carried forward u/s 74	35,000

**B18. Comprehensive – CA2010(N) – Sohan submits the following details of his income for AY 2022-23.....**

*Computation of total income for AY 2022-23*

Particulars	Rs.	Rs.
<b>Income from salary</b>		
Salary (assumed computed)	3,00,000	
Less: Loss from house property set off u/s 71	(40,000)	2,60,000
<b>Profits and gains of business or profession</b>		
Income from sugar business	50,000	
Less: B/fd loss from iron ore business set off u/s 72 (continuance of business is not necessary) (assumed loss pertains to AY 2017-18)	(50,000)	-
<b>Capital gain</b>		
Long term capital gain	40,000	
Less: Short term capital loss set off u/s 70	(40,000)	-
<b>Income from other sources</b>		
Dividend	5,000	
Income from lottery winning	50,000	
Winning in card games	6,000	
Bank interest	5,000	66,000
Agricultural income – Exempt		-
<b>Gross total income</b>		<b>3,26,000</b>

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

Particulars	Rs.
Unabsorbed loss from iron ore business (1,20,000 – 50,000) of AY 2017-18 carried forward u/s 72	70,000
Unabsorbed short term capital loss of AY 2022-23 carried forward u/s 74	20,000
Unabsorbed short term capital loss u/s 111A of AY 2022-23 carried forward u/s 74	10,000

**B19. Comprehensive – CA2009(M) – Geeta is a resident individual. She provides the following details of her income/loss.....**

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

Particulars	Rs.	Rs.
<b>Profits and gains of business or profession</b>		
Salary from partnership firm (assumed it is deductible for firm u/s 40(b))	7,50,000	
Less: B/fd business loss of AY 2017-18 set off u/s 72 (carry forward allowed u/s 80 as return filed in time)	(7,50,000)	-
<b>Capital gain</b>		
Long term capital gain on sale of land	5,00,000	
Less: Long term capital loss on sale of shares set off u/s 70	(3,00,000)	2,00,000
<b>Income from other sources</b>		
Gift from friends taxable u/s 56(2)(x)	51,000	
Dividend	55,000	1,06,000
<b>Gross total income</b>		<b>3,06,000</b>

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

Particulars	Rs.
Unabsorbed business loss of AY 2017-18 carried forward u/s 72	5,00,000

**B20. Comprehensive – CA2008(N) – Mr. P, a resident individual, furnishes the following particulars of his income and.....**

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

Particulars	Rs.	Rs.
<b>Income from salaries (assumed computed)</b>		18,000
<b>Income from house property:</b>		
Net annual value	70,000	

Less: Standard deduction @ 30% of NAV	(21,000)	
	49,000	
Unrealized rent of earlier years (no tax treatment for current year)	-	49,000
<b>Profits and gains of business or profession</b>		
Income from business	80,000	
Less: Current year depreciation u/s 32	(8,000)	
Less: B/fd unabsorbed depreciation u/s 32(2)	(9,000)	
		63,000
Income from speculative business	12,000	
Less: B/fd loss from speculative business u/s 73	(12,000)	
		-
<b>Capital gains</b>		
Long term capital gain on sale of land	15,800	
Less: B/fd short term capital loss u/s 74	(7,800)	
		8,000
<b>Gross total income</b>		<b>1,38,000</b>

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

<b>Particulars</b>	<b>Rs.</b>
Unabsorbed loss from speculative business carried forward u/s 73 (assuming it is within the 4 year period)	4,000
Loss on maintenance of race horses carried forward u/s 74A (assuming it is within the 4 year period)	9,000
Loss on gambling cannot be set off or carried forward	-