

TAXBOOK⁺

Working steps of solutions

B1 to B10

Set-off & Carry-forward of Losses

Build Your Confidence (BYC)

INTER SOURCE ADJUSTMENT

B1. Inter source adjustment – Shri provides the following particulars of his income for AY 2022-23. Compute the

Computation of income under each head after inter source adjustment

Particulars			Rs.
Income from house property in Delhi		1,00,000	
Less: Loss from house property in Kolkata set off u/s 70		(1,20,000)	
Loss under the head 'Income from house property'			(20,000)
Income from speculation business I	20,000		
Less: Loss from speculation business II set off	(10,000)		
		10,000	
Loss from a specified business referred u/s 35AD (can be set off only against income from specified business referred u/s 35AD)		-	
Income from the departmental store run by him	4,00,000		
Less: Loss from a real estate agency run by him set off u/s 70	(4,30,000)		
Set off against income from speculation business u/s 70		(30,000)	
Loss under the head 'Profits and gains of business or profession'			(20,000)
Long term capital gain		20,000	
Less: Long term capital loss set off u/s 70		(10,000)	
Less: Short term capital loss set off u/s 70		(5,000)	
Income under the head 'Capital gains'			5,000
Income from activity of owning and maintaining race horses		30,000	
Less: Excess of expenditure over income from sub-letting of a property: Set off u/s 70		(40,000)	
Loss under the head 'Income from other sources'			(10,000)
Income from horse races (no loss can be set off against winning)			25,000

INTER HEAD ADJUSTMENT

B2. Inter head adjustment – Compute the total income of Jay for AY 2022-23 from the following particulars.....

Computation of total income of Jay for AY 2022-23

Particulars		Rs.
Salary income (computed)	1,50,000	
Less: Loss from house property set off u/s 71	(1,50,000)	
		Nil
Profits and gains of business or profession:		
Income from speculation business	10,000	

Less: Loss from wholesale business set off u/s 70	(30,000)	
	(20,000)	
Share of loss from partnership firm: No set off as it is exempt u/s 10(2A)	-	(20,000)
Capital gains:		
Long term loss from sale of gold coins: Cannot be set off against income of any other head u/s 71. Will be carried forward to next AY.		-
Income from other sources:		
Interest income of wife from money gifted to her: Clubbed u/s 64(1)(iv)	50,000	
Less: Loss from authoring a book set off u/s 70	(10,000)	
		40,000
Loss under head PGBP can be set off against IFOS u/s 71.		20,000
Less: Loss from house property set off u/s 71: Overall set off limited to 2 lakh u/s 71. Unabsorbed loss of 80,000 (2,50,000 – 1,50,000 – 20,000) will be carried forward to next AY.		(20,000)
Gross total income		Nil
Less: Deduction u/s 80C: Nil since gross total income is Nil		Nil
Total income		Nil

B3. Inter head adjustment – Compute the total income of Mr. Sharma, aged 35 years, for AY 2022-23 from the following.....

Computation of total income of Mr. Sharma for AY 2022-23

Particulars	Rs.	Rs.
Salary (computed)	5,00,000	
Less: Loss from house property set off u/s 71 (loss can be set off up to Rs. 2 lakh; since normal income in this case is taxable at 5% slab rate as against long term capital gain u/s 112 at 20%, it is more beneficial to set off loss from house property from long term capital gain first and balance from salary). Balance unabsorbed loss from house property of Rs. 50,000 will be carried forward to next year.	(1,50,000)	
		3,50,000
Long term capital gain from sale of house	2,50,000	
Less: Long term capital loss u/s 112A set off u/s 70	(2,00,000)	
	50,000	
Less: Loss from house property set off u/s 71	(50,000)	
		Nil
Total income (comprising salary)		3,50,000

B4. Inter head adjustment – CA2012(N) – Mr. Rahul, an assessee aged 61 years, gives the following information for the.....

Computation of total income for AY 2022-23

Particulars	Rs.	Rs.
Income from house property		
Loss from house property (15,000 + 30,000)		(45,000)
Profits and gains of business or profession		
Loss from profession	(1,05,000)	
Share of loss from firm: Not allowed since share of profit is exempt u/s 10(2A)	-	
		(1,05,000)
Capital gains		
Long term capital gain on sale of shares	2,05,000	
Less: Short term capital loss on sale of property: Set off u/s 70	(55,000)	
		1,50,000
Set off Loss from house property and loss from profession against long term capital gain u/s 71		Nil
Income from other sources		
Income from card games	55,000	
Winning from lotteries	1,00,000	
Loss from horse races: Cannot be set off or carried forward	-	
		1,55,000
Gross total income		1,55,000

Less: Deduction under Chapter VIA for investment in infrastructure bonds u/s 80C and medical insurance premium u/s 80D (not allowed from income from card games and winning from lotteries)		-
Total income		1,55,000

CARRY FORWARD AND SET OFF & COMPREHENSIVE QUESTIONS

B8. Return of loss – CA2017(N) (modified) – Prakash furnishes you the following details in respect of the FY 2021-22.....

Since return of loss is furnished after the due date u/s 139(1), loss from business cannot be carried forward to AY 2023-24 u/s 72. However, this does not impact unabsorbed depreciation and loss from house property which can be carried forward u/s 32(2) and u/s 71B, respectively.

B9. Carry forward – 32(2) – Compute the total income of Ghanshyam from the following particulars for AY 2022-23.....

Computation of total income for AY 2022-23 if income taken as per books

Particulars	Rs.
Income from plying goods carriages as per books (Note 1)	7,50,000
Income from grocery retail business as per books (Note 2)	8,00,000
Less: Brought forward unabsorbed depreciation set off u/s 32(2)	(50,000)
Total income	15,00,000

Computation of total income for AY 2022-23 if presumptive income taken

Particulars	Rs.
Income from plying goods carriages u/s 44AE (Note 1)	9,00,000
Income from grocery retail business u/s 44AD (Note 2)	9,30,000
Less: Brought forward unabsorbed depreciation u/s 32(2): Set off not possible as deemed allowed	-
Total income	18,30,000

Note 1 - If he opts for section 44AE, presumptive income = $7,500 \times 12 \text{ months} \times 10 \text{ vehicles}$ = Rs. 9 lakh. If he does not opt, he can take the income as per books of Rs. 7.5 lakh provided books of accounts are maintained u/s 44AA and tax audit is done u/s 44AB.

Note 2 - If he opts for section 44AD, presumptive income = 6% of 1.35 cr (90% of turnover received by a/c payee cheque, RTGS and NEFT up to due date of ROI) + 8% of 0.15 cr received in cash = $8,10,000 + 1,20,000 = 9,30,000$. If he does not opt, he can take the income as per books of Rs. 8 lakh (further reduced by unabsorbed depreciation of Rs. 50,000). In such case, benefit of 44AD will cease for the next 5 AYs. For current AY and next 5 AYs, he will need to maintain books u/s 44AA and get tax audit done u/s 44AB if total income exceeds the basic exemption limit.

B10. Carry forward – CA2018(M) – Mr. Jaji is a Chartered Accountant and his income from profession for the year.....

Computation of total income for AY 2022-23

Particulars	Rs.	Rs.
Profits and gains of business or profession		
Income from profession		10,00,000
Capital gains		
Long term capital gain	4,00,000	
Long term capital gain from shares	10,00,000	
Less: Short term capital loss set off u/s 70	(6,00,000)	
Less: Short term capital loss u/s 111A set off u/s 70	(8,00,000)	-
Income from other sources		
Income of minor son Biju clubbed u/s 64(1A)	1,50,000	
Less: Exemption u/s 10(32)	(1,500)	1,48,500
Income of minor daughter Chitra:		
• Income as professional dancer: Not clubbed since arises on account of talent	-	
• Interest from SBI clubbed u/s 64(1A)	20,000	
• Gift received from friends of Mr. Jaji – Not taxable u/s 56(2)(x) since does not exceed	-	

Rs. 50,000		
• Less: Exemption u/s 10(32)	(1,500)	18,500
Total income		11,67,000

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

Particulars	Rs.
Unabsorbed short term capital loss u/s 111A carried forward u/s 74	2,00,000