

# TAXBOOK<sup>+</sup>

## 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)	
<b>Loss under the head 'Income from house property'</b>			<b>(20,000)</b>
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)	
<b>Loss under the head 'Profits and gains of business or profession'</b>			<b>(20,000)</b>
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)	
<b>Income under the head 'Capital gains'</b>			<b>5,000</b>
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)	
<b>Loss under the head 'Income from other sources'</b>			<b>(10,000)</b>
<b>Income from horse races (no loss can be set off against winning)</b>			<b>25,000</b>

### 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.
<b>Salary income (computed)</b>		<b>1,50,000</b>	
Less: Loss from house property set off u/s 71		(1,50,000)	
			Nil
<b>Profits and gains of business or profession:</b>			
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)
<b>Capital gains:</b>		
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.		-
<b>Income from other sources:</b>		
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)
<b>Gross total income</b>		<b>Nil</b>
Less: Deduction u/s 80C: Nil since gross total income is Nil		Nil
<b>Total income</b>		<b>Nil</b>

**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
<b>Total income (comprising salary)</b>		<b>3,50,000</b>

**B4. Inter head adjustment – CA 2012(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.
<b>Income from house property</b>		
Loss from house property (15,000 + 30,000)		(45,000)
<b>Profits and gains of business or profession</b>		
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)
<b>Capital gains</b>		
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
<b>Income from other sources</b>		
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
<b>Gross total income</b>		<b>1,55,000</b>

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)		-
<b>Total income</b>		<b>1,55,000</b>

### 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)
<b>Total income</b>	<b>15,00,000</b>

**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	-
<b>Total income</b>	<b>18,30,000</b>

**Note 1** - If he opts for section 44AE, presumptive income = 7,500 × 12 months × 10 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.
<b>Profits and gains of business or profession</b>		
Income from profession		10,00,000
<b>Capital gains</b>		
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)	-
<b>Income from other sources</b>		
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
<b>Total income</b>		<b>11,67,000</b>

**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

**B10a. Comprehensive - CA2021(JULY) – Brajesh is a partner in a partnership firm named XYZ & Associates. He provides.....**

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

Particulars	Rs.	Rs.
<b>Profits and gains of business or profession</b>		
Salary from firm (taxable as business income to the full extent as it is allowed as deduction to the firm)	3,75,000	
Less: Business loss b/fd from AY 2021-22 set off u/s 72	(3,75,000)	
		-
<b>Capital gains</b>		
Long term capital gain on sale of house	2,50,000	
Less: Long term capital loss on sale of shares (u/s 112A) set off u/s 70	(1,50,000)	
		1,00,000
<b>Income from other sources</b>		
Dividend from domestic companies	27,500	
Gift from father's friend taxable u/s 56(2)(x) since it exceeds aggregate of 50,000	51,000	
		78,500
<b>Gross total income</b>		<b>1,78,500</b>
Less: Deduction u/s 80C for LIC premium: Restricted to IFOS of 78,500 since deduction u/c VIA are not permissible from long term capital gain (see para 192)		(78,500)
<b>Total income</b>		<b>1,00,000</b>

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

Particulars	Rs.
Unabsorbed business loss of AY 2021-22 (6,25,000 – 3,75,000) carried forward u/s 72	2,50,000
Unabsorbed speculative business loss of AY 2019-20 carried forward u/s 73 since it can be set off only against profit of speculative business	2,50,000

**Mistake by students – Showed salary from firm under the head 'Salaries' instead of RGPB!**

**B10b. Comprehensive - CA2021(JULY) – X, a resident individual, submits the following information, relevant to PY.....**

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

Particulars	Rs.	Rs.
<b>Salaries</b>		
Income from salary (computed)	2,22,000	
Less: House property loss of 2,58,000 (see below) set off u/s 71 up to 2 lakh. Balance c/fd.	(2,00,000)	
		22,000
<b>Income from house property</b>		
Income from house in Delhi	22,000	
Less: Loss from house in Chennai set off u/s 70	(2,60,000)	
Less: Loss from house in Mumbai (self occupied) set off u/s 70	(20,000)	
	(2,58,000)	-
<b>Profits and gains of business or profession</b>		
Profits from speculative business – 2	46,000	
Less: Loss from speculative business – 1 set off in terms of section 73. Balance c/fd.	(46,000)	
		-
Profit from textile business	18,000	
Less: Loss from cosmetics business set off u/s 70	(18,000)	
		-

<b>Capital gains</b>		
Long term capital gain from sale of property	15,400	
Less: Short term capital loss from sale of property set off u/s 70. Balance c/fd.	(15,400)	
		-
<b>Income from other sources</b>		
Income from betting	34,000	
Income from card games	46,000	
Loss on maintenance of race horses: Can only be set off against income from such activity. Hence, c/fd.	-	
		80,000
<b>Gross total income</b>		<b>1,02,000</b>

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

<b>Particulars</b>	<b>Rs.</b>
Unabsorbed house property loss carried forward u/s 71B	58,000
Unabsorbed loss from speculative business - 1 carried forward u/s 73	28,000
Unabsorbed short term capital loss carried forward u/s 74	600
Unabsorbed loss on maintenance of race horses carried forward u/s 74A	14,600

# 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*

Particulars	Rs.
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	-

# 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	-

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

MCQ

#### INTER SOURCE ADJUSTMENT

**M2. An assessee can set off loss from a source of income under one head against a source of income of another head.....**

Inter-head set off is possible after inter-source set off.

**M3. Veeru has short term capital gain taxable at 15% u/s 111A of Rs. 5,00,000, short term capital loss u/s 111A of R.....**

STCL can be set off only against capital gain.

**M4. Veer has income from house A of Rs. 1,00,000, loss from house B of Rs. 1,00,000 and brought forward loss of house.....**

House A 1L – House B 1L = Nil. B/fd IHP loss not adjusted. STCG is balance income.

**M8. Roma has loss from speculation business of Rs. 50,000, income from speculation business of Rs. 25,000 and.....**

SB loss set off against SB income. Balance SB loss c/fd. PGBP = Garment business income.

**M9. Reema has loss from speculation business of Rs. 50,000, income from business specified u/s 35AD of Rs. 75,000.....**

Garment business loss set off against 35AD income. PGBP = Nil. SB loss c/fd.

**M10. Rohan has long term capital gain from sale of gold of Rs. 1,00,000, long term capital loss from sale of shares u/s.....**

STCG 1,00,000 – STCL 70,000 = STCG 30,000.

LTCG 1,00,000 – LTCL 1,20,000 = Loss of 20,000 c/fd. Cannot be set off against STCG.

**M11. Yogi has long term capital gain from sale of land Rs. 5,00,000, short term capital gain from sale of gold Rs.....**

STCG 1L – STCL 2L = STCL 1L.

LTCG 5L – STCL 1L – LTCL 2L = LTCG 2L

**M12. Sonu has loss from owning and maintaining race horses of Rs. 1 lakh, winning from lottery of Rs. 1 lakh and loss.....**

OMRH loss of 1L c/fd. Sub letting loss can't be set off against winning. IFOS = 1L winning.

**M13. Sona, the minor child of Sonu, earned interest of bank FD of Rs. 1 lakh. Sonu has loss from royalty on sale of his.....**

IFOS = 98,500 on account of Sonu's income clubbed (1,00,000 – 1,500 exempt u/s 10(32)) – 1,00,000 royalty = 1,500 loss.

#### INTER HEAD ADJUSTMENT

**M16. Sohail has loss from manufacturing business of Rs. 1 lakh, salary income of Rs. 1 lakh, loss from house property of.....**

Salary 1L – IHP 1L = Nil. PGBP and CG loss c/fd.

**M17. Loss under the head IHP can be set off against income of other heads up to Rs. 2 lakh per head.....**

2L limit is overall; not per head.

**M18. Salman has winning from card games of Rs. 50,000, undisclosed income of Rs. 40,000, loss from owning and.....**

Winning 50,000 + Undisclosed income 40,000 = 90,000. OMRH loss and STCL c/fd.

**M19. Suhail has long term capital loss of Rs. 1 lakh, short term capital loss of Rs. 1 lakh, salary income of Rs. 1 lakh.....**

LTCL and STCL c/fd.

TI = IHP 2L – PGBP 2L + 1L salary = 1L. PGBP loss 1L c/fd as cannot be set off against salary.

**M20. Suraj has loss from let out property of Rs. 2 lakh, loss from self occupied of Rs. 1 lakh, salary income of Rs.....**

Salary 1L + LTCG 1L – 2L IHP = Nil. IHP loss 1L c/fd. TI = Winning 2L.

**M21. Sana has loss from grocery business of Rs. 1 lakh, income from hospital business specified u/s 35AD of Rs. 3 lakh.....**

Speculative loss of 2L c/fd. Grocery loss 1L set off with 35AD income 3L = 2L.

IHP loss up to 2L (balance 0.5L c/fd) set off with PGBP income 2L = Nil.

LTCG 4L – STCL 3.5L = LTCG 0.5L.

Card games loss lapses. Winning = 1.5L.

TI = winning 1.5L+ LTCG 0.5L = 2L

### CARRY FORWARD AND SET OFF

**M33. Sunny incurred loss of Rs. 1,50,000 from house property in AY 2018-19. He filed the return of loss for that year.....**

IHP = IHP income 1,00,000 – B/fd IHP loss 1,50,000 = Nil (50,000 c/fd).

STCL 2,00,000 c/fd.

TI = Interest 1,50,000.

**M35. For AY 2022-23, Jasmine earned income from speculation business of Rs. 1,00,000. Speculation business loss.....**

Current PGBP = 1,00,000 SB income – 30,000 IHP loss = 70,000.

TI = 70,000 Current PGBP – 60,000 SB loss of AY 2020-21 – Nil SB loss of AY 2016-17 (4 years expired) = 10,000.

**M36. For AY 2022-23, Mohit had income from cold chain business u/s 35AD of Rs. 2,00,000, income from F&B.....**

35AD = 2,00,000 current income – 2,50,000 b/fd loss = Nil (50,000 c/fd).

F&B income = 3,00,000.

STCL cannot be c/fd u/s 80 as ROL filed late.

**M37. Shaan has income from consulting business of Rs. 10 lakh for AY 2022-23. Unabsorbed business loss of AY.....**

Since time to c/fd is limited to 8 years, it is better to first set off loss of earlier years.

**M38. For AY 2022-23, Gunjan has income from food business of Rs. 2,00,000 (before depreciation), current year.....**

PGBP = 2,00,000 – current depreciation 50,000 – B/fd business loss 1,00,000 – UD 50,000 = Nil.

LTCG = 20,000 – UD 20,000 = Nil.

UD cannot be set off against salary.

TI = salary 60,000. Balance UD of 10,000 c/fd.

**M39. For PY 2021-22, Faizal has income from jewellery business of Rs. 3,00,000 (before depreciation), current year.....**

PGBP = 3,00,000 – current depreciation 1,00,000 – B/fd business loss 2,00,000 = Nil (balance 2,00,000 c/fd).

IFOS 70,000 – UD 70,000 = Nil (balance UD 1,00,000 c/fd).

TI = Salary 50,000.

**M39a. Mr. Y has the following particulars for AY 2022-23: Loss from retail business Rs. 4 lakh; long term capital gain.....**

PGBP loss can't be c/fd u/s 80 but IHP loss can be c/fd. Best to set off PGBP loss against LTCG instead of IHP loss.

TI = Nil. IHP loss c/fd.

**M40. Johny has the following particulars of income for AY 2022-23: Income from transport business Rs. 1,00,000; loss.....**

Transport business income = 1,00,000.

Speculative loss 50,000 expired. Can't be b/fd to AY 2022-23.

LTCL 1,25,000 c/fd.

STCG = 1,75,000 – STCL on rural agricultural land NIL as it is exempt – STCL on shares 1,75,000 = Nil (unabsorbed STCL 50,000 expires; can't be c/fd).

TI = PGBP 1,00,000.

**M41. Roshni has the following particulars of income for AY 2022-23: income from salary Rs. 5,00,000; loss from self.....**

Salary = 5,00,000 – 2,00,000 IHP loss = 3,00,000. Balance IHP loss 1,00,000 c/fd.

35AD loss 3,00,000 c/fd.

LTCG 1,80,000 + interest 70,000 – Legal profession 1,50,000 = 1,00,000.

TI = 1,00,000 + 3,00,000 = 4,00,000.

**M42. For PY 2021-22, Sohan has the following particulars of income: Income from owning and maintaining race horses.....**

OMRH = 1,50,000 – 1,50,000 b/fd = Nil (unabsorbed loss of 1,00,000 expires; can't be c/fd).

Gambling 40,000 – Betting loss Nil (can't be set off or c/fd) + 70,000 unexplained investment u/s 69 + Gambling loss of last year Nil (cannot be b/fd) = 1,10,000.

**M43. For PY 2021-22, Mr. T has the following particulars of income and loss: Income from salary (computed) Rs.....**

Salary 3,50,000 – IHP loss upto 2,00,000 = 1,50,000. Balance IHP loss 3,50,000 (2,50,000 + 3,00,000 – 2,00,000) c/fd.

IFOS 50,000 – PGBP loss 50,000 = Nil. Balance PGBP loss of 1,90,000 c/fd.

TI = 1,50,000. C/fd loss = 3,50,000 + 1,90,000 = 5,40,000.