

INCOME TAX [Set off and Carry forward of Losses] Semester IV B.Com (H+G)
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The right of the assessee to set off and carry forward of losses is made in three stages — 1st stage: Inter-source adjustment
2nd stage: Inter-head adjustment 3rd stage: Carry forward of losses to be adjusted or set off against income of the subsequent years.

Note: • This sequence of set off of losses must be followed (1st then 2nd and so on) • Though nothing mention in I. Tax. about priority of loss to be set off; give priority to those losses to be set off which can not be set off • No partial set off of losses is allowed if entire loss can be set off otherwise.

PICTURE OF SET OFF OF LOSSES AT A GLANCE

HEADS OF INCOME → SPECIFIC ITEMS ↓	u/s	SHOULD THE SOURCE be CONTINUED	INCOME FROM SALARY	INCOME FROM HOUSE PROPERTY	PROFITS & GAINS FROM BUSINESS OR PROFESSION			CAPITAL GAINS		INCOME FROM OTHER SOURCES			UNABSORBED LOSS TO BE CARRIED FORWARD FOR ADJUSTMENT (PERIOD)
					SPECULATIVE BUSINESS	BUSINESS u/s 35 AD	NON-SPECULATIVE	LONG TERM	SHORT TERM	Lottery GAMBLING BETTING	DIVIDEND & MAINT. RACE HORSE	OTHERS DIV. FROM SHARES HELD AS STOCK INTRADE	
1. HOUSE PROPERTY (Loss)		NO.											
a) Inter SOURCE	70	-	-	YES	-	-	-	-	-	-	-	-	Subsequent 8 years to be set off against Income from House Property only u/s 71(B)
b) Inter HEAD (Max Limit + Rs 200,000 in a year)	71	YES	YES	-	YES	YES	YES	YES	YES	YES	YES	YES	

2. PROFITS & GAINS (Loss)																			
a) Speculative Business																			
- Inter Source	70	NO	-	-	YES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Inter Head	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Business of S35AD																			
- Inter Source	70	NO	-	-	-	YES	-	-	-	-	-	-	-	-	-	-	-	-	-
- Inter Head	71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) Non-Speculative																			
- Inter Source	70	NO	-	-	YES	YES	YES	-	-	-	-	-	-	-	-	-	-	-	-
- Inter Head	71	-	YES	-	-	-	-	YES	YES	-	-	YES	YES	-	-	-	-	-	-
3. Capital Gain (Loss)																			
a) Long Term																			
- Inter Source	70(3)	NO	-	-	-	-	-	YES	-	-	-	-	-	-	-	-	-	-	-
- Inter Head	71(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Short-Term																			
- Inter Source	70(2)	NO	-	-	-	-	-	YES	YES	-	-	-	-	-	-	-	-	-	-
- Inter Head	71(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Income From other sources																			
- Loss from betting, lottery, cross, word puzzles																			
(Both inter source and inter-head)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Loss from activity of race horse																			
(a) Inter source	71(A)	YES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Inter head		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Any other income																			
(a) Inter source		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Inter-head		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Unabsorbed - Dep. Capital exp. or scientific research and family planning																			
		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Subsequent 4 years to be set off against speculative profits u/s 73

No Time Limit set off of loss - Business u/s 35AD u/s 73(A) only

8 yrs (Subsequent) set off profits & gains (Speculative + STTD + non-speculative) and dividend income from share held in stock - in total

8 yrs (Subsequent) - only long term Capital Gain u/s 74

8 yrs (Subsequent) - only Capital Gain (Long + Short) u/s 74

No set off No carry forward

4 years (Subsequent) to be set off from this source only u/s 74A. cannot carry forward

NO Time Limit

When profits are insufficient to absorb all the losses, ^{allowances &} the following order is to be maintained for setting off ^{losses} -

- 1) Current scientific research expenditure u/s 35(1)
- 2) Current depreciation u/s 32(1)
- 3) Brought forward Business loss u/s 72(1)
- 4) Unabsorbed family planning expenditure u/s 36(1)(ix)
- 5) " depreciation u/s 32(2)
- 6) " Scientific research expenses u/s 35(4)
- 7) " development allowances u/s 33A(2)(ii)
- 8) Current development allowances u/s 33A(2)(i)
- 9) Unabsorbed Investment Allowances u/s 32A(3)(ii)

Note: Loss from a source, income of which is exempt u/s 10, ~~can not~~ cannot be set off against any income.