

21 Carry Forward & Set Off of Losses

Generally, losses can occur from the heads of house property, business or profession, capital gain & other sources but not from the salary head. As far as possible, losses can be adjusted head- wise in the same financial year but if losses are more, then they can be adjusted against the profits of coming 8 assessment years as per the provision described in section 70 to 80. Brief of important provisions are as under:

	Nature of Incomp	Set-off		Carry Forward & Set - Off		
		Same Head	Another Head	C/F	Years	Against whom
1	Salaries	Yes	Yes	No	NA	NA
2	House Property	Yes	Yes	Yes	8 years	Same head
3	Speculation, Business/ Specified Bus 35AD	No	No	Yes	4 years	Same head
	Unabs. Depreciation/ Cap. Exp. on SR/FP	Yes	Yes	Yes	No limit	Any income
	Non Speculative Business or Profession	Yes	Yes Except Salaries	Yes	8 years	Same head
4	Long term Capital Gains	No	No	Yes	8 years	Same item
	Short term Capital Gains	Yes	No	Yes	8 years	Same head
5	Owning/Maintaining race horses	No	No	Yes	4 years	Same item
	Lotteries / Crossword Puzzles etc.	No	No	No	NA	NA
	Income From Other Sources (except if exempt)	Yes	Yes	No	NA	NA

Adjustment of loss from one source with profit from other the source under the same head:

Generally, losses from different sources of one head can be adjusted against income from other sources of same head (excluding loss from the head of capital gain) (As per sec.70)

Example: In the financial year 2015-16 a businessman happens to get a loss of Rs. 80,000 in garment business and profit of Rs.3,75,000 in grocery business and made investment of Rs. 25,000 in PPF and LIC premium . Calculate the net tax payable.

Solution:

- The loss in garment business can be adjusted against profit in grocery business.
 - There fore, total income of assessee under the head of business or profession will be as under:
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| • Gross total income from Business head = Rs 3,75,000 – Rs.8,000 | = | 2,95,000 |
| • Investment in PPF/ LIC premium etc u/s 80C | = | 25,000 |
| • Total taxable income | = | 2,70,000 |
| • Basic exemption limit of income tax | = | 2,50,000 |
| • Tax payable (2,70,000 – 2,50,000 = 20000X10% = 2000) | = | 2,000 |
| • Rebate in income tax u/s 87 A | = | 2,000 |
| Net the payable | = | Nil |

