

## 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      |

