

## TEST 10: SET OFF & CARRY FORWARD OF LOSSES

### Illustration 1

Anuj, a resident individual, submits the following information, relevant for the previous year ending March 31, 2022:

	Rs.
Income from salary (before standard deduction)	8,50,000
Income from house property	
House I	70,000
House II	(-) 52,000
House III (self-occupied)	(-) 25,000
Profits and gains of business or profession	
Business I	2,00,000
Business II	(-) 75,000
Business III (speculative)	(-) 1,60,000
Business IV (speculative)	72,000
Capital gains	
Short term capital loss	83,000
Long term capital gain on transfer of preference shares	70,000
Income from other sources	
Income from card games	80,000
Income from betting	70,000
Loss on maintenance of race horses	(-) 1,20,000
Income from owning and maintaining race camels	2,00,000

Determine the net income for the assessment year 2022 - 2023.

### Solution

	Rs.	Rs.
Salary income (Rs.8,50,000 - Standard deduction Rs.50,000)		8,00,000
Income from house property		
House I	70,000	
House II	(-) 52,000	
House III	(-) 25,000	(-) 7,000
Business income		
Business I	2,00,000	
Business II	(-) 75,000	1,25,000
Business III (speculative)	(-) 1,60,000	
Business IV (speculative)	72,000	

Speculative loss (to be carried forward)	(-) 88,000	
Capital gains		
Short term capital loss	83,000	
Long term capital gain	70,000	Nil
Short term capital loss (to be carried forward)	(-) 13,000	
Income from other sources		
Income from card games	80,000	
Income from betting	70,000	
Income from owning and maintaining race camels	2,00,000	3,50,000
Loss from maintaining race horses (to be carried forward)	(-) 1,20,000	
Net income		12,68,000

**Illustration 2**

Arun, a resident individual, submits the following information for the assessment year 2022 - 2023:

	Rs.
Business I (discontinued on April 15, 2021)	
Loss of the period April 1, 2021 to April 15, 2021	(-) 2,00,000
Brought forward loss of previous year 2020 - 2021	(-) 60,000
Business II (not in existence during 2021 - 2022)	
Brought forward loss of previous year 2021 - 2022	(-) 3,00,000
Business III	
Loss of the previous year 2021 - 2022	(-) 4,10,000
Brought forward loss of previous year 2020 - 2021	(-) 90,000
Business IV	
Profit of previous year 2021 - 2022	1,90,000
Other incomes / losses	
Interest on securities held as stock - in - trade	6,00,000
Interest on debentures held as investments	9,00,000
Dividend (deemed dividend from a foreign company under section 2(22)(e)) on August 23, 2021 on shares held as stock in trade	2,50,000
Long term capital loss in respect of shares	(-) 80,000

Determine the net income for the assessment year 2022 - 2023 and also calculate the amount of loss which can (or which cannot) be carried forward.

**Solution**

	Business Profits		Capital gains	Other incomes
	Taxable under the head "Profit and gains of business or profession"	Taxable under other heads		
	Rs.	Rs.	Rs.	Rs.
Current year				
Business I	(-) 2,00,000			
Business III	(-) 4,10,000			
Business IV	1,90,000			
Interest on securities (held as stock - in - trade)	6,00,000			
Interest on debentures (held as investment)				9,00,000
Deemed dividend		2,50,000		
Long term capital loss			(-) 80,000	
Total	1,80,000	2,50,000	(-) 80,000	9,00,000
Brought forward losses				
Business I	(-) 60,000			
Business II	(-) 1,20,000	(-) 1,80,000		
Business III		(-) 90,000		
Total	Nil	(-) 20,000	(-) 80,000	9,00,000

**Note:** Business loss of Rs.20,000 (pertaining to Business III) will be carried forward. Current years long term capital loss in respect of shares will be carried forward (if securities transaction tax is not applicable). Income of the current year that is chargeable to tax is Rs.9,00,000.

**Illustration 3**

A submits the following information relevant for the assessment year 2022 - 2023:

	Rs.
Interest on non-Government securities (held as investments)	1,80,000
Business profits (before claiming the following deductions)	8,00,000
Current depreciation allowance	90,000
Current scientific research expenditure	70,000
Unabsorbed business loss of the previous years:	
1982 - 83	2,00,000
2012 - 13	15,000
2015 - 16	37,000
Dividend on equity shares in A Ltd., an Indian company	6,00,000

Dividend on preference shares in B Ltd. an Indian company	3,52,000
Dividend from a foreign company	80,000
Long term capital loss brought forward from the assessment year 2022 - 2023	60,000
Determine the net income of X for the assessment year 2022 - 2023	

**Solution**

	Profit and gains of business or profession Rs.	Capital gains Rs.	Income from other sources Rs.
Current year			
Interest on securities			1,80,00
Business income (Rs.8,00,000 - Rs.90,000 - Rs.70,000)	6,40,000		
Dividend from a foreign company			80,000
Brought forward losses			
Business loss (2012 - 2013)	(-) 15,000		
Business loss (2015 - 2016)	(-) 37,000		
Long term capital loss		(-) 60,000	
Total	5,88,000	Nil	2,60,000

**Note:** Amount taxable for the assessment year 2022 - 2023 is Rs.8,48,000 (i.e. Rs.5,88,000 + Rs.2,60,000). Long term capital losses of Rs.60,000 will be carried forward. Dividend from Indian companies on equity shares or preference shares is not chargeable to tax up to Rs.10,00,000.

**Illustration 4**

A submits the following particulars of income / loss for the assessment year 2022 - 2023:

	Rs.
Profit of business I carried on in India	8,00,000
Loss of business II carried on in India	(-) 2,25,000
Profit of business III carried on in Germany (though income is earned and received in Germany, business is controlled from Bombay)	3,90,000
Loss of business IV (exclusive of unabsorbed depreciation allowance mentioned below) carried on in Germany (though income is earned and received in Germany, business is partly controlled from Germany and partly from Canada)	(-) 86,000
Unabsorbed depreciation of the assessment year 2012 - 2013	
Business I	(-) 90,000
Business III	(-) 1,10,000
Business IV	(-) 2,70,000
Income from property situated in India	8,00,000

Income from property situated in Germany (rent is received in Germany)	11,55,000
--	-----------

Determine the net income of A for the assessment year 2022 - 2023 on the assumption that he is (a) resident and ordinarily resident in India, (b) resident and not ordinarily resident in India and (c) non resident in India.

### Solution

	Resident and ordinarily resident Rs.	Resident but not ordinarily resident Rs.	Non resident Rs.
Business I	8,00,000	8,00,000	8,00,000
Business II	(-) 2,25,000	(-) 2,25,000	(-) 2,25,000
Business III	3,90,000	3,90,000	-
Business IV	(-) 86,000	-	-
Unabsorbed depreciation			
Business I	(-) 90,000	(-) 90,000	(-) 90,000
Business III	(-) 1,10,000	(-) 1,10,000	-
Business IV	(-) 2,70,000	-	-
Income from house property in India	8,00,000	8,00,000	8,00,000
Income from house property in Germany	11,55,000	-	-
Net income	23,64,000	15,65,000	12,85,000