

Text Book



INCOME TAX

A Textbook for B.Com. & BBM/BBA as per Gulbarga University Kalaburagi,
Karnataka University Dharwad, Rani Chennamma University Belagavi,
Vijaynagar Sri Krishnadevaraya University Bellary and Akkamahadevi
Women's University Vijayapura Syllabus

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MODULE-11

SET-OFF AND CARRY FORWARD OF LOSSES

(The income of an assessee is calculated in different heads. There may be one or more heads showing losses. Such losses can be set off against the income of same head or other heads in the same year or can be carried forward to subsequent years.) The following are the important provisions relating to the set off and carry forward of losses.

SET-OFF OF LOSSES

Set off of losses means adjusting losses against incomes.

✓ I Set-Off under the same head (Inter-source adjustment) Sec. 70 ✓

Any loss arising from one source of any head can be set off against the incomes of other sources in the same head of income for the same assessment year.

Exceptions

The following are the exceptions to the above rule

1. Loss from Speculation Business ✓

The loss from speculation business cannot be set off against income from non-speculation business. It can be set off only against the profits in speculation business.

2. Long term Capital Loss ✓

The long term capital loss cannot be set off against short term capital gains. It can be set off only against long term capital gains. However, short term capital loss can be set off against any capital gain.

3. Loss from Owning and Maintaining Race Horses ✓

Loss from owning and maintaining race horses cannot be set off against any other income under the head other sources. It can be set off against income of such activity only.

4. Loss can not be Set-Off against Winning from Lotteries, Crossword Puzzles, etc. ✓

Losses arising from the horse races, card games, etc cannot be set off against the winnings from lotteries, races, etc.

5. Loss from an exempted source of income cannot be set off against any taxable income. ✓

INCOME TAX

SECTION-C

1. From the following particulars of his income furnished by Mr. Srikanth for the assessment year 2018-19 and the losses carried forward, compute his gross total income.

a ✓	Long term capital gain	15,000
b ✓	Short term capital gain	10,000
c ✓	Income from silk business	46,000
d ✓	Speculation profit	5,000
e ✓	Interest on debentures of a company(gross)	15,000
f ✓	Income from House property(computed)	8,000

The carried forward losses from the assessment year 2017-18 are

C-101 i-c	Loss from silk business	22,000
d-101 ii-d	Speculation loss	8,000
b-101 iii-b	Short term capital loss	8,000
a-101 iv-a	Long term capital loss	7,000

C-101 - Current year's depreciation for silk business amounted to Rs. 800

(GUG B.Com.VI Sem. 2014)

Ans: Gross total income Rs. 56,200

Hint: House property Rs. 8,000; Business Rs.23,200; Capital Gains Rs. 10,000;
Other sources Rs. 15,000

Note:

1. Unabsorbed loss of silk business of A Y 2017-18 is set off against Profit from silk business of current year after adjustment of current year depreciation.
2. Out of Unabsorbed speculation loss of AY 2017-18 Rs.8,000, only Rs. 5,000 is set off against speculation profit of current year and the balance of Rs. 3,000 carried forward to next A Y.
3. Unabsorbed LTCL of A Y 2017-18 is set off against LTCG of current year.
4. Unabsorbed STCL of A Y 2017-18 is set off against STCG of current year.

2. From the following particulars furnished by Mr.Sunil Magdum of Bijapur, compute his total income for the assessment year 2018-19 by set off and carried forward of losses.

a	Income from salary	1,50,000
b	Income from Let out property	20,000
c	Loss from self occupied property	1,00,000
d-e	Loss from cloth business	80,000

SET-OFF AND CARRY FORWARD OF LOSSES

e	Income from automobile business	1,00,000
f	Income from speculative business	40,000
g	Loss from speculative business	60,000
h	Income from securities	20,000
i	Winnings from lotteries(Net) $\times \frac{100}{70} = 160,000$	1,12,000
j	Long term capital gains	40,000
k	Short term capital gains	10,000
l	Short term capital loss	30,000

The carried forward items for the assessment year 2017-18 are

i-h	Loss from interest on securities	6,000
ii-e	Loss from kirana business	5,000
iii-e	Unabsorbed depreciation for the PY 2015-16 was	5,000

(RCUB B.Com.VI Sem. 2015)

Ans: Total income Rs. 2,74,000

Hint: 1. Loss from SOP is set off against income from LOP of Rs 20,000 and balance loss Rs 80,000 is set off against salary income.

2. Loss from cloth business is set off against income from automobile business. Carry forward kirana business loss and Unabsorbed depreciation of A Y 2017-18 are set off against Profit from cloth business.

3. Loss from speculation business of Rs. 40,000 is set off against income from speculative business and balance loss of Rs. 20,000 is carried forward to next assessment year.

4. Carried forward loss from interest on securities of Rs. 6,000 is set off against income from securities.

3. From the following particulars of income and losses of Mr Mukesh for the assessment year 2018-19, compute his gross total income.

1) ✓	Long term capital gains	6,00,000
2) ✓	Short term capital gains	4,00,000
3) ✓	Income from cloth business	18,40,000
4) ✓	Profit from speculative business	2,00,000
5) ✓	Interest on debentures	6,00,000
6) ✓	Income from house property in Kalaburagi	4,40,000
7) ✓	Loss from house property in Vijayapura	1,20,000
8) ✓	Winnings from lotteries	1,60,000
9) ✓	Income from owning and Maintaining of Race horses	80,000

The carried forward losses from the AY 2017-18 are:

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1) Loss	Loss from cloth business	8,80,000
2) Loss	Loss from speculation business	3,20,000
3) Loss	Short term capital loss	3,20,000
4) Loss	Long term capital loss	2,80,000
5) Loss	Loss from owning and maintaining race horses	40,000

Ans: Gross total income Rs. 24,80,000

Hint:

4. Mr Jagdish supplies the following information for the previous year 2017-18. You are required to compute total income after set off and carry forward of losses for the assessment year 2018-19.

1	Income from salary	Rs. 1,50,000
2	Income from house at Bidar	Rs. 1,80,000
3	Loss from house at Bijapur	Rs. 2,40,000
4	Profit from Automobiles business	3,00,000
5	Loss from speculation business	60,000
6	Loss from cloth business	1,50,000
7	Short term capital gains on shares	2,40,000
8	Long term capital gains on Land	3,00,000
9	Short term capital <u>loss</u> on machinery	2,70,000
10	Long term capital <u>loss</u> on Building	1,50,000
11	Winnings from lotteries	1,50,000
12	Interest on debentures	60,000
13	Loss from card games - carry forward next year	90,000
14	Loss on maintenances of race horses	1,20,000

Ans: Gross total income Rs. 6,60,000

5,70,000 ✓

5. Mr Akash supplies the following information for the previous year 2017-18. You are required to compute total income after set off and carry forward of losses for the assessment year 2018-19.

1	Income from house property X	Rs. 4,00,000
2	Loss from house property Y	Rs. 4,80,000
3	Loss from house property Z	Rs. 4,40,000
4	Profit from business X	Rs. 4,32,000
5	Loss from business Y	Rs. 4,72,000
6	Profit from speculation business in Gold	Rs. 4,40,000
7	Loss from speculation business in Silver	Rs. 5,20,000
8	Short term capital gains on machinery	Rs. 4,24,000
9	Short term capital <u>loss</u> on Furniture	Rs. 5,12,000
10	Long term capital gains on Land	Rs. 48,000

SET-OFF AND CARRY FORWARD OF LOSSES

✓ 11	Income from card games	Rs. 3,20,000
✗ 12	Loss from card games	Rs. 3,60,000
✗ 13	Loss on maintenance of race horses	Rs. 2,80,000
✓ 14	Interest on securities	Rs. 4,40,000

Ans: Total income Rs. 3,20,000

Notes:

1. Unabsorbed loss from speculation business in silver is carried forward to next assessment year as it can-not be set off against any income except speculation profit
2. Loss from card games is not allowed to be set off against any income
3. Loss on maintenance of race horses is carried forward to next assessment year as it can-not be set off against any income except profit on maintenance of race horses.

6. The following are the particulars furnished by Mr. Rahim for the assessment year 2018-19.

1) ✓	Income from salary (computed)	Rs. 3,30,000
2) ✓	Income from house property (computed)	Rs. 20,000
3) ✓	Profit from cotton business	Rs. 72,000
4) ✓	Loss from groundnut business	Rs. 20,000
5) ✓	Profit from speculation business	Rs. 50,000
6) ✓	Short-term capital gain	Rs. 20,000

He also furnishes the following particulars of losses brought forward from the assessment year 2017-18

3) ✓	Loss from cotton business	Rs. 15,000
3) ✓	Loss from food grain business discontinued in the same year	Rs. 17,000
4) ✓	Loss in speculation business	Rs. 40,000
✗	Long-term capital loss - <i>Carry forward Next year.</i>	Rs. 6,000

Compute his total income for the assessment year 2018-19 on the assumption that he paid Rs. 10,000 Life Insurance Premium on his own life.

Ans: Total income Rs. 3,90,000 *→ add 80C*

Hint: Income from sales Rs. 3,30,000; Income from house property Rs. 20,000; Income from business (20,000+10,000) Rs. 30,000; STCG Rs. 20,000; GTI Rs. 4,00,000; Deduct U/s 80C Rs. 10,000.

7. From the following particulars of income provided by Mr. Vijaya Kumar for the three assessment years:

Particulars	2016-17	2017-18	2018-19
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Income from salary	20,000	22,000	24,000
Loss from SOP	4,000	--	--
Income from LOP	16,000	4,000	12,000
Loss from business	16,000	--	--
Income from business	--	24,000	12,000
Loss from speculation business	12,000	--	--
Profits from speculation business	--	40,000	60,000
Dividend from Cooperative Society	4,000	4,000	4,000
Short-term capital loss	4,000	--	8,000
Long-term capital loss	24,000	--	--
Long-term capital gain	--	12,000	24,000

From the above information, compute his gross total income for three assessment years.

(RCUB, B.Com. VI 2016)

Ans: GTI for AY 2016-17 Rs.20,000; 2017-18 Rs.82,000; 2018-19 Rs.1,12,000.

Hint: AY 2016-17

1. Loss from SOP is set-off against income from LOP.
2. Loss from business of Rs.16,000 set-off against income from LOP Rs.12,000 and other source Rs.4,000.
3. Loss from speculation business Rs.12,000; STCL Rs.4,000 and LTCL Rs.24,000 carried forward to next year 2017-18

AY 2017-18

4. Unabsorbed speculation loss of AY 2015-16 Rs.12,000 is set-off against speculation profits.
5. Out of Rs.24,000 unabsorbed LTCL of AY 2015-16 Rs. 12,000 is set-off against LTCG.

AY 2018-19

6. Current year STCL Rs.8,000; unabsorbed STCL Rs.4,000 and unabsorbed LTCL Rs.12,000 are set-off against LTCG.

Section - C.

15 marks problem solved.

Solution No-1:-

Computation of Gross total Income of Mr. Saikant for the A.Y. 2019-20

S.No.	Particulars	Amount
I)	Income from house property.	
a)	Income from house property (computed).	8,000
II)	Income from Business.	
c)	Income from silk business.	16,000
	Less: i) Loss from silk business.	(-22,000)
	ii) Depreciation for silk.	(-800)
	iii) Speculation profit.	5,000
	Less: iv) Speculation loss.	(-8,000)
	Carry forward next year - loss - 3,000	
III)	Income from Capital gain.	
a)	Long term capital gain.	15,000
	Less: ii) Long term capital loss.	(-7,000)
	b) Short term capital gain.	10,000
	Less: iii) Short term capital loss.	(-8,000)
		2,000
IV)	Income from other sources.	
e)	Interest on debentures of a company (gross).	15,000
	Gross total Income	56,200

Solution No-2:-

Computation of Total income of Mr. Sunil for the A.Y. 2019-2020.

S.No.	Particulars	Amount
I)	a) Income from salary.	1,50,000
II)	b) Income from let out property.	20,000
	Less: c) Loss from self occupied property.	(1,00,000)
	iii) Unabsorbed depreciation.	5,000
III)	e) Income from automobile business.	100,000
	Less: d) Loss from cloth. Business.	(80,000)
	ii) Loss from kirana business.	(5,000)
	f) Income from speculative business.	40,000
	Less: g) Loss from speculative business.	(60,000)
	Loss carry forward next year. Loss.	(20,000)
IV)	Income from other sources.	
h)	Income from Securities.	20,000
	Less: i) Loss from interest on Securities.	(6,000)
	j) Winnings from lotteries (net).	112,000 $\times \frac{100}{70}$
		1,60,000
V)	k) Long term capital gains.	40,000
	l) Short term capital gain.	10,000
	Less: m) Short term capital loss.	(50,000)
		(30,000)
	Total Income	2,74,000

Solution No-3:-

Computation of Gross total Income of Mr. Mukesh for the A.Y. 2019-20.

S.No.	Particulars	Amount
I)	a) Income from house property in Kalaburagi.	4,40,000
	Less: Loss from house property in Vijayapura.	(1,20,000)
II)	b) Income from cloth business.	18,40,000
	Less: Loss from cloth Business.	(8,80,000)
	iii) Profit from speculative business.	2,00,000
	Less: Loss from speculation business.	(3,20,000)
	Loss carry forward next year. Loss.	(1,20,000)

III	1) Long term capital gains	6,00,000	
	less: long term capital loss	(2,80,000)	3,20,000
	2) Short term capital gains	4,00,000	
	less: short term capital loss	(3,20,000)	80,000
IV	5) Interest on debentures	6,00,000	
	7) Winnings from lotteries	1,60,000	
	8) Income from owning and maintaining of Race horses	80,000	
	less: loss from owning and maintaining of horses	(40,000)	40,000
	Gross total income		8,00,000
			24,80,000

Solution No - 113

Computation of Gross total income of Mr Jagdish for the A.Y. 2019-20

S.No.	Particulars	Amount
I	1) Income from Salary	1,50,000
	2) Income from house at Brijpuri	1,80,000
	less: 3) Loss from house at Brijpuri	(2,40,000)
	II) 4) Profit from Automobiles business	3,00,000
	less: 5) Loss from cloth business	(1,50,000)
	6) Loss from speculation business - carry forward next year	(60,000)
III	7) Long term capital gains on land	3,00,000
	less: 8) Long term capital loss on Building	(1,50,000)
	9) Short term capital gains on shares	2,40,000
	less: 10) Short term capital loss on machinery	(3,90,000)
	IV) 11) Winnings from lotteries	1,50,000
	12) Interest on debentures	60,000
	13) Loss from card games - carry forward next year	(90,000)
	14) Loss on maintenance of race horses - carry forward next year	(1,20,000)
	Gross total income	5,70,000

Solution No - 510

Computation of total income of Mr Akash for the A.Y. 2019-2020

S.No.	Particulars	Amount
I	1) Income from house property - 2L	4,00,000
	less: 2) Loss from house property	(4,80,000)
	3) Loss from house property - 2	(4,40,000)
	II) 4) Profit from business - 2L	4,20,000
	less: 5) Loss from business - 4	(4,72,000)
	6) Profit from speculation business in gold - 11,40,000	
	less: 7) Loss from speculation business in silver - (5,20,000)	(80,000)
III	8) Short term capital gains on machinery	11,20,000
	9) Long term capital gains on land	48,000
	less: 10) Short term capital loss on furniture	(5,12,000)
	less: carry forward next year	(1,10,000)
IV	11) Income from card games	3,20,000
	12) Interest on securities	11,40,000
	13) Loss from card games - carry forward next year	(3,60,000)
	14) Loss on maintenance of race horses - carry forward next year	(2,80,000)
V	15) Interest on securities	11,40,000
	less: 16) Loss from house property (5,20,000)	
	less: 17) Loss from business - (4,00,000)	(5,60,000)
		(1,20,000)

VI)	Income from card games -	Carry forward Next Year's Loss - (120,000)	3,20,000
	less: Deduction of 80	Gross total Income	3,20,000
		Net	NIL
		Total Income	3,20,000

Solution No - 6 :-

Computation of Total Income of Mr Rahim for the A.Y. 2019-2020.

S.No	particulars	Amount
I)	Income from Salary (computed) -	3,30,000
II)	Income from house property (computed) -	20,000
III)	profit from cotton business -	72,000
	less: Loss from groundnut business - (20,000)	
	Loss from cotton business - (15,000)	
	Loss from food grain business - (17,000)	
	discontinued in the same year -	(52,000)
	profit from speculation business - 50,000	10,000
	less: Loss in speculation business - (40,000)	20,000
IV)	Short-term capital gain -	
	Long-term Capital Loss - carry forward Next Year's (6000)	
	Gross total Income -	4,00,000
V)	less: Deduction of 80C.	
	Life Insurance premium on his own life -	(10,000)
	Taxable Income / Total Income -	3,90,000

Solution No - 7

Solution No-7

Computation of Gross total Income of Mr. Vijaya Kumar for the

S.No	Particulars	Amounts	Amounts	Amounts	Amounts
		2016-2017	2017-2018	2018-2019	2019-2020
I)	Income from Salary	20,000	22,000	24,000	24,000
II)	Income from L.O.F.	16,000	11,000	12,000	12,000
	Less: Loss from S.O.F.	(4,000)	(-)	(-)	(-)
III)	Income from Business	12,000	24,000	12,000	12,000
	Less: Loss from Business	(16,000)	(-)	(-)	(-)
	Profit from Speculation Bus.	—	40,000	60,000	60,000
	Less: Loss from Speculation Bus.	(12,000)	(-)	(-)	(-)
	Carry forward next year	(12,000)	—	40,000	60,000
IV)	Long term Capital gain	—	12,000	24,000	24,000
	Less: Long term Capital loss	(20,000)	(-)	(-)	(-)
	Less: Short term Capital loss	(4,000)	(-)	(8,000)	16,000
V)	Dividend from Co-operative Society	28,000	—	12,000	16,000
	Carry forward next year	—	4,000	4,000	4,000
	Gross total Income	20,000	—	—	—
I)	Income from Salary	20,000	—	—	—
II)	Income from L.O.F.	12,000	—	—	—
	Less: Loss from Business	(12,000)	—	—	—
III)	Dividend from Co-operative Society	4,000	—	—	—
	Less: Loss from Business	4,000	—	—	—
	Gross total Income	20,000	—	—	—
I)	Income from Salary	—	22,000	—	—
II)	Income from L.O.F.	—	11,000	—	—
III)	Income from Business	—	24,000	—	—
	Income from Speculation Bus.	—	40,000	—	—
	Less: Loss from Speculation Bus.	—	(12,000)	—	—
IV)	Long term Capital gain	—	12,000	—	—
	Less: Long term Capital loss	—	(20,000)	—	—
	Carry forward next year	—	(12,000)	—	—
V)	Dividend from Co-operative Society	—	4,000	—	—
	Gross total Income	—	82,000	—	—
I)	Income from Salary	—	—	24,000	—
II)	Income from L.O.F.	—	—	12,000	—
III)	Income from Business	—	—	12,000	—
	Income from Speculation Bus.	—	—	60,000	—
IV)	Long term Capital gain	—	—	16,000	—
	Less: Long term Capital loss	—	—	(12,000)	—
	Short term Capital loss	—	—	4,000	—
V)	Dividend from Co-operative Society	—	—	—	4,000
	Gross total Income	—	—	—	112,000

other heads.

15 MARKS ILLUSTRATIONS

Illustration 3:

From the following particulars of income and losses of Mr Mahesh for the assessment year 2018-19, compute his gross total income.

① Long term capital gains	1,50,000
② Short term capital gains	1,00,000
③ Income from cloth business	4,60,000
④ Profit from speculative business	50,000
⑤ Interest on debentures	1,50,000
⑥ → Income from house property in Kalaburagi	1,10,000
↳ Loss from house property in Vijayapura	30,000
⑦ Winnings from lotteries	40,000
⑧ Income from owning and Maintaining of Race horses	20,000
The <u>carried forward losses</u> from the AY 2017-18 are:	

SET-OFF AND CARRY FORWARD OF LOSSES

2) Let Loss from cloth business	
3) Let Loss from speculation business	2,20,000
10 & 2) Let Short term capital loss	80,000
1) Let Long term capital loss	80,000
8) Let Loss from owning and maintaining race horses	70,000
	10,000

Solution:

Calculation of Gross Total Income of Mr Mahesh

1	Income from house property		
	Income from HP in Kalaburagi		
	Less: Loss from HP in Vijayapura	1,10,000	
2	Income from Business	30,000	80,000
	Profit from Cloth Business		
	Less: CF Loss in cloth Business	4,60,000	
	Profit from speculation business	2,20,000	
	Less: CF loss from Speculation Business	50,000	
	Carried forward to next AY	80,000	
		30,000	
3	Capital gains	--	2,40,000
	Long Term Capital gains		
	Less: CF Long Term Capital Loss	1,50,000	
	Short term capital gains	70,000	
		80,000	
		1,00,000	
	Less: CF Short term capital loss	180,000	
4	Other Sources	80,000	1,00,000
	Interest on debentures		
	Winnings from lotteries	1,50,000	
	Income from owning & Maintaining race horses	40,000	
		20,000	
	Less: CF loss from owning & Maintaining race horses	10,000	
		10,000	2,00,000
	Gross Total Income		6,20,000

Note:

1. Loss from house property in Vijayapura is set-off against income from house property in Kalaburagi.
2. Carried forward Loss from speculation business of Rs. 50,000 is set off against profit from speculation business and balance Rs.30,000 is carried forward to next assessment year.

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Illustration 4:

Mr Ramesh supplies the following information for the previous year 2017-18. You are required to compute total income after set off and carry forward of losses for the assessment year 2018-19.

1✓	Income from salary	Rs.	50,000
2✓	Income from house at Raichur	Rs.	60,000
3	Loss from house at Kalaburagi	Rs.	80,000
4✓	Income from Kirana business		1,00,000
5✗	Loss from speculation business - <i>carry forward next year</i>		20,000
6	Loss from cloth business		50,000
7✓	Short term capital gains on shares		80,000
8✓	Long term capital gains on Land		1,00,000
9	Short term capital loss on machinery		90,000
10	Long term capital loss on Building		50,000
11✓	Winnings from lotteries		50,000
12✓	Interest on debentures		20,000
13✗	Loss from card games - <i>carry forward next year</i>		30,000
14✗	Loss on maintenances of race horses - <i>carry forward next year</i>		40,000

Solution:

Computation of total income of Mr Ramesh

I	Income from salary			50,000
II	Income from House property			
	Income from Raichur house		60,000	
	Loss from Kalaburagi house		(80,000)	
	Loss from house property			(20,000)
II	Income from business			
a	Regular Business			
	Profit from Kirana business	1,00,000		
	Loss from cloth business	20,000	80,000	
b	Speculation Business			
	Loss from speculation business	20,000		
	carried forward to next AY			
	Profit from Business			
III	Capital Gains			
	LTCG on Land		1,00,000	
	LTCL on Building		(50,000)	
	STCG on Shares		50,000	
			80,000	

SET-OFF AND CARRY FORWARD OF LOSSES			
Less: STCL on machinery		130,000	
Income from other sources		90,000	40,000
Winning from lotteries			
Interest on debentures	50,000		
Loss on maintenance of race horses carried forward to next AY	20,000	70,000	
	40,000	--	70,000
Gross total income			2,20,000

Illustration 5:

Mr Akash supplies the following information for the previous year 2017-18. You are required to compute total income after set off and carry forward of losses for the assessment year 2018-19.

1 ✓	Income from house property A		
2 ✓	Loss from house property B	Rs.	1,00,000
3 ✓	Loss from house property C	Rs.	1,20,000
4 ✓	Profit from business X	Rs.	1,10,000
5 ✓	Loss from business Y	Rs.	1,08,000
6 ✓	Profit from speculation business in Gold	Rs.	1,18,000
7 ✓	Loss from speculation business in Silver	Rs.	1,10,000
8 ✓	Short term capital gains on machinery	Rs.	1,30,000
9 ✓	Short term capital loss on Furniture	Rs.	1,06,000
10 ✓	Long term capital gains on Land	Rs.	1,28,000
11 ✓	Income from card games	Rs.	12,000
12 ✗	Loss from card games <i>not loss</i>	Rs.	80,000
13 ✗	Loss on maintenance of race horses <i>carry forward next year</i>	Rs.	90,000
14 ✓	Interest on securities	Rs.	70,000
		Rs.	1,10,000

Solution:

Computation of total income of Mr Akash

A	Inter source adjustments		
I	Income from House property		
	Income from house property A	1,00,000	
	Loss from house property B	(1,20,000)	
	Loss from house property C	(1,10,000)	
	Loss from house property		(1,30,000)
II	Income from business		
a	Regular Business		

INCOME TAX

	Profit from business X	1,08,000		
	Loss from business Y	(1,18,000)	(10,000)	
b	Speculation Business			
	Profit from speculation business in Gold	1,10,000		
	Loss from speculation business in Silver	(1,30,000)		
	Speculation loss carried forward to next AY	(20,000)	--	
	Loss from Business			(10,000)
III	Capital Gains			
	LTCG on Land		12,000	
	STCG on Machinery		1,06,000	
			1,18,000	
Less:	STCL on Furniture		(1,28,000)	
	STCL carried forward to next AY		(10,000)	--
IV	Income from other sources			
	Income from card games		80,000	
	Interest on securities		1,10,000	
	Loss on maintenance of race horses carried forward to next AY	70,000		
	Income from other sources			1,90,000
B	Inter-head adjustments			
	Income from other sources			
	Income from card games(not available for set off)			80,000
	Interest on securities		1,10,000	
Less:	Loss under house property		1,30,000	
	Carried forward loss under HP		(20,000)	
	Carried forward business loss		(10,000)	-
	Gross total income			80,000
	Less: Deduction u/s 80			--
	Total income			80,000

Notes:

1. Unabsorbed loss from speculation business in silver is carried forward to next assessment year as it can-not be set off against any income except speculation profit
2. Loss from card games is not allowed to be set off against any income

SET-OFF AND CARRY FORWARD OF LOSSES

3. Loss on maintenance of race horses is carried forward to next assessment year as it can-not be set off against any income except profit on maintenance of race horses.

Illustration 6:

Mr. Rajanikant, an individual provides the following information for the previous year ending 31.03.2018.

Income from house property:			
✓ House-A	Rs.		230000
Loss House-B	Rs.		(234000)
Loss House-C	Rs.		(242000)

Profits and gains of Business or Profession

✓ Business-A	Rs.		216000
Loss Business-B	Rs.		(236000)
✓ Business-C (Speculative)	Rs.		222000
Loss Business-D (Speculative)	Rs.		(246000)

Capital Gains

✓ Short term capital gains	Rs.		212000
Loss - Short term capital loss	Rs.		(256000)
✓ Long-term capital gain on building	Rs.		25000

Income from other sources

✓ Income from card games	Rs.		216000
✗ Loss from card games <i>not loss</i>	Rs.		(150000)
✗ Loss on maintenance of race horses <i>carry forward next year</i>	Rs.		(212000)
✓ Interest on securities - (20,000) <i>loss - Regular business</i>	Rs.		208000
✓ Income from salary	Rs.		284000

Compute the gross total income for the assessment year 2018-19.

Solution:

Computation of Gross Total Income

Step-I: Inter-source Adjustment			
I	Income from Salary		2,84,000
II	Income from House property		
	House-A	2,30,000	
	House-B	(2,34,000)	
	House-C	(2,42,000)	
	Loss from house property		(2,46,000)
III	Income from Business		
a)	Regular business		
	Business-A	2,16,000	
	Business-B	(2,36,000)	
	Regular business loss		(20,000)

INCOME TAX

b) Speculative Business		
Business-C	2,22,000	
Business-D	(2,46,000)	
Loss from speculative business carried forward to next AY	24,000	
III) Capital Gains		
Long term capital gain on building	25,000	
Short-term capital gain	2,12,000	
Less: Short-term capital loss	2,37,000	
Short-term capital loss carried forward to next AY	(2,56,000)	
	(19,000)	
IV) Income from other sources		
Income from card games		2,16,000
Interest on securities		2,08,000
Loss on maintenance of horse race carry forward to next AY	(2,12,000)	
Step-II: Inter-head Adjustment		
I) Income from salary		
Less: Loss from house property	2,84,000	
	(2,46,000)	
II) Income from other source		
Income from card games		38,000
Interest on securities		2,16,000
Less: Loss from regular business	2,08,000	
	(20,000)	
Gross Total Income		
		1,88,000
		4,42,000

Illustration 7:

Mr. Rajkumar submits the following details of his income for the A.Y. 2018-19

1) ✓ Income from salary	Rs.	1,50,000
2) ✓ Loss from letout house property-A - <i>Loss - Loss - Salary</i>	Rs.	20,000
3) ✓ Income from sugar business	Rs.	25,000
4) ✓ Loss from tea business brought forward from 2016-17	Rs.	60,000
5) ✓ Short-term capital loss	Rs.	30,000
6) ✓ Long-term gains	Rs.	20,000
7) ✓ Dividend from cooperative society	Rs.	2,500
8) ✓ Winnings from lotteries (gross)	Rs.	25,000
9) ✓ Winnings from card games	Rs.	3,000
10) ✓ Loss from cloth business	Rs.	5,000
11) ✓ Bank interest	Rs.	2,500

Profit from letout property-B
Calculate the gross total income after carry forward and setoff losses.

SET-OFF AND CARRY FORWARD OF LOSSES

Solution:

Computation of Gross Total Income

		Rs.	10,000
Step-I: Inter-source adjustment			
I	Income from Salary		
II	Income from house property		
	Loss from let-out property-A		1,50,000
	Profit from let-out property-B		
	Loss from house property	(20,000)	
		10,000	
III	Income from business		
	Income from sugar business		(10,000)
	Loss from cloth business		
	Income from business	25,000	
		(5,000)	
IV	Capital gain		
	Long-term capital gain		20,000
	Less: Short-term capital loss	20,000	
	short-term capital loss carried forward to next AY	(30,000)	
		(10,000)	--
V	Income from other source		
	Dividend from cooperative society		
	Winnings from lotteries	2,500	
	Winnings from card games	25,000	
	Bank Interest	3,000	
		2,500	
			33,000

Step-II: Inter-Head Adjustment

I	Income from salary		
	Less: Loss from House Property	1,50,000	
		(10,000)	
II	Income from Business		1,40,000
	Less: Brought forward loss of AY 2016-17	20,000	
		(60,000)	
	Carried forward to next AY		
		(40,000)	--
III	Income from other sources		
	Gross Total Income		33,000
			1,73,000