

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.

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	Nature of Loss	Set-off only against
1.	Speculation business loss	Any other speculation business income
2.	Loss of a specified business covered U/s 35AD (cold storage, cross country gas pipeline, fertilizer, etc.)	Income from any other specified business covered U/s 35AD
3.	Long-term capital loss	Long-term capital gains
4.	Loss from activity of owning and maintaining race horses	Income from activity of owning and maintaining race horses
5.	Loss from any lottery, card games, races, etc.	Not eligible for set-off or carry forward
6.	Any loss from a source which is exempt from tax	Not eligible for set-off or carry forward

II Set-Off against income under other heads (Inter-head adjustment) Sec. 71

Any loss which is not completely set off against the incomes of same head, can be set off against the incomes of other head. However, the following losses cannot be set off against income under other heads.

- Loss in Speculation business
- Loss from activity of owning and maintaining race horses
- Loss under the head Capital Gains
- Loss under the head Business or Profession cannot be set off against income under the head salaries.
- Any loss is not allowed to be set off against winnings from races, lotteries, etc.

Statement showing Set-Off of Inter-Head Losses

	Nature of Loss	Set-off only against
1.	Loss under the head profits & gains of business or profession	Any other head of income other than salaries
2.	Speculation business loss	Not eligible for set-off
3.	Loss of a specified business U/s 35AD	Not eligible for set-off
4.	Loss under the head capital gains	Not eligible for set off
5.	Loss from activity of owning and maintaining race horses	Not eligible for set-off
6.	Loss from lottery, card games, races, etc.	Not eligible for setoff and carry forward
7.	Any loss from a source which is except from tax	Not eligible for set off and carry forward

Note: Order of set-off

- Current year research expenditure
- Current depreciation

3. Brought forward business loss
4. Unabsorbed family planning expenditure
5. Unabsorbed depreciation
6. Unabsorbed scientific research capital expenditure
7. Unabsorbed development allowance.

✓ **Income Tax Provisions relating to Set-Off and Carry Forward of Losses**

If a loss of current year cannot be set off under the same head or under other heads in the same assessment year, it may be carried forward and set off against the income of the subsequent years.

✓ **I) Loss under the head Salaries**

There should not be any loss under the head salaries. Hence, the question of set off and carry forward of loss does not arise.

✓ **II) Loss under the head House Property**

- a) Any loss from one house property can be set off against income from other house properties.
- b) Net loss under the head house property can be set off against income from any other heads
- c) Unabsorbed loss from house property of current year can be carried forward to next assessment year (maximum 8 years) to be set off against income from house property only.

✓ **III) Loss under the head Business**

✓ **a) Regular Business loss**

- i) Any loss under regular business can be set off against income from other business
- ii) The loss not set off under the business head can be set off against other heads of income (except salary)
- iii) Unabsorbed business loss of current year can be carried forward to next assessment year (maximum 8 years) to be set off under business head only.

✓ **b) Speculation Loss**

- i) Any loss from speculation business can not be set off against any income except other speculation profit.
- ii) Unabsorbed speculation loss of current year can be carried forward to next assessment year (maximum 4 years) to be set off against speculation profit only

✓ **IV) Loss under the head Capital Gains**

- a) Any short term capital loss can be set off against other short term capital gains or long term capital gains
- b) Any long term capital loss can be set off against other long term capital gains only

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- c) Any loss under the head capital gains can not be set off against the income of other heads.
- d) Unabsorbed short term capital loss of current year can be carried forward to next assessment year (maximum 8 years) to be set off against short term capital gains or long term capital gains.
- e) Unabsorbed long term capital loss of current year can be carried forward to next assessment year (maximum 8 years) to be set off against long term capital gains only.

✓ V) Loss under the head Other Sources

- a) There should not be any loss under the head other source except the loss from activity of owning and maintaining race horses.
- b) Loss from activity of owning and maintaining race horses can be set off against income from owning and maintaining race horses only.
- c) Unabsorbed loss from activity of owning and maintaining race horses can be carried forward to next assessment year (maximum 4 years) to be set off against income from owning and maintaining race horses only.

Chart showing the provisions of carry forward and set-off losses

S. No.	Section	Nature of loss	Number of years carried forward	To be set-off against
1.	71B	Loss from house property	8 years	House property only
2.	32(2)	Unabsorbed depreciation	Indefinite period	Any head other than salary
3.	72	Business loss	8 years	Business head
4.	73	Loss on speculation business	4 years	Profit in speculation business
5.	73A	Loss in specified business 35AD	Indefinite period	Income from any specified business 35AD
6.	74	Short-term capital loss	8 years	STCG or LTCG
		Long-term capital loss	8 years	LTCG
7.	74A	Loss from activity of owning and maintaining race horses	4 years	Income from activity of owning and maintaining race horses

CLUBBING OF INCOMES

There are some assessee who wants to avoid tax by transferring their incomes to others who are not chargeable to tax or chargeable at lower rates. For this purpose, they dispose off their property or income in such a way that the tax liability may be avoided or reduced. In order to curb these practices, special provisions relating to clubbing of incomes have been made in sections 60 to 64. As per these provisions, income of other persons shall be included in the assessee's total income. Such inclusion of others income in the income of the

assessee is called clubbing of income and the income which is so included is called Deemed Income.

Transfer of Income without Transfer of Asset Sec. 60

If a person transfers to another person his income from an asset without transferring the ownership of the asset, the income from such asset shall be deemed to be the income of the transferor and shall be included in his total income.

Revocable Transfer of Assets Sec. 61

If the assessee has made a revocable transfer of assets and the incomes from such assets will be included in the total income of transferor.

Income of Spouse Sec. 64

- a) Incomes of spouse by way of commission, fees, salary, remuneration etc., from a concern in which such individual has a substantial interest. If such payments are made to spouse for technical or professional qualification, it should not be clubbed with the income of individual.
- b) If an asset is transferred by an individual to his or her spouse, directly or indirectly, neither for adequate consideration nor in connection with an agreement to live apart, the income from such asset will be included in the total income of the transferor.

Income of Daughter-in-law

Any income arising to the daughter-in-law from the transfer of assets without adequate consideration is included in the total income of transferor.

Transfer of assets to other persons for the benefit of Spouse, Daughter-in-law

If any asset is transferred to other persons without adequate consideration for the benefit of spouse or daughter-in-law any income arising from such transfer will be included in the total income of the transferor.

Income of a Minor Child

The income of a minor child is included in the income of his/her parents. However, the income of a physically or mentally handicapped minor child shall not be included in the income of his/her parents.

Exception: The following incomes of minor shall not be included in the total income of his/her parents.

1. Income from manual work done by the minor
2. Income from activity involving application of his skill, talent or specialized knowledge and experience.

Income form Converted Property

According to Sec. 64(2) if an individual has converted his self-acquired property into HUF property, the income from such converted property is taxable in the

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hands of an individual but not in the hand of HUF, even though the income from such converted property is received by HUF.

TAX DEDUCTED AT SOURCE

The Government collects tax from the assessee by different modes. The following are the modes through which, the Government collects tax.

1. Tax deducted at source
2. Tax collected at source
3. Payment of advance tax
4. Self assessment tax
5. Notice of deemed

✓ Tax Deducted at Source

The tax deducted at source means the person responsible for making payment of certain income to the income earners deduct income tax at the prescribed rates on such income before payment is made to them. The amount so deducted should be deposited into the Government account within the prescribed time limit. The rates of tax deducted at source are different for different incomes.

✓ 1. Tax Deducted at Source from Salaries Sec. 192

The employer before making any payment of salaries to his employees deducts tax at the rates in force (including cess) for the financial year in which the payment is made. The tax can be deducted from salaries only when the estimated income from salary for that year exceeds the minimum taxable limit. The employer should also consider the income chargeable to tax under other heads for tax deduction at source if the employee declares it to the employer. However, loss under the other heads should not be considered except loss under income from house property.

✓ 2. Interest on Securities Sec. 193

The person responsible for making any payment as interest on securities to a resident shall deduct tax @ 10% at the time of making payment or at the time of credit of such interest in the books of account whichever is earlier.

Securities interest which is not subject to tax deduction at source

In the case of following securities, no tax is deducted at source.

- a) Debentures issued by any co-operative society or any other institution or authority or public sector company and which are notified by the Central Government.
- b) Any security of the Central/State Governments (However, interest exceeding Rs.10,000 payable during the financial year on 8% Savings (taxable) Bonds, 2003 is subject to tax deduction at source)

c) Any interest payable to the Life Insurance Corporation of India or the General Insurance Corporation of India or the four companies formed under the General Insurance Business Act 1972 or any other insurer in respect of any securities owned by it or in which it has full beneficial interest.

d) Any listed Deemed Security

3. Dividends

The principal officer of a Domestic Company is liable to deduct tax at 10% on Dividend covered u/s 2(22) (e) is paid to a resident shareholder. No tax is deducted at source in respect of dividend (not being deemed dividend u/s 2(22)(e)) payable by a domestic company.

4. Interest other than Interest on Securities Sec. 194A

Any person paying interest other than interest on securities (not being an individual or HUF whose accounts are not required to be audited u/s 44AB in the immediately preceding previous year) to a resident person, shall deduct tax at 10%.

However, tax is not deducted at source in the following cases.

1. Where interest is paid to any banking company, co-operative bank, public financial institutions, Life Insurance Corporation, UTI, an insurance company or a co-operative society carrying on the insurance business, or notified institutions.
2. Where interest is paid or credited to the partners by firm.
3. Where interest is credited or paid by a co-operative society to its members or to any other co-operative society
4. Where interest is credited or paid in respect of deposits under the schemes of post office (time deposits), post office (Recurring Deposits), Post office monthly income account, Kisan Vikas Patra, National Savings Certificates VIII issue, and Indira Vikas Patra.
5. Where interest is credited or paid in respect of deposits (other than time deposits made on or after July 1, 1995) with a banking company or (interest to non-members on deposits) with a co-operative bank.
6. Where interest is credited or paid in respect of deposit (by non-members) with a primary agricultural society etc.
7. Where the interest is credited or paid by the Central Government under different provisions of the direct taxes.
8. Where the interest is paid or credited on compensation awarded by the motor accidents claims tribunal if the amount of payment or the aggregate amount of such payment does not exceeds Rs.50,000.

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9. Where interest is paid or credited by an offshore banking unit on deposit made (or borrowings given) after March 31, 2005 by a person who is ordinarily resident in India.
10. Where the payer is banking company and interest is paid or payable on time deposit does not exceed Rs.10,000.
11. Where the payer is a co-operative society engaged in banking business and interest is paid or payable on time deposits does not exceed Rs.10,000.
12. Where the payer is post office and interest is paid or payable on notified deposit scheme with post office (i.e., senior citizen savings scheme 2004) does not exceed Rs.10,000.
13. Where payer is any person interest paid or payable does not exceed Rs.5,000.

✓ 5. **Winnings from Lotteries or Crossword Puzzles etc. Sec. 194B**

The persons paying winnings from lotteries, crossword puzzles or card game and other game of any sort to any person exceeding Rs.10,000 (Rs.5,000 before 01.07.2010) shall deduct tax at 30% at the time of payment.

✓ 6. **Winnings from Horse race Sec. 194 BB**

The persons paying winnings from horse races to any person exceeding Rs.5,000 (Rs.2,500 before 01.07.2010) shall deduct tax at 30% at the time of payment.

✓ 7. **Payment to Contractors and Sub-Contractors Sec. 194C**

Any person responsible for paying any sum to any resident contractor for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between a specified person and the resident contractor is required to deduct tax at source. The rate of deduction of tax is 1% in case of individual and HUF and 2% in other persons. Tax is deducted at source only if a single payment exceeds Rs.30,000 and the aggregate payment during the financial year exceeds Rs.75,000.

✓ 8. **Insurance premium Sec. 194D**

Any person responsible for paying to a resident person any income by way of insurance commission will be required to deduct income tax at 10%. The tax shall be deducted the time of credit of such income to the account of payee or at the time of payment whichever is earlier. No deduction of tax at source if the payment made is Rs.20,000.

9. **Deduction of tax at source from payment to Non-Resident Sportsman or Sport Association Sec. 194E**

Any person making payments to a non-resident sportsman/sports association for participation in India in any game or advertisement or contributions of articles relating to any game or sports in India in news papers, magazines or journals or any amount guaranteed to be paid or payable in relation to any game or sport

played in India, shall at the time of credit or at the time of payment, whichever is earlier, deduct tax at 10%.

10. Payments in respect of National Savings Scheme Sec. 194EE

The person responsible for paying amount deposited in National Savings Scheme, 1987 exceeding Rs.2,500 shall deduct tax at 20%. However, no such deduction is made if the payment is made to heirs of the deceased assessee.

11. Payments on Account of repurchase of units of Mutual Funds or UTI Sec. 194F

When any amount invested in Equity linked Savings Scheme u/s 80CCB is returned by way of repurchase of such units or termination of the plan shall at the time of payment deduct income tax at 20% on the principal amount invested and returned.

12. Deduction of Tax at Source on Commission etc on the Sale of Lottery Tickets Sec. 194G

Any person paying commission, remuneration etc on sale of lottery tickets to any person amount exceeding Rs.1,000 shall deduct tax at 10% at the time of credit or at the time of payment, whichever is earlier.

13. Deduction of Tax at Source from Commission or Brokerage Sec. 194H

Any person paying commission or brokerage (not being an individual or a HUF whose books are not required to be audited u/s 44AB in the immediate preceding financial year) to any resident person amount exceeding Rs.5,000 shall deduct income tax at 10% at the time of credit or at the time of payment, whichever is earlier. Commission or brokerage includes any payment received or receivable by a person acting on behalf of another person for services rendered (excluding professional services) or for any services in the course of buying or selling of goods or in relation to any asset, valuable article or thing (excluding securities).

14. Tax deduction from Payments in respect of Rent Sec. 194I

Any person paying rent (not being an individual or HUF whose books of accounts are not required to be audited under Sec. 44AB in the immediately preceding financial year) exceeding Rs.1,80,000 shall deduct tax at source at the prescribed rates. Rates of deduction of tax at sources are given below.

Sl. No.	Particulars	TDS Rate
1.	Rent of machinery or plant or equipment	2%
2.	Rent of any Land or building or furniture or fittings	10%

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There is no requirement of TDS on income by way of rent if the payee is the Government or the local authorities or statutory authorities whose income is exempt u/s 10(20)

15. Deduction of Tax at Source from Fees for Professional or Technical Services etc. Sec. 194J

Any individual or HUF, who is required to get his accounts audited u/s 44AB or any other person, who is responsible of paying to a resident any sum by way of,

- a) Fees for professional services
- b) Fees for technical services

Exceeding Rs.30,000 in a financial year shall required to deduct tax at 10%.

16. Payment of Compensation on acquisition of Immovable property Sec. 194LA

Any person paying compensation/enhanced compensation or consideration or enhanced consideration on account of compulsory acquisition of any land (not being rural agricultural land) or building exceeds Rs.1,00,000 in a financial year shall deduct tax at 10%

17. Income from Units or Long Term Capital Gains Sec. 196B

Where any income is payable in respect of units referred in Sec 115AB or by way of long term capital gain arising from the transfer of such units to an offshore fund, the person responsible for making payment shall, at the time of credit of such income to the account of the payee or at the time of payment, deduct income tax at 10%.

18. Deduction of Tax at Source from Payments of Interest or Dividend on Bonds or Global depository receipts purchased in Foreign Currency Sec. 196C

Any person responsible for paying income/long term capital gains from gold depository receipts or bonds to a non-resident, the tax shall be deducted at source @ 10%. However, no tax shall be deducted at source on any dividend referred to in Sec. 115-O.

19. Deduction of Tax at Source from Foreign Institutional Investor Sec. 196D

Any person responsible for paying income in respect of securities referred to in sec 115AD to a foreign institutional investor, shall deduct tax at 20%. However, no deduction shall be made on income by way of capital gains arising on the transfer of such securities and dividend referred to in Sec. 115-O.

SET-OFF AND CARRY FORWARD OF LOSSES
Chart showing TDS tax rates for different transactions

Section	Nature of Payment	Limit	If Recipient is Company, Co-Operative Society, Firm	If Recipient is Individual or HUF
194A	Interest other than interest on securities	Banking 10,000 and others 5000 p.a	10%	10%
194B	Winnings from Lotteries/ Crossword Puzzle	10,000 p.a	30%	30%
194BB	Winning from Horse Race	5,000 p.a	30%	30%
194C	Payment to Contractors (For a single transaction)	30,000	2%	1%
	Payment to Contractors (For aggregate of transactions during financial year)	1,00,000	2%	1%
	Insurance Commission	15,000 p.a	5%	5%
194H	Commission or Brokerage	15,000 p.a	5%	5%
194I	Rent of Land & Building	1,80,000 p.a	10%	10%
	Rent of Plant, Machinery & Equipments	1,80,000 p.a	2%	2%
	Immovable property other than agriculture land	50,00,000	1%	1%
194J	Fees for professional or technical services	30,000 p.a	10%	10%
	Fees for professional or technical services engaged in the business of call centre(w.e.f. 1-6-2017)	30,000 p.a	2%	2%

As in earlier years, Education cess of 2% and Higher education cess of 1% of Income tax and Surcharge (if applicable) is payable by all assessees (Residents and Non-residents). But now no Education cess is to be deducted or collected from TDS or TCS from payments to all resident assessees, including companies. However, if the tax is deducted from payments made to (a) Foreign companies, (b) Non-Residents or (c) on Salary payments, Education cess at 3% of tax and surcharge (if applicable) is to be applied.

✓ **ADVANCE PAYMENT OF TAX**

Every assessee has to pay tax in the financial year in which he earns income. This is also known as pay as you earn. In order to have a regular flow of revenue to the government Income tax Act has framed the rules to collect the tax as and when the assessee earns. Every person is liable to Pay advance tax if tax payable by assessee is Rs.10,000 or more during a financial year. A resident individual who attains the age of 60 years at any time during the previous year not having any income from business or profession is not liable to pay advance tax.

Computation and Payment of Advance Tax

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The amount of advance tax payable by an assessee in the financial year shall be computed by estimating his current incomes. The income tax payable on such estimated income shall be reduced by the amount of tax deductible at source and tax collectible at source to arrive at the advance tax payable for that year.

Due dates of Advance Payment of Tax Sec. 211

No.	Due Dates	Amount Payable
A)	In case of corporate assesses	
	1) On or before 15 th June	15% of Advance tax
	2) On or before 15 th September	45% of advance tax less amount paid earlier
	3) On or before 15 th December	75% of advance tax less amount paid earlier
	4) On or before 15 th March	100% of advance tax less amount paid earlier
B)	In case of non-corporate assesses	
	1) On or before 15 th September	30% of advance tax
	2) On or before 15 th December	60% of advance tax less amount paid earlier
	3) On or before 15 th March	100% of advance tax less amount paid earlier

If any assessee does not pay any installment of advance tax, he shall be deemed to be an assessee in default in respect of such installments.

Any sum paid by the assessee as advance tax shall be treated as a payment of tax in respect of the income assessable in the relevant assessment year and credit shall be given to the assessee in the regular assessment.

Interest for Defaults in Payment of Advance Tax Sec. 234B

If an assessee liable to pay advance tax u/s 208 has failed to pay such tax or the advance tax paid by the assessee is less than 90% of the assessed tax, the assessee shall be liable to pay simple interest @ 1% for every month or part of a month.

5 MARKS ILLUSTRATIONS

SET-OFF AND CARRY FORWARD OF LOSSES

Illustration 1:

Mr. Rajkumar submits the following information pertaining to the PY 2017-18.

- a) ✓ Income from salary Rs. 15,00,000.
- b) ✓ Loss from self-occupied property Rs. 2,25,000.
- c) ✓ Business loss Rs. 6,00,000.
- d) ✓ Income from bank interest Rs. 3,00,000.
- e) ✓ Winning from lottery Rs. 1,50,000 (gross)

Compute gross total income of Mr Rajkumar for Assessment year 2018-19.

Solution:

Calculation of Gross Total Income of Mr Rajkumar

1	Income from Salary	15,00,000	
	Less: Loss from SOP	2,25,000	12,75,000
2	Income from Bank interest	3,00,000	
	Less: Business Loss	6,00,000	
	Business loss carried forward to next AY	3,00,000	--
3	Winnings from Lotteries (gross)		1,50,000
	Gross Total Income		14,25,000

- Note:**
1. Loss from SOP of Rs. 2,25,000 is set-off against income from salary.
 2. Out of business loss of Rs. 6,00,000, Rs. 3,00,000 is set-off against interest on bank deposits and remaining unabsorbed business loss of Rs. 3,00,000 is carried forward to next assessment year.
 3. Business loss cannot be set off against income from salary and winnings from lottery.

Illustration 2:

From the following particulars of income of Mr Anand for the A Y 2018-19, compute his gross total income.

✓	Income from House property I	44,000
Loss	Loss from house property II	16,000
Loss	Loss in Cloth Business	8,000
✓	Profit from Speculation Business	1,60,000
✓	Long Term Capital gains	36,000
Loss	Long Term Capital Loss of the previous year 2014-15	84,000
Loss	Short Term Capital Loss - carry forward next year	20,000

INCOME TAX**Solution:****Calculation of Gross Total Income of Mr Anand**

1	Income from House property I	44,000	
	Less: Loss from House property II	16,000	28,000
2	Profit from Speculation Business	1,60,000	
	Less: Loss in cloth Business	8,000	1,52,000
3	Long Term Capital gains	36,000	
	Less: Long Term Capital Loss of the previous year 2014-15	84,000	
	Long term capital loss carried forward to next AY	48,000	--
	Short term capital loss carried forward to next AY	20,000	--
	Gross Total Income		1,80,000

Note:

1. Loss from house property I is set off against income from house property II
2. Loss from cloth business is set off against profit from speculation business
3. Unabsorbed long term capital loss of PY 2014-15 of Rs 36,000 is set off against LTCG and remaining unabsorbed LTCL of Rs 48,000 and short term capital loss are carried forward to next AY as they cannot be set off against 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
⑦	Loss from house property in Vijayapura	30,000
⑧	Winnings from lotteries	40,000
⑨	Income from owning and Maintaining of Race horses	20,000
	<u>The carried forward losses from the AY 2017-18 are:</u>	

SET-OFF AND CARRY FORWARD OF LOSSES

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

Solution:

Calculation of Gross Total Income of Mr Mahesh

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

SECTION-A

1. What do you mean by set-off of losses?
2. State any two losses which cannot be set-off against income under other heads.
3. State the income tax provisions relating to set-off and carry forward of loss under house property.
4. State the income tax provisions relating to set-off and carry forward of loss under regular business.
5. State the income tax provisions relating to set-off and carry forward of loss under speculation business.
6. State the income tax provisions relating to set-off and carry forward of short term capital loss.
7. State the income tax provisions relating to set-off and carry forward of long term capital loss.
8. State the income tax provisions relating to set-off and carry forward of loss under the head other sources.
9. What is clubbing of income?
10. What do you mean by Tax Deducted at Source?
11. Who is liable to pay advance income tax?
12. State the due dates and rates of advance payment of income tax in case of non corporate assesseees.
13. What is set-off? Give an example of inter head setoff.

SECTION-B

1. Explain the provisions relating to clubbing of incomes u/s 60 to 64.
2. Write a note on Advance Payment of Tax.
3. State securities interest which is not subject to Tax Deducted at Source.
4. From the following particulars of income of Sri Sachin, compute his gross total income for the assessment year 2018-19:

✓ 1) Income from house property I	44,000
✓ 2) ^{Loss} Income from house property II (Self occupied property)	20,000
✓ 3) Loss in retail business	
✓ 4) Profit from speculation business	20,000
✓ 5) Short term capital gains	60,000
✓ 6) Long term capital gains	10,000
	36,000

SET-OFF AND CARRY FORWARD OF LOSSES

6) *Ans* Long term capital loss

35,000

(GUG B.Com VI Sem. 2014)

Ans: Gross total income Rs.75,000

Hint: House Property Rs. 24,000; Business Rs. 40,000; Capital Gains Rs. 11,000

Note: 1) Loss from House II (SOP) is set off against income from House I

2) Loss in retail business is set off against profit from speculation business

3) LTCL is set off against LTCG

5. Mr. Prabhu submits the following information pertaining to the Previous Year 2017-18.

- Ans* a) Income from salary Rs.5,00,000.
- Ans* b) Loss from self-occupied property Rs. 75,000.
- Ans* c) Business loss Rs.2,00,000.
- Ans* d) Income from bank interest Rs.1,00,000.
- e) Winning from lottery Rs.50,000 (gross)

Compute gross total income for Assessment year 2018-19.

(RCUB, B.Com VI Sem. 2017, 2018 & GUK B.Com. VI Sem. 2018)

Ans: Gross total income Rs.4,75,000

Note: 1. Loss from SOP of Rs.75,000 is set-off against income from salary.

2. Out of business loss of Rs.2,00,000, Rs.1,00,000 is set-off against interest on bank deposits and remaining unabsorbed business loss of Rs.1,00,000 is carried forward to next assessment year.

3. Business loss cannot be set off against income from salary and winnings from lottery.

6. From the following particulars of income of Mr Abhijeet for the A Y 2018-19, compute his gross total income.

<i>Ans</i>	Income from House property I	11,000
<i>Ans</i>	Loss from house property II	4,000
<i>Ans</i>	Loss in Cloth Business	2,000
<i>Ans</i>	Profit from Speculation Business	40,000
<i>Ans</i>	Long Term Capital gains	9,000
<i>Ans</i>	Long Term Capital Loss of the previous year 2013-14	21,000
<i>Ans</i>	Short Term Capital Loss	5,000

Ans: Gross Total Income Rs 45,000

Note: 1. Loss from house property I is set ff against income from house property II

2. Loss from cloth business is set off against profit from speculation business

3. Unabsorbed long term capital loss of PY 2013-14 of Rs 9,000 is set off against LTCG and remaining unabsorbed LTCL of Rs 12,000 and

INCOME TAX

short term capital loss are carried forward to next AY as they cannot be set off against other heads.

7. From the following information of incomes and losses of Mr Chandrashekar find out Gross Total Income after set off of losses for the assessment year 2018-19.

- a) Income from salary Rs 80,000
- b) Income from LOP Rs 50,000
- ~~Loss~~ c) Loss from SOP Rs 80,000
- ~~Loss~~ d) Loss from non-speculative business Rs 1,00,000
- e) Profit from speculative business Rs 1,20,000
- f) Income from interest on securities Rs 1,00,000
- g) Short term capital gain Rs 2,00,000
- h) Long term capital gain Rs 2,00,000
- ~~Loss~~ i) Long term capital loss Rs 50,000

(RCUB B.Com. VI sem. 2013)

Ans: Gross Total Income Rs 5,20,000

Hint:

1. Loss from SOP is set off against income from LOP of Rs 50,000 and balance loss Rs 30,000 against salary
 2. Loss from non speculative business is set off against profit from speculative business
 3. Long term capital loss is set off against long term capital gains.
8. Mr Prasad furnishes the following particulars of his income with which you are required to compute his gross total income after set off of losses and carry forwards if any for the assessment year 2018-19.

- a) Income from salary (computed) Rs 1,80,000
- b) Income from house property (LOP) Rs 60,000
- ~~Loss~~ c) Loss from house property (SOP) Rs 70,000
- d) Income from business X (Non speculative) Rs 2,00,000
- ~~X~~ e) Loss from business Y (Speculative) Rs 1,00,000 - *carry forward next year*
- f) Short term capital gain from sale asset A Rs 50,000
- ~~X~~ g) Long term capital loss on sale of asset B Rs 1,00,000 - *carry forward next year*
- h) Winnings from lotteries(Gross) Rs. 1,00,000

(RCUB B.Com. VI sem. 2014)

Ans: Gross Total Income Rs 5,20,000

Hint:

1. Loss from SOP is set off against income from LOP of Rs 60,000 and balance loss Rs 10,000 against salary
2. Loss from speculative business is carried forward to next A Y as it cant

SET-OFF AND CARRY FORWARD OF LOSSES

not be set off against any income except speculation profits.

3. Long term capital loss is carried forward to next A Y as it cannot be set off against any income except long term capital gains.

9. From the following particulars of income and loss, compute the gross total income of Mr. Suresh Patil after set off losses for the Assessment Year 2018-19.

(a) Income from let out property	Rs. 70,000
(b) Loss from self occupied property	Rs. 80,000
(c) Income from salary	Rs. 40,000
(d) Profit from speculative business	Rs. 1,00,000
(e) Loss from speculative business	Rs. 80,000
(f) Short term capital gain	Rs. 1,00,000
(g) Short term capital loss	Rs. 1,20,000
(h) Long term capital gain	Rs. 90,000

(RCUB B.Com. VI sem. 2015)

Ans: Gross Total Income Rs 1,20,000.

- Hint: 1. Loss from SOP is set off against income from LOP of Rs 70,000 and balance loss Rs 10,000 is set off against salary income.
2. Loss from speculative business is set off against profit from speculation business.
3. Short term capital loss of Rs 1,00,000 is set off against short term capital gains and balance STCL of Rs 20,000 is set off against long term capital gains.

10. From the following particulars of income of Mr. Basavaraj, compute his gross total income for the Assessment Year 2018-19.

Income from house property-I	Rs. 22,000
Loss from house property-II	Rs. 8,000
Loss in cloth business	Rs. 4,000
Profit from speculation business	Rs. 80,000
Long-term capital gain	Rs. 18,000
Long-term capital loss	Rs. 42,000
Short-term capital loss	Rs. 10,000

(RCUB, B.Com. VI, May 2016)

Ans: Gross total income Rs.90,000.

Set-off and Carry Forward of losses
Section - B.

New chapter

5 marks. problem solved.

Solution no - 4 :-

Computation of Gross total Income of Mr. Sachin for the A.Y. 2019-2020.

S.NO.	Particulars	Amount
(1)	Income from house property - I	44,000
(2)	Less:- loss from house property - II (S.O.P.)	20,000
(4)	Profit from speculation business	60,000
(3)	Less:- loss in retail business	20,000
(5)	Short term Capital gains	10,000
(6)	Long term Capital gains	36,000
(7)	Less:- long term capital loss	35,000
	Gross total Income	75,000

Solution No. 5 :-

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

S.NO.	Particulars	Amount
(a)	Income from salary	5,00,000
(b)	Less:- loss from self-occupied property	75,000
(2)	Income from bank interest Rs	1,00,000
(c)	Less:- Business loss Rs	2,00,000
	Carry forward Next year. loss	1,00,000
(e)	Winning from lottery (Gross)	50,000
	Gross total Income	4,75,000

Solution No. 6 :-

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

S.NO.	Particulars	Amount
	Income from house property - I	11,000
	Less:- loss from house property - II	4,000
	Profit from speculation Business	40,000
	Less:- loss in cloth Business	2,000
	Long term Capital gains	9,000
	Less:- long term capital loss of the P.Y. 2013-14	21,000
	loss carry forward Next year. loss	12,000
	short term capital loss	5,000
	Gross total Income	45,000

Solution No. 7 :-

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

S.NO.	Particulars	Amount
a)	Income from salary	80,000
b)	Income from LOP	50,000
		130,000
(2)	Less:- loss from S.O.P. Rs	80,000
(3)	Profit from speculative business	120,000
(4)	Less:- loss from non-speculative business	1,00,000
(5)	Income from interest on securities	1,00,000

- g) short term capital gain -
 h) long term capital gain -
 i) less- long term capital loss -

2,00,000 2,00,000

Page No. 50,000 1,30,000

Gross total Income 5,20,000

Solution No - 8 :-

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

S.No.	Particulars	Amount
a)	Income from salary (computed) -	180,000
b)	Income from house property (hop) -	60,000
		240,000
c)	less- Loss from house property (hop) -	70,000
		1,70,000
d)	Income from business & (even speculative) -	2,00,000
e)	Loss from business (speculative) - carry forward next year -	-
f)	short term capital gain from sale of assets -	50,000
g)	Long term capital loss on sale of Assets - carry forward next year -	1,00,000
h)	Winnings from lotteries (gross) -	1,00,000
	Gross total Income -	5,20,000

Solution No - 9 :-

Computation of gross total income of Mr. Suresh Patel for the A.Y. 2019-20

S.No.	Particulars	Amount
a)	Income from let out property - Rs -	70,000
b)	Income from salary - Rs -	110,000
c)	less- loss from self occupied property -	110,000
		80,000
d)	profit from speculative business - 1,00,000	30,000
e)	less- loss from speculative business - 80,000	20,000
f)	short term capital gain -	1,00,000
h)	long term capital gain -	30,000
		1,30,000
g)	short term capital loss -	1,20,000
	Gross total Income -	1,20,000

Solution no - 10 :-

Computation of Gross total Income of Mr. Basavaraj, for the A.Y. 2019

S.No.	Particulars	Amount
	Income from house property - I -	22,000
	less- loss from house property - II -	8,000
		14,000
	profit from speculation business - 80,000	
	less- loss in cloth business - 4,000	76,000
	Long term capital gain -	18,000
	less- long term capital loss -	42,000
	loss carry forward next year loss - 218,000	-
	short term capital loss - carry forward next year -	10,000
	Gross total Income -	90,000