

## **Unit – 5.**

### **SET OFF AND CARRY FORWARD LOSSES:-**

#### **I. Set off of Losses:**

The following are the provisions of the act, governing the set off and carry forward of losses.

#### **1. Loss from one source against income from another source under the same head of income:- Section-70 (Intra head set off)**

If there is a loss in one source of income, the assessee is entitled to set off such loss against the income from any other source under the same head of income in the same assessment year, except speculation loss and expenses incurred on maintenance of horses. For example:- If the assessee has different business, the loss in one business can be set off against the profits of any other business in the same assessment year.

#### **2. Loss from one head against income from another:- Section- 71 (inter head set off)**

Loss from one head of income can be set off against other head of income except speculation loss, casual loss and capital loss.

Speculation loss can be set off only against speculation profit and casual loss against the respective casual income.

Short-term capital loss can be set off against short- term and long term capital gains. But long term capital loss can be set off only from long term capital gains. However other losses can be set off against short-term and long term capital gains.

Business loss cannot be set off against the Salary income. A loss cannot be set off against Casual incomes such as winnings from lotteries, cross-word puzzles, card games, game shows, betting, gambling, races including horse race etc,.

House property loss in excess of Rs.2 lakhs cannot be set off against income under other heads from the assessment year 2018-19.

## **II. Carry forward and set off of losses:**

- i. Loss under the head house property can be carried forward and set off only against house property income for a period of 8 succeeding assessment years.
- ii. Loss from business and profession can be carried forward and set off against income from business and profession only for a period of 8 succeeding assessment years.
- iii. Capital loss:- Short-term capital loss can be carried forward and set off against income from short-term or long term capital gains but long term capital loss can be carried forward and set off against long term capital gains only for a period of 8 succeeding assessment years.
- iv. Speculative business loss can also be carried forward and set off against speculative profit only for a period of 4 succeeding assessment years.
- v. Loss due to maintenance of race horses can be carried forward and set off for a period of 4 succeeding assessment years against the income from the same activity.
- vi. Unabsorbed depreciation:- With effect from 2002-03, depreciation which remains unadjusted as either there is no income or less income in the relevant previous year, can be carried forward till it is fully adjusted from any income during the succeeding previous years. It shall be treated as depreciation of the succeeding previous years.

## **Unit - 5. Set off and carry forward losses:**

**Examination questions (theory) from semester scheme. (2 & 5 marks).**

**May/June-2007.**

1. Give the meaning of set-off and carry forward.
2. How do you set-off and carry forward short term capital losses.
3. Mention the provisions to set-off and carry forward the following losses. (5)  
i) Loss from house property and ii) Long Term Capital Loss. **May-2017, May-2018**

**June-2008.**

4. Mention any two losses, which cannot be set-off against income under other heads.

**June-2009.**

5. Give the meaning of inter-source set off of losses.
6. Explain the rules regarding inter-head set-off of losses. (5 marks)

**June – 2010.**

7. State the provisions regarding set-off and carry forward of losses. (5 marks)

**May – 2011.**

8. What is the provision relating to carry forward of loss from speculative business.

**May – 2013.**

9. Mention the rules for carry forward of speculation business loss.
10. What are the provisions governing the set off of inter-source losses? (5 marks)

**May / June – 2014.**

11. Give the meaning of inter head set-off.

**April/May – 2015.**

12. Give the meaning of set off.

**May – 2016.**

13. What is meant by carry forward and set off of losses?

**May – 2017. May-2018**

14. Explain the provisions to set-off and carry forward the following losses: (6 marks)  
a) Loss of House-property  
b) Short term capital gain loss.  
c) Speculation Business loss. (May-2018)