

Problem: Set off and carry forward of losses

1. Mr. X, a resident individual, submits the following information, relevant for the previous year ending March 31, 2020:
- Income from Salary (before standard deduction) Rs. 850,000;
  - Income from House Property: House I ₹ 70,000; House II (-) ₹ 52,000; House III (self-occupied) (-) ₹ 25,000;
  - Profits & gains of business or profession: Business I ₹ 200,000; Business II (-) ₹ 75,000; Business III (speculative) (-) ₹ 160,000; Business IV ~~(₹ 100,000)~~ (speculative) ₹ 72,000; Capital Gains: Short-term capital loss (-) Rs. 83,000; Long-term capital gains on transfer of preference shares ₹ 70,000; Income from other sources: Income from card games ₹ 80,000; Loss from betting (-) ₹ 70,000; loss from maintenance of race horses (-) ₹ 120,000; Income from owning and maintaining race camels ₹ 200,000.
- Determine the net Income for the A.Y. 2020-21

Solution of Problem 1, Page II

Computation of Net income of Mr. X (F.Y. 2019-20; A.Y. 2020-21)

	Stage I (Inter-source Adjustment) w/570	Stage II (Inter-head adjustment up 71)	Stage III Carry forward of loss (-)
Salary Income (850,000 - std. deduction 50,000)		800,000	
Income from House Property :-	70,000		
House I	(-) 52,000		
House II	(-) 25,000		
House III			
Business Income :-	200,000		
Business I	(-) 75,000		
" II			
Business III (Speculative)	(-) 160,000		
" IV ( " )	72,000		
Speculative Business loss to be c/f	(-) 88,000		88,000
Capital Gains :-			
Short-term Capital loss	(-) 83,000		
Long-term Capital Gain	70,000		
Short-term Capital loss (to be carried forward)	-13,000		13,000
Income from other sources -			
Income from card games		80,000	
(loss from betting cannot be set off and carried forward)		-	
Income from racing and maintaining race camels	200,000		
loss from maintaining race horse can be set from same source only and c/p	-120,000		
Net Income		280,000	120,000
		<u>1198,000</u>	

c/p =  
Carried  
forward

2. From the following information, compute income of Mr. Sarkar for the previous year 2019-20 —

Income from house 1 (let-out) ₹ 200,000; loss from house 2 (self-occupied) ₹ 50,000; Salary Income ₹ 500,000; Loss from non-speculative Business ₹ 300,000; Income from Speculative Business ₹ 100,000; Short-term Capital loss ₹ 60,000; Long-term Capital gain ₹ 50,000

Solution

Computation of Total Income of Mr. Sarkar (P.Y. 2019-20; A.Y. 2020-21)

	Stage I u/s 70.	Stage II u/s 71	Net Amount	Stage III
	₹	₹	₹	₹
<u>Income from Salary</u>	200,000			
<u>Income from House (I)</u>	50,000			
<u>Loss from House (II) (Self-occupied)</u>	<u>50,000</u>	150,000		
<u>Profits &amp; Gains of Bus. or Prof.</u>				
<u>Income from Speculative Business</u>	100,000			
<u>Loss from non-speculative Business</u>	<u>300,000</u>			
	(-) 200,000			
<u>Adjustment against Income from House Property</u>	(-) 150,000	(-) 150,000		
<u>To be carried forward</u>	<u>50,000</u>			
<u>Capital Gains</u>				
<u>Long-term</u>	50,000			
<u>Short-term Capital Loss</u>	<u>60,000</u>			
<u>To be carried forward</u>	<u>10,000</u>			
			NIL	50,000
			NIL	10,000
			<u>500,000</u>	

3. From the following information compute <sup>Gross</sup> Total Income of R. Nag for the A.Y. 2020-21.

Income from Business A ₹ 80,000 ; Loss from Business B ₹ 95,000 ; Loss from Speculative Business ₹ 12,000 ; Income from House Property ₹ 40,000 ; Long-term Capital loss 25,000 ; Short-term Capital Gain ₹ 10,000 ; Loss under the head income from other sources ₹ 12,000 ; Brought forward loss from house property (2016-17 P.Y.) 10,000

Solution                      Computation of Gross Total Income of Mr. R. Nag (A.Y. 2020-21 P.Y. 2019-20)

	<u>₹ (I)</u>	<u>₹ (II)</u>	<u>₹ (III)</u>
<u>Income from House Property</u> 40,000			
<u>Less Brought forward loss from House Property</u> 10,000	30,000		-
<u>Profit &amp; Gains of Business or Profession</u>			
<u>Profit from Business A</u> 80,000	80,000		
<u>Less loss from Business B</u> 95,000	95,000	(-) 15,000	-
<u>Speculative Business loss (To be carried forward)</u> 12,000	12,000		12,000
<u>Capital Gains</u>			
Short-term Capital Gain	-	10,000	
Long-term Capital loss (To be carried forward)	25,000		25,000
<u>Income from other sources (loss) (Can be set off in any head)</u>		(-) 12,000	
<u>Gross Total Income</u>		13,000	