SET OFF AND CARRY FORWARD OF LOSSES UNDER INCOME TAX ACT , 1961

Inter Source Adjustments

Inter Head Adjustments

Carry Forward and Set off of losses

Where the net result for any A.Y. in respect of *any source falling under any head of income is a loss*, the assessee shall be entitled to have the amount of such loss set off against his income from any other source under the same head.	
Speculation loss	Only against speculation profits.
Revenue expenditure, incurred on maintenance of race horses	Only against the income from the same source
Long-term capital loss	Only against long-term capital gains.
Source, the- income of which is exempt	Cannot to be setoff against any taxable income from any other source.

Where the net result for any assessment year', *under any head of income is a loss* , the assessee shall be entitled to have the amount of such loss set-off against his income assessable for same A.Y. under any other head of income.	
Speculation loss	Profits from speculation business .
Owning and maintenance of race horses	Profits from the activity of owing and maintaining race horses
Capital loss	Profits under the head capital gains
PGBP loss	Losses under the head ' PGBP' cannot be set off against the income under the head 'Salary'.

Assesee has option to set off in desired order of priority where there are more than one source of income.

Carried forward and Set Off Against

Income from House Property of subsequent years

Carry forward is pennissible for 8 A.Y. immediately succeeding the A.Y. for which the loss was computed.

Loss from PGBP

Non speculation Loss

Carried forward and Set Off Against

Income ':Under the head 'PGBP' in the subsequent AY.

Order of set off

- Current year capital expenditure on promotion of Family Planning
- Current year capital expenditure on Scientific Research
- Current year Depreciation and then Unabsorbed Depreciation
- Business losses
- Unabsorbed capital expenditure on promotion of Family Planning and thereafter unabsorbed Scientific Research

Carry forward is pennissible for 8 A.Y. immediately succeeding the A.Y. for which the loss was computed.

Exceptions

Carry Forward by same assessee

- Amalgamation
- Demeger
- Inheritance
- Conversion of Partnership firm/proprietary concern into company

Eight Years

Section 33B
Discontinued Business or Profession

Return filed under 139(3) - No carry forward otherwise

Carried forward and Set Off Against → Profits from speculation business.

Carry forward is permissible for 4 A.Y. immediately succeeding the A.Y. for which the loss was computed.

Section 43 (5) -

Speculative transaction to mean a transaction in which a contract for purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by actual delivery or transfer of the commodity or scrip.

Exceptions : -

- Hedging contracts
- *Any eligible transaction in respect of Derivate subject to certain conditions*

Loss from Capital Gains

Short Term Loss	Short term capital gains Long term capital gains
Long Term Loss	Long term capital gains

Carry forward is permissible for 8 A.Y. immediately succeeding the A.Y. for which the loss was computed.