

CHAPTER -5

SET OFF CARRY FORWARD OF LOSSES

1. Give the meaning of inter head set off.

In case of inter head set off, if assessee incurs loss under any head of income, such loss can be set-off against his income from any other source under the same head of income for the same assessment year.

2. State the income tax provision relating to the business loss suffered by an assessee.

- Non speculation business loss can be set off against any income
- Speculation business loss can be set off against speculation profit only
- Speculation business loss can be carried forward for 8 years and can be set off against any speculation profits only.
- Non-speculation business losses can be carried forward for 8 years and can be set off against any business income (speculation and non-speculation income).

3. Mention the losses that can be carried forward for being set off against income in the succeeding year.

Business loss, speculation loss, capital loss, loss from the activity of owning and maintaining racehorses, loss from HP.

4. Give the meaning of set-off.

Adjusting of income under one head against the loss under another head is called set-off. This is done to arrive at taxable /total income

5. What do you mean by set off of losses?

The adjustment of losses from one head against the income, profits or gains of any other head of income during the assessment year is called set-off of losses.

In other words, Set off losses means setting off losses against income of the same year.

6. What do you mean by intra-head-set –off?

Intra- head-set-off means loss from one head of income can be set off against income under other head of income except speculation losses, capital losses and losses from owning and maintaining race horses.

7. Mention losses, which cannot be set off against income from other heads

Speculation loss, capital loss, loss from owning and maintaining racehorses.

8. Under what circumstances the speculation losses can be allowed to be set-off.

- Speculation losses can be set off against speculation profits only.
- Speculation business losses can be carried forward for 8 years and can be set off against speculation profits only.

9. Explain the concept of marginal relief.

Tax payable due to marginal relief is equal to the income tax on 10 lakh plus excess of total income over 10 lakh.

10. Name any four states where tax holiday for new industrial undertaking is available U/S 80-IC of the income tax, 1961, from A.Y. 2010-11

Himachal Pradesh, Sikkim, Uttaranchal, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura.

11. What is carry forward of losses.

Where the losses are not fully adjusted against the income of the same assessment year and such losses are transferred to the next assessment year, this process of transferring un-adjustable losses to the next year is known as carry-forward of losses.