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Taxation

Set off of loss from one source against income from another source under the same head of income (Sec 70)

(1) Save otherwise provided in this Act where the net result for any assessment year in respect of any source falling under any head of income other than "capital gains" 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.

(2) Where the result of the computation made for any assessment year under section 48 to 55 in respect of any short-term capital asset (other than a short term asset) is a loss, the assessee shall be entitled to have the amount of such loss set off against the income (if any) as arrived at under a similar computation made for the assessment year in respect of any other capital asset not being a short term capital asset.

(2)

Set off of loss from one head against from another (Section-71) :-

(1) Where in respect of any assessment year the net result of the computation under any head of income, other than "Capital gains", is a loss and the assessee has no income under the head "Capital gains", he shall be subject to the provisions of this chapter, be entitled to have the amount of such loss set off against his income if any, assessable for that assessment year under any other head.

(2) Where in respect of any assessment year the net result of the computation under any head of income, other than "Capital gains" is a loss and the assessee has income assessable under the head "Capital gains", such loss may be subject to the provisions of this chapter, be set off against his income, "if any", assessable for that assessment year under any head of income including the head "Capital gains" (whether relating to that term capital assets or any other capital assets);

(2A) This is a new sub-section inserted by the Finance (No.2) Act 2004 w.e.f 1-4-2005. According to this sub-section, notwithstanding anything contained in

(3)

sub-section (1) or sub-section (2) where in respect of any assessment year the net result of the computation under the head "Profits and gains of business or profession" is a loss and the assessee has income assessable under the head "Salaries" the assessee shall not be entitled to have such loss set off against such income.

(3) Where in respect of any assessment year the net result of the computation under the head "Capital gains" is a loss and the assessee has income assessable under any other head of income, the assessee shall not be entitled to have such loss set off against income under the other head.

(4) Where the net result of the computation under the head "Income from house property" is a loss in respect of the assessee shall not be assessment years commencing on 1-4-1995 and 1-4-1996 such loss shall be first set off under sub-section (1) and (2) and thereafter the loss referred to in section 71A shall be set off in the relevant assessment year in accordance with the provisions of that section