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NAME OF THE PAPER : Income tax Law & Accounts

**NAME OF TOPIC : Aggregation of Income and
Clubbing of Income Set-off and
Carry forward of losses.**

**KEY WORDS : Meaning of Clubbing and Aggregate of Income and
Rules regarding set-off and carry forward of losses.**

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Introduction

All we are familiar with this fact that every assessee wants to pay least Income tax. In the present, the tax is imposed on slab system in which the Rates of tax are progressive. These rates increase with the Increase of Income consequently, the Assessee having higher Income will have to pay much tax. In order to reduce the tax liability, the tax Payer transfers his properties to his members of the family and relatives.

The Incomes of other persons mentioned in sections 60 to 64 are included in total income of an Assessee. As per provisions of Income tax Act, this process is called 'clubbing of income.

Incomes of other Persons to be included in Assessee's Income

1. Transfer of Income but no transfer of Assets
2. Revocable Transfer of Assets
3. Income of Spouse to be included in the Income of an Individual.
4. Income of Assets Transfer to daughter-in law.
5. Transfer of Assets of any person or Association of Persons for the Benefit of Spouse.
6. Transfer of Assets to any Person or AOP for the benefit of Daughter-in law.
7. Income of Minor Child
8. Income from converted Property

9. Benami Transactions

Aggregation of Income

Aggregation of Income means to make total of Income which are taxable under various heads. Generally, the taxable incomes of the Assessee are totalled or they have been deemed as Incomes. This process of making total is called Aggregation of Income.

Set-off and Carry Forward of losses

Set-off of losses includes two types of losses :

- i) Set-off of losses in the same year
- ii) Set-off of losses in subsequent years

1. Set off of losses in the Same Year –

If an assessee suffers loss in a year from one source of one and there is gain in the same year from another source of the same head. He can adjust loss against income in the same year. It is called set off of losses in the same year.

i. Set off of losses in subsequent years :

If the Assessee could not set off this loss in the same year due to lack of Income or insufficient profit. He may adjust the losses of one year against profits of next year. It is called set-off of losses in the subsequent year.

Provisions Regarding set off of losses

1. Set-off of losses from one source of Income under one head against income from another sources of Incomes of the same head. It is also called Inter-sources Adjustment.
2. Set-off of losses under one head against income under another head. It is also called Inter Head Adjustment.
3. Set-off of losses of General Business
4. Set-off of losses of specified Business
5. Set-off of losses of speculation Business
6. Set-off of losses of lottery, Crossword puzzles, Card games, etc.
7. Set off of losses of firm.

Carry forward of losses

Meaning of Carry forward of losses

In the preceding pages of this chapter it has been described that an Assesse can set off losses of one head against the Income of the same head or other head under the various provisions of income tax act. But of ten it happens that losses may be more than Income. Thus a part of losses may be set off against the available income. Remaining unadjusted los can be set off in coming years under various provisions of Income tax Act. This process is called carry forward of losses.

Provisions of carry forward of losses

It is essential to note here the no losses can be carried forward in connection if the Assesse has not filed Return of loss before due date under section 139 (i) of Income tax Act.

All types of losses can not be carried forward. Only the following loss can be carry forward :

1. Loss from House Property
2. Loss from General Business
3. Losses of speculation Business
4. Capital losses
5. Loss on maintaining the Horse Race.

Related questions :

1. Discuss the Provisions of Income tax Act Relating to set off and carry forward of losses
2. Distinguish Between Source of Income and head of Income.
3. What is Aggregation of Income.
4. What is Clubbing of Income.

References :

1. H.C. Mehrotra Income Tax Law &
Accounts
2. R.K. Jain-Income Tax Law & Accounts.

SELF DECLARATION

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THANK YOU