(*a*) offers no explanation about the nature and source of acquisition of such asset, or such excess amount, as the case may be; or

(*b*) the explanation offered by the assessee, is not satisfactory in the opinion of the Assessing Officer,

then, the value of such asset, or such excess amount, as the case may be, shall be deemed to be the income of the assessee of the tax year in which such asset has been found to be owned by, or belonging to, the assessee.

(*2*) In this section, "asset" includes money, bullion, jewellery, virtual digital asset or other valuable article.

Unexplained expenditure.

**105**. (*1*) Where any expenditure has been incurred by the assessee in any tax year, and—

(*a*) the assessee offers no explanation about the source of such expenditure or part thereof; or

(*b*) the explanation offered by the assessee is not satisfactory in the opinion of the Assessing Officer,

then, the amount covered by such expenditure or part thereof, shall be deemed to be the income of the assessee for that tax year.

(*2*) Irrespective of any other provision of this Act, the amount deemed as income in sub-section (*1*) shall not be allowed as a deduction under this Act.

Amount borrowed or repaid through negotiable instrument, *hundi*, etc.

**106**. (*1*) Where any amount (including interest thereof) is borrowed or repaid through a negotiable instrument or a hundi, other than an account payee cheque, or through any mode as specified by the Board in this behalf, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying, as the case maybe, for the tax year in which the amount was borrowed or repaid.

(*2*) Where the amount borrowed under sub-section (*1*) has been deemed to be the income of any person, such person shall not be liable to be assessed again in respect of such amount under that sub-section on repayment of such amount.

Charge of tax.

**107**. Income referred to in sections 102, 103, 104, 105 and 106 shall be charged to tax as per the provisions of section 195.

## CHAPTER VII

### SET OFF, OR CARRY FORWARD AND SET OFF OF LOSSES

Set off of losses under the same head of income.

**108**. (*1*) Unless provided otherwise in this Act, for any tax year, if net result of computation from any source under any head of income (other than "Capital gains") is a loss, then assessee shall be entitled to set off such loss against his income from any other source under the same head for that tax year.

(*2*) Any loss, as a result of computation made under sections 72 to 90, for any tax year, arising from transfer of a capital asset as arrived at under a similar computation made for the tax year in respect of any other capital asset being,—

(*a*) a long-term capital asset, shall be set off only against gains, if any, from transfer of another long-term capital asset; and

(*b*) a short-term capital asset, shall be set off against gains, if any, from transfer of any capital asset.

Set off of losses under any other head of income.

**109**. (*1*) Subject to the provisions of this Chapter, for any tax year, if income computed under any head of income (other than "Capital gains") is a loss, such loss shall be set off against income of the assessee under any other head, including "Capital gains", if any, assessable for that tax year, subject to the following conditions:—

(*a*) loss under the head "Profits and gains of business or profession" shall not be set off against income chargeable under the head "Salaries"; and

(*b*) loss under the head "Income from house property" shall be set off to the extent of two lakh rupees against income under any other head;

(*2*) For any tax year, the loss under the head "Capital gains" shall not be set off against income under any other head.

Carry forward and set off of loss from house property.

**110**. (*1*) The unabsorbed loss from house property for any tax year shall be carried forward to the subsequent tax year, and shall be set off only against income from house property, if any, computed for such subsequent tax year, and so on.

(*2*) The unabsorbed loss from house property referred to in sub-section (*1*) shall be carried forward to the following tax year, not being more than eight tax years immediately succeeding the tax year in which such loss was first computed.

(*3*) In this section, "unabsorbed loss from house property" means, loss computed under the head "Income from house property" for the tax year, which has not been, or is not wholly, set off against income from any other head, under section 107, for the said tax year.

Carry forward and set off of loss from Capital gains.

**111**. (*1*) The unabsorbed capital loss for any tax year shall be carried forward to the subsequent tax year and shall be set off in the manner provided in sub-section (*2*).

(*2*) The unabsorbed capital loss arising from transfer of capital asset, being—

(*a*) a long-term capital asset, may be set off only against capital gains, if any, from transfer of any other long-term capital asset during the subsequent tax year and so on; and

(*b*) a short-term capital asset, shall be set off against capital gains, if any, from transfer of any other capital asset during the subsequent tax year and so on.

(*3*) The unabsorbed capital loss referred to in sub-section (*1*), shall be carried forward to the following tax year, not being more than eight tax years immediately succeeding the tax year in which such loss was first computed.

(*4*) In this section, "unabsorbed capital loss" means loss computed under the head "Capital gains" for any tax year, which has not been, or is not wholly, set off under section 108 for the said tax year.

Carry forward and set off of business loss.

**112.** (*1*) The unabsorbed business loss (other than loss from speculation business) for any tax year shall be carried forward to the subsequent tax year and shall be set off only against the profits and gains of business or profession, carried on by him and assessable for that tax year, if any, computed for such subsequent tax year, and so on.

(*2*) The unabsorbed business loss referred to in sub-section (*1*), shall be carried forward to the following tax year, not being more than eight tax years immediately succeeding the tax year in which such loss was first computed.

(*3*) The unabsorbed business loss referred to in sub-section (*1*) shall first be allowed to be set off before allowing set off of any carried forward allowance under section 33(*11*) or 45(*7*).

(*4*) In this section, "unabsorbed business loss" means, loss computed under the head "Profits and gains of business or profession" (other than loss from speculation business) for the tax year, which has not been, or is not wholly, set off against income from any other head, under section 109 for the said tax year.

Set off and carry forward of losses from speculation business.

**113.** (*1*) Any loss computed from a speculation business carried on by the assessee, during any tax year, shall be set off only against profits and gains, if any, of another speculation business for the said tax year.

(*2*) The unabsorbed speculation business loss for any tax year shall be carried forward to the subsequent tax year and shall be set off only against the profits and gains of speculation business, if any, computed for such subsequent tax year, and so on.

(*3*) The unabsorbed speculation business loss referred to in sub-section (*2*) shall not be carried forward for more than four tax years immediately succeeding the tax year in which such loss was first computed.

(*4*) The unabsorbed speculation business loss referred to in sub-section (*2*) shall first be allowed to be set off before allowing set off of any carried forward allowance under section 33(*11*) or 45(*7*).

(*5*) In this section,—

(*a*) where any part of the business of the assessee (being a company) consist of purchase and sale of shares of other companies, then the assessee shall be deemed to be carrying on a speculation business, to the extent to which its business consists of purchase and sale of such shares;

(*b*) "unabsorbed speculation business loss" means any loss computed in respect of a speculation business carried on by the assessee during the tax year, which has not been, or is not wholly, set off against profits and gains, if any, of another speculation business under sub-section (*1*) for the said tax year.

(*6*) The provisions of sub-section (*5*)(*a*) shall not apply to an assessee, being a company, if—

(*a*) its gross total income consists mainly of income which is chargeable under the heads "Income from house property", "Capital gains" or "Income from other sources"; or

(*b*) its principal business is of trading in shares or banking or the granting of loans and advances.

Set off and carry forward of losses from specified business.

**114**. (*1*) Any loss computed from a specified business carried on by the assessee, during any tax year, shall be set off only against profits and gains, if any, of any other specified business for the said tax year.

(*2*) The unabsorbed loss from the specified business for any tax year shall be carried forward to the subsequent tax year and shall be set off only against the profits and gains of any specified business, if any, computed for such subsequent tax year, and so on.

(*3*) In this section,—

(*a*) "specified business" means any specified business referred to in section 46;

(*b*) "unabsorbed loss from the specified business" means, any loss computed in respect of a specified business carried on by the assessee during the tax year, which has not been, or is not wholly, set off against profits and gains, if any, of another specified business under sub-section (*1*) for the said tax year.

Set off and carry forward of losses from specified activity.

**115**. (*1*) Any loss incurred by the assessee in the specified activity during any tax year, shall not be set off against the income, if any, from any source other than specified activity for the said tax year.

(*2*) The unabsorbed loss from the specified activity for any tax year shall be carried forward to the subsequent tax year and shall be set off,—

(*a*) only against the income from specified activity, if any, computed for such subsequent tax year, and so on; and

(*b*) only when the specified activity is carried on by the assessee in that tax year.

(*3*) The unabsorbed loss from the specified activity referred to in sub-section (*2*) shall not be carried forward for more than four tax years immediately succeeding the tax year in which such loss was first computed.

(*4*) In this section,—

(*a*) "income by way of stake money" means the gross amount of prize money received by the owner of race horses participating in horse races on their winning a particular position in such race;

(*b*) "loss incurred by the assessee in the specified activity" means the amount by which the income by way of stake money, if any, falls short of the expenditure, not being capital expenditure, incurred wholly and exclusively for maintaining race horses;

(*c*) "race horse" means a horse upon which wagering or betting may be lawfully made in a horse race;

(*d*) "specified activity" means the activity of owning and maintaining race horses;

(*e*) "unabsorbed loss from the specified activity" means any loss computed in respect of the specified activity carried on by the assessee during the tax year, which has not been, or is not wholly, set off against income, if any, of the specified activity under sub-section (*1*) for the said tax year.

Treatment of accumulated losses and unabsorbed depreciation in amalgamation or demerger, etc.

**116**. (*1*) Where there has been an amalgamation of,—

(*a*) a company owning an industrial undertaking or a ship or a hotel with another company; or

(*b*) a banking company referred to in section 5(*c*) of the Banking Regulation Act, 1949 with a specified bank; or 10 of 1949.

(*c*) one or more public sector company with one or more other public sector company; or

(*d*) an erstwhile public sector company with one or more company or companies, if the share purchase agreement entered into under strategic disinvestment restricted immediate amalgamation of the said public sector company and the amalgamation is carried out within five years from the end of the tax year in which the restriction on amalgamation in the share purchase agreement ends,

then, irrespective of anything in any other provision of this Act, the accumulated loss and unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, allowance for unabsorbed depreciation of the amalgamated company for the tax year in which the amalgamation was effected, and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(*2*) The accumulated loss and the unabsorbed depreciation of the amalgamating company, in case of an amalgamation referred to in sub-section (*1*)(*d*), which is deemed to be the loss or, as the case may be, the unabsorbed depreciation of the amalgamated company, shall not exceed the accumulated loss and unabsorbed depreciation of the public sector company as on the date on which it ceases to be a public sector company due to such strategic disinvestment.

(*3*) For sub-section 1(*d*),—

(*a*) "control" shall have the same meaning as assigned to it in section 2(*27*) of the Companies Act, 2013; 18 of 2013.

(*b*) "erstwhile public sector company" means a company which was a public sector company in earlier tax years and ceases to be so due to strategic disinvestment by the Government;

(*c*) "strategic disinvestment" means sale of shareholding by the Central Government or State Government or a public sector company, in a public sector company or in a company, which results in—

(*i*) reduction of its shareholding to below 51%; and

(*ii*) transfer of control to the buyer;

(*d*) for clause(*c*)(*i*), the reduction of shareholding shall apply only where shareholding of the Central Government or the State Government or the public sector company exceeded 51% before the sale of shareholding;

(*e*) the transfer of control referred to in clause (*c*)(*ii*) may be effected by the Central Government or the State Government or the public sector company or any two or all of them.

(*4*) Irrespective of anything contained in sub-section (*1*), the accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless,—

(*a*) the amalgamating company—

(*i*) has been engaged in the business, in which the accumulated loss occurred or depreciation remains unabsorbed, for three or more years;

(*ii*) has held continuously as on the date of the amalgamation, at least three-fourths of the book value of fixed assets held by it two years preceding the date of amalgamation;

(*b*) the amalgamated company—

(*i*) holds continuously for a minimum five years from the date of amalgamation at least three-fourths of the book value of fixed assets of the amalgamating company acquired in a scheme of amalgamation;

(*ii*) continues the business of the amalgamating company for a minimum five years from the date of amalgamation;

(*iii*) fulfils such other conditions as prescribed to ensure the revival of the business of the amalgamating company or to ensure that the amalgamation is for genuine business purpose.

(*5*) If any of the conditions laid down in sub-section (*4*) are not complied with, the set off of loss or allowance of depreciation made in any tax year in the hands of the amalgamated company shall be treated as the income of the amalgamated company chargeable to tax for the year in which the non-compliance occurs.

(*6*) Irrespective of anything contained in any other provisions of this Act, in the case of a demerger, the accumulated loss and the allowance for unabsorbed depreciation of the demerged company shall,—

(*a*) if directly relatable to the undertakings transferred to the resulting company, be allowed to be carried forward and set off in the hands of the resulting company;

(*b*) if not directly relatable to the undertakings transferred to the resulting company, be apportioned between the demerged company and the resulting company in the same proportion in which the assets of the undertakings have been retained by the demerged company and transferred to the resulting company, and shall be allowed to be carried forward and set off in the hands of the demerged company or the resulting company, as applicable.

(*7*) The Central Government may, by notification, specify such conditions to ensure that the demerger is for genuine business purposes.

(*8*) If there has been a business reorganisation where, a firm is succeeded by a company fulfilling the conditions laid down in section 70(*1*)(*zd*) or a proprietary concern is succeeded by a company fulfilling the conditions laid down in section 70(*1*)(*zf*), then, irrespective of anything contained in this Act, the accumulated loss and the unabsorbed depreciation of the predecessor firm or the proprietary concern, shall be deemed to be the loss or allowance for depreciation of the successor company for the tax year in which business reorganisation was effected and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply.

(*9*) If any of the conditions laid down in section 70(*1*)(*zd*) or (*zf*) are not complied with, the set off of loss or allowance of depreciation made in any tax year in the hands of the successor company, shall be deemed to be the income of the company chargeable to tax in the year in which the non-compliance occurs.

(*10*) If there has been reorganisation of business whereby a private company or unlisted public company is succeeded by a limited liability partnership fulfilling the conditions laid down in section 70(*1*)(*ze*), then, irrespective of anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the predecessor company, shall be deemed to be the loss or allowance for depreciation of the successor limited liability partnership for the tax year in which business reorganisation was effected and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(*11*) If any of the conditions laid down in section 70(*1*)(*ze*) are not complied with, the set off of loss or allowance of depreciation made in any tax year in the hands of the successor limited liability partnership, shall be deemed to be the income of the limited liability partnership chargeable to tax in the year in which the non-compliance occurs.

(*12*) For any amalgamation referred to in sub-section (*1*) or reorganisation of business referred to in sub-section (*8*) or (*10*) effected on or after the 1st April, 2025, any loss forming part of the accumulated loss of the predecessor entity, being—

(*i*) the amalgamating company; or

(*ii*) the firm or proprietary concern; or

(*iii*) the private company or unlisted public company,

as the case may be, which is deemed to be the loss of the successor entity, being—

(*a*) the amalgamated company; or

(*b*) the successor company; or

(*c*) the successor limited liability partnership,

as the case may be, shall be carried forward for not more than eight tax years immediately succeeding the tax year for which such loss was first computed for the original predecessor entity.

(*13*) In this section,—

(*a*) "accumulated loss" means so much of the loss of the predecessor firm or the proprietary concern or the private company or unlisted public company before conversion into limited liability partnership or the amalgamating company or the demerged company, under the head "Profits and gains of business or profession" (excluding loss in a speculation business) which would have been eligible for carry forward and set off to such predecessor under section 112, had the reorganisation of business or conversion or amalgamation or demerger not occurred.

(*b*) "industrial undertaking" means any undertaking which is engaged in—

(*i*) the manufacture or processing of goods; or

(*ii*) the manufacture of computer software; or

(*iii*) the business of generation or distribution of electricity or any other form of power; or

(*iv*) the business of providing telecommunication services, whether basic or cellular, including radio paging, domestic satellite service, network of trunking, broadband network and internet services; or

(*v*) mining; or

(*vi*) the construction of ships, aircrafts or rail systems;

(*c*) "original predecessor entity" means predecessor entity in respect of the first amalgamation for sub-section (*1*) or first business reorganisation for sub-sections (*8*) and (*10*), as the case may be.

(*d*) "specified bank" means the State Bank of India constituted under the State Bank of India Act, 1955 or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980;

23 of 1955.

5 of 1970.

40 of 1980.

(*e*) "unabsorbed depreciation" means so much of the allowance for depreciation of the predecessor firm or the proprietary concern or the private company or unlisted public company before conversion into limited liability partnership or the amalgamating company or the demerged company, which remains to be allowed and which would have been allowed to such predecessor under this Act, had the reorganisation of business or conversion or amalgamation or demerger not occurred.

Treatment of accumulated losses and unabsorbed depreciation in scheme of amalgamation in certain cases

**117**. (*1*) Irrespective of anything contained in section 2(*6*)(*a*) to (*c*) or section 116, where there has been an amalgamation of,—

(*a*) one or more banking company with—

(*i*) any other banking institution under a scheme sanctioned and brought into force by the Central Government under section 45(*7*) of the Banking Regulation Act, 1949; or

10 of 1949.

(*ii*) any other banking institution or a company following a strategic disinvestment, wherein the amalgamation occurs within five years from the end of the tax year during which such disinvestment is carried out; or

(*b*) one or more corresponding new bank or banks with any other corresponding new bank under a scheme brought into force by the Central Government under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, or both; or

5 of 1970.
40 of 1980.

(*c*) one or more Government company or companies with any other Government company under a scheme sanctioned and brought into force by the Central Government under section 16 of the General Insurance Business (Nationalisation) Act, 1972,

57 of 1972.

the accumulated loss and unabsorbed depreciation of such banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies, shall be deemed to be the loss or, allowance for depreciation of the banking institution or company or amalgamated corresponding new bank or amalgamated Government company for the tax year in which the scheme of amalgamation was brought into force and other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(*2*) Where any scheme of such amalgamation is brought into force on or after the 1st April, 2025, any loss forming part of the accumulated loss of the predecessor entity, being—

(*i*) the banking company or companies;

(*ii*) the amalgamating corresponding new bank or banks; or

(*iii*) the amalgamating Government company or companies,

as the case may be, which is deemed to be the loss of the successor entity, being—

(*a*) the banking institution or company; or

(*b*) the amalgamated corresponding new bank or banks; or

(*c*) the amalgamated Government company or companies,

as the case may be, shall be carried forward in the hands of the successor entity for not more than eight tax years immediately succeeding the tax year for which such loss was first computed for original predecessor entity.

(*3*) In this section,—

(*a*) "accumulated loss" means so much of the loss of the amalgamating banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies under the head "Profits and gains of business or profession" (excluding losses of a speculation business) which such amalgamating company or companies would have been entitled to carry forward and set off under section 112 had the amalgamation not occurred;

(*b*) "banking company" shall have the same meaning as assigned to it in section 5(*c*) of the Banking Regulation Act, 1949;

10 of 1949.

(*c*) "banking institution" shall have the same meaning as assigned to it in section 45(*15*) of the Banking Regulation Act, 1949;

10 of 1949.

(*d*) "corresponding new bank" shall have the same meaning as assigned to it in section 2(*d*) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or section 2(*b*) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980;

5 of 1970.
40 of 1980.

(*e*) "general insurance business" shall have the same meaning as assigned to it in section 3(*g*) of the General Insurance Business (Nationalisation) Act, 1972;

57 of 1972.

(*f*) "Government company" means a Government company as defined in section 2(*45*) of the Companies Act, 2013, engaged in the general insurance business and established under section 4 or 5 or 16 of the General Insurance Business (Nationalisation) Act, 1972;

18 of 2013.
57 of 1972.

(*g*) "original predecessor entity" means predecessor entity in respect of the first amalgamation;

(*h*) "strategic disinvestment" shall have the meaning assigned to it in section 116(*3*)(*c*);

(*i*) "unabsorbed depreciation" means the allowance for depreciation of the amalgamating banking company or companies or amalgamating corresponding new bank or banks or amalgamating Government company or companies which remains to be allowed and which would have been allowed to such entity, had the amalgamation not occurred.

Carry forward and set off of losses and unabsorbed depreciation in business reorganisation of co-operative banks.

**118**. (*1*) In a case of a co-operative bank, where amalgamation takes place during the tax year, the accumulated business loss and unabsorbed depreciation, if any, of the predecessor co-operative bank, shall be allowed to be set off against the income of the assessee, being a successor co-operative bank for that tax year, as if the business reorganisation had not taken place and all other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation, shall apply accordingly.

(*2*) In case of a co-operative bank where demerger takes place during the tax year, and where the accumulated loss or unabsorbed depreciation—

(*a*) is directly relatable to the undertaking transferred, the whole of such loss and depreciation shall be allowed to be carried forward and set off against the income of the resulting co-operative bank; and

(*b*) is not directly relatable to the undertaking transferred, then such loss and depreciation shall first be apportioned between the demerged co-operative bank and the resulting co-operative bank in the same proportion in which assets of the undertaking are distributed between the demerged co-operative bank and the resulting co-operative bank, and be allowed to be carried forward and set off against their respective incomes.

(*3*) The accumulated loss shall be carried forward only up to eight tax years immediately succeeding the tax year in which such loss was first computed in the hands of the predecessor-in-business.

(*4*) The provisions of this section shall apply, if—

(*a*) the predecessor co-operative bank—

(*i*) has been engaged in the business of banking for three or more years; and

(*ii*) has held at least three-fourths of the book value of fixed assets as on the date of the business reorganisation, continuously for two years before to the date of business reorganisation;

(*b*) the successor co-operative bank,—

(*i*) holds at least three-fourths of the book value of fixed assets of the predecessor co-operative bank acquired through business reorganisation, continuously for a minimum five years immediately succeeding the date of business reorganisation;

(*ii*) continues the business of the predecessor co-operative bank for a minimum five years from the date of business reorganisation; and

(*iii*) fulfils such other conditions, as prescribed, to ensure the revival of the business of the predecessor co-operative bank or to ensure that the business reorganisation is for genuine business purpose.

(*5*) The Central Government may, by notification, specify such other conditions as it may consider necessary, other than the condition referred to in sub-section (*4*)(*b*)(*iii*), for the purposes of ensuring that the specified business reorganisation is for genuine business purposes.

(*6*) In a case where any of the conditions referred to in sub-section (*4*) or (*5*) are not complied with, the set off of accumulated business loss or unabsorbed depreciation made in any tax year in the hands of the successor co-operative bank shall be deemed to be the income of the successor co-operative bank chargeable to tax for the year in which such conditions are not complied with.

(*7*) The period commencing from the beginning of the tax year and ending on the date immediately preceding the date of business reorganisation, and the period commencing from the date of such business reorganisation and ending with the tax year, shall be deemed to be two different tax years for the purposes of set off and carry forward of loss and allowance for depreciation.

(*8*) In this section,—

(*a*) "accumulated business loss" means so much of the loss of amalgamating co-operative bank or demerged co-operative bank as referred to in section 112 in the hands of predecessor co-operative bank, which such predecessor co-operative bank would have been entitled to carry forward and set off under the said section, as if the business reorganisation had not taken place;

(*b*) "amalgamated co-operative bank", "amalgamating co-operative bank", "amalgamation", "business reorganisation", "demerged co-operative bank", "demerger", "predecessor co-operative bank", "successor co-operative bank" and "resulting co-operative bank" shall have the meanings respectively assigned to them in section 65;

(*c*) "unabsorbed depreciation" means so much of the allowance for depreciation in the hands of amalgamating co-operative bank or demerged co-operative bank, which remains to be allowed and which would have been allowed to such banks, if the business reorganisation had not taken place.

Carry forward and set off of losses not permissible in certain cases.

**119**. (*1*) In case of change in constitution of a firm during a tax year, such firm shall not be entitled to carry forward and set off so much of the loss proportionate to the share of retired or deceased partner as reduced by his share of profit, if any, from the firm for that tax year.

(*2*) If any person carrying on any business or profession has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in this Chapter shall entitle any person other than the person incurring the loss to have it carried forward and set off against his income.

(*3*) In case of change in shareholding of a company, not being a company in which public are substantially interested, during any tax year, loss brought forward from any preceding tax year shall not be allowed to be set off against the income of the said tax year and subsequent tax years unless the following conditions are satisfied:—

(*a*) if the beneficial owners of shares of the company carrying at least 51% of voting power, as on the last day of tax year in which loss was incurred, shall continue to be the beneficial owner of shares carrying at least 51% of voting power, as on the last day of the tax year in which such change in shareholding takes place; or

(*b*) even if conditions referred to in clause (*a*) are not satisfied in case of a company, being an eligible start-up referred to in section 140,—

(*i*) all shareholders of the company holding shares carrying voting power, as on the last day of tax year in which loss was incurred, continue to hold those shares as on the last day of the tax year in which such change in shareholding takes place; and

(*ii*) such loss was incurred during the first ten years beginning from the year of incorporation of the company.

(*4*) The provisions of sub-section (*3*) shall not apply—

(*a*) where a change in the voting power and shareholding takes place in the tax year referred to in that sub-section due to death of shareholder or transfer of shares by way of gift to any relative of the shareholder; or

(*b*) where change in shareholding of Indian company, being a subsidiary of foreign company, takes place due to amalgamation or demerger of the foreign company and 51% of the shareholders of amalgamating or demerged foreign company are shareholders of amalgamated or resulting foreign company; or

(*c*) where change in shareholding takes place in a tax year consequent to a resolution plan approved under the Insolvency and Bankruptcy Code, 2016 and a reasonable opportunity of being heard was afforded to the jurisdictional Principal Commissioner or Commissioner; or

31 of 2016.

(*d*) to a company, its subsidiary and subsidiary of such subsidiary, if—

(*i*) the Board of Directors of such company were suspended by the Tribunal on an application moved by the Central Government under section 241 of the Companies Act, 2013 and new directors were appointed by the Central Government under section 242 of the said Act; and

18 of 2013.

(*ii*) the change in shareholding of such company and its subsidiary, and subsidiary of such subsidiary has taken place consequent to a resolution plan approved by the Tribunal under section 242 of the Companies Act, 2013 and a reasonable opportunity of being heard was afforded to the jurisdictional Principal Commissioner or Commissioner; or

18 of 2013.

(*e*) to a company to the extent that a change in the shareholding has taken place during the tax year on account of relocation referred to in section 70(*2*); or

(*f*) to an erstwhile public sector company where ultimate holding company of such company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiary or subsidiaries, at least 51% of the voting power of such company in aggregate.

(*5*) Irrespective of anything contained in sub-section (*4*), if the conditions specified in sub-section 4(*f*) is not complied with in any tax year after the completion of strategic disinvestment, the provisions of sub-section (*3*) shall apply for such tax year and subsequent tax years.

(*6*) In this section,—

(*a*) a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company;

(*b*) the expression "erstwhile public sector company" shall have the meaning assigned to it in section 116(*3*)(*b*);

(*c*) "strategic disinvestment" shall have the meaning assigned to it in section 116(*3*)(*c*);

(*d*) "Tribunal" shall have the same meaning as assigned to it in section 2(*90*) of the Companies Act, 2013. 18 of 2013.

No set off of losses against undisclosed income consequent to search, requisition and survey.

**120**. (*1*) Irrespective of anything to the contrary contained in any other provision of this Act, any loss, whether brought forward or otherwise or unabsorbed depreciation, shall not be allowed to be set off against any undisclosed income which is included in the total income of any tax year, consequent to a search conducted under section 247 or a requisition under section 248 or a survey conducted under section 253, not being a survey under section 253(*4*).

(*2*) In this section, the expression "undisclosed income" for any tax year shall have the meaning assigned to it in section 301.

Submission of return for losses.

**121**. Irrespective of anything contained in this Chapter, no loss which has not been determined in pursuance of a return filed under section 263(*1*), shall be carried forward and set off under section 111(*1*) and 111(*2*), or 112(*1*), or 113(*2*), or 114(*2*) or 115(*1*).

## CHAPTER VIII

## DEDUCTIONS TO BE MADE IN COMPUTING TOTAL INCOME

### *A.—General*

Deductions to be made in computing total income.

**121**. (*1*) In computing the total income of an assessee, the deductions specified in this Chapter shall be allowed from his gross total income, as per and subject to the provisions of this Chapter.

(*2*) The aggregate amount of the deductions under this Chapter shall not, in any case, exceed the gross total income of the assessee.

(*3*) If the deduction under section 133 or 135 or 137 or 138 or 141 or 142 or 143 is admissible in computing the total income of an association of persons or a body of individuals, no deduction under the same provision shall be made in relation to the share of income of a member of such association of persons or body of individuals while computing the total income of such member.

(*4*) Irrespective of anything to the contrary contained in any of the provisions of this Chapter under the heading "Deductions in respect of certain incomes", where, in the case of an assessee, any amount of profits and gains of an undertaking or unit or enterprise or eligible business is claimed and allowed as a deduction under those provisions for any tax year,—

(*a*) deduction in respect of, and to the extent of, such profits and gains shall not be allowed under any other provision of this Act for such tax year; and

(*b*) shall in no case exceed the profits and gains of such undertaking or unit or enterprise or eligible business.