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INCOME-TAX ACT, 2025

Chapter VII: SET OFF, OR CARRY FORWARD AND SET OFF OF LOSSES

Section 113 - Set off and carry forward of losses computed in respect of speculation business.

(1) Any loss, computed in respect of a speculation business carried on by the assessee shall be set off only against profits and gains of another speculation business.

(2) Where for any tax year, loss computed in respect of a speculation business cannot be wholly set off under sub-section (1), so much of the loss not so set off or the whole loss, as the case may be, shall be carried forward to the following tax year and—

(i) be set off against the profits and gains, if any, of any speculation business carried on by him for such tax year; and

(ii) if the loss cannot be wholly so set off, the amount of loss not so set off shall be carried forward to the following tax year and so on.

(3) No loss shall be carried forward under this section for more than four tax years immediately succeeding the tax year for which the loss was first computed.

(4) Where any allowance of part thereof under section 33(11) or 45(7) related to the speculation business is to be carried forward, effect shall first be given to the provision of this section.

(5) In this section, where any part of the business of the assessee (being a company) consists 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.

(6) The provisions of sub-section (5) 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.

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