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INCOME-TAX ACT, 2025

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

Section 119 - Carry forward and set off of losses not permissible in certain cases.

(1) In case of change in constitution of a firm during a tax year, nothing in this Chapter shall entitle the firm to have carried forward and set off so much of the loss proportionate to the share of a retired or deceased partner as exceeds his share of profits, if any, in the firm in respect of the 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) Irrespective of anything contained in this Chapter, in case of a change in shareholding during the tax year of a company (not being a company in which the public are substantially interested),—

(a) no loss incurred in any year prior to the tax year shall be carried forward and set off against the income of the tax year unless on the last day of the tax year, the shares of the company carrying not less than 51% of the voting power were beneficially held by the person who beneficially held shares of the company carrying not less than 51% of the voting power on the last day of the year or years in which the loss was incurred; and

(b) regardless of the change in percentage of shareholding, where the company is an eligible start up referred to in section 140, the loss incurred in any year prior to the tax year shall be allowed to be carried forward and set off against the income of the tax year, if—

(i) all the shareholders of such company who held shares carrying voting power on the last day of the year or years in which the loss was incurred, continue to hold those shares on the last day of such tax year; and

(ii) such loss has been incurred during the period of ten years beginning from the year in which such company is incorporated.

(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

(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

(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

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Principal Commissioner or Commissioner; or

(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)(Table: Sl. No. 5.C); 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) For the purposes of 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)(i);

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

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