

CARRY FORWARD OF DEPRECIATION ALLOWANCE

THEORETICAL DISCUSSION:

Topic	Sub-Topic	Description	Reference	Remarks	Status
Carry forward of depreciation allowance		Carry forward of depreciation allowance (অবচয় ভাতার জের টানা)	Part.5; Chapter:9;Section:71 of ITA 2023	As per Finance Ordinance 2025, No Change	
	unabsorbed depreciation is carried forward and added to the depreciation of the following assessment year	If any part of the depreciation allowance is not fully adjusted against the gross income of a particular assessment year, the unabsorbed portion shall be carried forward and added to the depreciation of the following assessment year. (যদি অবচয় ভাতার কোনও অংশ কোনও করবর্ষের মোট আয়ের বিপরীতে ব্যয় হিসাবে সম্পূর্ণরূপে চার্জ করা না গেলে, অশোষিত অংশটি পরবর্তী করবর্ষের অবচয়ের সাথে যোগ করা হবে)	u/s. 71 (1) of ITA 2023		
	Charging depreciation after adjusting loss	Carry forward loss shall be adjusted before charging carry forwarded depreciation (জের টানা অবচয়ের ভাতা চার্জ করার পূর্বে জের টানা ক্ষতির সমন্বয় করতে হবে)	u/s. 71 (2) of ITA 2023		
	Unabsorbed Depreciation Carried Forward Indefinitely (No specific time limit)	Allowable depreciation can be carry forwarded till fully adjusted (অনুমোদিত অবচয় ভাতা সম্পূর্ণরূপে সমন্বয়কৃত হওয়া পর্যন্ত জের টানা যাবে)	u/s. 71 (3) of ITA 2023		

PRACTICAL CASE STUDY

(1) U/S. 71 (1) of ITA 2023

Unabsorbed depreciation is carried forward and added to the depreciation of the following assessment year (অসম্বয়কৃত অবচয় পরবর্তী করবর্ষের অবচয়ের সাথে যোগ করা হয়)

Example-1:

Assessee: DEF Industries Ltd.
Assessment Years Involved: 2024-25 and 2025-26
Assessment Year 2024-25 (Previous Year 2023-24):

Depreciation Allowance Available:

Source	Amount (BDT)
Depreciation on Plant & Machinery	8,00,000

Gross Business Income (before depreciation): BDT 5,00,000

Computation for AY 2024-25:	
Particulars	Amount (BDT)
Gross Business Income	5,00,000
Less: Depreciation Allowed (to extent of income)	(5,00,000)
Unabsorbed Depreciation to Carry Forward	3,00,000
Taxable Income	0

Assessment Year 2025-26 (Previous Year 2024-25):
New Depreciation for the Year: BDT 4,00,000
Add: Unabsorbed Depreciation from AY 2024-25: BDT 3,00,000
Total Depreciation Available in AY 2025-26 = BDT 7,00,000

Gross Business Income: BDT 6,00,000

Computation for AY 2025-26:	
Particulars	Amount (BDT)
Gross Business Income	6,00,000
Less: Depreciation (set-off)	(6,00,000)
Unabsorbed Depreciation to Carry Forward	1,00,000
Taxable Income	0

Summary:

Year	Depreciation Available	Business Income	Depreciation Used	Unabsorbed Carried Forward
2024-25	8,00,000	5,00,000	5,00,000	3,00,000
2025-26	7,00,000 (4L + 3L)	6,00,000	6,00,000	1,00,000

Key Points:

Depreciation exceeding income in AY 2024-25 (BDT 3L) is carried forward.
In AY 2025-26, it is added to new depreciation and adjusted against that year's income.
The process continues indefinitely until fully absorbed.

(2) U/S. 71 (2) of ITA 2023

Carry forward loss shall be adjusted before charging carry forwarded depreciation (জের টানা অবচয়ের ভাতা চার্জ করার পূর্বে জের টানা ক্ষতির সমন্বয় করতে হবে)

Example: 2

Assessee: ABC Manufacturing Ltd.
Assessment Year: 2024-25 (Income for PY 2023-24)

Opening Balances (as on July 1, 2023):

Particulars	Amount (BDT)
Carry Forward Business Loss (AY 2022-23)	15,00,000
Carry Forward Unabsorbed Depreciation	10,00,000

Income in Assessment Year 2024-25:

Source	Amount (BDT)
Business Income (Net Profit)	20,00,000

Solution:

Step-by-Step Adjustment:

Step 1: Set off Carry Forward Business Loss

Business income available = BDT 20,00,000
Less: Carry forward business loss = BDT 15,00,000
Remaining business income = BDT 5,00,000

Step 2: Set off Carry Forward Unabsorbed Depreciation

Remaining business income = BDT 5,00,000
Less: Unabsorbed depreciation = BDT 5,00,000
Taxable Income = BDT 0
Remaining depreciation = BDT 5,00,000 (BDT 10,00,000 - BDT 5,00,000)

Financial Statement Scenario:

Particulars	Amount (BDT)
Net Business Income	20,00,000
Less: Business Loss (set-off)	(15,00,000)
Less: Unabsorbed Depreciation (set-off)	(5,00,000)
Taxable Income	0
Remaining Depreciation to Carry Forward for indefinite time	5,00,000

Key Points:

Firstly Carry forward loss adjusted
Then Carry forward depreciation allowance adjusted
Lastly Unabsorbed depreciation can be carried forward for indefinite time.

(3) U/S. 71 (3) of ITA 2023

Unabsorbed Depreciation Carried Forward Indefinitely (No specific time limit) (অসময়কৃত অবচয় সম্পূর্ণরূপে সময়কৃত হওয়া পর্যন্ত জের টানা যাবে)

Example: 3

Assessee: GHI Textiles Ltd.
Scenario: Business has low or no income for several years, so depreciation isn't fully used.
Assessment Years: AY 2024-25 to AY 2027-28

AY 2024-25 (PY 2023-24)	
Item	Amount (BDT)
Depreciation Available	10,00,000
Business Income (before dep.)	4,00,000
Depreciation Adjusted	(4,00,000)
Unabsorbed Depreciation	6,00,000
Taxable Income	0

AY 2025-26 (PY 2024-25)	
Item	Amount (BDT)
Depreciation (New)	8,00,000
Add: Carried forward from AY 2024-25	6,00,000
Total Depreciation Available	14,00,000
Business Income	2,00,000
Depreciation Used	(2,00,000)
Unabsorbed Depreciation	12,00,000
Taxable Income	0

AY 2026-27 (PY 2025-26)	
Item	Amount (BDT)
New Depreciation	5,00,000
Add: Unabsorbed from earlier	12,00,000
Total Depreciation	17,00,000
Business Income	7,00,000
Depreciation Used	(7,00,000)
Unabsorbed Depreciation	10,00,000

Taxable Income	0
----------------	---

AY 2027-28 (FY 2026-27)	
Item	Amount (BDT)
New Depreciation	4,00,000
Add: B/F Unabsorbed Depreciation	10,00,000
Total Depreciation	14,00,000
Business Income	12,00,000
Depreciation Used	(12,00,000)
Unabsorbed Depreciation	2,00,000
Taxable Income	0

Summary:

Assessment Year	Depreciation Available	Business Income	Depreciation Used	Unabsorbed Carried Forward
AY 2024-25	10,00,000	4,00,000	4,00,000	6,00,000
AY 2025-26	14,00,000	2,00,000	2,00,000	12,00,000
AY 2026-27	17,00,000	7,00,000	7,00,000	10,00,000
AY 2027-28	14,00,000	12,00,000	12,00,000	2,00,000

Key Points:

unabsorbed depreciation to be Carried forward indefinitely
Treated as depreciation of the **next assessment year**