House property

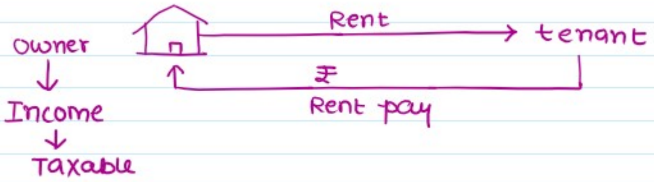
Chapter-3

Income from House-property

Income
- → Income from salary xx
- → Income from House property xx
- → Income from Business & Profession xx
- → Income from capital gain xx
- → Income from other sources xx

Gross Total Income	xx
(−) Deducation u/c VIA [u/s 80C to 80U]	xx
Total Income →	xx

Income from House property i.e. Rental Income
↳ 22 to 27



U/S 22 : Charging section → calculation of Annual value (↳ U/S 23) of such House property
↓
such Annual value is taxable in hands of owner

MCQ **Note:-** Income from letting out vacant land → Taxable Income from other sources.

Note:- Annual value of house property is not taxable under Income from house property if
(i) Assessee occupied such house property As Business & prof.

★★★

U/S 23 : Annual Value of house property

	Gross Annual value [GAV]	xx
(−)	municipal tax paid by owner	xx
	Annual value	xx

Gross Annual value

(i)	Expected Rent [ER]	xx
	OR	
(ii)	Actual Rent [AR]	xx
	which ever is higher	xx → GAV

Cal. of Expected Rent

Step-1

municipal value	xx
OR	
Fair Rental value	xx
Higher	xx

↑ Higher

Step-2 Standard Rent xx

which ever is higher — xx → GAV

	Higher	xx
Step-2	Standard Rent	xx
	Lower →	xx → ER

Type of House property

1. Where house property let-out though out the previous year [पूरे साल किराये पर]

Annual value

GAV	xx	→ ER OR AR which ever is higher
(–) M.Tax	xx	
NAV	xx	

(Net Annual value)

Cal. of Actual Rent

Monthly Rent x 12	xxx
(–) Unrealised Rent	(xx)
(–) Self occupied Period Rent	(xx)
Actual Rent →	xx

7

★★★ 2. Where house property is vacant for Part of year i.e. [let out + vacant]

(i) ER > AR + VR → GAV (ER)

(2) ER ≤ AR + VR → GAV (AR + VR)

ER = Expeccted Rent
AR = Actual Rent
VR = Vacancy Period Rent.

EX- Municipal value = 2,00,000
Fair Rent = 3,00,000
Standard Rent = 275000
Monthly Rent = 25000 PM.
Vacancy period = 6 M
Cal. GAV ?

EX-2 Municipal value = 2,00,000
Fair Rent = 3,00,000
Standard Rent = 275000
Monthly Rent = 22000
Vacancy Period = 3M
Cal. GAV ?

EX-3 Municipal value = 2,00,000
Fair Rent = 3,00,000
Standard Rent = 2,75,000
Monthly Rent = 25000
Vacant period = 3M
Unrealised Rent = 1M
Cal. GAV ?

EX-4 Municipal value = 200000
Fair Rent = 300000
Standard Rent = 275000
Monthly Rent = 25000

Fair Rent = 300000
standard Rent = 275000
Monthly Rent = 25000
let out period = 8M
vacant period = 4M
unrealised Rent = 1M

Cal. GAV ?

Ex- municipal value = 120 P.M.
standard Rent = 180 P.M.
Fair Rent = 2000 P.a.

Rent Received during PY = 1800
Rent unrealised PY = 200
vacancy period = 2 Month

Cal. GAV ?

3. where house property self occupied or un occupied. [SOP]
↳ 12 month तक vacant.
↓ Owner Residence

1. Annual value of self occupied [two] or un occupied [two] or Both [two] is → NIL.

2. Annual value

GAV	xx	
(-) m.Tax	xx	} → Deduction of municipal tax not allowed under SOP.
NAV	xx	→ Nil for two SOP

3. Benefit on Annual value Nil is available only for two property.
↳ any two property.

4. In case assessee have more than two self occupied property / unoccupied property
↳ such property / Properties to be treated as Deemed to be Let-out property
↳ DLOP

computation of Annual value in case DLOP

Gross Annual value
↳ ER → xx
OR
AR → Always Nil

(-) municipal tax	xx
Annual value →	xx

Q. MR-P having following properties.

	H-1	H-2	H-3
use	SOP	SOP	SOP
municipal value	6L	7L	8L
standard Rent	-	8L	8L

Sol: Option-1 : DLOP
AV of property

	H-1	H-2	H-3
ER	9L	7L	8L
AR	-	-	-

use	SOP	SOP	SOP
municipal value	6L	7L	8L
standard Rent	-	8L	8L
Fair Rent	9L	7L	7L
Actual Rent	-	-	-
municipal tax	50K	50K	50K

cal. Annual value u/s 23 in hands of MR.P.

AV of property

	H-1	H-2	H-3
ER	9L	7L	8L
AR	-	-	-
GAV	9L	7L	8L
(-) m.Tax	.5L	.5L	.5L
AV.	8.5L	6.5L	7.5L

1. H-1 SOP = 0
H-2 SOP = 0
H-3 DLOP = 7.5
7.5

2. H-1 SOP 0
H-2 DLOP 6.5
H-3 SOP 0
6.5

3. H-1 DLOP 8.5
H-2 SOP 0
H-3 SOP 0
8.5

***

4. where property is let out for a period and self occupied part of the period [LOP + SOP]

Gross Annual value

(i) Expeceted Rent [Full year] xx
OR
(ii) Actual Rent xx
↳ [let-out period]

HIGHER

which ever is higher → xx

Ex- municipal value : 5L
Fair Rental value = 8L
Standard Rent = 6L
municipal tax = 10% of municipal value
Monthly Rent = 60000 P.M.
self occupied perid = 4M
Cal. Annual value.

Gross Annual value
ER =
OR
AR =
[60K x 8M]
Higher
GAV
(-) municipal tax
[x 10%]
Annual value

5. where a house property, A portion let out and a portion self occupied.

5
4
3
2
1

5, 4, 3 → let out = LOP
↳ Portion treated as let-out property

2, 1 → self occupied = SOP
↳ Portion treated as self occupied

Ex

4	→ let out 10000 P.M.
3	→ let out 12000 P.M.
2	→ let-out 15000 P.M.
1	→ SOP

municipal value of whole property = 500000
Fair Rent value of whole property = 6,00,000
Standard Rent of whole property = 4,00,000

cal. Annual value if municipal tax paid by owner @ 10% of municipal value,
↳ Floor 2nd was vancant for 3M during PY.

Computation of Annual value

	Letout	Self occupied
Gross Annual value		-
(-) Municipal tax paid by owner $\left[\frac{\times 10\%}{4} \times 3\right]$		-
Annual value		-

Gross Annual value

Floor	2	3	4
ER OR AR			
	-		

Higher

ER – whole prop = 400000
No. of Floor = 4
each Floor ER = 100000

Formula : Floor No-2

ER ⩽ AR + VR
100000   15000x9 + 15000x3

Computation of Income from House property

	SOP	LOP	DLOP
Gross Annual value	-	xx	ER=GAV
(-) municipal tax paid by owner	-	xx	xx
Net Annual value	NIL	xx	xx
(-) U/S 24 Deduction			
→ 24(a) Standard Deduction NAV x 30%	NIL	xx	xx
→ 24(b) Interest on Borrowed capital	xx → 30K/2L	xx → No Limit	xx → No Limit
Income from HP	xx	xx	xx

SOP = Self occupied prop.
LOP = let out prop.
DLOP = Deemed to be let out prop.

1. Municipal tax paid by owner | Local tax | Property tax

Municipal Tax ⟶ given in Q
↓
municipal value x Rate of m.Tax
↳ given   ↳ given

	Gross Annual value	xx
(-)	municipal tax	(xx)
	Net Annual value	xx

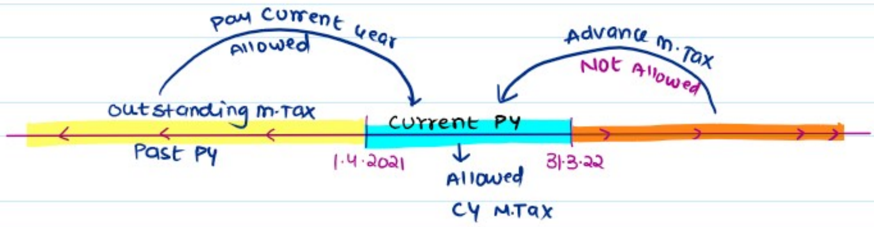
Note-1 · Municipal tax Deducted only when paid by owner → u/s 27
↳ Include Deemed owner

*** · Municipal tax Actually paid to govt is Deduct from GAV

- m.T. Related to Past year i.e. o/s m.Tax Paid During PY → Allowed As Deduction
  - पुराना Pay किया दूसरे साल
- m.Tax Related current PY Paid During PY → Allowed As Deduction
  - इसी साल का Pay किया
- m.Tax Related Future Yr, Advance m.Tax paid During Previous year → Not Allowed in current PY As Deduction ↳ Allowed in such year
  - Advance Pay किया

Deduction विरुद्ध Deduction

Not Allowed in current PY As Deduction
↳ Allowed in such year which realed to M.Tax



- In case of property situated outside India → municipal tax paid outside India Allowed As Deduction.

2. Treatment of unrealised Rent

unrealised → डूबा हुआ Rent

Actual Rent Received (मिल गया) | Receivable (मिलने वाला)	xx [Rent for Letout period]
(-) Unrealised Rent	(xx)
Actual Rent	xx

Condition for unrealised Rent [Rule-4]

Condition-1	Condition-2	Condition-3	Condition-4
Tenancy is Bona-Fide	Defaulting tenant Property vacant	Defaulting Tenant Not occupied any other Property of Assessee	All Reasonable step to be taken for Recovery of Rent is Useless.

3. Deduction U/S 24 : From Net Annual value

- U/S 24(a) → Standard Deduction → [NAV × 30%] → Fixed
- U/S 24(b) → Interest on Borrowed capital
  - Current period Interest + Pre-construction period Interest

1. U/S 24(a) : Standard Deduction

   ↓

   Net Annual value × 30%

   ↳ if +ve

Note: This Deduction is Fixed by Law.
i.e. Assessee ignore following exps if Incurred for house property.

1. Repair
2. Insurance
3. Maintenance
4. Other exps.

} → ignore

*** 2. U/S 24(b) : Interest on Borrowed Capital.

2. U/s 24(b) : Interest on Borrowed Capital.

Current period Interest + Pre-construction period Interest

(A) Current period Interest :

Interest = Outstanding loan Amt × Rate of Interest × Period

Period → PY Interest

Period → current period

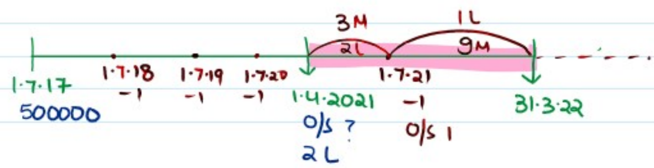
Ex-1 Date of Loan = 1.4.2021
Amt of Loan = 500000
Rate of Intt = 12%
Re-payment = Not yet
Cal. current period Intt ?

Ex-2 Date of Loan = 1·7·2017
Amt of Loan = 500000
Rate of Intt = 12%
Re payment = 31·12·2021
Cal current period Intt ?

Sol. Interest = O/s Loan × ROI × Period

Ex-3 Date of Loan = 1.7.2017
Amt of Loan = 500000
Rate of Intt = 12%
Re-payment
1. 1·7·2018 = 100000
2. 1·7·2019 = 100000
3. 1·7·2020 = 100000
4. 1·7·2021 = 100000
5. 1·7·2022 = 100000
Cal. current period Intt

Sol. current period = O/s Loan × ROI × Period



$200000 \times 12\% \times \frac{3}{12} = 6000$

$100000 \times 12\% \times \frac{9}{12} = 9000$

15000

Ex-4 Date of loan = 1·7·2021
Amt of Loan = 500000
Rate of Intt = 12%
Re-payment (Full) = 1·2·2022
Cal. current period Intt

Sol.

$500000 \times 12\% \times \frac{7}{12} = 35000.$

(B) Pre-contruction Period :

Interest = O/s Loan Amt × Rate of Intt. × Pre-construction Period × $\frac{1}{5}$

Cal. of pre-construction period

Per-construction Period

start — end

[(1) Date of Loan taken $\boxed{\text{OR}}$
(2) Date of construction start

which ever is later
बाद में

(1) Date of Repayment of loan OR
(2) 31 March Before compeletion of construction [const. end होने से ठिक पहले वाली 31 March.

which ever is earlier

Ex-1 Date of Loan take = 1-2-2018
Date of Re-payment = 31/12/2021
Date of construction start = 1.1.2018
Date of construction comp. = 31/1/2022
Cal. per construction period

Sol.

1.2.18 — 2 — 31.3.18 — 12 — 31.3.19 — 12 — 31.3.20 — 12 — 31/3/21

(1) 1.2.2018
OR
(ii) 1.1.2018

whichever is later

(i) 31/12/2021
OR
(ii) ~~31/1/2022~~ ⇒ 31/3/2021

38 Months Ans.

Ex-2 Date of Loan take = 1.1.2017
Date of Re-payment = 31/3/2021
Date of construction start = 31/3/2017
Date of construction comp. = 15/2/2021
Cal. per construction period

31.3.2017 — 12M — 31.3.2018 — 12M — 31.3.19 — 12M — 31.3.20

(1) 1.1.2017
OR
(2) 31.3.2017

(1) 31/3/2021
OR
(ii) ~~15/2/2021~~ : 31/3/2020

36 Months

Ex-3 Date of Loan take = 1-2-2018
Date of Re-payment = 31/12/2021
Date of construction start = -
Date of construction comp. = 31.3.2021 → 31.3.20
Amt of Loan = 10 L
Rate of Interest = 12%
Cal. Interest u/s 24(b)

1.2.2018 — 2 — 18 — 12 — 19 — 12 — 31.3.2020

Sol. current period Int

1.4.2021 — 9M — 31.12.21 — 31.3.22

$10{,}00{,}000 \times 12\% \times \frac{9}{12} = 90000$

Pre-cont. period Interest

O/s Loan × ROI × Pre-cont. Period × $\frac{1}{5}$

$\Rightarrow 1000000 \times 12\% \times \frac{1}{5} \times \frac{26}{12} = 52000$

u/s 24(b) 142000

Ex- Amt of Loan = 10 Lakh
Date of Loan taken = 1.7.2016
construction start = 1.12.2015
construction end = 1.1.2022

Sol. current period Interest

O/s Loan × ROI × Period

$10{,}00{,}000 \times 9\% \times \frac{12}{12} = 90000$

Date of Loan taken = 1.7.2016
construction start = 1.12.2015
construction end = 1.1.2022
Re-payment of loan = not yet
ROI ⇒ 9%
Cal. Int u/s 24(b).

O/s loan × ROI × Period
$10{,}00{,}000 \times 9\% \times \frac{12}{12} = 90000$

Pre-constr. period Interest =

O/s loan × ROI × pre-period × $\frac{1}{5}$
$\Rightarrow 10{,}00{,}000 \times 9\% \times \frac{57}{12} \times \frac{1}{5} = 85500$

u/s 24(b) = 175500

Ex- Date of Loan 1.7.2017 = ₹ 500000
construction end = 1.7.2021 → 31.3.21
Repayment of Loan
1.8.2019 = -200000
1.1.2021 = -200000
1.1.2022 = -100000.

Cal. Interest u/s 24(b).
ROI = 9%

Sol.
- Current period Interest
O/s Loan Amt × ROI × Period
$100000 \times 9\% \times \frac{9}{12} = 6750$

9M
1.4.2021 1.1.22 31.3.22
O/s 1L

- Pre-contrction period

5L 3L 1L 31.3.21
P-1 P-2 P-3
1.7.2017 -2 1.8.2019 1.1.21 -2

P-1
$500000 \times 9\% \times \frac{25}{12} = 93750$

P-2
$300000 \times 9\% \times \frac{17}{12} = 38250$

P-3
$100000 \times 9\% \times \frac{3}{12} = 2250$

134250
÷ 5
⇒ 26850

Loan taken 1.7.2019 = 10,00,000
construction completed = 1.4.2022
Re-payment of Loan = 1.8.2021
ROI = 9%
Cal. Int u/s 24(b).

(1) current period = zero
(2) Pre-construction period
$10{,}00{,}000 \times \frac{25}{12} \times 9\% \times \frac{1}{5} = 37500$

Note

Interest u/s 24(b) → (current + Pre-const)
↓
Ceiling limit

- Let-out property
- Deemed to be let-out property
- Self occupied property → As Assessee
  - ₹ 200000 OR ₹ 30000

Let-out property | Deemed to be let-out property

↓

No Ceiling Limit

[Any Amt of Intt will be deducted from NAV]

जितना भी हो सब Allow

Self occupied property →

₹ 200000 OR ₹ 30000

₹ 200000 ↓ If All following condition Fullfiled

(i) loan should be taken on or After 1.4.1999

\+

(ii) loan taken for Purchase | construction of house property

\+

(iii) If loan taken for construction of house property then construction will completed in 5 yr.

₹ 30000 ↓ Otherwise (i.e. Any of one condition not fullfiled)

MCQ

Composite Rent

Composite Rent means → The owner of a property may some time received Rent in Respect of Building as well as –

(1) Other Assets : Furniture, TV, AC ect

(2) Lift, security, 24 X 7 Power Back-up

· The amount so received is known composite Rent

Tax Treatment of composite Rent

If let out Building and other Assets are separable

- Rent of Building → Taxable under Income from House property
- Rent of other Assets → Taxable under Income from PGBP or IFOS as case may be

*** **If let out Building and other Assets are Not separable | inseparable**

↓ Total Rent [composite Rent] is taxable under PGBP or IFOS as case may be.

Income from house property situated outside India.

Computation of Income from HP	
Gross Annual value [outside India]	xx
(–) Municipal tax paid by owner outside India	xx
NAV	xx
(–) U/S 24 Deduction	
1. Standard Ded^n (NAV X 30%)	xx
2. Intt on Borrowed capital [TDS Deducted]	xx
Income from HP	xx

→ If Assessee ROR = Taxable in India

→ If Assessee RNOR | NR = Not ta...

2. Int on Borrowed capital [TDS deducted] — xx

Income From HP situated outside India — xx → If Assessee RNOR | NR = Not taxable in India

↓

Foreign Income.

*** Important Tax points [MCQ]

- Interest Allowed on accrual Basis But municipal tax allowed on paid basis.
  - If Interest outstanding → Fully Allowed u/s 24(b)
  - If municipal tax outstanding → Not allowed u/s 23.
- Unpaid purchase price would be consider as capital Borrowed.
- Interest on unpaid Interest is Not deductiable
- If Interest paid outside India Allowed As Deduction only if TDS on such Interest will be deducted and Deposit to govt. [U/S 25]

U/S 25A # Recovery of unrealised Rent

(1) Taxable in the year of Receipt

(2) Deduction u/s 24(a) 30% of Rent Allowed

i.e. taxable unrealised Rent = [Recovery x 70%]

(3) If assessee is not owner of property in Financial year of Receipt → such Recovery is also taxable.

*** CO-Owned Property U/S 26

(A) If property self occupied : The annual value of property of each co-owner will be NIL and each co-owner shall be entitled to be deduction of 30000 | 200000 u/s 24(b) as case may.

Such limit [30000|200000] is Aggregate for each co-owner claim for All S.O. unit.

(B) If Property let-out : The Income from such property shall be computed as if the property owned by one owner and thereafter the Income so computed shall be Divided into each co-owner as per specific share in property.

U/S 27 Deemed owner : Discuss in clubbing.