CHAPTER 6
HOUSE PROPERTY

1. ICAI STUDY MATERIAL QUESTIONS

Concept Problem 1

Jayashree owns five houses in Chennai, all of which are let- out. Compute the expected rent and GAV of each house from the information given below:

Particulars	House I	House II	House III	House IV	House V
Municipal Value	80,000	55,000	65,000	24,000	75,000
Fair Rent	90,000	60,000	65,000	25,000	80,000
Standard Rent	NA	75,000	58,000	NA	78,000
Actual Rent	72,000	72,000	60,000	30,000	72,000
Expected Rent					
GAV					

Solution

As per section 23(1), Gross Annual Value (GAV) is the higher of Expected rent and actual rent received. Expected rent is higher of municipal value and fair rent but restricted to standard rent.

Particulars	House I	House II	House III	House IV	House V
a) Municipal Value	80,000	55,000	65,000	24,000	75,000
b) Fair Rent	90,000	60,000	65,000	25,000	80,000
c) Higher of (a) and (b)	90,000	60,000	65,000	25,000	80,000
d) Standard Rent	NA	75,000	58,000	NA	78,000
Lower of © and (d)	90,000	60,000	58,000	25,000	78,000
e) Expected Rent	**90,000**	**60,000**	**58,000**	**25,000**	**78,000**
f) Actual Rent	72,000	72,000	60,000	30,000	72,000
GAV (Higher of (e) and (f)	**90,000**	**72,000**	**60,000**	**30,000**	**78,000**

Concept Problem 2

Rajesh, a British national, is a resident and ordinarily resident in India during the P.Y. 2021-22. He owns a house in London, which he has let out at £ 10,000 p.m. The municipal taxes paid to the Municipal Corporation of London is £ 8,000 during the P.Y. 2021-22. The value of one £ in Indian rupee to be taken at INR 95. Compute Rajesh's Net Annual Value of the property for the A.Y. 2022-23.

Solution

For the P.Y. 2021-22, Mr. Rajesh, a British national, is resident and ordinarily resident in India. Therefore, income received by him by way of rent of the house property located in London is to be included in the total income in India. Municipal taxes paid in London is be to allowed as deduction from the gross annual value.

Computation of Net Annual Value of the property of Mr. Rajesh for A.Y.2022-23

Particulars	Amount
Gross Annual Value (£ 10,000 × 12 × 95)	1,14,00,000

Particulars	Amount
Less: Municipal taxes paid (£ 8,000× 95)	7,60,000
Net Annual Value (NAV)	**1,06,40,000**

Concept Problem 3

Mr. Manas owns two house properties one at Bombay, wherein his family resides and the other at Delhi, which is unoccupied. He lives in Chandigarh for his employment purposes in a rented house. For acquisition of house property at Bombay, he has taken a loan of ₹ 30 lakh@10% p.a. on 1.4.2020. He has not repaid any amount so far. In respect of house property at Delhi, he has taken a loan of ₹ 5 lakh @ 11% p.a. on 1.10.2020 towards repairs. Compute the deduction which would be available to him under section 24(b) for A.Y.2022-23 in respect of interest payable on such loan.

Solution

Mr. Manas can claim benefit of Nil Annual Value in respect of his house property at Bombay and Delhi, since no benefit is derived by him from such properties, and he cannot occupy such properties due to reason of his employment at Chandigarh, where he lives in a rented house.

Computation of deduction u/s 24(b) for A.Y.2022-23

	Particulars	Amount
I	Interest on loan taken for acquisition of residential house property at Bombay	
	30,00,000 x 10% = ₹ 3,00,000 Restricted to ₹ 2,00,000	2,00,000
II	Interest on loan taken for repair of residential house property at Delhi	
	₹ 5,00,000 x 11% = ₹ 55,000 Restricted to ₹ 30,000	30,000
Total interest		**2,30,000**
Deduction u/s 24(b) in respect of (I) and (II) above to be restricted to		**2,00,000**

Concept Problem 4

Anirudh has a property whose municipal valuation is INR 1,30,000 p.a. The fair rent is INR 1,10,000 p.a. and the standard rent fixed by the Rent Control Act is INR 1,20,000 p.a. The property was let out for a rent of INR 11,000 p.m. throughout the previous year. Unrealised rent was INR 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 10% of municipal valuation. Interest on borrowed capital was INR 40,000 for the year. Compute the income from house property of Anirudh for A.Y. 2022-23.

Solution

Computation of Income from house property of Mr. Anirudh for A.Y.2022-23

Particulars		Amount in INR	
Computation of GAV			
Step 1	**Compute ER**		
	ER = Higher of MV of INR 1,30,000 p.a. and FR of INR 1,10,000 p.a., but restricted to SR of INR 1,20,000 p.a.	1,20,000	
Step 2	**Compute actual rent received/receivable**		
	Actual rent received/receivable less unrealized rent as per Rule 4 = INR 1,32,000 - INR 11,000	1,21,000	
Step 3	Compare ER of INR 1,20,000 and Actual rent received/receivable of INR 1,21,000.		

Particulars		**Amount in INR**	
Step 4	GAV is the higher of ER and Actual rent received/receivable	1,21,000	
Gross Annual Value (GAV)			**1,21,000**
Less:	Municipal taxes (paid by the owner during the previous year) = 10% of INR 1,30,000		13,000
Net Annual Value (NAV)			**1,08,000**
Less:	Deductions under section 24		
	(a) 30% of NAV		32,400
	(b) Interest on borrowed capital (actual without ceiling limit)		40,000
Income from house property			**35,600**

Note – Alternatively, if as per income-tax returns, unrealized rent is deducted from GAV, then GAV would be ₹ 1,32,000, being higher of expected rent of INR 1,20,000 and actual rent of INR 1,32,000. Thereafter, unrealized rent of INR 11,000 and municipal taxes of INR 13,000 would be deducted from GAV of INR 1,32,000 to arrive at the NAV of INR 1,08,000.

Concept Problem 5

Ganesh has a property whose municipal valuation is ₹ 2,50,000 p.a. The fair rent is ₹ 2,00,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 2,10,000 p.a. The property was let out for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.2022. Unrealised rent was ₹ 20,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 8% of municipal valuation. Interest on borrowed capital was ₹ 65,000 for the year. Compute the income from house property of Ganesh for A.Y. 2022-23.

Solution

Computation of income from house property of Ganesh for A.Y. 2022-23

Particulars	**Amount in ₹**	
Computation of GAV		
Step 1 Compute ER		
Higher of MV of ₹ 2,50,000 p.a. & FR of ₹ 2,00,000 p.a., but restricted to SR of ₹ 2,10,000 p.a.	2,10,000	
Step 2 Compute Actual rent received/ receivable		
Actual rent received/ receivable for let out period less unrealized rent as per Rule 4 = ₹ 2,00,000 – ₹ 20,000	1,80,000	
Step 3 Compare ER & Actual rent received/receivable		
Step 4 In this case the actual rent of ₹1,80,000 is lower than ER of ₹ 2,10,000 owing to vacancy, since, had the property not been vacant the actual rent would have been ₹ 2,20,000 (₹ 1,80,000 + ₹ 40,000, being notional rent for February and March 2020). Therefore, actual rent is the GAV.	1,80,000	
Gross Annual Value (GAV)		**1,80,000**
Less: Municipal taxes (paid by the owner during the previous year) = 8% of ₹ 2,50,000		20,000
Net Annual Value (NAV)		**1,60,000**
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 1,60,000	48,000	
(b) Interest on borrowed capital (actualwithout any ceiling limit)	65,000	1,13,000
Income from house property		**47,000**

Note: Alternatively, if as per income-tax returns, unrealized rent is deducted fromGAV, then GAV would be ₹ 2,00,000, being the actual rent, since the actual rent is lower than the expected rent of ₹ 2,10,000 owing to vacancy. Thereafter, unrealized rent of ₹ 20,000 and municipal taxes of ₹ 20,000 would be deducted from GAV of ₹ 2,00,000 to arrive at the NAV of ₹ 1,60,000.

Concept Problem 6

Poorna has one house property at Indira Nagar in Bangalore. She stays with her family in the house. The rent of similar property in the neighbourhood is INR 25,000. p.m. The municipal valuation is INR 2,80,000 p.a. Municipal taxes paid is INR 8,000. The house construction began in April 2015 with a loan of INR 20,00,000 taken from SBI Housing Finance Ltd. @ 9% p.a. on 1.4.2015. The construction was completed on 30.11.2017. The accumulated interest up to 31.3.2017 is INR 3,60,000. On 31.3.2022, Poorna paid INR 2,40,000 which included INR 1,80,000 as interest. There was no principal repayment prior to this date. Compute Poorna's income from house property for A.Y. 2022-23.

Solution

Computation of income from house property of Smt. Poorna for A.Y.2022-23

Particulars		**Amount**
Annual Value of one house used for self-occupation under section 23(2)		Nil
Less:	**Deduction under section 24**	
	Interest on borrowed capital Interest on loan was taken for construction of house on or after 1.4.99 and same was completed within the prescribed time - interest paid or payable subject to a maximum of INR 2,00,000 (including apportioned pre-construction interest) will be allowed as deduction. In this case the total interest is INR 1,80,000+INR 72,000 (Being1/5th of INR 3,60,000) = INR 2,52,000. However, the interest deduction is restricted to INR 2,00,000.	2,00,000
Loss from house property		**-2,00,000**

Concept Problem 7

Smt. Rajalakshmi owns a house property at Adyarin Chennai. The municipal value of the property is INR 5,00,000, fair rent is INR 4,20,000 and standard rent is INR 4,80,000. The property was let-out for INR 50,000 p.m. up to December 2021. Thereafter, the tenant vacated the property and Smt. Rajalakshmi used the house for self-occupation. Rent for the months of November and December 2021 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied. She paid municipal taxes @ 12% during the year. She had paid interest of INR 25,000 during the year for amount borrowed for repairs for the house property. Compute her income from house property for the A.Y. 2022-23.

Solution

Computation of income from house property of Smt. Rajalakshmi for the A.Y.2022-23

Particulars		**Amount in INR**	
Computation of GAV			
Step 1	Compute ER for the whole year		
	ER = Higher of MV of INR 5,00,000 and FR of INR 4,20,000, but restricted to SR of INR 4,80,000	4,80,000	
Step 2	Compute Actual rent received/receivable		
	Actual rent received/receivable for the period let out less unrealized rent as per Rule 4 = (INR 50,000×9) - (INR 50,000×2) = INR 4,50,000 – INR 1,00,000	3,50,000	

Particulars		Amount in INR	
Step 3	Compare ER for the whole year with the actual rent received/receivable for the let-out period i.e. INR 4,80,000 and INR 3,50,000		
Step 4	GAV is the higher of ER computed for the whole year and Actual rent received/ receivable computed for the let-out period.	4,80,000	
Gross Annual Value (GAV)			**4,80,000**
Less:	Municipal taxes (paid by the owner during the PY) = 12% of INR 5,00,000		60,000
Net Annual Value (NAV)			**4,20,000**
Less:	Deductions under section 24		
	(a) 30% of NAV = 30% of INR 4,20,000		1,26,000
	(b) Interest on borrowed capital		25,000
Income from house property			**2,69,000**

Note – Alternatively, if as per income-tax returns, unrealized rent is deducted from GAV, then GAV would be INR 4,80,000, being higher of expected rent of INR 4,80,000 and actual rent of INR 4,50,000. Thereafter, unrealized rent of INR 1,00,000 and municipal taxes of INR 60,000 would be deducted from GAV of INR 4,80,000 to arrive at the NAV of INR 3,20,000. The deduction u/s 24(a) would be INR 96,000, being 30% of INR 3,20,000. The income from house property would, therefore, be INR 1,99,000.

Concept Problem 8

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 2021-22 are as under:

Particulars	House I	House II	House III
Municipal valuation p.a.	3,00,000	3,60,000	3,30,000
Fair rent p.a.	3,75,000	2,75,000	3,80,000
Standard rent p.a.	3,50,000	3,70,000	3,75,000
Date of completion/purchase	31.3.1999	31.3.2002	01.4.2015
Municipal taxes paid during the year	12%	8%	6%
Interest on money borrowed for repair of property during the current year	-	55,000	
Interest for current year on money borrowed in April 2015 for purchase of property			1,75,000

Compute Ganesh's income from house property for A.Y.2022-23 and suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum.

Solution

Let us first calculate the income from each house property assuming that they are deemed to be let out.

Computation of income from house property of Ganesh for the A.Y. 2022-23

Particulars	Amount in INR		
	House I	House II	House III
Gross Annual Value (GAV) ER is the GAV of house property ER = Higher of MV and FR, but restricted to SR	3,50,000	3,60,000	3,75,000

Less:	Municipal taxes (paid by the owner during the PY)	36,000	28,800	19,800
Net Annual Value (NAV)		**3,14,000**	**3,31,200**	**3,55,200**
Less	**Deductions under section 24**			
	(a) 30% of NAV	94,200	99,360	1,06,560
	(b) Interest on borrowed capital	-	55,000	1,75,000
Income from house property		**2,19,800**	**1,76,840**	**73,640**

Ganesh can opt to treat any two of the above house properties as self-occupied.

OPTION 1 (House I and II– self-occupied and House III – deemed to be let out)

If House I and II are opted to be self-occupied, the income from house property shall be –

Particulars	Amount in INR
House I (Self-occupied)	Nil
House II (Self-occupied) (interest deduction restricted to INR 30,000)	(30,000)
House III (Deemed to be let-out)	73,640
Income from house property	**43,640**

OPTION 2 (House I and III – self-occupied and House II – deemed to be let out)

If House I and III are opted to be self-occupied, the income from house property shall be –

Particulars	Amount in INR
House I (Self-occupied)	Nil
House II (Deemed to be let-out)	1,76,840
House III (Self-occupied)	(1,75,000)
Income from house property	**1,840**

OPTION 3 (House II and III – self-occupied and House I – deemed to be let out)

If House II and III are opted to be self-occupied, the income from house property shall be –

Particulars		Amount in INR
House I (Deemed to be let-out)		2,19,800
House II (Self-occupied) (interest deduction restricted to 30,000)	(30,000)	
House III (Self-occupied)	(1,75,000)	
(Total interest deduction restricted to INR 2,00,000)		(2,00,000)
Income from house property		**19,800**

Since Option 2 is most beneficial, Ganesh should opt to treat House I and III as self-occupied and House II as deemed to be let out. His income from house property would be INR 1,840 for the A.Y. 2022-23.

Concept Problem 9

Prem owns a house in Madras. During the previous year 2021-22, 2/3rdportion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of INR 8,000 p.m. Municipal value of the property is INR 3,00,000 p.a., fair rent is INR 2,70,000 p.a. and standard rent is INR 3,30,000 p.a. He paid municipal taxes @ 10% of municipal value during the year. A loan of INR 25,00,000 was taken by him during the year 2017 for acquiring the property. Interest on loan paid during the previous year 2021-22 was INR 1,20,000. Compute Prem's income from house property for the A.Y. 2022-23.

Solution

There are two units of the house. Unit I with 2/3rdarea is used by Prem for self- occupation throughout the year and no benefit is derived from that unit, hence it will be treated as self-occupied and its annual value will be Nil. Unit 2 with 1/3rd area is let-out throughout the year and its annual value has to be determined as per section 23(1).

Computation of income from house property of Mr. Prem for A.Y.2022-23

Particulars		Amount in INR	
Unit I (2/3rd area – self-occupied)			
Annual Value			Nil
Less: Deduction under section 24(b) [2/3rd of INR 1,20,000]			80,000
Income from Unit I (self-occupied)			**(80,000)**
Unit II (1/3rd area – let out)			
Computation of GAV			
Step I	Compute ER		
	ER = Higher of MV and FR, restricted to SR However, in this case, SR of INR 1,10,000 (1/3rdof INR 3,30,000) is more than the higher of MV of INR 1,00,000 (1/3rdof INR 3,00,000) and FR of INR 90,000 (1/3rdof INR 2,70,000). Hence the higher of MV and FR is the ER. In this case, it is the MV.	1,00,000	
Step 2	Compute actual rent received/ receivable [INR 8,000×12 = INR 96,000]	96,000	
Step 3	Compare ER and actual rent received/ receivable		
Step 4	GAV is the higher of ER and actual rent received/receivable i.e. higher of INR 1,00,000 and INR 96,000	1,00,000	
Gross Annual Value (GAV)			**1,00,000**
Less:	Municipal taxes paid by the owner during the previous year relating to let-out portion1/3rdof (10% of INR3,00,000) = INR 30,000/3 = INR 10,000		10,000
Net Annual Value (NAV)			**90,000**
Less:	Deductions under section 24		
	(a) 30% of NAV = 30% of INR 90,000	27,000	
	(b) Interest paid on borrowed capital (relating to let out portion)1/3 rd of INR 1,20,000	40,000	67,000
Income from Unit II (let-out)			**23,000**
Loss under head "Income from house property" = INR (80,000) + INR 23,000 = INR (57,000)			

Concept Problem 10

Mr. Anand sold his residential house property in March, 2021.

In June, 2021, he recovered rent of INR 10,000 from Mr. Gaurav, to whom he had let out his house for two years from April 2015 to March 2017. He could not realize two months' rent of 20,000 from him and to that extent his actual rent was reduced while computing income from house property for AY 2017-18.

Further, he had let out his property from April, 2017 to February, 2021 to Mr. Satish. In April 2019, he had increased the rent from INR 12,000 to INR 15,000 per month and the same was a subject matter of dispute. In

September 2021, the matter was finally settled and Mr. Anand received INR 69,000 as arrears of rent for the period April 2019 to February 2021.

Would recovery of unrealized rent and arrears of rent be taxable in the hands of Mr. Anand? If so, in which year?

Solution

Since the unrealised rent was recovered in the P.Y.2021-22, the same would be taxable in the A.Y.2022-23 under section 25A, irrespective of the fact that Mr. Anand was not the owner of the house in that year.

Further, the arrears of rent was also received in the P.Y.2021-22, and hence the same would be taxable in the A.Y.2022-23 under section 25A, even though Mr. Anand was not the owner of the house in that year.

A deduction of 30% of unrealised rent recovered and arrears of rent would be allowed while computing income from house property of Mr. Anand for A.Y.2022-23.

Particulars	Amount
Unrealised rent recovered	10,000
Arrears of rent received	69,000
Total	**79,000**
Less: Deduction @ 30%	23,700
Income from house property	**55,300**

Concept Problem 11

Ms. Aparna co-owns a residential house property in Calcutta along with her sister Ms. Dimple, where her sister's family resides. Both of them have equal share in the property and the same is used by them for self-occupation. Interest is payable in respect of loan of ₹ 50,00,000 @ 10% taken on 1.4.2020 for acquisition of such property. In addition, Ms. Aparna owns a flat in Pune in which she and her parents reside. She has taken a loan of ₹ 3,00,000 @ 12% on 1.10.2020 for repairs of this flat.

Compute the deduction which would be available to Ms. Aparna and Ms. Dimple u/s 24(b) for A.Y.2022-23.

Solution

Computation of deduction u/s 24(b) available to Ms. Aparna for A.Y.2022-23

Particulars	Amount
I. Interest on loan taken for acquisition of residential house property at Calcutta	
₹ 50,00,000 x 10% = ₹ 5,00,000	
Ms. Aparna's share = 50% of ₹ 5,00,000 = ₹ 2,50,000	
Restricted to ₹ 2,00,000	2,00,000
II. Interest on loan taken for repair of flat at Pune	
₹ 3,00,000 x 12% = ₹ 36,000	
Restricted to ₹ 30,000	30,000
Total interest	**2,30,000**
Deduction u/s 24(b) in respect of (I) & (II) above tobe restricted to	**2,00,000**

Computation of deduction u/s 24(b) available to Ms. Dimple for A.Y.2022-23

Particulars	Amount
Interest on loan taken for acquisition of residential property at Calcutta house	
₹ 50,00,000 x 10% = ₹ 5,00,000	

Ms. Dimple's share = 50% of ₹ 5,00,000 = ₹ 2,50,000	
Restricted to ₹ 2,00,000	2,00,000
Deduction under section 24(b)	**2,00,000**

Concept Problem 12

Mr. Raman is a co-owner of a house property along with his brother holding equal share in the property.

Municipal value of the property 1,60,000

Fair Rent 1,50,000

Standard Rent under the Rent Control Act 1,70,000

Rent received 15,000 p.m.

The loan for the construction of this property is taken jointly and the interest charged by the bank is INR 25,000 out which INR 21,000 have been paid. Interest on the unpaid interest is INR 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is INR 5,000.

The Municipal taxes of INR 5,100 have been paid by the tenant.

Compute the income from this property chargeable in the hands of Raman for AY 2022-23.

Solution

Computation of income from house property of Mr. Raman for A.Y. 2022-23

Particulars	Amount
Gross Annual Value	1,80,000
(a) Municipal value of property	1,60,000
(b) Fair rent	1,50,000
(c) Higher of (a) and (b)	1,60,000
(d) Standard rent	1,70,000
(e) Annual Letting Value / Expected Rent [Lower of (c) and (d)]	1,60,000
(f) Actual rent [15,000 * 12]	1,80,000
Gross Annual Value [higher of (e) and (f)]	1,80,000
Less: Municipal taxes – paid by the tenant, hence not deductible	Nil
Net Annual Value (NAV)	**1,80,000**
Less: Standard deduction 30% of NAV u/s 24(a)	(54,000)
Less: Interest on housing loan u/s 24(b)	
Interest on loan taken from bank	(25,000)
Interest on fresh loan to repay old loan for this property	(5,000)
Income under the head house property	**96,000**
50% share taxable in the hands of Raman	**48,000**

Notes:

1. Interest on housing loan is allowable as a deduction under section 24 on accrual basis. Further, interest on fresh loan taken to repay old loan is also allowable as deduction. However, interest on unpaid interest is not allowable as deduction under section 24.

2. Section 26 provides that where a house property is owned by two or more persons whose shares are definite and ascertainable, the share of each such person in the income of house property, as computed in accordance

with sections 22 to 25, shall be included in his respective total income. Therefore, 50% of the total income from the house property is taxable in the hands of Mr. Raman since he is an equal owner of the property.

Concept Problem 13

Mr. X owns a residential house in Mumbai. The house is having two identical units. First unit of the house is self-occupied by Mr. X and another unit is rented for INR 8,000 p.m. The rented unit was vacant for 2 months during the year. The particulars of the house for the previous year 2021-22 are as under:

Standard rent	INR 1,62,000 p.a.
Municipal valuation	INR 1,90,000 p.a.
Fair rent	INR 1,85,000 p.a.
Municipal tax paid by Mr. X	15% of the municipal valuation
Light and water charges	INR 500 p.m.
Interest on borrowed capital	INR 1,500 p.m.
Lease money	INR 1,200 p.a.
Insurance charges	INR 3,000 p.a.
Repairs	INR 12,000 p.a.

Compute income from house property of Mr. X for the A.Y. 2022-23.

Solution

Computation of Income from house property for A.Y. 2022-23

Particulars	Amount	Amount
(A) Rented unit (50% of total area – See Note below)		
Step I - Computation of Expected Rent		
Municipal valuation (INR 1,90,000 x ½)	95,000	
Fair rent (INR 1,85,000 x ½)	92,500	
Standard rent (INR 1,62,000 x ½)	81,000	
Expected Rent is higher of municipal valuation and fair rent, but restricted to standard rent	81,000	
Step II - Actual Rent		
Rent receivable for the whole year (INR 8,000 x 12)	96,000	
Step III – Computation of Gross Annual Value		
Actual rent received owing to vacancy (INR 96,000 – INR 16,000) Since, owing to vacancy, the actual rent received is lower than the Expected Rent, the actual rent received is the Gross Annual Value	80,000	
Gross Annual Value		**80,000**
Less: Municipal taxes (15% of INR 95,000)		14,250
Net Annual value		**65,750**
Less: Deductions under section 24 -		
(i) 30% of net annual value	19,725	
(ii) Interest on borrowed capital (INR 750 x 12)	9,000	28,725
Taxable income from let out portion		**37,025**

Particulars	Amount	Amount
(B) Self-occupied unit (50% of total area – See Note below)		
Annual value	Nil	
Less: Deduction under section 24 -		
Interest on borrowed capital (INR 750 x 12)	9,000	9,000
Loss from self-occupied portion		**(9,000)**
Income from house property		**28,025**

Note: No deduction will be allowed separately for light and water charges, lease money paid, insurance charges and repairs.

Concept Problem 14

Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are INR 96,000, INR 1,26,000 and INR 1,08,000 (per annum), respectively.

During the Financial Year 2021-22, one-third of the portion of the house was let out for residential purpose at a monthly rent of INR 5,000. The remaining two-third portion was self-occupied by him. Municipal tax @ 11% of municipal value was paid during the year.

The construction of the house began in June, 2014 and was completed on 31-5-2017. Vikas took a loan of INR 1,00,000 on 1-7-2014 for the construction of building.

He paid interest on loan @ 12% per annum and every month such interest was paid. Compute income from house property of Mr. Vikas for the Assessment Year 2022-23.

Solution

Computation of income from house property of Mr. Vikas for the A.Y. 2022-23

Particulars		Amount
Income from house property		
I. Self-occupied portion (Two third)		
Net Annual value		Nil
Less: Deduction under section 24(b)		
Interest on loan **(See Note below)** (INR 18,600 x 2/3)		12,400
Loss from self-occupied property (A)		**(12,400)**
II. Let-out portion (One third)		
Gross Annual Value		
(a) Actual rent received (INR 5,000 x 12)	INR 60,000	
(b) Expected rent [higher of municipal valuation (INR 96,000) and fair rent (i.e., 1,26,000) but restricted to standard rent (i.e., INR 1,08,000)] = 1,08,000 x 1/3	INR 36,000	
Higher of (a) or (b)		**60,000**
Less: Municipal taxes (INR 96,000 x 11% x 1/3)		3,520
Net Annual Value		**56,480**
Less: Deductions under section 24		
a) 30% of NAV		16,944
b) Interest on loan **(See Note below)** (INR 18,600 x 1/3)		6,200

Particulars	Amount
Income from let out portion (B)	**33,336**
Income from house property (A + B)	**20,936**

Note: Interest on loan taken for construction of building

Interest for the year (1.4.2021 to 31.3.2022) = 12% of INR 1,00,000 = INR 12,000

Pre-construction period interest = 12% of INR 1,00,000 for 33 months (from 1.07.2014 to 31.3.2017) = INR 33,000

Pre-construction period interest to be allowed in 5 equal annual installments of INR 6,600 from the year of completion of construction i.e., from F.Y. 2017-18 till F.Y. 2021-22.

Therefore, total interest deduction under section 24 = INR 12,000 + INR 6,600 = INR 18,600

Concept Problem 15

Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the FY 2021-22. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is $20,000. The value of one USD ($) may be taken as INR 75.

She took ownership and possession of a flat in Chennai on 1.7.2021, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.3.2022. The municipal valuation is INR 3,84,000 p.a. and the fair rent is INR 4,20,000 p.a. She paid the following to Corporation of Chennai:

Property Tax = INR 16,200

Sewerage Tax = INR 1,800

She had taken a loan from Standard Chartered Bank for purchasing this flat. Interest on loan was as under:

Period prior to 1.4.2021	49,200
1.4.2021 to 30.6.2021	50,800
1.7.2021 to 31.3.2022	1,31,300

She had a house property in Bangalore, which was sold in March, 2018. In respect of this house, she received arrears of rent of INR 60,000 in March, 2022. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Rohini Ravi for the assessment year 2022-23.

Solution

Since the Assessee is a resident and ordinarily resident in India, her global income would form part of her total income i.e., income earned in India as well as outside India will form part of her total income.

She possesses a self-occupied house at Los Angeles as well as at Chennai. She can take the benefit of "Nil" Annual Value in respect of both the house properties.

As regards the Bangalore house, arrears of rent will be chargeable to tax as income from house property in the year of receipt under section 25A. It is not essential that the Assessee should continue to be the owner. 30% of the arrears of rent shall be allowed as deduction.

Accordingly, the income from house property of Mrs. Rohini Ravi will be calculated as under:

S. No	Particulars	Amount	Amount
1.	**Self-occupied house at Los Angeles**		
	Annual value	Nil	
	Less: Deduction under section 24	Nil	
	Chargeable income from this house property		**Nil**

S. No	Particulars	Amount	Amount
2.	**Self-occupied house property at Chennai**		
	Annual value	Nil	
	Less: Deductions u/s 24(b) for Interest on borrowed capital (Note below)	1,91,940	**(1,91,940)**
3.	**Arrears in respect of Bangalore property (Section 25A)**		
	Arrears of rent received	60,000	
	Less: Deduction @ 30%u/s 25A(2)	18,000	**42,000**
	Income under head "Income from house property"		**(1,49,940)**

Note: Interest on borrowed capital u/s 24(b)	Amount
Interest for the current year (INR 50,800 + INR 1,31,300)	1,82,100
Add: 1/5th of pre-construction interest (INR 49,200 x 1/5)	9,840
Interest deduction allowable under section 24	**1,91,940**

Concept Problem 16

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 1998-99. The property consists of eight identical units and is situated at Cochin.

During the financial year 2021-22, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of INR 12,000 per month per unit. The municipal value of the house property is INR 9,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

i) Repairs= 40,000

ii) Insurance premium (paid) = 15,000

iii) Interest payable on loan taken for construction of house = 3,00,000

One of the let-out units remained vacant for four months during the year.

Arun could not occupy his unit for six months as he was transferred to Chennai. He doesn't own any other house.

The other income of Mr. Arun and Mr. Bimal are INR 2,90,000 and INR 1,80,000, respectively, for FY 2021-22.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the assessment year 2022-23.

Solution

Computation of total income for the A.Y. 2022-23

Particulars	Arun	Bimal
Income from house property		
Occupied portion (25%)		
Annual value	Nil	Nil
Less: Deduction under section 24(b) Interest on loan taken for construction I NR 37,500 (being 25% of INR 1.5 lakh) restricted to maximum of INR 30,000 for each co-owner since the property was constructed before 1.04.1999	30,000	30,000
Loss from self-occupied property	**(30,000)**	**(30,000)**
Let out portion (75%) – See Working Note below	**1,25,850**	**1,25,850**

Particulars	Arun	Bimal
Income from house property	95,850	95,850
Other income	2,90,000	1,80,000
Total Income	**3,85,850**	**2,75,850**

Working Note

Computation of income from let-out portion of house property

Particulars	Amount	Amount
Let-out portion (75%)		
Gross annual value		
Municipal value (75% of INR 9 lakh)	6,75,000	
Actual rent [(INR 12000 x 6 x 12) – (INR 12,000 x 1 x 4)] = (8,64,000 - 48,000)	8,16,000	
GAV = whichever is higher		8,16,000
Less: Municipal taxes 75% of 1,80,000 (20% of INR 9 lakh)		1,35,000
Net Annual Value (NAV)		**6,81,000**
Less: Deduction u/s 24(a) @ 30% of NAV	2,04,300	
Less: Deduction u/s 24(b) Interest on loan taken for the house [75% of INR 3 lakh]	2,25,000	4,29,300
Income from let-out portion of house property		**2,51,700**
Share of each co-owner (50%)		**1,25,850**

2. ICAI RTPs, MTPs and Past Year Questions

Concept Problem 17

Mr. Raphael constructed a shopping complex. He had taken a loan of INR 25 lakhs for construction of the said property on 01-08-2020 from SBI @ 10% for 5 years. The construction was completed on 30-06-2021. Rental income received from shopping complex INR 30,000 per month-let out for the whole year. Municipal taxes paid for shopping complex INR 8,000.

Arrears of rent received from shopping complex INR 1,20,000.

Interest paid on loan taken from SBI for purchase of house for use as own residence for PY 2021-22, INR 3 lakhs.

You are required to compute income from house property of Mr. Raphael for AY 2022-23.

Solution

Computation of income from house property of Mr. Raphael for AY 2022-23

Particulars	Amount
Shopping complex	
Gross Annual Value [30,000 × 9]	2,70,000
Less: Municipal Taxes	8,000
Net Annual Value (NAV)	**2,62,00**
Less: Deduction u/s 24(a) @ 30% of NAV	78,600
Less: Interest on borrowed capital u/s 24(b) **(Working Note)**	2,83,333
Loss from shopping complex (A)	**(99,933)**

Particulars	Amount
Self-occupied residential house	
Gross Annual Value	Nil
Less: Municipal Taxes	Nil
Net Annual Value (NAV)	**Nil**
Less: Deduction u/s 24(a) @ 30% of NAV	Nil
Less: Interest on borrowed capital u/s 24(b) **(Note b)**	2,00,000
Loss from self-occupied house (B)	**(2,00,000)**
Taxability of arrears of Rent under section 25A	
Arrears of rent received	1,20,000
Less: Deduction @ 30% u/s 24(a)	36,000
Taxable amount (C)	**84,000**
Net Income under the head House Property (A+B+C)	**(2,15,933)**

Working Note: Interest on borrowed capital (Shopping Complex)

Particulars	Amount
Interest for the current year (10% of INR 25 lakhs)	2,50,000
Add: 1/5th of pre-construction interest (interest for the period from 1.8.2020 to 31.3.2021 i.e., for 8 months) [(INR 25,00,000 x 10% x 8/12) x 1/5]	33,333
Interest deduction allowable under section 24	**2,83,333**

Note: It has been assumed that loan of INR 25 lakhs has to be repaid after the five-year period. Hence, there has been no repayment upto 31.3.2021. Interest computation has been made accordingly.

Income under the head Other Sources

Rent received in relation to under-construction house property = 30,000 x 3 = 90,000

Concept Problem 18

Mr. Vihaan is a resident but not ordinarily resident in India during the AY 2022-23. He furnishes the following information regarding his income/expenditure pertaining to his house properties for PY 2021-22:

- He owns two houses, one in Singapore and the other in Pune.
- The house in Singapore is let out there at a rent of SGD 4,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1250 and Sewerage Tax SGD 750 there. (1 SGD = INR 51)
- The house in Pune is self-occupied. He had taken a loan of INR 25,00,000 to construct the house on 1st June, 2017 @ 12%. The construction was completed on 31st May, 2019 and he occupied the house on 1st June, 2019.

The entire loan is outstanding as on 31st March, 2022. Property tax paid in respect of the second house is INR 2,800.

Compute income chargeable under the head "Income from House property" in hands of Vihaan for AY 2022-23.

Solution

Computation of income from house property of Mr. Vihaan for A.Y. 2022-23

Particulars	Amount
1. Income from let-out property in Singapore [See Note 1 below]	

Gross Annual Value (SGD 4,000 p.m. x 12 months x INR 51)	24,48,000
Less: Municipal taxes paid during the year [SGD 2,000 (SGD 1,250 + SGD 750) x INR 51]	1,02,000
Net Annual Value (NAV)	**23,46,000**
Less: Deductions under section 24	
(a) 30% of NAV	7,03,800
Income from let-out property in Singapore	**16,42,200**
2. Income from self-occupied property in Pune	
Annual Value [Nil, since the property is self-occupied] [No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]	NIL
Less: Deduction in respect of interest on housing loan [See Note 2 below]	2,00,000
	(2,00,000)
Income from house property [INR 16,42,200 – INR 2,00,000]	**14,42,200**

Notes:

1) Since Mr. Vihaan is a resident but not ordinarily resident in India for A.Y. 2022-23, income which is, inter alia, received in India shall be taxable in India, even if such income has accrued or arisen outside India by virtue of the provisions of section 5(1). Accordingly, rent received from house property in Singapore would be taxable in India since such income is received by him in India.

2) Interest on housing loan for construction of self-occupied property allowable as deduction u/s 24

   Interest for the current year (INR 25,00,000 x 12%) = 3,00,000

   Pre-construction interest

   For the period 01.06.2017 to 31.03.2019 (INR 25,00,000 x 12% x 22/12) = INR 5,50,000

   INR 5,50,000 allowed in 5 equal instalments (INR 5,50,000/5) = 1,10,000

   Total = 4,10,000

   In case of self-occupied property, interest deduction to be restricted to 2,00,000

Concept Problem 19

Mitul owns a residential house. Ground floor of the house is self -occupied by her while first floor has been rented out since 01/10/2021. The reconstruction of the house was started on 01-04-2021 and was completed on 30-09-2021. The monthly rent is INR 10,000. The tenant also pays INR 3,000 p.m. as power back-up charges. She took a housing loan of 12 lakhs on 01-04-2021. Interest on housing loan for the period 01-04-2021 to 30-09-2021 was INR 60,000 and for the period 01-10-2021 to 31-03-2022 was INR 40,000. During the year, she also paid municipal taxes for the F.Y. 2020-21 INR 5,000 and for F.Y. 2021-22 INR 5,000.

Calculate gross total income of Mitul for AY 2022-23.

Solution

Particulars	Amount	Amount	Amount
Income from House Property			
Let out portion [First floor]			
Gross Annual Value [Rent received is taken as GAV = INR 10,000 p.m. x 6 months]		60,000	
Less: Municipal taxes paid by her in the P.Y.2021-22 pertaining to let out portion [(INR 5,000 + INR 5,000)/2], allowable since it is paid during the year, even if it relates to earlier years		5,000	

Particulars	Amount	Amount	Amount
Net Annual Value (NAV)		**55,000**	
Less: Deduction u/s 24			
(a) 30% of INR 55,000	16,500		
(b) (b) Interest on housing loan [(60,000 (+)40,000)/2]	50,000	66,500	
		(11,500)	
Self-occupied portion [Ground Floor]			
Annual Value	Nil		
Less: Deduction u/s 24			
Interest on housing loan for reconstruction 50,000 [(INR 60,000 + INR 40,000)/2] restricted to	30,000	(30,000)	**(41,500)**
IV Income from Other Sources			
Power back up charges from tenant (3,000 p.m. x 6 months)		18,000	
Less: Actual expenditure incurred for providing power back up		6,000	**12,000**
GTI			**29,500**

Concept problem 20

Mr. Ram took a loan of INR 5,00,000 on 01.10.2018 @ 10% p.a. for construction of house which was completed on 31.03.2022. Compute interest on capital borrowed for the previous year 2021-22.

Solution

Interest on capital borrowed for the previous year 2021-22 u/s 24(b).

Particulars	Amount
Current period Interest	
From 01.04.2021 to 31.03.2022	
(5,00,000 x 10%)	50,000
Prior period interest	
From 01.10.2018 to 31.03.2021	
5,00,000 x 10% x 30/12 =	1,25,000
Instalment (1,25,000/5)	25,000
Total Interest (50,000 + 25,000) allowed u/s 24(b) in PY 2021-22	**75,000**

Concept problem 21

Mr. Ram has taken a loan of INR 15,00,000 on 01.07.2017 from State Bank of India @ 12% p.a. for construction of one house which was completed on 01.05.2021 and was let out @ INR 90,000 p.m. wef. 01.07.2021 and fair rent is INR 1,00,000 p.m. The Assessee has paid municipal tax of INR 30,000 in PY 2021-22 and the Assessee has repaid the loan amount in annual installment of INR 1,00,000 starting from 01.01.2020.

Compute his Total Income for the assessment year 2022-23.

Solution

Computation of Total Income for previous year 2021-22

Particulars	Amount
GAV (Refer Note 1)	11,00,000
Less: Municipal Tax	30,000

Particulars	Amount
Net Annual Value	**10,70,000**
Less: 30% of NAV u/s 24(a)	3,21,000
Less: Interest on capital borrowed u/s 24(b) (Refer Note 2)	2,84,400
Income under the head house property	**4,64,600**
Gross Total Income	**4,64,600**
Less: Deduction u/s 80C	1,00,000
Total Income	**3,64,600**

Note 1

Gross Annual Value	Amount
Fair Rent (1,00,000 x 11)	11,00,000
Expected Rent	11,00,000
Rent received/ receivable (90,000 x 9)	8,10,000
If there was no vacancy, in that case rent received/ receivable would have been INR 990,000 (90,000*11) and it was still less than expected Rent, therefore GAV shall be expected rent.	
GAV	**11,00,000**

Note 2

Current period Interest	
From 01.04.2021 to 31.03.2022	
(13,00,000 x 12% x 9/12) + (12,00,000 x 12% x 3/12) =	**1,53,000**
Prior period interest	
From 01.07.2017 to 31.03.2021	
15,00,000 x 12% x 30/12=	4,50,000
14,00,000 x 12% x 12/12 =	168,000
13,00,000 x 12% x 3/12 =	39,000
Instalment (6,57,000/5)	**131,400**
Total Interest (1,53,000 + 131,400)	**2,84,400**

Concept Problem 22

Compute GAV in the following cases for the assessment year 2022-23:

Particulars	Case I	Case II	Case III	Case IV
Fair Rent (p.m.)	9,000	13,000	12,000	16,000
Municipal Valuation (p.m.)	10,000	9,000	9,000	18,000
Standard Rent (p.m.)	12,000	11,000	7,000	16,000
Rent received/ receivable(p.m.)	7,000	11,500	20,000	16,500
Vacancy	1 Month	1 Month	2 Month	2 Month

Solution

Case I

Computation of Gross Annual Value	Amount
a) Fair Rent (9,000 x 12)	1,08,000
b) Municipal Valuation (10,000 x 12)	1,20,000
c) Higher of (a) or (b)	1,20,000
d) Standard Rent (12,000 x12)	1,44,000
e) Expected Rent {Lower of (c) or (d)}	1,20,000
f) Rent Received / Receivable (7,000 x 11)	77,000
If there was no vacancy, in that case rent received/ receivable would have been INR 84,000 and It was still less than expected Rent, therefore GAV shall be expected rent.	
Gross Annual Value	**1,20,000**

Case II

Computation of Gross Annual Value	Amount
a) Fair Rent (13,000 x 12)	1,56,000
b) Municipal Valuation (9,000 x 12)	1,08,000
c) Higher of (a) or (b)	1,56,000
d) Standard Rent (11,000 x 12)	1,32,000
e) Expected Rent {Lower of (c) or (d)}	1,32,000
f) Rent Received/Receivable (11,500 x 11)	1,26,500
In this case, if there was no vacancy, rent received/receivable would have been INR 1,38,000 hence rent received/receivable is lower in this case due to vacancy, therefore GAV shall be the rent received/receivable	
Gross Annual Value	**1,26,500**

Case III

Computation of Gross Annual Value	Amount
a) Fair Rent (12,000 x 12)	1,44,000
b) Municipal Valuation (9,000 x 12)	1,08,000
c) Higher of (a) or (b)	1,44,000
d) Standard Rent (7,000 x 12)	84,000
e) Expected Rent {Lower of (c) or (d)}	84,000
f) Rent Received / Receivable (20,000 x 10)	2,00,000
In this case, rent R/R is higher than the expected Rent, GAV shall be Rent R/R.	
Gross Annual Value	**2,00,000**

Case IV

Computation of Gross Annual Value	Amount
a) Fair Rent (16,000 x 12)	1,92,000
b) Municipal Valuation (18,000 x 12)	2,16,000
c) Higher of (a) or (b)	2,16,000
d) Standard Rent (16,000 x 12)	1,92,000
e) Expected Rent {Lower of (c) or (d)}	1,92,000
f) Rent Received / Receivable (16,500 x 10)	1,65,000

Computation of Gross Annual Value	Amount
In this case, if there was no vacancy, rent received/receivable would have been INR 198,000 hence rent received/receivable is lower in this case due to vacancy, therefore GAV shall be the rent received/receivable	
Gross Annual Value	**1,65,000**

Concept Problem 23

Compute the GAV in the following cases for the AY 2022-23:

Particulars	Case I	Case II	Case III
Fair Rent (p.m.)	11,000	14,000	16,000
Municipal Valuation (p.m.)	12,000	9,000	18,000
Standard Rent (p.m.)	13,000	8,000	17,000
Rent received/ receivable(p.m.)	8,000	21,000	17,000
Vacancy	-	1 Month	3 Month
Unrealized Rent	1 Month	3 Month	1 Month

Solution

Case I

Computation of Gross Annual Value	Amount
a) Fair Rent (11,000 x 12)	132,000
b) Municipal Valuation (12,000 x 12)	1,44,000
c) Higher of (a) or (b)	1,44,000
d) Standard Rent (13,000 x12)	1,56,000
e) Expected Rent {Lower of (c) or (d)}	1,44,000
f) Rent Received / Receivable (8,000 x 11)	88,000
Gross Annual Value (Higher of e and f)	**1,44,000**

Case II

Computation of Gross Annual Value	Amount
a) Fair Rent (14,000 x 12)	1,68,000
b) Municipal Valuation (9,000 x 12)	1,08,000
c) Higher of (a) or (b)	1,68,000
d) Standard Rent (8,000 x12)	96,000
e) Expected Rent {Lower of (c) or (d)}	96,000
f) Rent Received / Receivable (21,000 x 8)	1,68,000
Since rent received/ receivable is higher than expected Rent, therefore GAV shall be rent received/ receivable	
Gross Annual Value	**1,68,000**

Case III

Computation of Gross Annual Value	Amount
a) Fair Rent (16,000 x 12)	1,92,000
b) Municipal Valuation (18,000 x 12)	2,16,000

Computation of Gross Annual Value	Amount
c) Higher of (a) or (b)	2,16,000
d) Standard Rent (17,000 x12)	2,04,000
e) Expected Rent {Lower of (c) or (d)}	2,04,000
f) Rent Received / Receivable (17,000 x 8)	1,36,000
If there was no vacancy, in that case, rent received/ receivable would be 187,000 and it was still lower than expected Rent, therefore GAV shall be expected rent.	
Gross Annual Value	**2,04,000**

Concept Problem 24

Neha has one big house - 25% of it is being used in her own business/ profession and 50% of the house is let out @ INR 10,000 p.m. However, it remained vacant for one month and there is unrealized rent for one and half month. Remaining 25% is self-occupied throughout the year. Fair rent of the entire house is INR 25,000 p.m., municipal valuation INR 22,000 p.m. and municipal tax paid is INR 3,000, insurance charge 6,000, repairs 8,000, land revenue 4,000, Ground Rent 3,000 and depreciation of the house is INR 12,000. Assessee's income under the head Business/ Profession before charging expenditure relating to house property is INR 2,00,000.

Compute his total income for assessment year 2022-23 if he does not opt to be taxed under section 115BAC.

Solution

Computation of income under the head House Property

Income from self-occupied property = Nil

Income from let out property

Particulars	Amount
Gross Annual Value	**1,50,000**
a) Fair Rent (12,500*12)	1,50,000
b) Municipal Value (11,000*12)	1,32,000
d) Expected Rent {Higher of a or b}	1,50,000
f) Rent received /receivable (10,000 x 9.5)	95,000
If there was no vacancy, in that case, rent received/ receivable would be 1,05,000 which is still less than expected Rent, therefore GAV shall be expected rent	
GAV	1,50,000
Less: Municipal Tax	1,500
Net Annual Value	**1,48,500**
Less: 30% of NAV u/s 24(a)	44,550
Less: Interest on capital borrowed u/s 24 (b)	Nil
Income under the head House Property	**1,03,950**

Computation of income under the head Business/Profession

Particulars	Amount
Income before debiting any expense under house property	2,00,000
Less: Municipal taxes	750
Less: Insurance charges	1,500
Less: Repairs	2,000
Less: Land revenue	1,000

Particulars	Amount
Less: Ground rent	750
Less: Depreciation	3,000
Income under the head Business/Profession	**1,91,000**

Computation of Total Income

Particulars	Amount
Income under the head house property	1,03,950
Income under the head Business/Profession	1,91,000
Gross Total Income	**2,94,950**
Less: Deduction u/s 80C	Nil
Total Income	**2,94,950**

Concept Problem 25

Mr. Ram has let out one house along with generator facility and has charged a sum of INR 50,000 p.m. as rent, out of which INR 5,000 p.m. is on account of the generator. He has paid INR 2,500 and the tenant has paid INR 1,000 towards municipal taxes. The interest on the capital borrowed for construction of the house is INR 10,000. Mr. Ram has paid repair charge of the generator INR 3,500, fuel charges INR 6,000 and operator's salary INR 500 p.m.

Compute the total income of Mr. Ram for assessment year 2022-23.

Solution

Computation of income under the head House Property

Particulars	Amount
GAV (45,000*12)	5,40,000
Less: Municipal Tax	2,500
Net Annual Value	**5,37,500**
Less: 30% of NAV u/s 24(a)	1,61,250
Less: Interest on capital borrowed u/s 24(b)	10,000
Income under the head house property	**3,66,250**

Computation of income under the head Other Source

Particulars	Amount
Income from Generator (5,000*12)	60,000
Less: Repair charges	3,500
Less: Fuel charges	6,000
Less: Salary (500*12)	6,000
Income under the head Other Source	**44,500**

Computation of Total Income

Particulars	Amount
Income under the head house property	3,66,250
Income under the head Other Source	44,500
Gross Total Income	**4,10,750**

Particulars	Amount
Less: Deduction u/s 80C	Nil
Total Income	**4,10,750**

Concept Problem 26

Mrs. Ram, a resident and ordinarily resident individual, owns a house in USA. She receives rent @ $2,000 per month. She paid municipal taxes of $ 1,500 during the financial year 2021-22.

She also owns a two-storied house in Mumbai; ground floor is used for her residence and first floor is let out at a monthly rent of INR 10,000. Standard rent for each floor is INR 11,000 per month

Municipal taxes paid for the house amounts to INR 7,500. Mrs. Ram had constructed the house by taking a loan from a nationalized bank on 20.06.2018. She repaid the loan of INR 54,000 including interest of INR 24,000 in the current year.

The value of one dollar is to be taken as INR 65.

Compute total income from house property of Mrs. Ram for assessment year 2022-23.

Solution

Computation of income from house property of Mrs. Ram in USA for the AY 2022-23

Particulars	Amount
GAV of the house in USA ($ 2000 p.m. x INR 65 per USD x 12 months)	15,60,000
Less: Municipal taxes paid ($1500 x INR 65 per USD)	(97,500)
Net annual value	**14,62,500**
Less: Statutory deduction under section 24(a)@ 30% of NAV	(4,38,750)
Income from house property	**10,23,750**

Computation of income from House at Mumbai (let out portion) - 1st Floor

Particulars	Amount
Gross annual value (10,000 x 12)	1,20,000
Less: Municipal taxes paid (1/2 of INR 7,500)	(3,750)
Net annual value (NAV)	**1,16,250**
Less: Statutory deductions under section 24(a) @ 30% of NAV	(34,875)
Less: interest on Housing loan (1/2 of INR 24,000) 24(b)	12,000
Income from house property	**69,375**

Computation of income from House at Mumbai (Self-occupied portion) – Ground Floor

Particulars	Amount
GAV of house at Mumbai	Nil
Less: Municipal taxes	Nil
Net annual value	**Nil**
Less: Statutory deduction under section 24(a) @ 30% of NAV	Nil
Less: Interest on Housing loan (1/2 of INR 24,000) 24(b)	(12,000)
Loss from house property	**(12,000)**
Income from house property	**10,81,125**
Gross total income	**10,81,125**

Less: deduction u/s 80C (Repayment of housing loan)	(30,000)
Total income (rounded off 288A)	**10,51,130**

Concept Problem 27

Raj Prakash has let out a building to Rohit at a rent of INR 2,00,000 per month and has paid municipal taxes of INR 1,00,000. Rohit has sub-let 50% of the property to Mr. Shyam at a rent of INR 80,000 per month.

Compute the income of Raj Prakash and Rohit.

Solution

In case of Raj Prakash, income shall be computed under the head House property

Particulars	Amount
GAV (2,00,000*12)	24,00,000
Less: Municipal Tax	1,00,000
NAV	**23,00,000**
Less: Deduction u/s 24(a)	690,000
Income under the head House Property	**16,10,000**

Income of Rohit shall be computed under the head Other Sources

Particulars	Amount
Gross Rent received (80,000*12)	9,60,000
Less: Rent paid by him (2,00,000*50%*12)	12,00,000
Loss under the head Other Sources	**(2,40,000)**

Concept Problem 28

Mr. Kalpesh borrowed a sum of INR 30 lakhs from the National Housing Bank towards purchase of a residential flat. The loan amount was disbursed directly to the flat promoter by the bank. Though the construction was completed in May, 2022, repayments towards principal and interest had been made during the year ended 31.3.2022. In the light of the above facts, state:

a) Whether Mr. Kalpesh can claim deduction under section 24 in respect of interest for the AY 2022-23?

b) Whether deduction under Section 80C can be claimed for the above assessment year, even though the construction was completed only after the closure of the year?

Solution

a) As per section 24(b), Interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction.

   Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction.

   It is stated that the construction is completed only in May, 2022. Hence, deduction in respect of interest on housing loan cannot be claimed in the assessment year 2022-23.

b) Deduction under section 80C is allowed where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from House Property'.

   Such payment covers repayment of any amount borrowed from the National Housing Bank. However, deduction is eligible only if the income from such property is chargeable to tax under the head "Income from

House Property". During the assessment year 2022-23, there is no such income chargeable under this head. Hence, deduction under section 80C cannot be claimed for A.Y. 2022-23.

Concept Problem 29

Mr. Rajesh, owner of a residential house, let out for a monthly rent of INR 15,000. The fair rental value of the property for the let-out period is INR 1,50,000. The house was self-occupied by him from 1st January, 2022 to 31st March, 2022. He has taken a loan from bank of INR 20 lacs for the construction of the property and has repaid INR 1,05,000 (including interest INR 40,000) during the year. Compute Rajesh's income from house property for the AY 2022-23.

(Answer - INR 1,00,000)

Concept Problem 30

Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the FY 2021-22. He owns two house properties in Country Y, one is used as his residence. Another house property is rented for a monthly rent of \$ 18,000. Fair rent of house property is \$ 20,000. The value of one CYD (\$) may be taken as 78.

He took ownership and possession of a flat in Delhi on 1.10.2021, which is used for self- occupation, while he is in India. The flat was used by him for 3 months at the time when he visited India during the previous year 2021-22. The municipal valuation is 4,58,000 p.a. and the fair rent is 3,60,000 p.a. He paid property tax of 13,800 and 2,800 as Sewerage tax to Municipal Corporation of Delhi.

He had taken a loan of 18,00,000 @ 9.5% from HDFC Bank on 1st August, 2019 for purchasing this flat. No amount is repaid by him till 31.03.2022.

He also had a house property in Bangalore which is let out on a monthly rent of 40,000. The fair rent of which is 4,58,000 p.a. and Municipal value of 3,58,000 p.a. and Standard Rent of 4,20,000 p.a. He had taken a loan of 25,00,000 @ 10% from one of his friends, residing in Country Y for this house. Municipal tax of 5,400 is paid by him in respect of this house during the previous year 2021-22.

Compute the income chargeable from house property of Mr. Roxx for the assessment year 2022-23.

Solution

Since Mr. Roxx, is a resident but not ordinarily resident in India, only the income in respect of properties situated in India would be taxable in his hands.

Thus, the rental income which accrues or arises in Country Y from the let-out property and annual value of self-occupied property would not be taxable in his hands. However, income arising from properties in India are taxable in the hands of Mr. Roxx.

Accordingly, the income from house property of Mr. Roxx for A.Y. 2022-23 will be calculated as under:

S.No.	Particulars	Amount	Amount
1.	**Self – occupied house at Delhi**		
	Annual Value		Nil
	Less: Deduction under section 24	Nil	
	Interest on borrowed capital (See Note below)		2,00,000
	Chargeable income from this house property		**(2,00,000)**
2.	**Let out house property at Bangalore**		
	Expected rent, being higher of 3,58,000 municipal value and fair rent of 4,58,000 but restricted to standard rent of 4,20,000	4,20,000	
	Actual rent [40,000 x 12]	4,80,000	
	Gross Annual value, being higher of expected rent and actual rent		4,80,000
	Less: Municipal taxes		5400

	Net Annual Value		4,74,600
	Less: Deduction under section 24		
	- 30% of net annual value [30% x 4,74,600]	1,42,380	
	- Interest on borrowed capital (actual allowable as deduction without any ceiling limit)	2,50,000	3,92,380
			82,220
	Loss uth "Income from house property" (2,00,00 -82,220)		**(1,17,780)**

Note: - Interest on borrowed capital

Particulars		Amount
Interest for the current year [18,00,000 x 9.5%]		1,71,000
Add: 1/5 th of pre- construction interest (2,85,000 x 1/5)		57,000
1.8.2019 to 31.03.2020 – (18,00,000 x 9.5% x 8/12)	1,14,000	
1.4.2020 to 31.03.2021 – (18,00,000 x 9.5%)	1,71,000	
		2,28,000
Interest deduction allowable under section 24, restricted to		**2,00,000**

Concept Problem 31

Mrs. Jasmin, an Australian citizen, got married to Mr. Kapil of India in Australia on 2.01.2020 and came to India for the first time on 18.03.2021. She left for Australia on 10.8.2021. She returned to India again on 23.02.2022.

On 01.04.2021, she had purchased a Flat in Mumbai, which was let out to Mr. Sunil on a rent of 28,000 p.m. from 1.5.2021. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of 2,15,500 upto 31.03.2022.

While in India, during the previous year 2021-22, she had received a gold chain from her in-laws worth 1,50,000, a car worth 6,25,000 from married sister of her husband and 1,72,000 from very close friends of her husband.

Determine her residential status and compute her gross total income chargeable to tax for AY 2022-23.

Solution

Under section 6(1), an individual is said to be resident in India in any previous year, if hesatisfies any one of the following conditions:

(i) He has been in India during the previous year for a total period of 182 days or more, or

(ii) He has been in India during the 4 years immediately preceding the previous year for a totalperiod of 365 days or more and has been in India for at least 60 days in the previous year.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Mrs. Jasmin, an Australian, for A.Y.2022-23 has to be determined on the basis of her stay in India during the previous year relevant to A.Y. 2022-23 i.e. P.Y.2021-22 and in the preceding four assessment years.

Her stay in India during the previous year 2021-22 and in the preceding four years are as under:

P.Y. 2021-22	
01.04.2021 to 10.08.2021	132 days
23.02.2021 to 31.03.2021	37 days
Total	**169 days**

Four preceding previous years

P.Y. 2020-21 [1.4.2020 to 31.3.2021]	14 days
P.Y. 2019-20 [1.4.2019 to 31.3.2020]	Nil
P.Y. 2018-19 [1.4.2018 to 31.3.2019]	Nil
P.Y. 2017-18 [1.4.2017 to 31.3.2018]	Nil
Total	**14 days**

The total stay of Mrs. Jasmin during the previous year in India was less than 182 days andduring the four years preceding this year was for 14 days. Therefore, due to non-fulfillment ofany of the two conditions for a resident, she would be treated as non-resident for the Assessment Year 2021-22.

Computation of gross total income of Mrs. Jasmin for A.Y. 2021-22.

Particulars	Amount	Amount
Income from house property		
Flat located in Mumbai let- out from 01.05.2020 to 31.03.2021 @ 28,000 p.m.		
Gross Annual Value [28,000 x 11]	3,08,000	
Less: Municipal taxes	Nil	
Net Annual Value (NAV)	**3,08,000**	
Less: Deduction under section 24		
30% of NAV	92,400	
Interest on loan [fully allowable as deduction, since property is let-out]	2,15,500	100
Income from other sources		
Gold chain worth 1,50,000 received from parents of husband would be exempt , since parents of husband fail within the definition of relatives and gifts from a relative are not chargeable to tax.	Nil	
Car worth 6,25,000 received from married sister of her husband is exempt, since sister-in-law fails within the definition of relative and gifts from a relative are not chargeable to tax. Moreover, car is not included in the definition of property.	Nil	
Gift received from friends of her husband aggregating to 1,72,000 is taxable u/s 56(2) (x) since the amount of cash gifts 1,72,000 exceeds 50,000.	1,72,000	1,72,000
Gross Total Income		**1,72,000**