Chapter 5

Income from House Property

Q83 Study Mat

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the PY 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	31.3.2000	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 July 2015 for purchase of property			1,75,000

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

Answer

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 AY 2022-23

Particulars	Amount in ₹		
	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 previous year)	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 ₹
House I (Self-occupied)	Nil
House II (Self-occupied) (interest deduction restricted to ₹ 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 ₹
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 ₹
House I (Deemed to be let out)		2,19,800
House II (Self-occupied) (interest deduction restricted to ₹ 30,000)	(30,000)	(30,000)
House III (Self-occupied)	(1,75,000)	(1,75,000)
(Total interest deduction restricted to ₹ 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 ₹ 1,840 for the AY 2022-23.

Q84 Study Mat

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

Answer

There are two units of the house. Unit I with 2/3rd area is used by Prem for self-occupation throughout the year and no other 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 previous year and its annual value has to be determined as per section 23(1).

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

Particulars	Amount in ₹	
Unit I (2/3rd area – self-occupied)		
Annual Value		Nil
Less :		
Deduction under section 24(b)		
2/3rd of ₹ 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 ₹ 1,10,000 (1/3rd of ₹ 3,30,000) is more than the higher of MV of ₹ 1,00,000 (1/3rd of ₹ 3,00,000) and FR of ₹ 90,000 (1/3rd of ₹ 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		
₹ 8,000×12 = ₹ 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 ₹ 1,00,000 and ₹ 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 portion		
1/3rd of (10% of ₹ 3,00,000) = ₹ 30,000/3 = ₹10,000	10,000	90,000
Net Annual Value(NAV)		
Less :		
Deductions under section 24		

(a) 30% of NAV = 30% of ₹ 90,000	27,000	
(b) Interest paid on borrowed capital (relating to let out portion) 1/3rd of ₹ 1,20,000	40,000	67,000
Income from Unit II (let-out)		23,000
Loss under the head "Income from house property" = (₹ 80,000) + ₹ 23,000 = (₹ 57,000)		

Q85 Study Mat

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 under section 24(b) for AY 2022-23.

Answer

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

	Particulars	₹
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 under section 24(b) in respect of (I) and (II) above to be restricted to		**2,00,000**

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

Particulars	₹
Interest on loan taken for acquisition of residential house property at Calcutta	
₹ 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

Q86 Study Mat

Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are ₹ 96,000, ₹ 1,26,000 and ₹ 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 ₹ 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 ₹ 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 AY 2022-23.

Answer

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

Particulars	₹	₹
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)** (₹ 18,600 x 2/3)		12,400
Loss from self occupied property		(12,400)
II. Let-out portion (One third)		
Gross Annual Value		
(a) Actual rent received (₹ 5,000 x 12) ₹ 60,000		
(b) Expected rent ₹ 36,000		
[higher of municipal valuation (i.e., ₹ 96,000) and fair rent (i.e., ₹ 1,26,000) but restricted to standard rent (i.e., ₹1,08,000)] = ₹ 1,08,000 x 1/3		
Higher of (a) or (b)	60,000	
Less: Municipal taxes (₹ 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)** (₹ 18,600 x 1/3)	6,200	33,336
Income from house property		**20,936**

Note : Interest on loan taken for construction of building

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

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

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

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

Q87 Study Mat

Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 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 ₹ 65.

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 ₹ 32,000 p.m. and the fair rent is ₹ 4,20,000 p.a. She paid the following to Corporation of Chennai:

Property Tax	₹ 16,200
Sewerage Tax	₹ 1,800

She had taken a loan from Standard Chartered Bank in June, 2019 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 ₹ 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.

Answer

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:

Particulars	₹	₹
1. Self-occupied house at Los Angeles		
Annual value		Nil
Less: Deduction under section 24		Nil
Chargeable income from this house property		Nil
2. Deemed let out house property at Chennai		
Annual value		Nil

Less: Deduction under section 24		
Interest on borrowed capital (See 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
Loss under the head "Income from house property"		**(1,49,940)**

Note : Interest on borrowed capital

Particulars	₹
Interest for the current year (₹ 50,800 + ₹ 1,31,300)	1,82,100
Add: 1/5th of pre-construction interest (₹ 49,200 x 1/5)	9,840
Interest deduction allowable under section 24	1,91,940

Q88 Study Mat

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 2000-2001. 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 ₹ 12,000 per month per unit. The municipal value of the house property is ₹ 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 does not own any other house.

The other income of Mr. Arun and Mr. Bimal are ₹ 2,90,000 and ₹ 1,80,000, respectively, for the financial year 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.

Answer

Computation of total income for the AY 2022-23

Particulars	Arun (₹)	Bimal (₹)
Income from house property		
I. Self-occupied portion (25%)		
Annual value	Nil	Nil
Less: Deduction under section 24(b)		
Interest on loan taken for construction ₹ 37,500 (being 25% of ₹ 1.5 lakh) restricted to maximum of ₹ 30,000 for each co-owner since the property was constructed before 1.04.2001. Hence, it is assumed that loan was taken before 1.4.2001	30,000	30,000
Loss from self occupied property	(30,000)	(30,000)
II. Let-out portion (75%) – See Working Note below	1,25,850	1,25,850
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	₹	₹
Let-out portion (75%)		
Gross Annual Value		
(a) Municipal value (75% of ₹ 9 lakh)	6,75,000	
(b) Actual rent [(₹ 12000 x 6 x 12) – (₹ 12,000 x 1 x 4)]		
= ₹ 8,64,000 - ₹ 48,000	8,16,000	
- whichever is higher		8,16,000
Less: Municipal taxes 75% of ₹ 1,80,000 (20% of ₹ 9 lakh)		1,35,000
Net Annual Value (NAV)		6,81,000
Less: Deduction under section 24		
(a) 30% of NAV	2,04,300	
(b) Interest on loan taken for the house [75% of ₹ 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**

Q89 — May 17

Mr. Ganesh owns a commercial building whose construction got completed in June 2020. He took a loan of ₹ 15 lakhs from his friend on 1-8-2019 and had been paying interest calculated at 15% per annum. He is eligible for pre -construction interest as deduction as per the provisions of the Income -tax Act, 1961.

Mr. Ganesh has let out the commercial building at a monthly rent of ₹ 40,000 during the financial year 2021-22. He paid municipal tax of ₹ 18,000 each for the financial year 2020-21 and 2021-22 on 1-5-2021 and 5-4-2022, respectively.

Compute income under the head 'House Property' of Mr. Ganesh for the Assessment year 2022-23.

Computation of income under the head "House Property" of Mr. Ganesh for AY **2022-23**

Particulars	₹	₹
Gross Annual Value (₹ 40,000 x 12)		4,80,000
Less: Municipal taxes **(See Working Note 1)**		18,000
Net Annual Value (NAV)		4,62,000
Less: Deductions under section 24		
(i) 30% of NAV	1,38,600	
(ii) Interest on housing loan **(See Working Note 2)**	2,55,000	3,93,600
Income chargeable under the head "House Property"		**68,400**

Working Notes :

(1)	**Municipal taxes deductible from Gross Annual Value**	
	As per proviso to section 23(1), municipal taxes actually paid by the owner during the previous year is allowed to be deducted from Gross Annual Value. Accordingly, only ₹ 18,000 paid on 01.05.2021 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2021-22	
(2)	**Interest on housing loan allowable as deduction under section 24**	
	As per section 24(b), interest for the current year (₹ 15,00,000 x 15%)	2,25,000
	Pre-construction interest	
	For the period 01.08.2019 to 31.03.2020	
	(₹15,00,000 x 15% x 8/12) = ₹ 1,50,000	
	₹ 1,50,000 allowed in 5 equal installments (₹1,50,000/5)	₹ 30,000
		₹ **2,55,000**

(Q)90 Nov 17

Mr. Aditya, a resident but not ordinarily resident in India during the Assessment Year 2022-23. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1 DHS = INR 18). The entire rent is received in India. He paid property tax of DHS 2,500 and sewerage tax DHS 1,500 there, for the Financial Year 2021-22. The house in Mumbai is self-occupied. He had taken a loan of ₹ 25,00,000 to construct the house on 1st June, 2018 @12%. The construction was completed on 31st May, 2020 and he occupied the house on 1st June, 2020. The entire loan is outstanding as on 31st March, 2022. Property tax paid in respect of the second house is ₹ 2,400 for the Financial Year 2021-22. Compute the income chargeable under the head "Income from house property" in the hands of Mr. Aditya for the Assessment Year 2022-23.

Answer

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

Particulars	₹	₹
Income from let-out property in Dubai [See Note 1 below]		
Gross Annual Value (DHS 20,000 p.m. x 12 months x ₹18)		43,20,000
Less: Municipal taxes paid during the year [DHS 4,000 (DHS 2,500 + DHS 1,500) x ₹18]		72,000
Net Annual Value (NAV)		42,48,000
Less: Deductions under section 24 (a) 30% of NAV	12,74,400	
(b) Interest on housing loan	-	12,74,400
Income from self-occupied property in Mumbai		29,73,600
Annual Value [Nil, since the property is self -occupied]	NIL	
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		
Less: Deduction in respect of interest on housing loan	2,00,000	(2,00,000)
[See Note 2 below]		
Income from house property [₹ 29,73,600 – ₹ 2,00,000]		27,73,600

Notes :

(1) Since Mr. Aditya is a resident but not ordinarily resident in India for AY 2022-23, income which is, inter alia, received in India shall be taxable in India as per section 5(1), even if such income has accrued or arisen outside India. Accordingly, rent received from house property in Dubai would be taxable in India since such income is received by him in India. Income from property in Mumbai would accrue or arise in India and consequently, interest deduction in respect of such property would be allowable while computing Mr. Aditya's income from house property.

(2) Interest on housing loan for construction of self -occupied property allowable as deduction under section 24 (b)

Interest for the current year (₹ 25,00,000 x 12%)	₹ 3,00,000
Pre-construction interest [from 01.06.2017 to 31.03.2020]	
₹ 25,00,000 x 12% x 22/12 = ₹ 5,50,000	
₹ 5,50,000 allowed in 5 equal installments (₹ 5,50,000/5)	₹ 1,10,000
	₹ 4,10,000
As per the second proviso to section 24(b), in case of self- occupied property, interest deduction to be restricted to	₹ 2,00,000

Q91 RTP May 18

In August 2020, Mr. Kailash, a first-time home buyer, borrowed a sum of ₹ 35 lakhs from the National Housing Bank for construction of a residential house for ₹ 48 lakhs. The loan was sanctioned on 12.5.2020. The loan amount was disbursed directly to the flat promoter by the bank. The construction was completed in May, 2022 and repayments towards principal and interest commenced immediately after disbursement of loan.

In the light of the above facts, examine:

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

(ii) Whether deduction under Section 80C and 80EE can be claimed by him for the AY 2022-23?

Answer

(i) 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 instalments commencing from the year of acquisition or completion of construction.

It is stated that the construction is completed only in May, 2022. Hence, deduction under section 24 in respect of interest on housing loan cannot be claimed in the assessment year 2022-23.

(ii) Deduction under section 80C cannot be claimed Clause (xviii) of section 80C is attracted 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 prima facie 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 AY 2022-23.

Deduction under section 80EE can be claimed

As per section 80EE, interest payable on loan taken for the purpose of acquisition of a residential house from any financial institution qualifies for deduction, subject to a maximum of ₹ 50,000, provided following conditions are satisfied –

(i) Such loan is sanctioned during the PY 2017-18

(ii) The value of the house does not exceed ₹ 50 lakhs

(iii) The amount of loan sanctioned does not exceed ₹ 35 lakhs and

(iv) the assessee does not own any residential house on the date of sanction of loan

Section 80EE does not pose any restriction regarding the chargeability of the income from such property under the head "Income from House Property. Therefore, in this case, since Mr. Kailash satisfies all the conditions stipulated under section 80EE, interest on such loan would qualify for deduction under section 80EE, subject to a maximum of ₹ 50,000.

Notes: The above solution is provided as per the answer of RTP May 2018. However, deduction u/s 80EE is not allowed as the loan has not been sanctioned in PY 2017-18.

Further deduction u/s 80EEA is also allowed as per the amendment made vide Finance Act 2019 subject to fulfillment of prescribed conditions.

Q92 RTP Nov 18

Mr. Ranjan owns a shop whose construction got completed in August 2020. He took a loan of ₹ 22 lakhs from Bank of Baroda on 1-8-2019 and had been paying interest calculated at 9% per annum.

During the financial year 2021-22, the shop was let out at a monthly rent of ₹ 45,000. He paid municipal tax of ₹ 18,000 each for the financial year 2020-21 and 2021-22 on 25-5-2021 and 15-4-2022, respectively.

Compute income under the head 'House Property' of Mr. Ranjan for the Assessment year 2022-23, assuming that the entire amount of loan is outstanding on the last day of the current previous year.

Answer

Computation of income under the head "House Property" of Mr. Ranjan for AY 2022-23

Particulars	₹	₹
Gross Annual Value (₹ 45,000 x 12)		5,40,000
Less: Municipal taxes **(See Working Note 1)**		18,000
Net Annual Value (NAV)		5,22,000
Less: Deductions under section 24 (i) 30% of NAV	1,56,600	
(ii) Interest on housing loan **(See Working Note 2)**	2,24,400	
		3,81,000
Income chargeable under the head "House Property"		1,41,000

Working Notes :

(1) Municipal taxes deductible from Gross Annual Value	
As per proviso to section 23(1), municipal taxes actually paid by the owner during the previous year is allowed to be deducted from Gross Annual Value. Accordingly, only ₹ 18,000 paid on 25.05.2021 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2021-22.	
(2) Interest on housing loan allowable as deduction under section 24	
As per section 24(b), interest for the current year (₹ 22,00,000 x 9%)	₹ 1,98,000
Pre-construction interest	
For the period 01.08.2019 to 31.03.2020 (₹ 22,00,000 x 9% x 8/12) = ₹ 1,32,000	
₹ 1,32,000 allowed in 5 equal installments (₹ 1,32,000/5) from PY 2019-20 to PY 2021-22	₹ 26,400
	₹ 2,24,400
(3) Deduction under section 24(b), in respect of interest on housing loan for let out property, fully allowed without any limit.	

Q93 Nov 18

Mr. Chakrobarty, a resident, aged 35 years, works as a deputy manager in Dews Limited, located in Noida since April 2012. He own two houses and uses it for self -purpose. The following information relates to the houses for the previous year 2021-22;

Location	House-I	House-II
	Noida	Gurgaon
	(He and his family reside)	(His parents reside)
Municipal value per annum (₹)	8,00,000	9,00,000
Fair rent (₹)	9,20,000	8,80,000
Standard rent per annum (₹)	8,40,000	9,20,000
Actual rent (per month) (₹)	-	-
Municipal taxes paid during the year	8%	10%
Date of completion of construction of properties	31st March, 2014	25th May, 2021

He had taken a loan of ₹ 18,00,000 for the construction of the House -II on 1st April, 2019. Interest was payable @ 10% per annum. Till date, no payment was made towards the principal amount.

Mr. Chakrobarty, seeks your professional advice to plan his tax liability. Give suggestions to Mr. Chakrobarty which house should be considered and treated as a self -occupied property so that his house property income is minimum for the assessment year 2022-23.

Answer

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

Particulars		Amount in ₹	
		House I [Noida]	House II [Gurgaon]
Net Annual Value (NAV)		Nil	Nil
Less: Deductions under section 24			
a) 30% of NAV		Nil	Nil
b) Interest on borrowed capital [House II] Current year interest (₹ 18,00,000 x 10%)	1,80,000	-	
Pre-construction interest (allowable in five installments) ₹ 18,00,000 x 10% x 2 years (from 1.4.2019 to 31.3.2021)/5	72,000		2,00,000
Income from house property		**Nil**	**(2,00,000)**

Note: The Net Annual value of maximum two self-occupied residential house properties may be Nil. Further, the maximum deduction of interest allowable u/s 24(b) is ₹ 2,00,000.

Q94 RTP May 19

Shraddha has two flats in Mumbai, both of which are self-occupied. The particulars of these are given below:

Particulars	(Value in ₹)	
	Flat at Goregaon	Flat at Navi Mumbai
Municipal Valuation per annum	1,40,000	1,35,000
Fair Rent per annum	1,60,000	1,80,000
Standard rent per annum	1,40,000	1,90,000
Date of completion of construction	1-02-2012	24-08-2006
Municipal taxes payable during the year (paid for Flat at Navi Mumbai only)	10%	12%
Interest on money borrowed for repair of property during current year	-	72,000

Compute Shraddha's income from house property for the Assessment Year 2022-23. Also, suggest which flat should be opted by Shraddha to be assessed as self-occupied so that her tax liability is minimum.

Answer

In this case, Shraddha has more than one house property for self-occupation. As per section 23(4), Shraddha can avail the benefit of self-occupation (i.e., benefit of "Nil" Annual Value) in respect of two house properties.

Computation of income from Flats at Goregaon & Navi Mumbai as both are self-occupied

Particulars	Amount in Rupees	
	Flat at Goregaon	Flat at Navi Mumbai
Net Annual Value (NAV)	**Nil**	**Nil**
Less: Deductions under section 24		
(b) Interest on borrowed capital	-	72,000
Income from house property	**Nil**	**(72,000)**

Q95 May 19

Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in tum provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2021-22.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to	Let-out to
	Star Private Limited	Ms. Puja

₹ 17,000 were paid as interest on loan taken by mortgaging House 1 for construction of House 2.

During the previous year 2021-22, Mr. Madhvan purchased a rural agricultural land for ₹ 2,50,000. Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2022-23. All workings should form part of your answer.

Answer

Computation of taxable income of Mr. Madhvan for AY 2022-23

Particulars	₹	₹	₹
Salaries			
Basic Salary = ₹ 30,000 x 12		3,60,000	
Rent free accommodation		54,000	
[Lower of lease rental paid or payable by the employer (or) 15% of salary i.e., lower of ₹ 65,000 or ₹ 54,000, being 15% of ₹ 3,60,000]			
Gross Salary		**4,14,000**	
Less: Standard deduction u/s 16(ia)			
[Actual salary or ₹ 50,000, whichever is less]		50,000	
Net Salary			**3,64,000**
Income from house property	**House 1**	**House 2**	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	75,000	1,95,000	
Actual rent received	65,000	2,85,000	

Gross Annual Value			
[Higher of (C) and Actual rent]	75,000	2,85,000	
Less: Municipal tax paid	18,000	70,000	
Net Annual Value (NAV)	57,000	2,15,000	
Less: Deductions u/s 24			
30% of NAV	17,100	64,500	
Interest on loan	Nil	17,000	
	39,900	1,33,500	
Income from house property			
[₹ 39,900 + ₹ 1,33,500]			**1,73,400**
Income from Other Sources			
Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset]			Nil
Total Income			**5,37,400**

Note - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."

Q 96 RTP May 20

Mrs. Daya, a resident of India, owns a house property at Panipat in Haryana. The Municipal value of the property is ₹ 8,50,000, Fair Rent of the property is ₹ 7,30,000 and Standard Rent is ₹ 8,20,000 per annum.

The property was let out for ₹ 85,000 per month for the period April 2021 to December 2021.

Thereafter, the tenant vacated the property and Mrs. Daya used the house for self-occupation. Rent for the months of November and December 2021 could not be realized from the tenant. Mrs. Daya has not instituted any legal proceedings for recovery of the unpaid rent.

She paid municipal taxes @ 12% during the year and paid interest of ₹ 50,000 during the year for amount borrowed towards repairs of the house property.

You are required to compute her income from house property for the AY 2022-23.

Answer

Computation of income from house property of Mrs. Daya for the AY 2022-23

Particulars	Amount in ₹	
Computation of Gross Annual Value		
Expected Rent for the whole year = Higher of Municipal Value of ₹ 8,50,000 and Fair Rent of ₹ 7,30,000, but restricted to Standard Rent of ₹ 8,20,000	8,20,000	

Actual rent receivable for the let-out period = ₹ 85,000 × 9	7,65,000	
[Unrealised rent is not deductible from actual rent in this case since Mrs. Daya has not instituted any legal proceedings for recovery of unpaid rent. Hence, one of the conditions laid out in Rule 4 has not been fulfilled]		
GAV is the higher of Expected Rent for the whole year and Actual rent received/receivable for the let-out period	8,20,000	
Gross Annual Value (GAV)		**8,20,000**
Less: Municipal taxes (paid by the owner during the previous year) = 12% of ₹ 8,50,000		1,02,000
Net Annual Value (NAV)		**7,18,000**
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 7,18,000	2,15,400	
(b) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let-out property)	50,000	2,65,400
Income from house property		**4,52,600**

Q 97 RTP Nov 20

Ms. Pihu has three houses, all of which are self-occupied. The particulars of these houses are given below:

Particulars	(Value in ₹)		
	House – I	**House – II**	**House-III**
Municipal Valuation per annum	1,30,000	1,20,000	1,20,000
Fair Rent per annum	1,10,000	1,85,000	1,45,000
Standard rent per annum	1,00,000	1,90,000	1,30,000
Date of completion	30-01-2005	31-07-2008	31.5.2011
Municipal taxes payable during the year (paid for House II & III only)	12%	9%	10%
Interest on money borrowed for repair of property during current year	-	75,000	-

You are required to compute Pihu's income from house property for the Assessment Year 2022-23 and suggest which houses should be opted by Pihu to be assessed as self-occupied so that her tax liability is minimum.

Answer

In this case, Pihu has more than two house properties for self-occupation. As per section 23(4), Pihu can avail the benefit of self-occupation (i.e., benefit of "Nil" Annual Value) only in respect of any two of the house properties, at her option. The other house property would be treated as "deemed let-out" property, in respect of which the Expected rent would be the gross annual value. Pihu should, therefore, consider the most beneficial option while deciding which house properties should be treated by her as self-occupied.

OPTION 1 [House I & II – Self-occupied and House III- Deemed to be let out]

If House I and II are opted to be self-occupied, Pihu's income from house property for A.Y.2022-23 would be –

Particulars	Amount in ₹
House I (Self-occupied) [Annual value is Nil]	Nil
House II (Self-occupied) [Annual value is Nil, but interest deduction would be available, subject to a maximum of ₹ 30,000. In case of money borrowed for **repair of self-occupied property**, the interest deduction would be restricted to ₹30,000, irrespective of the date of borrowal].	(30,000)
House III (Deemed to be let-out) **[See Working Note below]**	82,600
Income from house property	52,600

OPTION 2 [House I & III – Self-occupied and House II- Deemed to be let out]

If House I and III are opted to be self-occupied, Pihu's income from house property for A.Y.2022-23 would be –

Particulars	Amount in ₹
House I (Self-occupied) [Annual value is Nil]	Nil
House II (Deemed to be let-out) **[See Working Note below]**	46,940
House III (Self-occupied) [Annual value is Nil]	Nil
Income from house property	46,940

OPTION 3 [House I – Deemed to be let out and House II & III – Self-occupied]

If House II and III are opted to be self-occupied, Pihu's income from house property for A.Y.2022-23 would be –

Particulars	Amount in ₹
House I (Deemed to be let-out) **[See Working Note below]**	70,000
House II (Self-occupied) [Annual value is Nil, but interest deduction would be available, subject to a maximum of ₹ 30,000. In case of money borrowed for repair of self-occupied property, the interest deduction would be restricted to ₹30,000, irrespective of the date of borrowal].	(30,000)
House III (Self-occupied) [Annual value is Nil]	Nil
Income from house property	40,000

Since Option 3 is more beneficial, Pihu should opt to treat House – II & III as Self-occupied and House I as Deemed to be let out, in which case, her income from house property would be ₹ 40,000 for the A.Y. 2022-23.

Working Note:

Computation of income from House I, II and House III assuming that all are deemed to be let out

Particulars	Amount in Rupees		
	House I	House II	House III
Gross Annual Value (GAV) Expected rent is the GAV of house property Expected rent= Higher of Municipal Value and Fair Rent but restricted to Standard Rent	1,00,000	1,85,000	1,30,000
Less: Municipal taxes (paid by the owner during the previous year)	Nil	10,800	12,000
Net Annual Value (NAV)	1,00,000	1,74,200	1,18,000
Less: **Deductions under section 24**			
(a) 30% of NAV	30,000	52,260	35,400
(b) Interest on borrowed capital (allowed in full in case of deemed let out property)	-	75,000	-
Income from deemed to be let-out house property	70,000	46,940	82,600

Q 98 MTP Mar 21

Mr. Naveen and Mr. Vikas constructed their houses on a piece of land purchased by them at Delhi. The built up area of each house was 1,800 sq. ft. ground floor and an equal area in the first floor. Naveen started construction on 1-04-2019 and completed on 1-04-2021. Vikas started the construction on 1-04-2019 and completed the construction on 30-09-2021. Naveen occupied the entire house on 01-04-2021. Vikas occupied the ground floor on 01-10-2021 and let out the first floor for a rent of ₹20,000 per month. However, the tenant vacated the house on 31-12-2021 and Vikas occupied the entire house during the period 01-01-2022 to 31-03-2022.

Following are the other information

(i)	Fair rental value of each unit (ground floor /first floor)	₹ 1,00,000 per annum
(ii)	Municipal value of each unit (ground floor / first floor)	₹ 72,000 per annum
(iii)	Municipal taxes paid by	Naveen – ₹ 8,000 Vikas – ₹ 8,000
(iv)	Repair and maintenance charges paid by	Naveen – ₹ 28,000 Vikas – ₹ 30,000

Naveen has availed a housing loan of ₹ 15 lakhs @ 12% p.a. on 01-04-2019. Vikas has availed a housing loan of ₹ 10 lakhs @ 10% p.a. on 01-07-2019. No repayment was made by either of them till 31-03-2022. Compute income from house property for Naveen and Vikas for the previous year 2021-22.

Answer

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

Particulars	₹	₹
Annual value is nil (since house is self occupied)		Nil
Less: Deduction under section 24(b)		
Interest paid on borrowed capital ₹15,00,000 @ 12%	1,80,000	
Pre-construction interest ₹3,60,000/5	72,000	
As per second proviso to section 24(b), interest deduction restricted to	2,52,000	2,00,000
Loss under the head "Income from house property" of Mr. Naveen		(2,00,000)

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

Particulars	Ground floor Self occupied)	First floor
Gross annual value (See Note below)	Nil	60,000
Less: Municipal taxes (for first floor)		4,000
Net annual value(A)	Nil	56,000
Less: Deduction under section 24		
(a) 30% of net annual value		16,800
(b) interest on borrowed capital		
Current year interest		
₹10,00,000 x 10% = ₹1,00,000	50,000	50,000
Pre-construction interest		
₹10,00,000 x 10% x 21/12 = ₹1,75,000		
₹1,75,000 allowed in 5 equal installments		
₹1,75,000/5 = ₹35,000 per annum	17,500	17,500
Total deduction under section 24	67,500	84,300
Income from house property (A)-(B)	(67,500)	(28,300)
Loss under the head "Income from house property" of Mr. Vikas (both ground floor and first floor)	(95,800)	

Note: Computation of Gross Annual Value (GAV) of first floor of Vikas's house

If a single unit of property (in this case the first floor of Vikas's house) is let out for some months and self-occupied for the other months, then the Expected Rent of the property shall be taken into account for determining the annual value. The Expected Rent shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

The Expected Rent is the higher of fair rent and municipal value. This should be considered for 6 months since the construction of property was completed only on 30.9.2021.

Expected rent =	₹ 50,000 being higher of - Fair rent = 1,00,000 x 6 /12 = ₹50,000 Municipal value = 72,000 x 6/12 = ₹ 36,000
Actual rent =	₹ 60,000 (₹20,000 p.m. for 3 months from October to December, 2021)
Gross Annual Value =	₹ 60,000 (being higher of Expected Rent of ₹50,000 and actual rent of ₹60,000)

Q 99 RTP May 21

Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the financial year 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 the 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.

Answer

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:

	Particulars	₹	₹
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		5,400
	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 under the head "Income from house property" (₹ 2,00,000 - ₹ 82,220)			(1,17,780)

Note: Interest on borrowed capital

Particulars		₹
Interest for the current year [18,00,000 x 9.5%]		1,71,000
Add: 1/5th 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

Q 100 May 21 (New)

Mr. Ramesh constructed a big house (construction completed in Previous Year 2009-10) with 3 independent units. Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 15,000. A sum of ₹ 3,000 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Ramesh is occupied by the tenant. Unit - 1 remains vacant for 2 months when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Ramesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation - ₹ 1,88,000 Fair rent - ₹ 2,48,000

Standard rent under the Rent Control Act - ₹ 2,28,000

Municipal taxes - ₹ 20,000 Repairs - ₹ 5,000

Interest on capital borrowed for the construction of the property - ₹ 60,000, ground rent ₹ 6,000 and fire insurance premium paid - ₹ 60,000.

Income of Ramesh from the business is ₹ 1,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Ramesh for the assessment year 2022-23 if he does not opt to be taxed under section 115BAC.

Answer

Computation of Taxable Income of Mr. Ramesh for A.Y. 2022-23 under the regular provisions of the Act

Particulars		Amount (₹)	Amount (₹)
Income from house property			
Unit - 1 [50% of floor area - Let out]			
Gross Annual Value, higher of - Expected rent ₹ 1,14,000 [Higher of Municipal Value of ₹ 94,000 p.a. and Fair Rent of ₹ 1,24,000 p.a., but restricted to Standard Rent of ₹ 1,14,000 p.a.] - Actual rent ₹ 1,47,000 [₹ 15,000 x 10] less unrealized rent[1] of ₹ 3,000			
Gross Annual Value (Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)		1,47,000	
Less: Municipal taxes [50% of ₹20,000[2]]		10,000	
Net annual value		1,37,000	
Less: Deductions from Net Annual Value			
(a) 30% of Net Annual Value		41,100	
(b) Interest on loan [50% of ₹ 60,000]		30,000	65,900
Unit – 3 [25% of floor area – Self occupied]			
Net Annual Value		-	
Less: Interest on loan [25% of ₹ 60,000]		15,000	(15,000)
Income from house property			50,900
Profits and gains from business or profession			1,02,250
Business Income [without deducting expenditure on Unit - 2 25% floor area used for business purposes]		1,40,000	
Less: Expenditure in respect of Unit -2			
- Municipal taxes [25% of ₹ 20,000[3]]	5,000		
- Repairs [25% of ₹ 5,000]	1,250		
- Interest on loan [25% of ₹ 60,000]	15,000		
- Ground rent [25% of ₹ 6,000]	1,500		
- Fire Insurance premium [25% of ₹ 60,000]	15,000	37,750	
Taxable Income			1,53,150

1 Since the conditions laid down under Rule 4 of Income-tax Rules, 1962, are satisfied
2 Assumed to have been paid during the year by Mr. Ramesh
3 Assumed to have been paid on or before the due date u/s 139(1)

Q 101 Nov 21 (New)

Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property:

Municipal taxes of ₹ 4,00,000 for the financial year 2021-22 (10% rebate is obtained for payment before due date.) Arrears of municipal tax of financial year 2020-21 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000.

Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which made in cash.

Salary of ₹ 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr. Ravi for the assessment year 2022-23 assuming that Mr. Ravi has not opted provisions under section 115BAC.

Answer

Computation of total income of Mr. Ravi for A.Y. 2021-22 under the regular provisions of the Act

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Gross Annual Value - Expected rent ₹ 29,80,000 [Higher of Municipal Value of ₹ 27,00,000 p.a. and Fair Rent of ₹ 30,00,000 p.a., but restricted to Standard Rent of ₹ 29,80,000 p.a.] - Actual rent ₹ 29,40,000 [₹ 30,00,000, being annual rent for house property less rent of ₹ 60,000 (₹ 2,40,000 x 4/12 x 3/4) due to vacancy]		
Gross Annual Value	29,40,000	
In this case, the actual rent is lower than the expected rent due to vacancy. Otherwise, the actual rent of ₹ 30,00,000 would have been higher than the expected rent. In such a case, the actual rent would be the gross annual value, even if it is lower than the expected rent.		
Less: Municipal taxes actually paid during the year: [₹ 4,00,000 – rebate of ₹ 40,000] = ₹ 3,60,000 [₹ 1,40,000 arrears – ₹ 25,000 interest] = ₹ 1,15,000	4,75,000	
Net Annual Value	24,65,000	
Less: **Deduction from Net Annual Value**		
30% of Net Annual Value	7,39,500	
		17,25,500

Income from Other Sources/Profits and gains from business or profession			
Rent for amenities		10,00,000	
Less: Loss due to vacancy [₹ 2,40,000 x 4/12 x ¼]		20,000	
		9,80,000	
Less: Expenditure in respect thereof			
- Lift maintenance expenses [excluding cash payment of ₹ 30,000 disallowed] = ₹ 2,40,000 – ₹ 30,000	2,10,000		
- Salary to staff [₹ 88,000 x1/4, being the proportion pertaining to amenities]	22,000		
		2,32,000	7,48,000
Total Income			24,73,500