

* HP → House Property

Income from House Property

→ Income earned from the let out of House Property shall be taxable in Income from House Property

Basic conditions for taxability of Income as Income from House Property

- There must be a House Property.
- Ownership of the House property must be there.
- House property not used in business and profession

↓
Directly

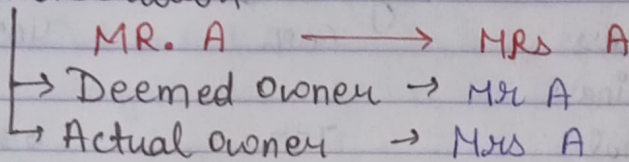
↓
Indirectly

↓
office, Shop,
godown

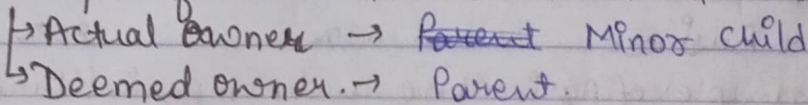
↓
let out to some other person
in the interest of business

⇒ Deemed Ownership

1.) House property transferred to spouse without consideration



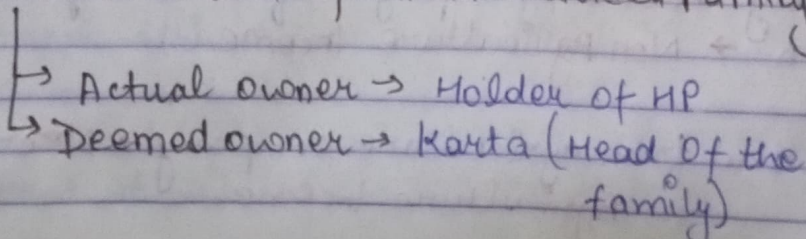
2.) Transfer of HP to minor child without consideration



Exception :-

- if full consideration is received
- in case of married minor daughter.

3.) Impartible asset of Hindu Undivided family

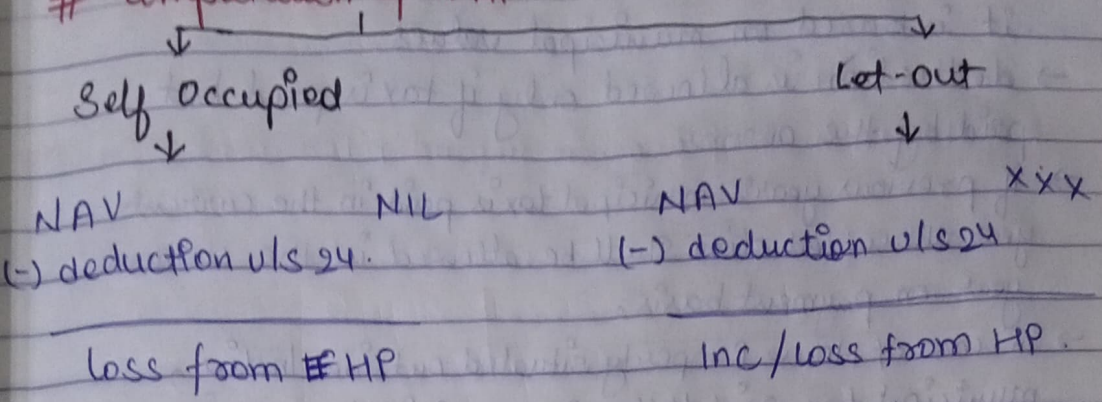


* IFHP \rightarrow Income from House Property.

* U/S \rightarrow under section.

* NAV \rightarrow Net Annual Value.

Computation of IFHP



\Rightarrow Computation of NAV in case of Let out HP

~~Municipal Rent (a.)~~
~~Fair Rent (b.)~~
whichever is high/more. (c.)
~~Standard Rent (d.)~~

- 1.) Municipal Rent
- 2.) Fair Rent
- 3.) whichever is more (1 or 2)
- 4.) Standard Rent
- 5.) Expected Rent (whichever is less (3 or 4))
- 6.) Annual Rent (12 months)
E.) unrealised Rent
F.) Rent of self occupied period
Actual Rent Rec.
- 7.) GAV (Gross Annual Value) (whichever is more (5 or 6))
(-) vacancy period Rent
- 8.) GAV after vacancy period
(-) Municipal Tax
- 9.) NAV (Net Annual Value)
(-) Standard deductions u/s 24.
Income from House property.

⇒ Municipal Tax

it is based on municipal values.

- deduction is allowed only if tax is paid but paid by the owner
- if previous year's municipal tax is paid in the current year then deduction shall be allowed in the current year on payment basis.
- in case of House Property situated outside India, municipal tax paid to foreign municipal authority shall be deducted.

⇒ Adjustments in Actual Rent

↓
Liability of owner

↓
paid by tenant
↓

Then added to the actual rent

↓
Liability of Tenant

↓
Subtracted from the actual rent.

⇒ Deduction u/s 24.

1.) Standard Deduction

↳ This deduction is allowed for the expenditures incurred to earn the IFHP

→ This expenditure is allowed on standard basis, not on actual basis.

→ 30% of NAV is allowed as deduction irrespective of actual expenditure.

These deductions are not allowed in following cases

1.) In case of self occupied House Property as Net Annual Value in such case is NIL

2.) In case of let out House Property whose Net Annual value is NIL

NAV of Let out House Property is NIL

↳ when municipal taxes paid are greater than Gross Annual Value (GAV)

⇒ Interest on Borrowed Capital

Let out House Property

↓
No Restriction in deduction

30000

→ if anyone from the following conditions is satisfied

- * loan is taken before 31st March 1999
- * loan is taken for repair
- * Amount is not utilised within 5 years

Self occupied House Property

↓
Restricted

200000

→ if all 3 conditions are satisfied

- * loan is taken after 31st March 1999
- * loan is taken for purchase or construction of House Property
- * Amount is utilised within 5 years.

⇒ Types of Interest

Capital Interest

↓
Interest for the period of loan taken to the date of construction of House Property

Revenue Interest

↓
Interest after the construction of House Property

→ Calculation of Interest

Capital Interest

→ If the amount of loan is repaid before construction

$$\frac{\text{Amount of loan} \times \text{Rate of Interest} \times \text{Period} \times \frac{1}{5}}$$

(from loan taken to loan repaid)

→ If amount of loan is not repaid.

$$\frac{\text{Amount of loan} \times \text{Rate of Interest} \times \text{Period} \times \frac{1}{5}}$$

Revenue Interest

→ Amount of loan \times Rate of Interest \times Period