

# INCOME FROM HOUSE PROPERTY



BASIS OF CHARGE [Section 22]			A. DETERMINATION OF GROSS ANNUAL VALUE [SECTION 23]	
<b>Building + Land attached</b> <ul style="list-style-type: none"> <li>Rent of Vacant Land → IPOS</li> <li>Subletting of HP → IPOS</li> </ul>	<b>Ownership of HP in PY</b> <ul style="list-style-type: none"> <li>+ Deemed Ownership</li> <li>Registered/Beneficial</li> </ul>	<b>Not used for Business</b> <ul style="list-style-type: none"> <li>If used for Business → No Tax u/h PGBP</li> </ul>	<b>1</b> Expected Rent (ER) → Higher of (a) MV or (b) FR subject to Max. of SR.	<b>2</b> Calculate Actual Rent Received (ARR) → Rent receivable + Unrealized Rent
<ul style="list-style-type: none"> <li>HP with Disputed Title → Owner of HP = As Decided by IT Dep. till the court order.</li> <li>Income from Sale of House Property → Taxable u/h "Capital Gains".</li> </ul>			<b>3</b> GAV = Higher of (1) ER or (2) ARR	<b>PC Note:</b> Vacancy Loss (Rent for Vacant Period) → Not Included in ARR.
<b>Rental Income from HP held as SIT (Taxed u/h HP)</b> <ul style="list-style-type: none"> <li>NAV of HP held as SIT = Nil for 2 years from the end of the FY in which completion certificate is issued if not Let Out for such period.</li> </ul>			<b>LOP - With Vacancy (Imp)</b> <ul style="list-style-type: none"> <li>Calculate ER for whole year even if HP was vacant</li> <li>ARR → Rent for Let out period shall only be taken</li> <li>If ARR &gt; ER → GAV = ARR.</li> <li>If ARR &lt; ER due to vacancy → GAV = ARR.</li> <li>If ARR &lt; ER due to other reason → GAV = ER.</li> </ul>	<b>SOP/Unoccupied HP</b> <ul style="list-style-type: none"> <li>GAV = Nil for 2 houses (Only for Individual/HUF)</li> <li>MT Paid → No Deduction</li> <li>Thus NAV = Nil</li> </ul>
<b>COMPOSITE LETTING [HP + Other Assets/Services]</b>			<b>LOP for Part Year &amp; SOP for Part Year</b> <ul style="list-style-type: none"> <li>ER → for whole year.</li> <li>ARR → for Let out period only.</li> <li>GAV = Higher of (i) ER (whole year) or (ii) ARR (Let out Period)</li> </ul>	<b>Deemed LOP</b> <ul style="list-style-type: none"> <li>&gt;2 Houses &amp; All are SOP</li> <li>2 HP = SOP &amp; Other HP = DLOP</li> <li>GAV of DLOP → ER [No ARR]</li> <li>GAV of SOP = Nil</li> </ul>
<b>Tax Treatment</b>	<b>Two lettings are separable</b>	<b>Two lettings are not separable</b>	<b>Single House - One portion is Let &amp; other portion is SOP [Imp case]</b> <ul style="list-style-type: none"> <li>SOP → GAV = Nil; No deduction of Municipal taxes paid;</li> <li>Limit on Interest u/s 24(b) = Rs. 30,000/2,00,000 [Keep in Mind]</li> <li>For LOP → ER shall be computed on proportionate basis.</li> </ul>	
Rent from HP	Taxable u/h HP	Taxable u/h PGBP or IPOS.	<b>B. MUNICIPAL TAXES</b> → Deducted from GAV if paid by Owner during PY	
Rent from others	Taxable u/h PGBP or IPOS	Ex: Hotel Business/PG.	<ul style="list-style-type: none"> <li>Deductible in PY of Payment even if they relate to past years.</li> <li>Foreign MT paid → Deductible if TDS Done.</li> <li>Refund of Municipal Tax Paid → Not Taxable.</li> </ul>	
<b>PC Note:</b> Expenses for other facilities → Deductible in computing PGBP/IPOS income.				
<b>INCOME FROM FOREIGN HOUSE PROPERTY</b>				
1. ROR (Note)	Taxable, whether or not such income is brought into India			
2. RNOR/NR	Taxable only if it is received in India.			
<b>PC Note:</b> Municipal Taxes Paid o/s India - Deductible if TDS done.				
<b>HOW TO COMPUTE INCOME FROM HOUSE PROPERTY</b>				
A. Gross Annual Value (GAV)		xxx		
B. Less: Municipal tax paid by owner during PY		(xxx)		
C. Net Annual Value (NAV) [A - B]		xxx		
D. Less: Deduction u/s 24		(xxx)		
24(a): Standard deduction (30% of NAV)		(xxx)		
24(b): Interest on borrowed Capital		(xxx)		

**Net Annual Value = GAV - Municipal Taxes paid by owner during PY.**

### D. DEDUCTIONS U/S 24

**Sec 24(a): Standard Deduction = 30% of NAV** [Flat Deduction] [No other deduction]

**Sec 24(b): Interest on Borrowed Capital** [Deductible on Accrual Basis]

❖ **Current Year Interest** → [Interest of PY of completion of construction & afterwards]  
Interest = Amount of Loan × ROI p.a (Without any limit)

❖ **Pre-Construction Interest** → Deductible in 5 successive PYs from PY of completion  
• Start: From Date of Borrowing &  
• End: (a) Repayment date or (b) 31<sup>st</sup> March before completion of construction [W.L.E]

**PC Note:** Interest will be aggregated from date of borrowing till the end of PY prior to PY of completion of construction & NOT till the date of completion of construction.

**PC Note:**

- Interest on fresh loan taken to repay original loan → Deductible.
- Brokerage/commission for Arrangement of loan → Not Deductible.
- Interest on unpaid interest → Not Deductible.
- If loan is taken from o/s India → Interest is deductible if TDSDone.

#### LIMIT ON DEDUCTIONS OF INTEREST FOR SOP [No Limit for LOP/DLOP]

Case	Max. Deduction
Loan for repair/renovation of HP on/after 1.4.1999	Max. 30,000
Loan for acquisition/construction of HP on/after 1.4.1999 & such acquisition or construction is completed within 5 year	Max. 2 Lacs

**PC Note:** Limit is applicable combined for 2 SOPs & not for each SOP.

**Note:** No Deduction of Interest u/s 24(b) for SOP/UOP under section 115BAC.

**Note:** Interest u/s 24(b) for LOP/DLOP is allowed in both the regimes (New & Old).

#### TREATMENT OF INCOME FROM CO-OWNED PROPERTY [Section 26]

Co-owned HP is SOP	Co-owned HP is LOP
For Each Co-owner: • Annual Value → Nil • Deduction of 30K/2 L u/s 24(b) separately for each co-owner.	• Compute Income from HP as if there is one owner • Income so computed shall be apportioned amongst each co-owner as per their share.

**Note:** If Shares of co-owners are not definite: Income from HP → Taxed as Income of AOP.

**HP OWNED BY P'SHIP FIRM** → Income is assessed in hands of firm & not to partners

### DEEMED OWNERSHIP [SEC 27]

1. **Transfer of HP to spouse for inadequate consideration** → Transferor is deemed to be owner of HP transferred. [Except: Transferred under agreement to live apart].

2. **Transfer of HP to Minor Child for inadequate consideration** → Transferor is deemed as owner of HP. [Except: HP is transferred to a minor married daughter]

3. **Holder of impartible Estate** → Deemed as owner of all properties in the estate.

4. **Member of a Co-operative Society** to whom a building is allotted/leased under House Building Scheme of → Deemed as owner of that building allotted to him although co-operative society is legal owner of that building.

5. **Person in possession of HP under part-performance of a contract [Sec 53 of TOPA]** Buyer will be deemed as owner of HP although not registered in his name.

6. **Person having right in a property by way of Lease for 12 years or more:** A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.

**Exception:** Lease is acquired from month-to-month basis or for < 1 year.

#### EXEMPT INCOME FROM HOUSE PROPERTY

1. Income from Farmhouse [If building is in immediate vicinity of Agri. Land]
2. Property held for charitable or religious purposes.
3. House property used for own business/profession.
4. Income from House property of Registered Trade union/Local Authority.
5. Annual value of 1 Palace of Ex-ruler.

#### Unrealised Rent & Arrears of Rent received Subsequently [Sec 25A]

- Taxable @ 70 % of Amount Received in PY of Receipt
- Amount taxed earlier will not be taxable again.

**Q. When unrealized rent shall be deducted from actual rent receivable?**

**Answer:** If all the following conditions are satisfied:

- (a) Tenancy is bonafide;
- (b) Defaulting tenant has vacated, or steps have been taken to vacate the property;
- (c) Defaulting tenant is NOT in occupation of any other property of the assessee;
- (d) Assessee has taken all reasonable steps to institute legal proceedings for recovery of unpaid rent or satisfies AO that legal proceedings would be useless.

**ALTERNATE VIEW:** Income tax returns permits deduction of URR from GAV.