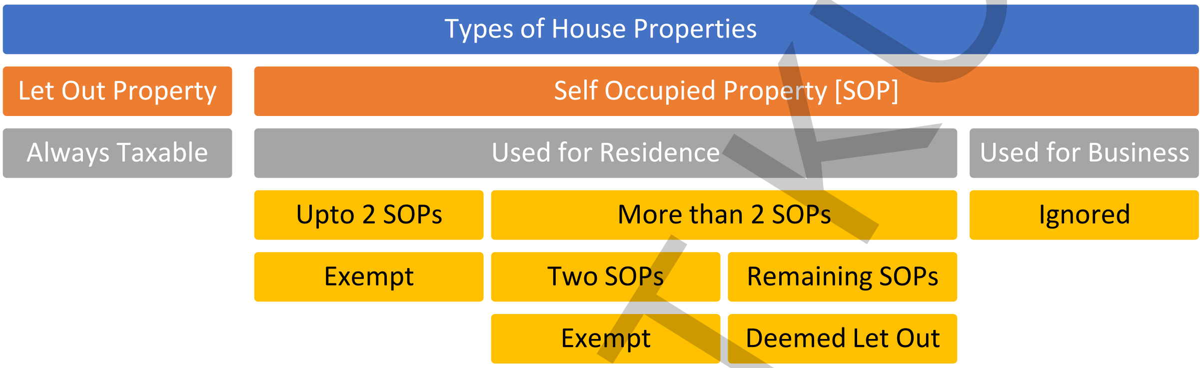
Chapter 4 – Income from House Property

Section 22: Charging Section of House Property

1. There should be House Property (Building and Land appurtenant thereto)
2. Assessee should be the OWNER of such House Property

Types of House Properties



Computation of Income from House Property

Particulars			₹
(i)	Municipal Value		xxx
(ii)	Fair Rent		xxx
(iii)	Higher of (i) and (ii)		xxx
(iv)	Standard Rent		xxx
(v)	Expected Rent [Lower of (iii) and (iv)]		xxx
(vi)	Actual Rent Received/Receivable (Note 1)		xxx
	GAV [Higher of (v) and (vi)]		xxx
	Less: Municipal Taxes (Note 2)		xxx
	NAV		xxx
	Less: Deductions u/s 24		
	Less: 30% of NAV	xxx	
	Interest on Loan	xxx	xxx
	Income from House Property		xxx

Notes:

1. Actual Rent Received/Receivable

Particulars	₹

Rent Received	xxx
Add: Rent Receivable	xxx
	xxx
Less: Unrealised Rent	xxx
Actual Rent Received/Receivable	xxx

2. Deduction of Municipal Taxes is allowed only if they are actually paid. Also, the payment should be made by the owner, not by the tenant.

Interest on Loan

Criteria	Details
Purpose of Loan	Purchase, construction, repair, renovation of House Property
Source of Loan	Banks, Financial Institutions, Friends, Family, etc.
Interest Deduction Basis	Allowed on "due basis" (even if not paid during the year)
Penal Interest	Not allowed as deduction
Fresh Loan for Earlier Loan	Interest allowed as deduction
Loan from Overseas	Interest allowed if tax is deducted at source
Limit of Deduction - Let Out Property	Full interest on loan allowed (No limit)

Limit of Deduction - Self-Occupied Property	• Default Scheme (New Scheme): No deduction allowed.
	• Optional Scheme (Old Scheme):
	  ○ For loans taken on/after 01-04-1999 for purchase or construction, with construction completed within 5 years: ₹2,00,000 maximum
	  ○ For repairs, renewals, re-construction: ₹30,000 maximum.
	• Note: Maximum interest allowed on self-occupied properties under the Optional Scheme is ₹2,00,000.

Other Expenses

No deduction is allowed in respect of any other expense such as Repair & Maintenance, Insurance Expenses, Electricity and Water Charges, Parking Charges, Society Charges, etc.

Question 3 – ICAI SM – Illustration 4

Anirudh has a property whose municipal valuation is ₹ 1,30,000 p.a. The fair rent is ₹ 1,10,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 1,20,000 p.a. The property was let out for a rent of ₹ 11,000 p.m. throughout the previous year. Unrealised rent was ₹ 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @10% of municipal valuation. Interest on borrowed capital was ₹ 40,000 for the year. Compute the income from house property of Anirudh for A.Y. 2025-26.

Solution

Computation of Income from House Property of Anirudh for A.Y. 2025-26

Particulars			Amount
(i)	Municipal Value		
(ii)	Fair Rent		
(iii)	Higher of (i) and (ii)		
(iv)	Standard Rent		
(v)	Expected Rent [Lower of (iii) and (iv)]		
(vi)	Actual Rent Received/Receivable (W.N. 1)		
	GAV [Higher of (v) and (vi)]		
	Less: Municipal Taxes		
	NAV		
	Less: Deductions u/s 24		
	30% of NAV		
	Interest on Loan		
	Income from House Property		

W.N. 1 - Actual Rent Received/Receivable

Particulars	₹
Rent Received (₹ 11,000 × 11) Add: Rent Receivable (₹ 11,000 × 1)	
 Less: Unrealised Rent	
Actual Rent Received/Receivable	

Pre-Construction Period Interest/Pre-Acquisition Period Interest

Criteria	Details
Pre-Construction/Pre-Acquisition Interest Definition	Interest paid on loan (taken for purchase or construction) prior to the Previous Year in which the construction gets completed.
Deduction of Pre-Construction/Pre-Acquisition Interest	Allowed as deduction in 5 annual instalments starting from the previous year in which the construction got completed.

Question 8

Mr. Hari has taken a loan from Axis Bank for construction of House Property on 01-12-2021 of ₹ 42,00,000 @ 7%. He paid Principal amount as follows:

01-04-2022	7,00,000
01-10-2022	4,00,000
01-02-2024	5,00,000
01-07-2024	7,00,000

Construction completed on 10-12-2024. Compute Interest for P.Y. 2024-25 (A.Y. 2025-26).

Solution

Calculation of Interest to be Allowed in P.Y. 2024-25

Particulars	₹
Pre-Construction Interest: 2021-22 (7% × ₹ 42,00,000 × 4/12) 2022-23 {(7% × ₹ 35,00,000 × 6/12) + (7% × ₹ 31,00,000 × 6/12)}	

2023-24 {(7% × ₹ 31,00,000 × 10/12) + (7% × ₹ 26,00,000 × 2/12)}		
Pre-Construction Interest to be allowed every year (₹ 5,40,167 ÷ 5)		
Add: Interest for P.Y. 2024-25 {(7% × ₹ 26,00,000 × 3/12) + (7% × ₹ 19,00,000 × 9/12)}		
Interest to be allowed in P.Y. 2024-25		

Question 9

NISH10 has one house property at Tagore Town in Prayagraj. He stays with his family in the house. The rent of similar property in the neighborhood is ₹ 25,000 p.m. The municipal valuation is ₹ 23,000 p.m. Municipal Taxes paid is ₹ 8,000. The house was constructed in the year 2018 with a loan of ₹ 20,00,000 taken from SBI Housing Finance Ltd. The construction was completed on 30.11.2020. The accumulated interest up to 31.3.2020 is ₹ 1,50,000. During the previous year 2024-25, NISH10 paid ₹ 2,08,000 which included ₹ 1,74,000 as interest. There was no principal repayment prior to this date. Compute NISH10's income from house property for A.Y. 2025-26 assuming that NISH10 has decided to shift out of the default scheme.

Solution

Computation of Income from House Property of NISH10 for A.Y. 2025-26

Particulars		**Amount**
NAV		
Less: Deductions u/s 24		
30% of NAV		
Interest on Loan (W.N. 1)		
Income from House Property		

W.N. 1 - Calculation of Interest on Loan

Particulars	₹
Pre-Construction Interest (Refer Note)	
Post Construction Interest	
Restricted to	

Since the construction was completed in F.Y. 2020-21, interest accrued upto 31-03-2020, i.e., ₹ 1,50,000 is Pre-Construction interest. It'll be allowed in 5 equal instalments from the year in which the construction was completed. Therefore, Interest to be allowed every year = ₹ 1,50,000 ÷ 5 = ₹ 30,000

Concept of Vacancy

Condition	Gross Annual Value
Actual Rent + Vacancy Rent ≥ Expected Rent	GAV = Actual Rent
Actual Rent + Vacancy Rent < Expected Rent	GAV = Expected Rent

Partly Let Out Property (Area Wise)

Component	Treatment
Let-Out Portion (LOP)	Treated as Let-Out Property. Actual rent applies only to LOP.
Self-Occupied Portion (SOP)	Treated as Self-Occupied Property. No actual rent division.
Municipal Value	Divided between SOP and LOP based on area.
Fair Rent	Divided between SOP and LOP based on area.
Standard Rent	Divided between SOP and LOP based on area.
Municipal Taxes	Divided between SOP and LOP based on area.
Interest on Loan	Divided between SOP and LOP based on area.
Actual Rent	Not divided; it is always considered for LOP only.
Limit of Interest on Loan	• On Let Out Property: No Limit • On Self-Occupied Property: ○ Under Optional Scheme: Maximum ₹30,000/₹2,00,000 ○ Under Default Scheme: NIL

Question 14 – ICAI SM – Question 2

Mr. X owns one 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 ₹ 8,000 p.m. The rented unit was vacant for 2 months during the year. The particulars of the house for the previous year 2024-25 are as under:

Standard Rent	₹ 1,62,000 p.a.
Municipal Valuation	₹ 1,90,000 p.a.
Fair Rent	₹ 1,85,000 p.a.
Municipal Tax (paid by Mr. X)	15% of Municipal Value
Light and water charges	₹ 500 p.m.
Interest on borrowed capital	₹ 1,500 p.m.
Lease money	₹ 1,200 p.a.
Insurance charges	₹ 3,000 p.a.
Repairs	₹ 12,000 p.a.

Compute income from house property of Mr. X for the A.Y. 2025-26 if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

Solution

Computation of Income from House Property of Mr. X for A.Y. 2025-26

	Particulars	SOP	LOP
(i)	Municipal Value		
(ii)	Fair Rent		
(iii)	Higher of (i) and (ii)		
(iv)	Standard Rent		
(v)	Expected Rent [Lower of (iii) and (iv)]		
(vi)	Actual Rent Received/Receivable (W.N. 1)		
	GAV (W.N. 1)		
	Less: Municipal Taxes		
	NAV		
	Less: Deductions u/s 24		
	30% of NAV		
	Interest on Loan		

	Income from House Property		

Net Income from House Property

W.N. 1 - Calculation of GAV

Particulars	**₹**
Expected Rent	
Actual Rent	
Vacancy Rent	
AR + VR	
GAV (Since AR + VR > ER, GAV = AR)	

Question 18 – RTP May, 2020

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 2024 to December 2024.

Thereafter, the tenant vacated the property and Mrs. Daya used the house for self-occupation. Rent for the months of November and December 2024 could not be realized from the tenant. Mrs. Daya has not instituted any legal proceedings for the recovery of 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 A.Y. 2025-26, if Mr. Daya decides to shift out of the default tax regime.

Solution

Computation of Income from House Property of Mrs. Daya for A.Y. 2025-26

	Particulars	₹
(i)	Municipal Value	
(ii)	Fair Rent	
(iii)	Higher of (i) and (ii)	
(iv)	Standard Rent	
(v)	Expected Rent [Lower of (iii) and (iv)]	
(vi)	Actual Rent Received/Receivable (W.N. 1)	
	GAV [Higher of (v) and (vi)]	
	Less: Municipal Taxes	
	NAV	
	Less: Deductions u/s 24	
	30% of NAV	
	Interest on Loan	
	Income from House Property	

Working Notes

1. Actual Rent = Rent Received + Receivable – Unrealised Rent
   Therefore, Actual Rent = ₹ 85,000 × 9 = ₹ 7,65,000
   Unrealised rent for two months will not be deducted because it is given that Mrs. Daya has not instituted any legal proceedings for the recovery of unpaid rent, hence the condition of Rule 4 is not satisfied.

Partly Let Out Property (Time Wise)

If property is let out for some period and self-occupied for remaining period, then such property is treated as Let Out Property only. If property is let out even for one day, it'll be treated as LOP only.

Question 15 – ICAI SM – Illustration 7

Smt. Rajalakshmi owns a house property at Adyar in Chennai. The municipal value of the property is ₹ 5,00,000, fair rent is ₹ 4,20,000 and standard rent is ₹ 4,80,000. The property was let-out for ₹ 50,000 p.m. up to December 2024. Thereafter, the tenant vacated the property and Smt. Rajalakshmi used the house for self-occupation. Rent for the months of

November and December 2024 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 ₹ 25,000 during the year for amount borrowed for repairs for the house property. Compute her income from house property for the A.Y. 2025-26.

Solution

Computation of Income from House Property of Smt. Rajalakshmi for A.Y. 2025-26

	Particulars	LOP
(i)	Municipal Value	
(ii)	Fair Rent	
(iii)	Higher of (i) and (ii)	
(iv)	Standard Rent	
(v)	Expected Rent [Lower of (iii) and (iv)]	
(vi)	Actual Rent Received/Receivable (W.N. 1)	
	GAV [Higher of (v) and (vi)]	
	Less: Municipal Taxes	
	NAV	
	Less: Deductions u/s 24	
	30% of NAV	
	Interest on Loan	
	Income from House Property	

Net Income from House Property

W.N. 1 - Calculation of Actual Rent

Particulars	₹
Rent Received	
Add: Rent Receivable	
Less: Unrealised Rent	
Actual Rent	

Question 16 – ICAI SM – Illustration 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 31.1.2025. 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. 2025-26.

Solution

Computation of Income from House Property of Ganesh for A.Y. 2025-26

	Particulars	₹
(i)	Municipal Value	
(ii)	Fair Rent	
(iii)	Higher of (i) and (ii)	
(iv)	Standard Rent	
(v)	Expected Rent [Lower of (iii) and (iv)]	
(vi)	Actual Rent Received/Receivable (W.N. 1)	
	GAV (W.N. 1)	
	Less: Municipal Taxes	
	NAV	
	Less: Deductions u/s 24	
	30% of NAV	
	Interest on Loan	
	Income from House Property	

Net Income from House Property

W.N. 1 - Calculation of GAV

Particulars	₹
Expected Rent	
Actual Rent	

Vacancy Rent	
AR + VR	
GAV (Since AR + VR > ER, GAV = AR)	

When Assessee Owns More Than 2 SOPs

- Calculate the Income of all the properties assuming them to be Deemed Let Out Properties.
- Then, make different cases. For example, if there are three SOPs, then there would be three cases:
  - Case 1: H1 and H2 SOP and H3 LOP
  - Case 2: H1 and H3 SOP and H2 LOP
  - Case 3: H2 and H3 SOP and H1 LOP
- Go for the case where the total income from all the three properties is minimum.

Question 17 – ICAI SM – Illustration 8

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 2024-25 are as under:

Particulars	House I	House II	House III
Municipal Value 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	₹ 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, 2017 for purchase of property			1,75,000

Compute Ganesh's income from house property for A.Y. 2025-26 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 A.Y. 2025-26

	Particulars	HP 1	HP 2	HP 3
(i)	Municipal Value			
(ii)	Fair Rent			
(iii)	Higher of (i) and (ii)			
(iv)	Standard Rent			
(v)	Expected Rent [Lower of (iii) and (iv)]			
(vi)	Actual Rent Received/Receivable			
	GAV [Higher of (v) and (vi)]			
	Less: Municipal Taxes			
	NAV			
	Less: Deductions u/s 24			
	30% of NAV			
	Interest on Loan			
	Income from House Property			

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

Under default tax regime under section 115BAC

Option 1 - HP1 and HP2 Self Occupied; HP3 Deemed Let Out

Particulars	₹
House Property I (Self Occupied)	
House Property II (Self Occupied)	
(Since the loan was taken for repairs, the interest is restricted to ₹ 30,000)	
House Property 3	
Income from House Property	

Option 2 - HP1 and HP3 Self Occupied; HP2 Deemed Let Out

Particulars	₹
House Property I (Self Occupied)	
House Property II	
House Property 3 (Self Occupied)	
Income from House Property	

Option 3 - HP2 and HP3 Self Occupied; HP1 Deemed Let Out

Particulars	₹
House Property I	
House Property II (Self Occupied)	
House Property III (Self Occupied)	
Income from House Property	

Since the income from House Property is minimum in option 1, Ganesh should treat House Property 1 and House Property 2 as Self Occupied, and House Property 3 as deemed to be let out.

<u>If Mr. Ganesh has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)</u>

Option 1 - HP1 and HP2 Self Occupied; HP3 Deemed Let Out

Particulars	₹
House Property I (Self Occupied)	
House Property II (Self Occupied) (Since the loan was taken for repairs, the interest is restricted to ₹ 30,000)	
House Property 3	
Income from House Property	

Option 2 - HP1 and HP3 Self Occupied; HP2 Deemed Let Out

Particulars	₹
House Property I (Self Occupied)	
House Property II	
House Property 3 (Self Occupied)	
Income from House Property	

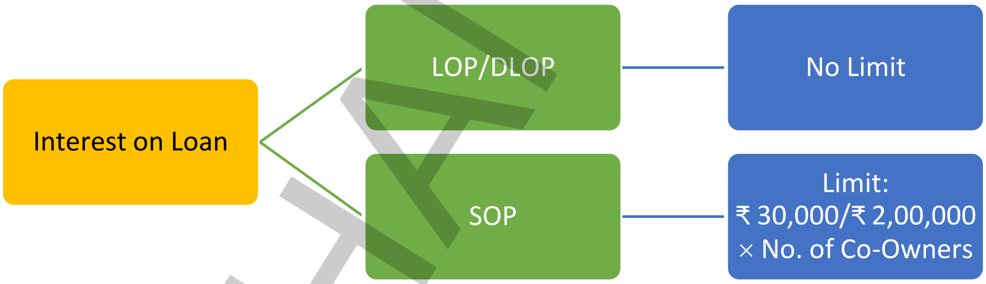
Option 3 - HP2 and HP3 Self Occupied; HP1 Deemed Let Out

Particulars	₹
House Property I	
House Property II (Self Occupied)	
(Since the loan was taken for repairs, the interest is restricted to ₹ 30,000)	
House Property 3 (Self Occupied)	
Restricted to	
Income from House Property	

Since the income from House Property is minimum in option 2, Ganesh should treat House Property 1 and House Property 3 as Self Occupied, and House Property 2 as deemed to be let out.

Concept of Co-Ownership (Joint Ownership)

It means property is owned by more than one owner. In this case, Income from House Property is calculated normally and thereafter it should be divided between co-owners in their ownership ratio.



Question 20 – ICAI SM – Question 5

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 2016-2017. The property consists of eight identical units and is situated at Cochin.

During the financial year 2024-25, 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:

Particulars	₹

Repairs Insurance Premium (paid) Interest payable on loan taken for construction of house	40,000 15,000 3,00,00

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 2024-25.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the A.Y. 2025-26 if they pay tax under the default tax regime under section 115BAC.

Also, show the computation of income under this head, if they both exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Solution

If Arun and Bimal pay tax under the default tax regime under section 115BAC

Computation of Total Income

Particulars	Arun	Bimal
Income from House Property (W.N. 1)		
Other Income		
Total Income		

W. N. 1 - Computation of Income from House Property for A.Y. 2025-26

	Particulars	SOP (25%)	LOP (75%)
(i)	Municipal Value		
(ii)	Fair Rent		
(iii)	Higher of (i) and (ii)		
(iv)	Standard Rent		
(v)	Expected Rent [Lower of (iii) and (iv)]		
(vi)	Actual Rent Received/Receivable (Note 2)		

	GAV (Note 3) Less: Municipal Taxes		
	NAV Less: Deductions u/s 24 30% of NAV Interest on Loan (Note 1)		
	Income from House Property		

Net Income from House Property

Share of Arun (1/2)
Share of Bimal (1/2)

Notes:

1. Interest on Loan:
   Total Interest on Loan = ₹ 3,00,000
   Attributed to Self Occupied Property (25%) = 25% × ₹ 3,00,000 = ₹ 75,000
   Attributed to Let-Out Property (75%) = 75% × ₹ 3,00,000 = ₹ 2,25,000
2. Actual Rent

Particulars		**₹**
Rent Received 5 units × ₹ 12,000 p.m. × 12 months 1 unit × ₹ 12,000 p.m. × 8 months		
Add: Rent Receivable		
Less: Unrealised Rent		
Actual Rent		

3. Vacancy

Particulars	**₹**
Expected Rent	
Actual Rent (Note 2)	
Vacancy Rent (1 unit × ₹ 12,000 p.m. × 4 months)	
AR + VR	

GAV (Since AR + VR > ER, GAV = AR)	

If Arun and Bimal have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)

Computation of Total Income

Particulars	**Arun**	**Bimal**
Income from House Property Self-Occupied Property NAV Less: Deduction u/s 24(a): 30% of NAV Deduction u/s 24(b): Interest on Loan (W. N. 1)		
Income from Self-Occupied House Property Income from Let-Out Property (Same as Default Scheme)		
Total Income from House Property **Other Income**		
Total Income		

Notes:

1. Interest on Loan:
   Total Interest on Loan = ₹ 3,00,000
   Attributed to SOP (25%) = ₹ 75,000
   Attributed to LOP (75%) = ₹ 2,25,000
   Self-Occupied Interest attributable to Arun (₹ 75,000 ÷ 2) = ₹ 37,500
   Self-Occupied Interest attributable to Bimal (₹ 75,000 ÷ 2) = ₹ 37,500

Arrears of Rent

Criteria	Details
Taxability of Recovery	Taxable in the year in which it is recovered, under the head Income from House Property.
Ownership Requirement	Taxable whether the assessee is the owner of the property in that financial year or not.
Expenditure for Recovery	Any expenditure incurred for recovery is ignored.

Standard Deduction	A standard deduction of 30% under section 24(a) is allowed on the recovered arrears of rent.

Question 22 – ICAI SM – Illustration 10

Mr. Anand sold his residential house property in March, 2024.

In June, 2024, he recovered rent of ₹ 10,000 from Mr. Gaurav, to whom he had let out his house for two years from April 2018 to March 2020. He could not realise two months rent of ₹ 20,000 from him and to that extent his actual rent was reduced while computing income from house property for A.Y. 2020-21.

Further, he had let out his property from April, 2020 to February, 2024 to Mr. Satish. In April, 2022, he had increased the rent from ₹ 12,000 to ₹ 15,000 per month and the same was a subject matter of dispute. In September, 2024, the matter was finally settled and Mr. Anand received ₹ 69,000 as arrears of rent for the period April 2022 to February, 2024.

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

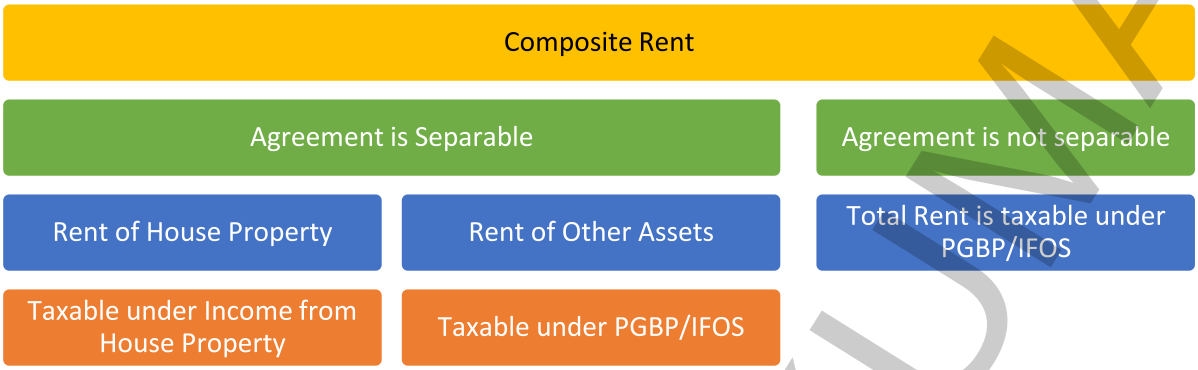
Solution

Since the unrealised rent was recovered in P.Y. 2023-24, the same would be taxable in the A.Y. 2024-25 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 P.Y. 2023-24, and hence the same would be taxable in the A.Y. 2024-25 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.2024-25.

Computation of Income from House Property

Particulars	₹
Unrealised Rent	
Arrears of Rent	
Less: Deduction @ 30%	
Income from House Property	

Concept of Composite Rent (Rent of House Property + Rent of Other Assets)



Note: If let out of property is not possible without other assets, then total rent is taxable under the head PGBP/IFOS, whether agreement is separable or not.

House Property Held as Stock in Trade (Builder)

1. Income from Sale of House Property → Taxable under the head PGBP
2. Income from Let Out of House Property → Taxable under the head IFHP
3. Where the House Property is held as Stock-in-Trade and not let out during the Previous Year, then NAV shall be treated as NIL for the period of 2 years from the end of F.Y. in which construction is completed.

   Example: DLF Builder completed construction of 1 House Property on 16-07-2022. In this case, if such HP is NOT let out, then NAV of such HP shall be treated as NIL till 31-03-2025. From P.Y. 2025-26, this HP shall be treated as DLOP, and income shall be taxable under IFHP.

Section 27: Deemed Ownership

Condition	Details
Transfer to Spouse	Individual transferring house property to spouse without or for inadequate consideration is treated as deemed owner. Exception: Transfer in connection with living apart.
Transfer to Minor Child	Individual transferring house property to minor child without or for inadequate consideration is

	treated as deemed owner. Exception: Transfer to minor married daughter.
Holder of Impartible Estate	Main holder of an impartible estate (property not legally divisible) is treated as deemed owner.
Member of Co-operative Society	Shareholders/members of a co-operative society are treated as deemed owners of property.
Possession in Part Performance of a Contract	Assessee acquiring possession in part performance of a contract of immovable property is treated as deemed owner from the date of possession.
Acquisition under Long Term Lease	Acquirer of house property under long-term lease (12 years or more) is treated as deemed owner.

Question 23

Answer the following:

1. Mr. Rajesh transfers a property of market value ₹ 38,00,000 to his wife out of natural love and affection. The income from such property is ₹ 2,00,000. How will the property income be taxed?
2. Mr. Amit gifts a property valuing ₹ 10,00,000 to his minor child. The annual income from such property is ₹ 2,00,000. How will the property income be taxed?
3. What will your answer be, if in the above case Mr. Amit has gifted the house property to his minor married daughter?
4. Mr. Anuj gives his house property to Mr. Dinesh on lease for 20 years. However, the lease is to be renewed by Mr. Dinesh every year. How will the property income be taxed?
5. What will your answer be if in the above case Mr. Anuj gives his house property on lease to Mr. Dinesh for 2 years and Mr. Dinesh can get the lease renewed for another 2 years on payment of a specified sum and so on for indefinite period?

Solution

1. In this case, Mr. Rajesh has transferred his house property to his wife in natural love and affection, i.e., otherwise than for adequate consideration. Therefore, he will be the deemed owner of such

property and hence income of ₹ 2,00,000 will be assessed in the hands of Mr. Rajesh as "Income from House Property".

2. Here, Mr. Amit has gifted the property to his minor child, i.e., without any adequate consideration. Thus, Mr. Amit shall be the deemed owner of such property and the income of ₹ 2,00,000 from the said property shall be taxable in his hands.
3. In case, an individual transfers the property without adequate consideration to his minor married daughter, then he shall not be treated as deemed owner in respect of such property as per Section 27. Hence, the income from such property will be taxed in the hands of the minor married daughter.
4. In this case, the lease is for 20 years, i.e., for more than 12 years, but the same is to be renewed every year by Mr. Dinesh, i.e., for a period of not more than one year. Thus, Mr. Dinesh is not treated as the deemed owner of such property and income from such property will be taxable for Mr. Anuj.
5. Here, the lease is for 2 years but Mr. Dinesh can renew it after every 2 years for indefinite period, which implies that the lease can be for more than 12 years. Thus, Mr. Dinesh will be the deemed owner of such property and income therefrom will be taxable in his hands.