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CHAPTER

INCOME FROM HOUSE PROPERTY

Q1. Raja is the owner of a residential house property having two independent floors of equal size in Chennai. The ground floor of the property has been let out to a tenant at rent of ₹ 16,000 per month from 1st June, 2024. The first floor of the property is occupied by Raja for his residential purpose.

Other particulars relating to the property are as follows:

Fair Rental Value	**3,70,000**
Municipal Value	**3,80,000**
Standard Rent	**3,20,000**
Annual Municipal Tax (50% paid)	**57,000**
Interest on loan taken for construction of property for the year 2022-23	**30,000**
Annual insurance premium	**5,000**

Compute income from house property of Raja for the Assessment Year 2025-26.

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

			Amount (₹)
I	**Ground Floor (Let out)(1/2 portion of house)**		
	Gross Annual Value (Actual Rent)	1,60,000	
	Less: Municipal Taxes paid (28,500 × 1/2)	(14,250)	
	Net Annual Value (NAV)	1,45,750	
	Less: **Deduction under section 24**		
	Standard (30% of ₹ 1,45,750)	(43,725)	
	Interest on Borrowed Capital (Pre-construction Period) (30,000 × ½ × 1/5)	(3,000)	
	Income from House property (**Let out**)		**99,025**

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			Amount (₹)
II	**First Floor (Self-occupied))(1/2 portion of house)**		
	Net Annual Value (Note 1) **Less**: Deduction under section 24 Interest on Borrowed Capital (Pre-construction Period) (30,000 × ½ × 1/5)	Nil (3,000)	
	Income from House property (Self-occupied)		(3,000)
	Taxable Income from House property (after intra head adjustment-Note 2)		**(96,025)**

Working Notes:

1. The NAV of self-occupied property is always taken as nil.
2. As per section 70, the loss from one house property can be set-off against income from another property.
3. The GAV of both the houses are determined as under:

			Whole Property	Ground Floor
(*a*)	Municipal Valuation	:	₹ 3,80,000	₹ 1,90,000
(*b*)	Fair Valuation	:	₹ 3,70,000	₹ 1,85,000
(*c*)	Higher of (*a*) and (*b*)	:	₹ 3,80,000	₹ 1,90,000
(*d*)	Standard Rent	:	₹ 3,20,000	₹ 1,60,000
(*e*)	Expected Rent Lower of (*c*) and (*d*)	:	₹ 3,20,000	₹ 1,60,000
(*f*)	Actual Rent	:		₹ 1,60,000
(*g*)	Gross Annual value Higher of (*e*) and (*f*)	:		₹ 1,60,000

Gross Annual value: The Actual rent received and Expected rent both are equal. Thus, ₹ 1,60,000 shall be GAV.

4. **Section 23** of the Income-tax Act, the annual value of any property shall be deemed to be—
   (*a*) the sum for which the property might reasonably be expected to let from year to year; or
   (*b*) where the property or any part of the property is let and the actual rent received or receivable by the owner in respect thereof is in excess of the sum referred to in clause (*a*), the amount so received or receivable; or
   (*c*) where the property or any part of the property is let and was vacant during the whole or any part of the previous year and owing to

such vacancy the actual rent received or receivable by the owner in respect thereof is less than the sum referred to in clause (*a*), the amount so received or receivable.

Explanation.— For the purposes of clause (*b*) or clause (*c*) of this sub-section, the amount of actual rent received or receivable by the owner shall not include, subject to such rules as may be made in this behalf, the amount of rent which the owner cannot realize.

Q2. Nisha has two houses, both of which are self-occupied. The particulars of these are given below:

Particulars	**(Value in ₹)**	
	House-I	**House-II**
Municipal Valuation per annum	**1,20,000**	**1,15,000**
Fair Rent per annum	**1,50,000**	**1,75,000**
Standard rent per annum	**1,00,000**	**1,65,000**
Date of completion	**31-3-2003**	**31-3-2005**
Municipal taxes payable during the year (paid for House II only)	**12%**	**8%**
Interest on money borrowed for repair of property during current year		**55,000**

Compute Nisha's income from the House Property for the Assessment Year 2025-26 and suggest which house should be opted by Nisha to be assessed as self-occupied so that her tax liability is minimum.

[*May 2014, 8 Marks*]

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

	Self-occupied	
	House-I	**House-II**
Net Annual Value (Note 1)	Nil	Nil
Less: **Deduction under section 24**		
Standard Deduction (Not Available in case of self-occupied)		
Interest on loan for Repair (Note 2)	Nil	(30,000)
Taxable Income from House property	Nil	**(30,000)**

Total taxable income = (30,000)

Working Notes:

1. The NAV of self-occupied property is always taken as nil.
2. The maximum allowable amount for interest on loan for repair on self-occupied is ₹ 30,000

Q3. Mr. Raphael constructed a shopping complex. He had taken a loan of ₹ 25 Lakhs for construction of the said property on 1-8-2022 from SBI @ 10% for 5 years. The construction was completed on 30-6-2023. Rental income received from shopping complex ₹ 30,000 per month being let out for the whole year. Municipal Taxes paid for shopping complex ₹ 8,000. Arrears of rent received from shopping complex ₹ 1,20,000.

Interest paid on loan taken from SBI for purchase of house for use as own residence for the period 2024-25 is ₹ 3 lakhs.

You are required to compute Income from House property of Mr. Raphael for A.Y. 2025-26 as per Income-tax Act, 1961.

[*Nov. 2015, 8 Marks*]

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

				Amount (₹)
I	**Self-occupied residential house**			
	Net Annual Value (Note 1)		Nil	
	Less: Deduction under section 24			
	Interest on Borrowed Capital (Subject to max. limit: Note 2)		(2,00,000)	
	Income from House property (self-occupied)			(2,00,000)
II	**Shopping Complex (Let out)**			
	Gross Annual Value (Actual Rent: ₹ 30,000 × 12)	3,60,000		
	Less: Municipal Taxes paid	(8,000)		
	Net Annual Value (NAV)	3,52,000		
	Less: **Deduction under section 24**			
	Standard (30% of ₹ 3,52,000)	(1,05,600)		
	Interest on Loan for current Previous year (₹ 25,00,000 × 10%)	(2,50,000)		

				Amount (₹)
	Interest on Loan for pre-construction period (Note 3)	(33,333)		
	Income from let out shopping complex		(36,933)	
	Arrears of rent received from shopping complex			
	Arrear of Rent received	1,20,000		
	Less: Deduction under section 25A			
	Standard (30% of ₹ 1,20,000) (Note 4)	(36,000)		
	Income from arrears of rent		84,000	
	Total Income from Shopping Complex			47,067
	Taxable Income from House property (after inter source adjustment-Note 5)			**(1,52,933)**

Working Notes:

1. The NAV of self-occupied property is always taken as nil.
2. The maximum allowable amount for interest on loan for construction on self-occupied is ₹ 2,00,000.
3. The interest for pre-construction period deductible in previous year is determined as under:

(*a*)	Pre-Construction Period (PCP)	:	1-8-2022 to 31-3-2023 *i.e.* 8 Months
(*b*)	Loan amount	:	₹ 25,00,000
(*c*)	Rate of Interest	:	10%
(*d*)	Total Pre-construction Interest	:	25,00,000 × 10% × 8/12 = ₹ 1,66,666.67
(*e*)	PCP Interest deductible in current Yr.	:	₹ 1,66,666.67 × 1/5 = ₹ 33,333

4. As per section 25A, the arrears of rent received are taxable in the year in which arrears have been received. However, deduction shall be allowed @ 30% of such arrears and only the balance amount is taxable.
5. As per section 70, the loss from one house property can be set-off against income from another property.

Q4. Mr. Kamal Haasan has two independent residential flats in an apartment, both of them being of identical size. First flat is self-occupied and the second flat is occupied by his daughter, from whom he does not receive any rent.

For each flat the relevant annual rent details are as under:

Fair Rental Value	**5,70,000**
Municipal Value	**6,00,000**
Standard Rent	**5,16,000**
Annual Municipal Tax fully paid	**11% of municipal valuation**
Pre-construction period interest third year	**1,50,000**
Interest on housing loan for current year (25% unpaid)	**1,65,000**
Fire Insurance Premium	**2,500**
Ceiling amount	**2,00,000**

Compute income of Mr. Kamal Haasan under the head income from house property for assessment year 2025-26.

[*June 2016, 8 Marks*]

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

	Self-occupied	
	(Actual)	**(Deemed)**
	Flat-I	**Flat-II**
Net Annual Value (Note 1)	Nil	Nil
Less: Deduction under section 24		
Standard deduction (Not Available in case of self-occupied)		
Interest on loan		
Current Year	(1,65,000)	(1,65,000)
Pre-construction Period (For each flat: 1,50,000 × 1/5)	(30,000)	(30,000)
Taxable Income from House property	(1,95,000)	**(1,95,000)**

The total comes to (3,90,000), but in case of self-occupied, the total interest on borrowed capital is deductible up to ₹ 2,00,000 only. Hence, total taxable income from house property = (2,00,000)

Working Note:

1. The NAV of self-occupied property is always taken as nil.

Q5. Mr. Ganesh owns a commercial building whose construction got completed in June 2023. He took a loan of ₹ 15 lakhs from his friend on 1-8-2022 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.

Mr. Ganesh has let out the commercial building at a monthly rent of ₹ 40,000 during the financial year 2024-25. He paid municipal tax of ₹ 18,000 each for the financial years 2023-24 and 2024-25 on 1-5-2024 and 5-4-2025 respectively.

Compute income under the head 'House Property' of Mr. Ganesh for the Assessment Year 2025-26. [*May 2017, 4 Marks*]

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

		Amount (₹)
Gross Annual Value (Actual Rent: ₹ 40,000 × 12)		4,80,000
Less: Municipal Taxes paid (Note 1)		(18,000)
Net Annual Value (NAV)		4,62,000
Less: **Deduction under section 24**		
Standard (30% of ₹ 4,62,000)	(1,38,600)	
Interest on Loan for current Previous year (₹ 15,00,000 × 15%)	(2,25,000)	
Interest on Loan for pre-construction period (Note 2)	(30,000)	(3,93,600)
Taxable Income from House property		**68,400**

Working Notes:

1. Municipal taxes paid on 5-4-2025 are not considered because these are not paid in financial year 2024-25.
2. The interest for pre-construction period deductible in previous year is determined as under:

(*a*)	Pre-Construction Period (PCP)	:	1-8-2022 to 31-3-2023 *i.e.* 8 Months
(*b*)	Loan amount	:	₹ 15,00,000
(*c*)	Rate of Interest	:	15%
(*d*)	Total Pre-construction Interest	:	15,00,000 × 15% × 8/12 = ₹ 1,50,000
(*e*)	PCP Interest deductible in current Pr. Yr.	:	₹ 1,50,000 × 1/5 = ₹ 30,000

Q6. Mr. Nitin owns two houses, both of which are occupied by him for residential purpose. The details are given below:

	House-I	House-II
Fair rent	**7,20,000**	**6,30,000**
Municipal value	**5,00,000**	**5,00,000**
Standard rent	**6,00,000**	**6,00,000**
Date of completion	**1-1-2005**	**1-7-2011**
Municipal tax paid	**10%**	**12%**
Date of loan	**1-7-2001**	**1-5-2008**
Interest on loan for the financial year 2024-25	**1,10,000**	**1,70,000**

Compute his income from house property.

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

	Self-occupied	
	House-I	**House-II**
Net Annual Value (Note 1)	Nil	Nil
Less: **Deduction under section 24**		
Standard (Not Available in case of self-occupied)		
Interest on loan X	(1,10,000)	(1,70,000)
Taxable Income from House property	(1,10,000)	**(1,70,000)**

The total comes to (2,80,000), but in case of self-occupied, the total interest on borrowed capital is deductible up to ₹ 2,00,000 only. Hence, total taxable income from house property = - (2,00,000)

Working Notes:

1. The NAV of self-occupied property is always taken as nil.

Q7. Mr. Nitin completed construction of a residential house on 1-4-2024.

Interest paid on loans borrowed for the purpose of construction during the 30 months prior to completion was ₹ 60,000.

The house was let-out on a monthly rent of ₹ 18,000.

Annual corporation tax paid	**₹ 35,000**
Interest paid during the year	**₹ 25,000**
Amount spent on repairs	**₹ 6,000**
Fire insurance premium paid	**₹ 3,000 p.a.**
The property was vacant for	**4 months**
Annual letting value as per corporation records	**₹ 1,50,000**

He had also received arrears of rent of ₹ 36,000 during the year, which had not been charged to tax in the earlier year.

Compute the income under the head "Income from House Property" for the assessment year 2025-26.

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

		Amount (₹)
Gross Annual Value (Note 1)		1,44,000
Less: Municipal Taxes paid		(35,000)
Net Annual Value (NAV)		1,09,000
Less: **Deduction under section 24**		
Standard (30% of ₹ 1,09,000)	(32,700)	
Interest on Borrowed Capital		
Current Year	(25,000)	
Pre-construction Period (60,000 × 1/5)	(12,000)	(69,700)
Income from House property (Let out portion)		**39,300**
Arrears of rent received		
Arrear of Rent received	36,000	
Less: **Deduction under section 25A**		
Standard (30% of ₹ 36,000) (Note 2)	(10,800)	
Income from arrears of rent		25,200
Taxable Income from House property		**64,500**

Working Notes:

1. The GAV of the house property is determined as under:

Step 1: Computation of Expected Rent

(*a*)	Municipal Valuation	:	₹ 1,50,000
(*b*)	Fair Valuation	:	NA
(*c*)	Higher of (*a*) and (*b*)	:	₹ 1,50,000
(*d*)	Standard Rent	:	NA

Expected Rent = Lower of (*c*) and (*d*) = ₹ 1,50,000

Step 2: Computation of Gross Annual value

(*i*) Expected Rent (As per step 1) : ₹ 1,50,000

(*ii*) Actual Rent received/receivable (After unrealized Rent)

(*a*) If there is no vacancy (18,000 × 12) : ₹ 2,16,000

(*b*) In case of Vacancy (18,000 × 8) : ₹ 1,44,000

Gross Annual value: The rent received/receivable is lower than expected rent due to vacancy. Thus, the rent received or receivable (considering vacancy) *i.e.* ₹ 1,44,000 shall be GAV.

2. As per section 25A, the arrears of rent received are taxable in the year in which arrears have been received. However, deduction shall be allowed @ 30% of such arrears and only the balance amount is taxable.

Q8. Mr. Aditya, a resident but not ordinarily resident in India during the Assessment Year 2025-26. 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 2024-25. The house in Mumbai is self-occupied. He had taken a loan of ₹ 25,00,000 to construct the house on 1st June, 2021 @12%.

The construction was completed on 31st May, 2023 and he occupied the house on 1st June, 2023. The entire loan is outstanding as on 31st March, 2027. Property tax paid in respect of the second house is ₹ 2,400 for the Financial Year 2024-25. Compute the income chargeable under the head "Income from House property" in the hands of Mr. Aditya for the Assessment Year 2025-26. [*Nov. 2017, 5 Marks*]

Ans.: Computation of Income from House Property

(Assessment Year 2025-26)

				Amount (₹)
I	**Self-occupied residential house in Mumbai**			
	Net Annual Value (Note 1)		Nil	
	Less: **Deduction under section 24**			
	Interest on Borrowed Capital (25,00,000 × 12/100)	(3,00,000)		
	Interest on loan for construction period) (Note 2)	(1,10,000)		
	Total Interest	(4,10,000)		
	Deduction allowed (up to ₹ 2,00,000) (Note 3)		(2,00,000)	
	Income from House property (self-occupied)			(2,00,000)