

Income Under Head House Property

Q.1 Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the financial year 2023-24 . 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 1.10.2023, 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 2023-24. 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, 2021 for purchasing this flat. No amount is repaid by him till 31.03.2024.

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 2023-24

Compute the income chargeable from house property of Mr. Roxx for the assessment year 2024-25.

(RTP MAY 21)

Sol. : 1

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.2024-25 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
1.8.2021 to 31.03.2022 – (₹ 18,00,000 x 9.5% x 8/12)	1,14,000
1.4.2022 to 31.03.2023 – (₹ 18,00,000 x 9.5%)	1,71,000
	2,28,000
Interest deduction allowable under section 24, restricted to	2,00,000

Q. 2 Mr. Roy owns a house in Kolkata. During the previous year 2023-24, 3/4th portion of the house was self-occupied and 1/4th portion was let out for residential purposes at a rent of ₹ 12,000 p.m. The tenant vacated the property on 29th February, 2024. The property was vacant during March, 2024. Rent for the months of January 2024 and February 2024 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied.

Municipal value of the property is ₹ 4,50,000 p.a., fair rent is ₹ 4,70,000 p.a. and standard rent is ₹ 5,00,000. He paid municipal taxes @10% of municipal value during the year. A loan of ₹ 30,00,000 was taken by him during the year 2014 for acquiring the property. Interest on loan paid during the previous year 2023-24 was ₹ 1,51,000. Compute Roy's income from house property for the A.Y. 2024-25.

(RTP NOV 22)

Sol. : 2

There are two units of the house. Unit I with 3/4th area is used by Mr. Roy for self-occupation throughout the year and no benefit is derived from that unit, hence, it will be treated as self-occupied and its annual value will be nil. Unit 2 with 1/4th area is let-out during the previous year and its annual value has to be determined as per section 23(1).

Computation of Income from house property of Mr. Roy for the A.Y. 2024-25

Particulars	₹	
Unit I (3/4th area – self-occupied)		
Annual Value		Nil
Less: Deduction under section 24(b) 3/4th of ₹ 1,51,000		1,13,250
Income from Unit I (self-occupied)		(1,13,250)
Unit II (1/4th area – let out)		
Computation of GAV		
Step 1 – Computation of Expected Rent (ER)		
ER = Higher of municipal value (MV) and fair rent (FR), but restricted to standard rent (SR).	1,17,500	
However, in this case, standard rent of ₹ 1,25,000 (1/4th of ₹ 5,00,000) is more than the higher of MV of ₹ 1,12,500 (1/4th of ₹ 4,50,000) and FR of ₹ 1,17,500 (1/4th of ₹ 4,70,000). Hence the higher of MV and FR is the ER. In this case, it is the fair rent.		
Step 2 – Computation of actual rent received/ receivable		
₹ 12,000 × 9 = 1,08,000	1,08,000	
[The property was let-out for 11 months. However, rent for 2 months i.e., January and February, 2024 could not be realized. Actual rent should not include any amount of rent which is not capable of being realized. Therefore, actual rent has been computed for 9 months]		
Step 3 – Computation of GAV		
The actual rent of ₹ 1,08,000 is lower than expected rent of ₹ 1,17,500 owing to vacancy, since had the property not been vacant in March 2024, the actual rent would have been ₹ 1,20,000 (i.e. ₹ 1,08,000 + ₹ 12,000), which is higher than the ER of ₹ 1,17,500. Therefore, actual rent is the GAV.	1,08,000	
Gross Annual Value (GAV)		1,08,000

Less: Municipal taxes paid by the owner during the previous year relating to let-out portion		
1/4th of (10% of ₹ 4,50,000) = ₹ 45,000/4 = ₹ 11,250		11,250
Net Annual Value (NAV)		96,750
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 96,750	29,025	
(b) Interest paid on borrowed capital (relating to let out portion) [1/4th of ₹ 1,51,000]	37,750	66,775
Income from Unit II (let-out)		29,975
Loss under the head "Income from house property" (-1,13,250 + 29,975)		-83,275

Note – Alternatively, as per income-tax returns, unrealized rent can be deducted from GAV. In such a case, GAV would be ₹ 1,32,000, being higher of expected rent of ₹ 1,17,500 and actual rent of ₹ 1,32,000. Thereafter, unrealized rent of ₹ 24,000 and municipal taxes of ₹ 11,250 would be deducted from GAV of ₹ 1,32,000 to arrive at the NAV of ₹ 96,750.

- Q. 3 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 2019-20. Also, suggest which flat should be opted by Shraddha to be assessed as self-occupied so that her tax liability is minimum. (RTP MAY 19)

Sol. : 3

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) only in respect of TWO of the house properties, at her option.

As per the amendment if an Assessee has more than one property for own residential purposes then upto 2 houses can be treated as Self Occupied property & any other house property would be treated as “deemed let-out”

Particulars		Amount in ₹
Goregaon (Self-occupied)		Nil
Navi Mumbai (Self-occupied)	Nil	
Less: Standard Deduction	Nil	
Less: Interest on capital Borrowed	(30,000)	(30,000)
Income from house property		(30,000)

Q. 4 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 2020-21 and suggest which houses should be opted by Pihu to be assessed as self-occupied so that her tax liability is minimum. (RTP NOV 2020)

Sol. : 4

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.2024-25 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.2024-25 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.2024-25 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. 2024-25 .

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. 5 Mr. Ranjan owns a shop whose construction got completed in August 2022. He took a loan of ₹ 22 lakhs from Bank of Baroda on 1-8-2021 and had been paying interest calculated at 9% per annum.

During the financial year 2023-24, the shop was let out at a monthly rent of ₹ 45,000. He paid municipal tax of ₹ 18,000 each for the financial year 2022-23 and 2023-24 on 25-5-2023 and 15-4-2024, respectively.

Compute income under the head 'House Property' of Mr. Ranjan for the Assessment year 2024-25, assuming that the entire amount of loan is outstanding on the last day of the current previous year. (RTP NOV 2018)

Sol. : 5

Computation of income under the head "House Property" of Mr. Ranjan for A.Y. 2024-25

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)	<p>Municipal taxes deductible from Gross Annual Value</p> <p>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 25.05.2023 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2023-24.</p>
(2)	<p>Interest on housing loan allowable as deduction under section 24</p>

	<p>As per section 24(b), interest for the current year ($\text{₹ } 22,00,000 \times 9\%$)</p> <p>Pre-construction interest</p> <p>For the period 01.08.2021 to 31.03.2022</p> <p>$(\text{₹ } 22,00,000 \times 9\% \times 8/12) = \text{₹ } 1,32,000$</p> <p>$\text{₹ } 1,32,000$ allowed in 5 equal installments $(\text{₹ } 1,32,000/5)$ from P.Y. 2022-23 to P.Y. 2026-27</p> <p style="text-align: right;">$\text{₹ } 26,400$</p> <p style="text-align: right;">$\text{₹ } 2,24,400$</p>
3.	Deduction under section 24(b), in respect of interest on housing loan for let out property, fully allowed without any limit.

The municipal tax of Rs 18000 paid on 15.4.2022 would be allowed as deduction while computing income from house property of the previous year 2022-23.

- Q. 6 In August 2022, 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 12.5.2022. The loan amount was disbursed directly to the flat promoter by the bank. The construction was completed in May, 2024 and repayments towards principal and interest commenced immediately after disbursement of loan.

In the light of the above facts, examine:

Whether Mr. Kailash can claim deduction under section 24 in respect of interest for the A.Y. 2024-25?

(RTP MAY 2018)

Sol. : 6

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 installments commencing from the year of acquisition or completion of construction. It is stated that the construction is completed only in May, 2024. Hence, deduction under section 24 in respect of interest on housing loan cannot be claimed in the assessment year 2024-25.

- Q. 7 Mr. Akash owns a residential house property whose Municipal Value, Fair Rent and Standard Rent are ₹ 1,60,000, ₹ 1,70,000 and ₹ 1,90,000, respectively. The house has two independent units. Unit I (25% of floor area) is utilized for the purpose of his profession and Unit II (75% of floor area) is let out for residential purposes at a monthly rent of ₹ 8,500. Municipal taxes @8% of the Municipal Value were paid during the year

by Mr. Akash. He made the following payments in respect of the house property during the previous year 2023-24 :

Light and Water charges ₹ 2,000, Repairs ₹ 1,45,000, Interest on loan taken for the repair of property ₹ 36,000. Mr. Akash has taken a loan of ₹ 5,00,000 in July, 2016 for the construction of the above house property. Construction was completed on 30th June, 2019. He paid interest on loan @12% per annum and every month such interest was paid. No repayment of loan has been made so far.

Income of Mr. Akash from his profession amounted to ₹ 8,00,000 during the year (without debiting house rent and other incidental expenditure including admissible depreciation of ₹ 8,000 on the portion of house used for profession).

Determine the Gross total income of Mr. Akash for the A.Y. 2024-25 ignoring the provisions of section 115BAC.

(RTP MAY 23)

Sol. : 7

Computation of Gross total income of Mr. Akash for the A.Y. 2024-25

Particulars	₹	₹
I Income from House Property		
Unit-II (75% of floor area)		
Gross Annual Value		
(a) Actual rent received (₹ 8,500 x 12)	₹ 1,02,000	
(b) Expected rent	₹ 1,27,500	
[Higher of municipal value (i.e. ₹ 1,60,000) and fair rent (i.e. ₹ 1,70,000) but restricted to standard rent (i.e. ₹ 1,90,000) ₹ 1,70,000 x 75%]		
Higher of (a) or (b) is GAV	1,27,500	
Less: Municipal taxes (₹ 1,60,000 x 8% x 75%)	9,600	
NAV	1,17,900	
Less: Deductions u/s 24		
(a) 30% of NAV	₹ 35,370	
(b) Interest on loan (See note)	₹ 96,750	1,32,120
		(14,220)
II Profits & Gains of business & profession		
Income from Profession		
Less: Light & Water Charges (25% of 2,000)	500	
Municipal taxes (25% of ₹ 12,800)	₹ 3,200	

Repairs (25% of ₹ 1,45,000)	₹ 36,250		
Interest on loan taken for repair (25% of ₹ 36,000)	₹ 9,000		
Interest on loan taken for construction of house property (25% of ₹ 60,000)	₹ 15,000		
Depreciation	₹ 8,000	71,950	7,28,050
Gross Total Income			7,13,830

Note:

Computation of Interest on loan

	₹
Interest for the year (₹ 5,00,000 x 12%)	60,000
Pre-construction period Interest- 12% of ₹ 5,00,000 for 33 months = ₹ 1,65,000	
To be allowed in 5 equal instalments from the year of completion (₹ 1,65,000 x 1/5)	33,000
Interest on loan taken for repair (no restriction for let out property)	36,000
Total Interest deduction u/s 24(b)	1,29,000
Total Interest deduction u/s 24(b) for let out property (75% x ₹ 1,29,000)	96,750

- Q. 8 Mr. Ramesh constructed a big house (construction completed in Previous Year 2011 -12) 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 2024-25 if he does not opt to be taxed under section 115BAC.

(PYP JULY 21)

Sol. : 8

Computation of Taxable Income of Mr. Ramesh for A.Y. 2024-25 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 of ₹ 3,000		
Gross Annual Value	1,47,000	
(Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)		
Less: Municipal taxes [50% of ₹ 20,000]	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		
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]	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	
			1,02,250
Taxable Income			1,53,150