Income From House Property

H·P → Building / Land appurtenant

Assessee → owner of the property

Property not used for owner's business / profession

★ Vacant land → not a H·P → ∴ income from other sources
& seperable items

Income from following H·P, exempted from tax:

- Any 1 palace or part thereof of an ex-ruler, provided the same is not let out
- HP of a local authority
- HP of – approved scientific research association
- HP of an educational institution
- HP of a hospital
- HP of – person being resident of Ladakh
- HP of a political party
- HP of a trade union
- HP held for charitable purpose
- HP → own business or profession
- Farm House

★ $\underbrace{\text{ARR} - \text{UR} - \text{vacancy loss} < \text{RER, due to vacancy loss only}}_{\text{GAV} \rightarrow \text{will be the lower value}}$

★ Municipal Tax → any yr → must be paid

★ UR → must be of current Year

★ pre-construction, & post-construction period

$\left.\dfrac{\text{total interest}}{5}\right\}$ divided for 5 yrs of ↑

- Interest on borrowed capital:
  - accrued interest
  - Int. on new loan to repay old loan
  - Amt of commission, etc. for arranging loan
  - Int. on new loan for o/s int on old loan
  - Int. on loan for paymt of municipal tax, etc.

DEDUCTIBLE (accrued interest; Int. on new loan to repay old loan)

NON-DEDUCTIBLE (Amt of commission, etc. for arranging loan; Int. on new loan for o/s int on old loan; Int. on loan for paymt of municipal tax, etc.)

⇒ **PARTLY SELF-OCCUPIED & PARTLY LET OUT** Sec 23(3)

- Area-wise → all values divided as per area proportion
- Time-wise → Values until RER → for full year
  → ARR → only for let out period
- Area & Time wise

★ Interest on loan paid outside India without deducting TDS → no deduction claimed

Computation of Income

- Let out property
- Self-Occupied property
- Deemed to be let out property

⇒ **LET OUT PROPERTY** Sec 23 (1)

Gross Annual Value
(–) Municipal Tax

Net Annual Value
(–) 24(a) standard deduction (30%)
(–) 24(b) interest on borrowed capital

Income from H·P

⇒ **GROSS ANNUAL VALUE**

Gross municipal value
Fair Rent

Higher of the above
Standard Rent

Reasonable Expected Rent (RER) – lower of the above
ARR – UR – loss due to vacancy

Gross Annual Value (higher)

⇒ **SELF-OCCUPIED PROPERTY** Sec 23 (2) (a)

Net Annual Value	NIL
(–) standard deduction	NIL
(–) int on loan	(xxx)
	(xxx)

int on loan → $\underbrace{\text{loan taken after 1999 for construction/acquisition of HP}}_{\text{max deductn} \rightarrow 2,00,000}$

orelse, → 30,000

★ Sec 23 (2) (a) → only for individual & HUF; & not for companies & firms.

★ more than 2 self-occupied HP's, then only 2 treated as self-occupied, others – deemed to be let out. [Sec 23 (4)]

Unrealized rent for C·Y deducted in full from ARR, if following conditions are satisfied. [RULE 4]

- Tenancy is bonafide
- Defaulting tenant has vacated / steps have been taken to compel him to vacate.
- Defaulting tenant has not occupied any other property of assessee
- Assessee has taken reasonable steps to institute legal proceedings for recovery of unpaid rent.