

Total = 20 Questions

CHAPTER

Income from House Property

4

Question 1 (Pg 74) Illustration 1

[NAV Calculation]

Jayashree owns five houses in India, all of which are let-out. Compute the NAV of each house from the information given below –

[SM Q.]

Particulars	House I (₹)	House II (₹)	House III (₹)	House IV (₹)	House V (₹)
Municipal Value	80,000	55,000	65,000	24,000	80,000
Fair Rent	90,000	60,000	65,000	25,000	75,000
Standard Rent	N.A.	75,000	58,000	N.A.	78,000
Actual rent received/ receivable	72,000	72,000	60,000	30,000	72,000
Municipal taxes	10%	12%	8%	10%	15%

Question 2 Illustration 2

[NAV Calculation]

Rajesh, a British national, is a resident and ordinarily resident in India during the P.Y. 2025-26. He owns a house in London, which he has let out at £ 10,000 p.m. The municipal taxes paid to the Municipal Corporation of London is £ 8,000 during the P.Y. 2025-26. The value of one £ in Indian rupee to be taken at ₹ 95. Compute Rajesh's Net Annual Value of the property for the A.Y. 2026-27.

[SM Q.]

Answer 2

For the P.Y. 2025-26, Mr. Rajesh, a British national, is resident and ordinarily resident in India. Therefore, income received by him by way of rent of the house property located in London is to be included in the total income in India. Municipal taxes paid in London is to be allowed as deduction from the gross annual value.

Computation of Net Annual Value of the property of Mr. Rajesh for A.Y. 2026-27

Particulars	₹
Gross Annual Value (£ 10,000 × 12 × 95)	1,14,00,000
Less: Municipal taxes paid (£ 8,000 × 95)	(7,60,000)
Net Annual Value (NAV)	→ 1,06,40,000

Question 3 Illustration 3

[Interest Calculation]

Mr. Manas owns two house properties one at Bombay, wherein his family resides and the other at Delhi, which is unoccupied. He lives in Chandigarh for his employment purposes in a rented house. For acquisition of house property at Bombay, he has taken a loan of ₹ 30 lakh @ 10% p.a. on 1.4.2024. He has not repaid any amount so far. In respect of house property at Delhi, he has taken a loan of ₹ 5 lakh @ 11% p.a. on 1.10.2024 towards repairs. Compute the deduction which would be available to him u/s 24(b) for A.Y. 2026-27 in respect

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of interest payable on such loan if he exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A). [SM Q.]

Answer 3

Mr. Manas can claim benefit of Nil Annual Value in respect of his house property at Bombay and Delhi, since no benefit is derived by him from such properties, and he cannot occupy such properties due to reason of his employment at Chandigarh, where he lives in a rented house.

Computation of deduction u/s 24(b) for A.Y.2026-27

Particulars	₹
I Interest on loan taken for acquisition of residential house property at Bombay $30,00,000 \times 10\% = ₹ 3,00,000$ Restricted to ₹ 2,00,000	2,00,000
II Interest on loan taken for repair of residential house property at Delhi ₹ $5,00,000 \times 11\% = ₹ 55,000$	
Restricted to ₹ 30,000	30,000
Total interest	2,30,000
Deduction u/s 24(b) in respect of (I) and (II) above to be restricted to	→ 2,00,000

Question 4 (Pg 77) Illustration 4

[HP Income with Unrealized Rent]

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.

Unrealized 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 his income from house property for A.Y.2026-27. **35,600** [SM Q.]

Question 5 (Pg 83) Illustration 5

[HP Income with Unrealized Rent
And Vacancy]

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 31.1.2026. 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. 2026-27. **47,000** [SM Q.]

Question 6 (Pg 85) Illustration 6

[SOP – Interest Deduction]

Poorna has one house property at Indira Nagar in Bangalore. She stays with her family in the house. The rent of similar property in the neighbourhood is ₹ 25,000 p.m. The municipal valuation is ₹ 2,80,000 p.a.. Municipal taxes paid is ₹ 8,000. The house construction began in April 2019 with a loan of ₹ 20,00,000 taken from SBI Housing Finance Ltd. @9% p.a. on 1.4.2019. The construction was completed on 30.11.2021. The accumulated interest up to 31.3.2021 is ₹ 3,60,000. On 31.3.2026, Poorna paid ₹ 2,40,000 which included ₹ 1,80,000 as interest. There was no principal repayment prior to this date. Compute Poorna's income from house property for A.Y. 2026-27 assume she exercises the option of shifting out of the default tax regime provided u/s 115BAC(1A). **(2,00,000)** [SM Q.]

Question 7 (Pg 90) Illustration 7**[Partly let-out & partly SOP timewise]
And vacancy**

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 2025. Thereafter, the tenant vacated the property and Smt. Rajalakshmi used the house for self-occupation. Rent for the months of November and December 2025 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. 2026-27. [SM Q.]

Question 8 (Pg 92) Illustration 8**[More than 2 SOP's]**

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y.2025-26 are as under:

Particulars	House I	House II	House III
Municipal valuation 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 p.a.	₹ 3,50,000	₹ 3,70,000	₹ 3,75,000
Date of completion/purchase	31.3.2000	31.3.2002	01.4.2016
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, 2016 for purchase of Property			₹ 1,75,000

Compute Ganesh's income from house property for A.Y.2026-27 and suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum. [SMQ]

Question 9**[more than 2 SOP's]**

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 2026-27 and suggest which houses should be opted by Pihu to be assessed as self-occupied so that her tax liability is minimum. Assume she exercise the option of shifting out

of the default tax regime provided u/s 115BAC(1A).

[RTP N-20]

Answer 9

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. 2026-27 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 borrowing].	(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. 2026-27 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. 2026-27 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 borrowing].	(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. 2026-27.

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 u/s 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

Question 10 (Pg 86) Illustration 9**[Partly let-out & partly SOP areawise]**

Prem owns a house in Madras. During the previous year 2025-26, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of ₹ 8,000 p.m. Municipal value of the property is ₹ 3,00,000 p.a., fair rent is ₹ 2,70,000 p.a. and standard rent is ₹ 3,30,000 p.a. He paid municipal taxes @10% of municipal value during the year. A loan of ₹ 25,00,000 was taken by him during the year 2019 for acquiring the property. Interest on loan paid during the previous year 2025-26 was ₹ 1,20,000. Compute Prem's income from house property for the A.Y. 2026-27, assuming that he has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A).

What would be Prem's income from house property under the default tax regime? **[SM Q.]**

Default: SOP = (80,000), LOP = 23,000. Default = SOP: Nil, LOP: 23,000

Question 11 Illustration 10**[Recovery of Unrealized and arrears of Rent]**

Mr. Anand sold his residential house property in March, 2025.

In June, 2025, he recovered rent of ₹ 10,000 from Mr. Gaurav, to whom he had let out his house for two years from April 2019 to March 2021. He could not realize 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. 2021-22.

Further, he had let out his property from April, 2021 to February, 2025 to Mr. Satish. In April, 2023, he had increased the rent from ₹ 12,000 to ₹ 15,000 per month and the same was a subject matter of dispute. In September, 2025, the matter was finally settled and Mr. Anand received ₹ 69,000 as arrears of rent for the period April 2023 to February, 2025. Would the recovery of unrealised rent and arrears of rent be taxable in the hands of Mr. Anand, and if so in which year?

[SM Q.]**Answer 11**

Since the unrealised rent was recovered in the P.Y. 2025-26, the same would be taxable in the A.Y. 2026-27 u/s 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 the P.Y. 2025-26, and hence the same would be taxable in the

A.Y. 2026-27 u/s 25A, even though Mr. Anand was not the owner of the house in that year.

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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. 2026-27.

Computation of income from house property of Mr. Anand for A.Y. 2026-27

Particulars	₹
(i) Unrealised rent recovered	10,000
(ii) Arrears of rent received	69,000
	79,000
Less: Deduction@30%	23,700
Income from house property	55,300

Question 12 Illustration 11

[Co ownership of HP.]

Ms. Aparna co-owns a residential house property in Calcutta along with her sister Ms. Dimple, where her sister's family resides. Both of them have equal share in the property and the same is used by them for self-occupation. Interest is payable in respect of loan of ₹ 50,00,000@10% taken on 1.4.2024 for acquisition of such property. In addition, Ms. Aparna owns a flat in Pune in which she and her parents reside. She has taken a loan of ₹ 3,00,000@12% on 1.10.2024 for repairs of this flat.

Compute the deduction which would be available to Ms. Aparna and Ms. Dimple u/s 24(b) for A.Y.2026-27 if both exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A). [SM Q.]

Answer 12

Computation of deduction u/s 24(b) available to Ms. Aparna for A.Y.2026-27

Particulars	₹
I Interest on loan taken for acquisition of residential house property at Calcutta ₹ 50,00,000 x 10% = ₹ 5,00,000 Ms. Aparna's share = 50% of ₹ 5,00,000 = ₹ 2,50,000 Restricted to ₹ 2,00,000	2,00,000
II Interest on loan taken for repair of flat at Pune ₹ 3,00,000 x 12% = ₹ 36,000 Restricted to ₹ 30,000	30,000
Total interest	2,30,000
Deduction u/s 24(b) in respect of (I) and (II) above to be restricted to	2,00,000

Computation of deduction u/s 24(b) available to Ms. Dimple for A.Y.2026-27

Particulars	₹
Interest on loan taken for acquisition of residential house property at Calcutta ₹ 50,00,000 x 10% = ₹ 5,00,000 Ms. Dimple's share = 50% of ₹ 5,00,000 = ₹ 2,50,000 Restricted to ₹ 2,00,000	2,00,000
Deduction u/s 24(b)	2,00,000

Question 13 (Pg 97) Practical Q.1.**[Co ownership of HP.]**

Mr. Raman is a co-owner of a house property along with his brother holding equal share in the property.

Particulars	₹
Municipal value of the property	1,60,000
Fair rent	1,50,000
Standard rent under the Rent Control Act	1,70,000
Rent received	15,000 p.m.

The loan for the construction of this property is jointly taken and the interest charged by the bank is ₹ 25,000, out of which ₹ 21,000 has been paid. Interest on the unpaid interest is ₹ 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is ₹ 5,000.

The municipal taxes of ₹ 5,100 have been paid by the tenant.

Compute the income from this property chargeable in the hands of Mr. Raman for the A.Y. 2026-27. **96000 : 1/2 Raman = 48,000, 1/2 brother = 48,000.** **[SM Q.]**

Question 14 (Pg 88) Practical Q.2.**[Partly let-out property areawise]**

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 2025-26 are as under:

Standard rent	₹ 1,62,000 p.a.	81000
Municipal valuation	₹ 1,90,000 p.a.	95000
Fair rent	₹ 1,85,000 p.a.	92500
Municipal tax (Paid by Mr. X)	15% of municipal valuation (5% in module)	
Light and water charges Ignore	₹ 500 p.m.	
Interest on borrowed capital	₹ 1,500 p.m.	
Lease money Ignore	₹ 1,200 p.a.	
Insurance charges Ignore	₹ 3,000 p.a.	
Repairs Ignore	₹ 12,000 p.a.	

Compute income from house property of Mr. X for the A.Y. 2026-27 if he exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A). **[SM Q.]**

Question 15 (Pg 89) Practical Q.3.**[Partly let-out property areawise]**

Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are ₹ 96,000, ₹ 1,26,000 and ₹ 1,08,000 (per annum), respectively. **32000, 42000, 36000**

During the Financial Year 2025-26, one-third of the portion of the house was let out for residential purpose at a monthly rent of ₹ 5,000. The remaining two-third portion was self-occupied by him. Municipal tax @ 11 % of municipal value was paid during the year.

The construction of the house began in June, 2018 and was completed on 31-5-2021. Vikas took a loan of ₹ 1,00,000 on 1-7-2018 for the construction of building.

He paid interest on loan @ 12% per annum and every month such interest was paid.

Compute income from house property of Mr. Vikas for the Assessment Year 2026-27 if he exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A).

SOP = (12400), LOP = 33,336

Question 16 (Pg 107) Practical Q.4.**[Computation of House Property]**

Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 2025-26. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is \$ 20,000. The value of one USD (\$) may be taken as ₹ 75.

She took ownership and possession of a flat in Chennai on 1.7.2025, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.3.2026. The municipal valuation is ₹ 3,84,000 p.a. and the fair rent is ₹ 4,20,000 p.a. She paid the following to Corporation of Chennai:

Property Tax	₹ 16,200
Sewerage Tax	₹ 1,800

She had taken a loan from Standard Chartered Bank in June, 2023 for purchasing this flat. Interest on loan was as under:

Particulars	₹
Period prior to 1.4.2025	49,200
1.4.2025 to 30.6.2025	50,800
1.7.2025 to 31.3.2026	1,31,300

She had a house property in Bangalore, which was sold in March, 2022. In respect of this house, she received arrears of rent of ₹ 60,000 in March, 2026. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Rohini Ravi for the assessment year 2026-27 if she exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A).

[SM Q.]

Answer 16

Since the assessee is a resident and ordinarily resident in India, her global income would form part of her total income i.e., income earned in India as well as outside India will form part of her total income.

She possesses a self-occupied house at Los Angeles as well as at Chennai. She can take the benefit of "Nil" Annual Value in respect of both the house properties.

As regards the Bangalore house, arrears of rent will be chargeable to tax as income from house property in the year of receipt u/s 25A. It is not essential that the assessee should continue to be the owner. 30% of the arrears of rent shall be allowed as deduction.

Accordingly, the income from house property of Mrs. Rohini Ravi for A.Y.2026-27 will be calculated as under:

Particulars	₹	₹
1. Self-occupied house at Los Angeles		
Annual value		Nil
Less: Deduction u/s 24		Nil
Chargeable income from this house property		Nil
2. Self-occupied house property at Chennai		
Annual value		Nil
Less: Deduction u/s 24		
		1,91,940

Interest on borrowed capital (See Note below)		(1,91,940)
3. Arrears in respect of Bangalore property (Section 25A)		
Arrears of rent received	60,000	42,000
Less: Deduction @ 30% u/s 25A(2)	18,000	
Loss under the head "Income from house property"		(1,49,940)

Note: Interest on borrowed capital

Particulars	₹
Interest for the current year (₹ 50,800 + ₹ 1,31,300)	1,82,100
Add: 1/5th of pre-construction interest (₹ 49,200 x 1/5)	9,840
Interest deduction allowable u/s 24	1,91,940

Question 17 LDR Practical Q's [Partly let-out property areawise & Co ownership]

(Pg 100)

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 2017-2018. The property consists of eight identical units and is situated at Cochin.

During the financial year 2025-26, 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:

	₹
(i) Repairs	40,000
(ii) Insurance premium (paid)	15,000
(iii) Interest payable on loan taken for construction of house	3,00,000

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 2025-26.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the A.Y. 2026-27 if they pay tax under the default tax regime u/s 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 u/s 115BAC(1A). [SMQ]

Question 18

[Partly let-out property timewise]

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 2025 to December 2025.

Thereafter, the tenant vacated the property and Mrs. Daya used the house for self-occupation. Rent for the months of November and December 2025 could not be realized from the tenant. Mrs. Daya has not instituted any legal proceedings for recovery of the 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.

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You are required to compute her income from house property for the A.Y. 2026-27.

[RTP M-20]

Answer 18**Computation of income from house property of Mrs. Daya for the A.Y.2026-27**

Particulars	Amount in ₹	
Computation of Gross Annual Value		
Expected Rent for the whole year = Higher of Municipal Value of ₹ 8,50,000 and Fair Rent of ₹ 7,30,000, but restricted to Standard Rent of ₹ 8,20,000	8,20,000	
Actual rent receivable for the let-out period = ₹ 85,000 * 9	7,65,000	
[Unrealised rent is not deductible from actual rent in this case since Mrs. Daya has not instituted any legal proceedings for recovery of unpaid rent. Hence, one of the conditions laid out in Rule 4 has not been fulfilled]		
GAV is the higher of Expected Rent for the whole year and Actual rent received/receivable for the let-out period	8,20,000	
Gross Annual Value (GAV)		8,20,000
Less: Municipal taxes (paid by the owner during the previous year) = 12% of ₹ 8,50,000		1,02,000
Net Annual Value (NAV)		7,18,000
Less: Deductions u/s 24		
(a) 30% of NAV = 30% of ₹ 7,18,000	2,15,400	
(b) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let- out property)	50,000	2,65,400
Income from house property		4,52,600

Question 19 LDR

[Party let-out property Areawise + Timewise + Interest Calculation]

(Pg 104)

Mr. Naveen and Mr. Vikas constructed their houses on a piece of land purchased by them at Delhi. The built up area of each house was 1,800 sq. ft. ground floor and an equal area in the first floor. Naveen started construction on 1-04-2023 and completed on 1-04-2025. Vikas started the construction on 1-04-2023 and completed the construction on 30-09-2025. Naveen occupied the entire house on 01-04-2025. Vikas occupied the ground floor on 01-10-2025 and let out the first floor for a rent of ₹20,000 per month. However, the tenant vacated the house on 31-12-2025 and Vikas occupied the entire house during the period 01-01-2026 to 31-03-2026.

Following are the other information

- Fair rental value of each unit - ₹ 1,00,000 per annum (ground floor /first floor)
- Municipal value of each unit (ground floor / first floor) - ₹ 72,000 per annum
- Municipal taxes paid by
 - Naveen - ₹ 8,000
 - Vikas - ₹ 8,000
- Repair and maintenance charges paid by
 - Naveen - ₹ 28,000

Vikas – ₹ 30,000

Naveen has availed a housing loan of ₹ 15 lakhs @ 12% p.a. on 01-04-2023. Vikas has availed a housing loan of ₹ 10 lakhs @ 10% p.a. on 01-07-2023. No repayment was made by either of them till 31-03-2026. Compute income from house property for Naveen and Vikas for the previous year 2025-26 if both exercise the option of shifting out of the default tax regime provided u/s 115BAC(1A).

[MTP Q.]

Question 20

[Party let-out property Areawise]

Mr. Ramesh constructed a big house (construction completed in Previous Year 2008 -09) 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 2026-27 if he opted out from default taxation regime u/s 115BAC.

Answer 20

Computation of Taxable Income of Mr. Ramesh for A.Y. 2026-27 under the regular provisions of the Act

Particulars	Amount (₹)	Amount (₹)
Income from house property		
<u>Unit - 1 [50% of floor area - Let out]</u>		
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 ¹ of ₹ 3,000		
Gross Annual Value		
(Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)	1,47,000	
Less: Municipal taxes [50% of ₹20,000 ²]	10,000	
Net annual value	1,37,000	

¹ Since the conditions laid down under Rule 4 of Income-tax Rules, 1962, are satisfied.

² Assumed to have been paid during the year by Mr. Ramesh.

Chapter 4: Income from House Property

Particulars	Amount (₹)	Amount (₹)
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	41,100	
(b) Interest on loan [50% of ₹ 60,000]	<u>30,000</u>	65,900
Unit – 3 [25% of floor area – Self occupied]		
Net Annual Value	-	
Less: Interest on loan [25% of ₹ 60,000]	<u>15,000</u>	(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 ¹]	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]	<u>15,000</u>	
	<u>37,750</u>	<u>1,02,250</u>
Taxable Income		<u>1,53,150</u>

1 Assumed to have been paid on or before the due date u/s 139(1).