

INCOME FROM HOUSE PROPERTY

Charging Section-22

Annual value of a House property is Taxable under the head house Property Subjected to the conditions.

1. There should be house property.
2. Assessee should be the owner of the house property.
3. Assessee should not use that House property for own business / Profession.

House property

Building

and

land attached to the building.

- Residential building
- commercial building
- offices
- shops
- Factories
- Godowns etc.

Owner

Legal owner

Deemed owner, u/s 27

Deemed owner, u/s 27

1. Individual transferred house property to his/her spouse for without consideration / Inadequate consideration, Transferor shall be the deemed owner u/s 27.

Exceptions

- 1) IF there is a adequate consideration
- 2) IF there is a agreement to live apart.

- 2) Individual transferred house property to their minor children for without consideration or inadequate consideration transferor shall be the deemed owner.

Exceptions

- 1) IF there is a adequate consideration
- 2) IF Transferee is a minor married daughter.

- 3) Holder of an Impartible estate.

Impartible estate is a house property which cannot be divided legally. Then the holder of the impartible estate shall be the deemed owner u/s 27.

- 4) member of cooperative society / Association / company ^{etc}
Member of a company / cooperative society / association to whom house property allotted under house building scheme shall be the deemed owner u/s 27

- 5) A Person in possession of House property.

A person who is in possession of house property is treated deemed owner subjected to the conditions under section 53A of Transfer of Property act

Conditions

- 1) Buyer is in possession of house property
- 2) Sole consideration is paid / promised to pay
- 3) Sale deed has not been executed but certain documents like power of attorney / Agreement to sell will has be executed.



In all above 3 cases buyer shall be the deemed owner u/s 27.

6. A person who has acquired rights in respect of house property by way of lease for a continuous period of 12 years or more, shall be deemed owner.

Note

- 1) Assessee need not be owner of the land, it is sufficient to be the owner of the building (H).
- 2) Assessee need not be owner in A.Y.; It is sufficient to be the owner of the house property in previous year.
- 3) ownership in dispute



It department shall decide who is the owner of the house property.

- 4) Rental income from vacant land



Taxable under Income from other source / PGBP as the case may be.

- 5) Income from subletting is Taxable



under IFOS / PGBP as the case may be

Computation of Income from House property

Gross Annual value $\rightarrow$ $\times \times \times \times \rightarrow$ Accrual
 less: municipal taxes paid $\rightarrow$ $\times \times \times \times \rightarrow$ Cash
 Net Annual value $\times \times \times \times$

Less: deductions u/s 24

(1) Standard deduction u/s 24(a) $\rightarrow \times \times \times \times$
 @ 30% on NAV

(2) Interest u/s 24(b) $\rightarrow \times \times \times \times \rightarrow$ Accrual

Income from house property $\times \times \times \times$

(Default)

Computation of Gross Annual Value (GAV)

Step-1 municipal value $\uparrow$ whichever is higher.
 (or) Fair Rent

Step-2 Value in step ① $\downarrow$ whichever is lower $\rightarrow$ [Expected rent]
 (or) standard Rent

Step-3 Expected rent $\uparrow$ whichever higher
 (or) [Actual rent receivable - unrealised rent]

Gross Annual value

Note:

- 1) municipal value $\rightarrow$ The value determined by the municipal authority to charge municipal taxes.
- 2) Fair Rent $\rightarrow$ The rental value of the similar property situated at same place

3) Standard rent → The rent decided by the rent control act.

4) Actual rent receivable → Rent accrued (earned) during the previous year.

5) unrealised rent → The rent which is not realised (collected) from the ~~owner~~ The tenant by owner



Subject to the conditions under Rule-4.

① Tenancy should be bonafide

② defaulting tenant should vacate the house property / reasonable steps taken to vacate tenant from the house property.

3. Defaulting tenant should not in occupation of any other property of the assessee.

4. Reasonable steps should be taken by the owner/assessee to realise the rent from the tenant.

Computation of GAV in different cases

Case-1

House property is let out throughout the previous year



Compute GAV → As discussed above

Case-2

House property let out part of ^{the} year and vacant part of the year.

Computation of GAV
Step ① municipal value
(or)
Fair rent

↑ whichever is higher

Step ② value in step ①
(or)
standard rent

↓ whichever is lower

→ [Expected Rent]

Step-3 [Actual Rent Realisable - unrealised rent + vacant period rent]

GAV

$$\textcircled{1} \text{ARR} - \text{URR} + \text{VPR} \geq \text{ER}$$

$$\textcircled{2} \text{ARR} - \text{URR} + \text{VPR} < \text{ER}$$

↓
GAV

Case-3 House property let out for Part of the year self occupied for Part of the year



As discussed above (default)

Ex: MV = 25,000

FR = 30,000

GR = NP1

AR = 35,000

URR = NP1

Till 31-08-24 let out ⑤

1-9-25 self occupied ⑦

S-1 MV 30,000
OR 360,000
EV 360,000

3,60,000

SE-1 360,000 Expected Rent

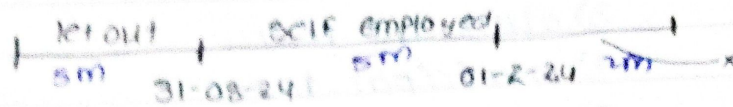
SEP-3 (ARR - UR) (or) ER

(5 x 35,000) = 1,75,000

(or) 3,60,000

360,000

EX 2



- ① my or FR ↑ 250,000 (or) 3,00,000 ↑ 3,00,000
- ② 3,00,000 + FR
- ③ FR or (ARR - UR) ↑ 300,000 (or) 175,000 ↑ = 3,00,000

~~CROSS~~Individual / HUF

more than 2 self occupied property

Any 2 Self occupied property
at the option of assessee

Self occupied property

Rest of self occupied
PropertyDeemed to be let
out property.

case-4 Deemed to be let out property. (Dlap)

↓
GAV = Expected Rent.

case-5 Self occupied property GAV = Nil

case-6 IF there is 2 or more portions in a house prop
we have to bifurcate the following based on
Floor space / Plinth Area.

① municipal value

- 3) Standard rent
- 4) municipal taxes
- 5) Interest.

Municipal Taxes paid

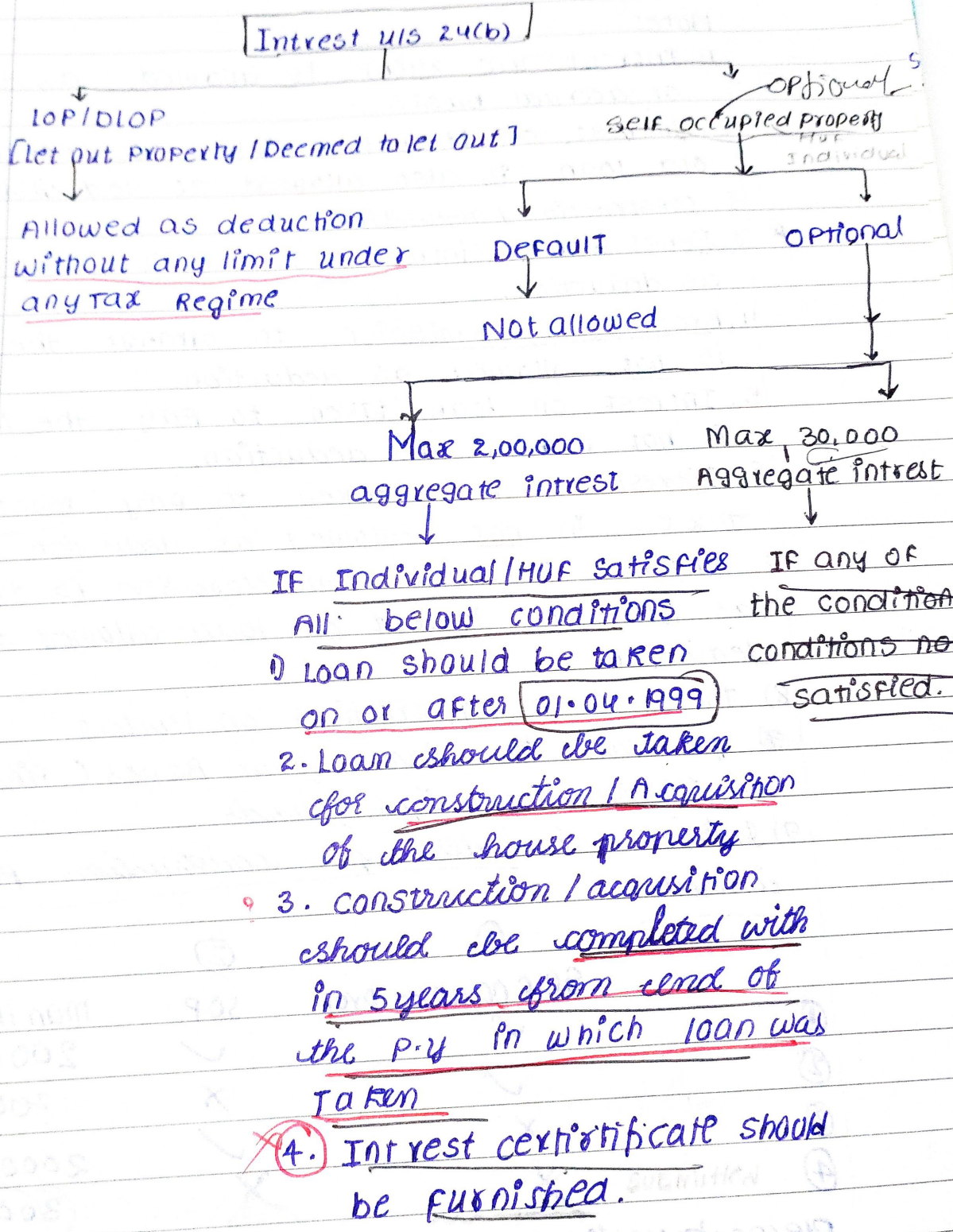
- municipal Taxes are allowed as deduction only if it is paid during the P.Y.
- 1. → municipal taxes should be paid by the owner, then only it is allowed as deduction.
- m.T allowed as deduction on cash basis.
- m.T not allowed as deduction in case of houseproperty whose GAV is Nil.
- m.T paid outside India is also allowed as deduction.

Standard deduction u/s 24(a)

- Irrespective of actual expenditure incurred by the owner to maintain the house property standard deduction @ 30% on GAV is allowed as deduction.
- S.D is not allowed as deduction in case of houseproperty whose GAV is Nil.

Interest u/s 24(b)

- Interest on loan taken for construction / Acquisition / Repair / Renovation etc ... of house property is allowed as deduction u/s 24(b)



Note:

SOP, ✓
(max) 2L

SOP, ✓
(max) 2L

Agg 2L

Note:

1. Interest u/s 24(b) is allowed as deduction on accrual basis.
2. Interest on fresh loan taken to repay the old loan is also allowed as deduction.
3. construction / acquisition
- ★ 3. Penel interest (interest on interest) is not allowed as deduction.
4. Brokerage / commission to arrange the loan is not allowed as deduction.
5. Interest on loan taken to pay the interest is not allowed as deduction.
6. Interest on loan taken to pay municipal taxes in not allowed as deduction.
7. unpaid Purchase consideration is treated as loan, so interest on loan allowed as deduction.
- 8) There is no restrictions on lenders
 you can take loan from Banks, Financial institutions family & friends.
- 9) Interest includes pre construction period interest

	①	②	
	Self occupied Prop	SOP	max int allowed
①	✓	✓	200000
②	✓	X	200000
③	X	✓	200000
④	X	X	30000

Preconstruction period

Date of loan granted
(or)

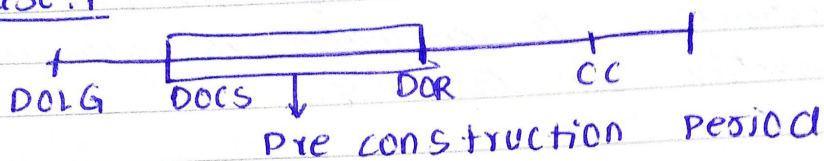
Date of construction started

↑
whichever is lesser

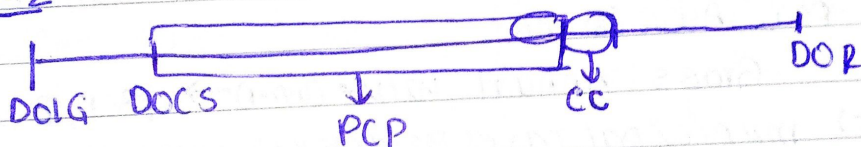
Date of repayment of loan
(or)
End of the preceding py in which
construction is completed

whichever is
earlier

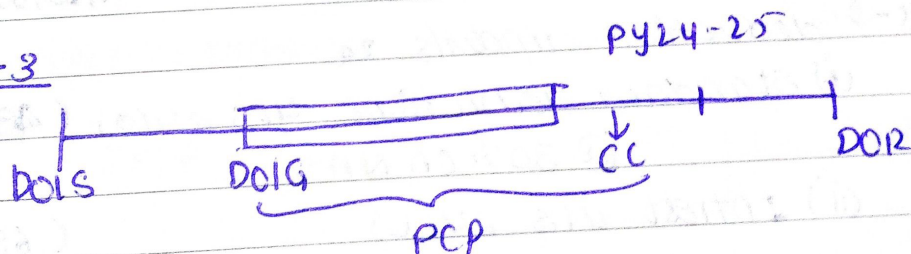
Case: 1



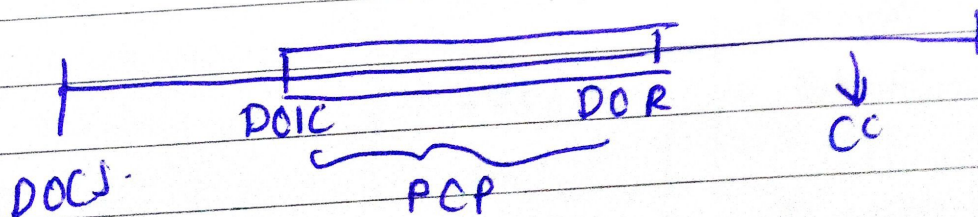
Case-2



Case-3



Case-4



- Interest accrued during the pre construction period is called Pre-construction period interest.
- Pre construction period interest is allowed as deduction in 5 equal instalments in 5 P.Ys from the P.Y in which construction is completed.
- Interest accrued during the P.Y in which construction is completed is allowed as deduction in that P.Y.

GRD-1

Calculation of Income from House Property
for AY 25-26

Gross Annual value (wn-1) →	1,80,000
(-) Municipal Taxes Paid (@8%) →	(20,000)
Net annual value.	1,60,000
(-) deduction under/s 24	
(i) Standard deductions u/s 24(a) (48000)	
@ 30% on NAV.	
(ii) Interest u/s 24(b)	(65,000)
Income from house property	47,000

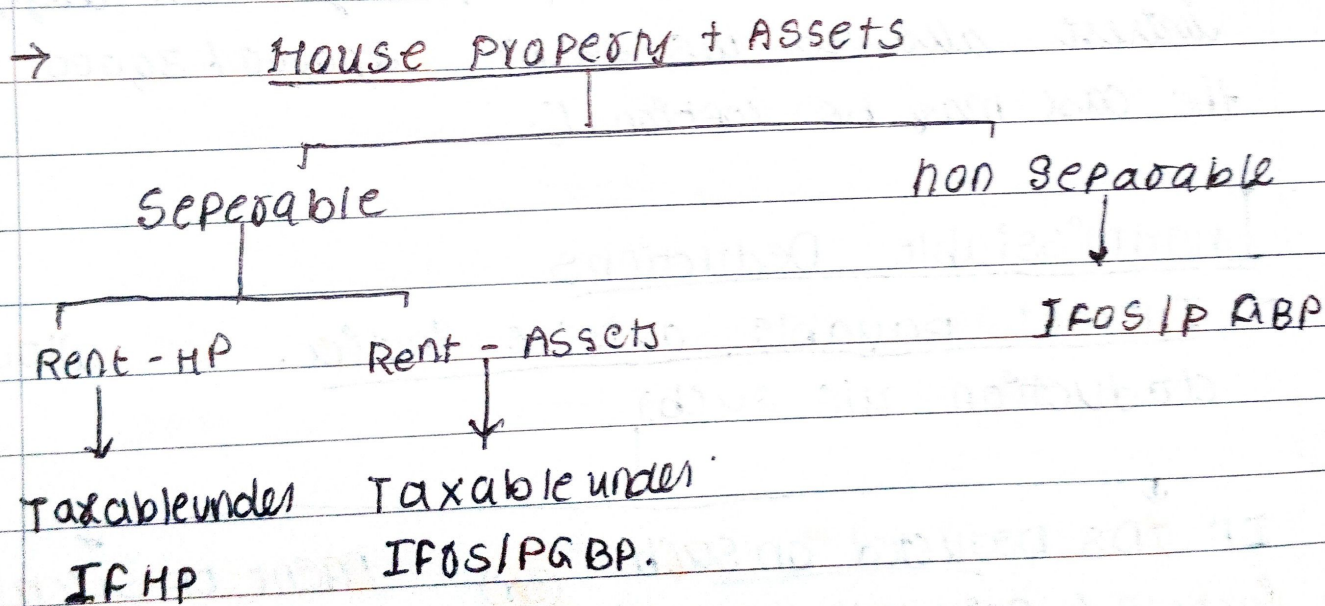
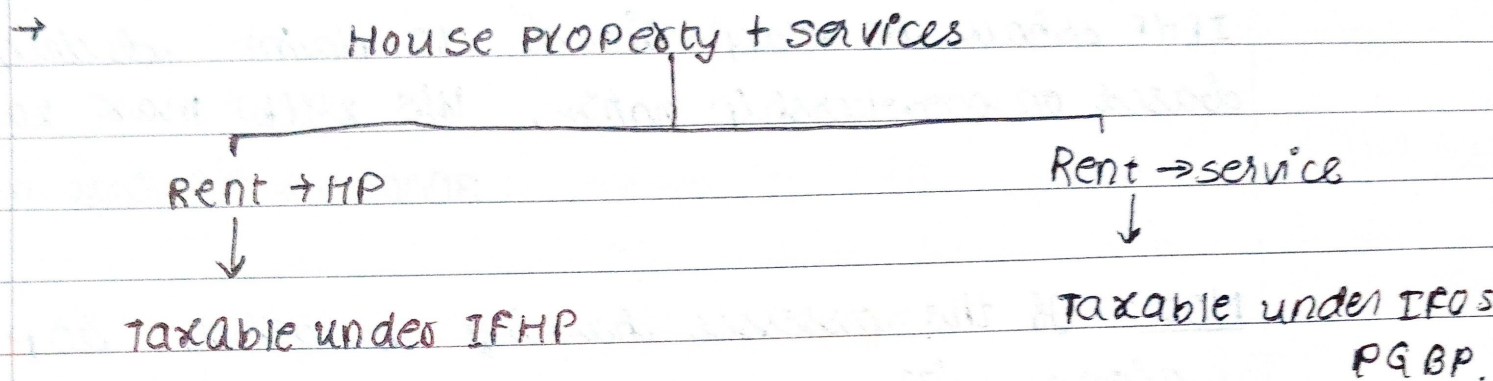
HP-III → SOP

$$\text{IFHP} \rightarrow 2,19,800 + (30,000) + (17,000) = 19,800$$

25*

Composite Rent

→ It means rent collected in respect of both HP & other assets / services. (Cult, watchman, maid etc)
(furniture, home appliances)



Coownership

→ If a property owned by two or more persons and their ownership is definite and ascertainable then that property is called co-owned property and the owners are called co-owners.

Coowned House Property

let out property (LOP)

We shall compute IFHP as it is owned by a single owner

IFHP shall be apportioned based on coownership ratio.

self owned property

We shall compute IFHP

for each coowner separately

each coowner is eligible

to claim deduction

u/s 24(b) max 200000 /

30000 as the case may be.

Note: If the assessee having another SOP along with co-owned property max aggregate interest allowed u/s 24(b) 200000 + 30000 as the case may be (optional)

Inadmissible Deductions

→ Interest payable outside India is allowed as deduction u/s 24(b)

IF TDS Deducted on such Income & Paid to the govt

@ or

Agent of such Person is in India

Note If both the conditions are not satisfied then deduction u/s 24(b) is not allowed.

Arrears of Rent / unrealized rent

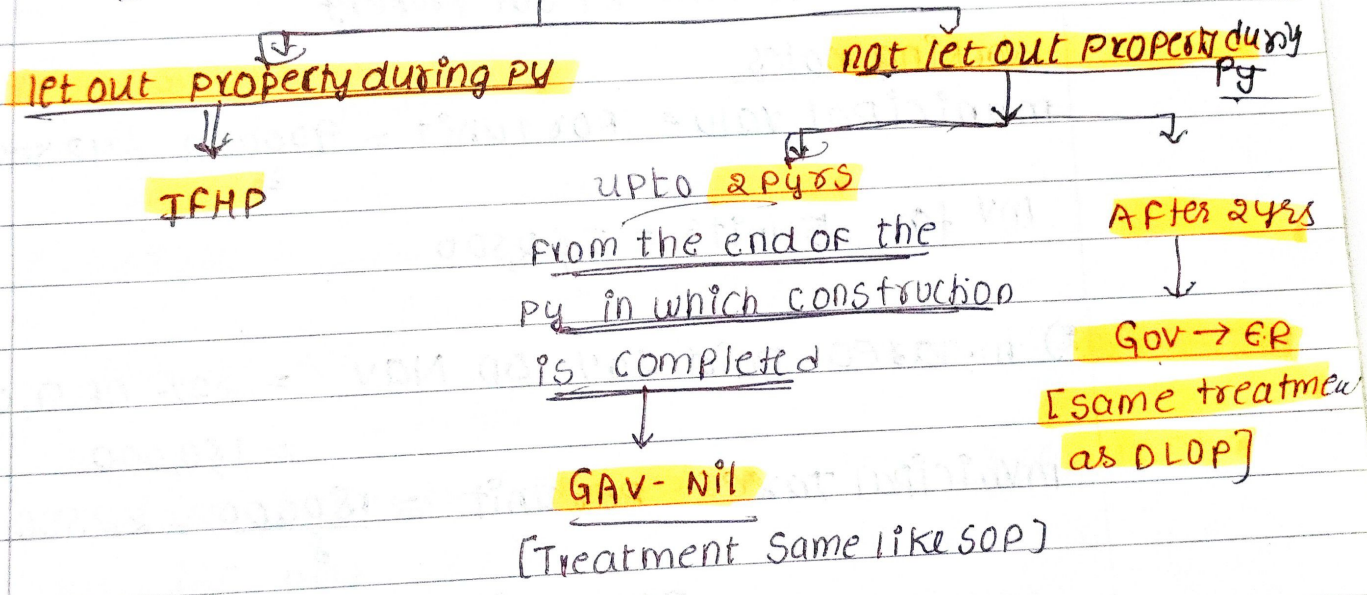
- unrealised Rent : the rent which is not realised from tenant by the owner.

Arrears of Rent : Rent in dispute.

Arrears of Rent / unrealised rent is taxable in the P.Y in which it is received under the head IFHP irrespective wheather he is a owner in the p.y.
→ Only Standard deduction @ 30% is allowed.

House property Held as stock in trade u/s 23(5)

① In case of assessee having HP as stock in trade



Note:

→ If tenant is using the house property for agriculture purpose then that rental income shall be treated as agricultural income. agriculture income is exemptions