# INCOME FROM HOUSE PROPERTY

- Basic condition for chargeability: The Annual Value (AV) of the property consisting of any building and land appurtenant thereto of which the assessee is the OWNER shall be chargeable to income tax under this head. The said property will not include the portions of property that the assessee may occupy for purposes of any business or profession carried on by him, the profits of which are chargeable to tax.

- Meaning of Buildings or lands appurtenant thereto: The existence of a roof is not always necessary for a structure to be regarded as a building. Residential buildings ordinarily have roofs but there can be non-residential building, e.g., stadium, open-air swimming pool, for which a roof is not necessary – Ghanshiram Das Vs. Debi Prasad.

  'Appurtenant' means usually enjoyed with or occupied with land; lands not attached to the building are not taxable under this section. The words 'buildings' and 'house property' are not defined in the Act and have to be understood in the same sense and in ordinary dictionary meaning – CIT Vs. Kanhaiyalal Mimani & Others.

- Non-taxable house properties : Examples –
  a. Property in the vicinity of agricultural land
  b. Property held for charitable purposes
  c. Property used for own business or profession
  d. Property income of a local authority/Trade Union
  e. Annual value of any one palace of an ex-ruler

- Deemed owner of house property : in the following cases, the assessee, though not the owner of the house property, is deemed to be the owner u/s 27 of the Act –
  a. the transferor, in case of transfer without adequate consideration to spouse or minor child.
  b. the holder of an impartible estate.
  c. the member of a co-operative housing society.
  d. the person in possession of any building in part performance of a contract u/s 53A of the Transfer of Property Act, 1882.
  e. the person having rights by way of long-term lease (i.e. for a period of not less than 12 years) of the property.

- Annual Value : It is the sum for which the property might reasonably be expected to let from year to year. It is the inherent capacity of a property to earn. Computation of annual value is governed by section 23(1); (2); (3) & (4).

  ***Annual Value or Net Annual value (NAV) = Gross Annual Value (GAV) - Municipal & other Service taxes, paid by the owner.***

- ***Income from Let-out Property = NAV – [Deduction u/s 24(a) & Deduction u/s 24(b)]***

- **Values which are considered for determining GAV :**

  ➢ **Municipal Value -** it is the 12 months value as fixed by the local authority. In case of metro cities, Net Municipal Value (which is 90% of Gross M.V) may be given in question and in that case GMV is to be determined as GMV = NMV x 100/90. However, municipal tax is to be calculated on NMV**.

  ➢ **Fair rent or Notional Value -** represents 12 months' rent which can reasonably be expected from a similar property in same locality.

  ➢ **Standard Rent -** it is fixed as per rules of the Rent Control Act.

  ➢ Annual **Rental Value (ARV)-** it represents 12 months' rent received or receivable. Rent should be the de-facto rent, i.e., where it includes other service charges which are separable it should be excluded from the ARV.

  Usually, above values are taken for 12 months, i.e., for the whole previous year except where –
  i) the property is owned/constructed after 1.4. of that previous year and
  ii) the property is sold out before 31.3 of that P.Y. In those cases the values are to be calculated for the effective period only.

- **Actual Rent Received / Receivable (ARR) –** as per explanation to sec 23(1), it shall not include (s.t. certain conditions) the amount of rent which the owner cannot realize, i.e., unrealized rent (UR) should not be included in ARR.

Thus, ARR = Total rent receivable for the let-out period <u>less</u> UR, **Or**
ARR = ARV – Loss of rent during vacant period – unrealized rent

**Or, ARR = ARV – LoV – UR**

** where other service taxes exist, Net Municipal Value (NMV) for metro cities is calculated as below:

**NMV = GMV – 10% of GMV for repair - ….% Service tax on NMV**

**Composite Rent:**

- When it includes service charges (like lift maintenance, common electricity, sewerage etc.) – de-facto rent is taxable under the head house property and others, i.e., service charges, as income from other sources or profits & gains of business or profession.
- When it includes the charges for machinery, furniture etc. – treatment will be as below:
  - If separable – then as above
  - If not separable – then the entire amount is chargeable under the head income from other sources or profits & gains of business or profession. Actual expenses are, however, deductible.

**Types of house properties & applicable provisions :**

1. **Actually Let-out (L/O) :**

- *To own employees for business purpose* – income is taxable as Business Income.
- *Otherwise* – Income from House Property and sec. 23(1)(a)/(b)/(c) is applicable

2. **Self-Occupied (S/O):**

- For own business – the notional value is neither taxable under this head nor allowable as business expense.
- Others :
  - Only two house
    - actually occupied - sec. 23(2)(a)
    - Can't be Occupied for Bus./employment - sec. 23(2)(b)
    - **A.V = NIL**
  - more than two - sec. 23(4)
    - **Two** at the option of the assessee are to be treated as **S/O** u/s 23(2)(a)
    - AND
    - other/s will attract sec. 23(1)(a) **[deemed L/O]**

3. **Both self-occupied & let-out:**

- Area wise
  - part S/O to be treated u/s 23(2)(a)
  - part/s L/O to be treated u/s 23(1)(a) / (b) / (c)
- Period/time wise sec. 23 (3) ______ to be treated u/s 23(1)(a) / (b), i.e., **to be considered as wholly L/O**.

Under section 22 of the Income Tax Act, 1961 the Annual Value of the property is taxable.

**Section 23(1)** : for the purpose of Sec. 22, the annual value of any house 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 to section 23(1): for the purpose 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.

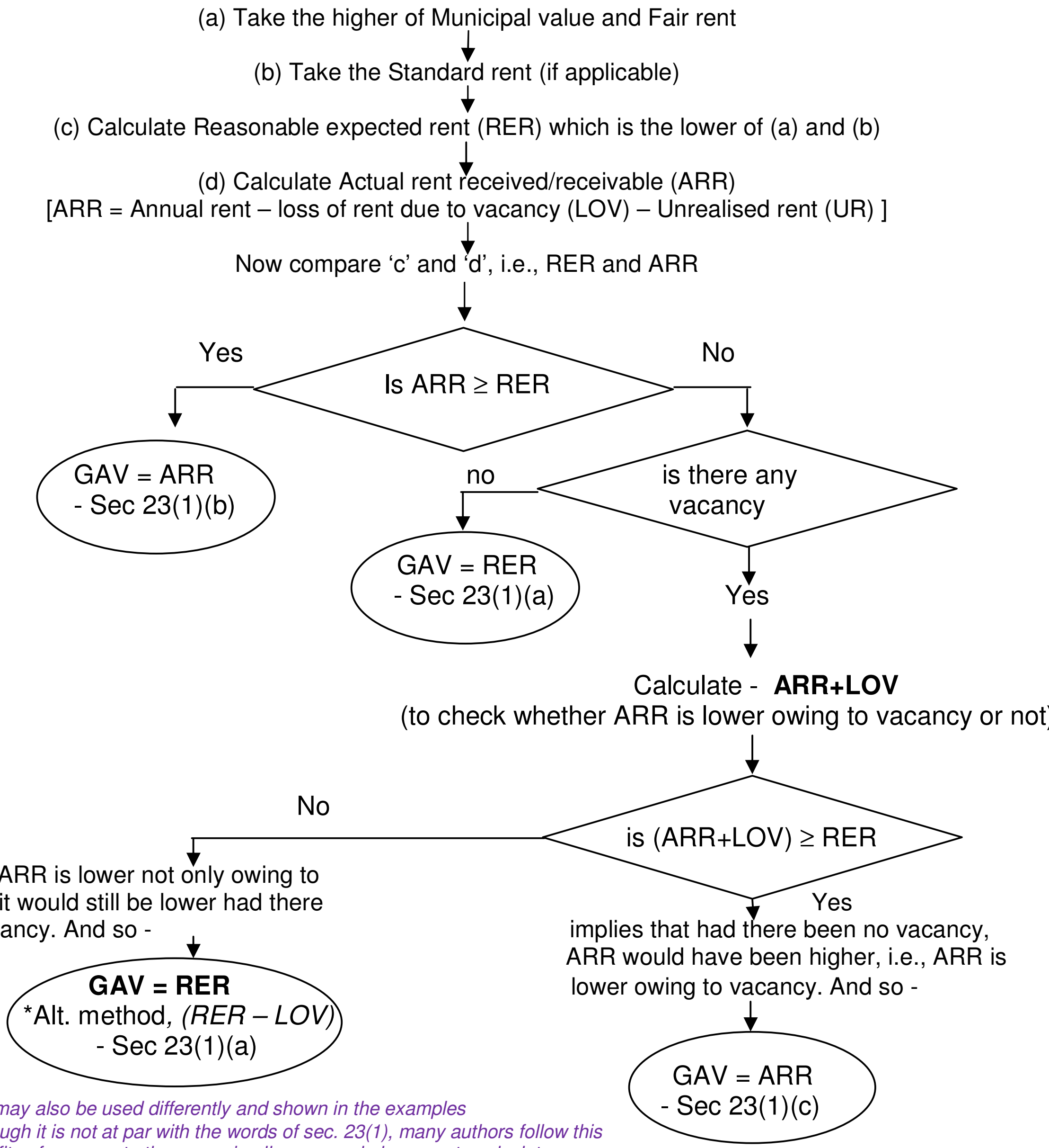
**Note on ARR : –** explanation to Sec 23(1) states, ARR should not include UR ; no mention being made regarding exclusion of loss for vacancy. In this context, it is necessary to understand the position of vacancy and unrealized rent.
In case of vacancy, revenue has not at all accrued whereas, in case of UR, revenue accrued but the question is about its realization.

Thus in ARR, LOV should not be included at all, as it can't be taken as recognizable revenue. Unrealized rent, on the other hand, should not be taken as per explanation to sec 23(1).

**Sec. 23(2) : Income from S/O house property :**

NAV is to be taken as nil. However, the assessee can claim deduction u/s 24(b), s.t. a maximum of Rs. 30,000 / Rs. 2,00,000. The extended benefit of Rs. 2,00,000 is allowed if the loan is taken on/after 1.4.99 for purchase or construction of the house property (not for repair, reconstruction or renewals) and such construction is completed within a period of 5 years next to the financial year in which the capital was borrowed. The income from S/O house is either **NIL** or **–ve**.

**FLOW-CHART SHOWING COMPUTATION OF GAV IN CASE OF L/O HOUSE PROPERTY BY APPLICATION OF SEC 23 (1) (a)/(b)/(c):**




**Alt. method may also be used differently and shown in the examples given. Although it is not at par with the words of sec. 23(1), many authors follow this to give benefits of vacancy to the owner in all cases and also easy to calculate.*

In short – while calculating NAV of let-out property, usually the higher of RER and ARR is to be taken. There is, however, one exception to this rule. The lower ARR may be taken only when it is lower owing to vacancy.

**Examples on computation of Net Annual Value – (students are requested to calculate these on their own after going through the solution once).**

1. ***No UR and No Vacancy***

X is the owner of a house, particulars of which are –
Gross Municipal Value Rs. 36,000; Fair Rent Rs.42,000 and Standard Rent Rs.34,000
Rent actually received Rs.28,000. He paid municipal tax @ 10%. Find NAV.

Solution:

| | | |
|---|---|---|
| a. Municipal Value (MV) | 36,000 | |
| b. Fair Rent (FR) | 42,000 | |
| c. Higher of above two | 42,000 | |
| d. Standard Rent (SR) | 34,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 34,000 |
| f. Actual Rent Received / Receivable (ARR) | | 28,000 |
| Gross Annual Value (higher of 'e' and 'f') | | 34,000 |
| Less. Municipal Tax [36,000*10%] | | 3,600 |
| Net Annual Value | | 30,400 |

2. ***UR but no vacancy***

X is the owner of a house, particulars of which are –
Gross Municipal Value Rs. 36,000; Fair Rent Rs.42,000 and Standard Rent Rs.38,000
Annual Rent Rs.42,000. He paid municipal tax @ 10%. Find NAV – Case-A: Unrealised Rent Rs. 3,000 and Case-B: Unrealised Rent Rs. 7,000

Solution:

| | | Case-A | Case-B |
|---|---|---|---|
| a. Municipal Value (MV) | 36,000 | | |
| b. Fair Rent (FR) | 42,000 | | |
| c. Higher of above two | 42,000 | | |
| d. Standard Rent (SR) | 38,000 | | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 38,000 | 38,000 |
| f. Actual Rent Received / Receivable (ARR) | | 39,000 | 35,000 |
| Gross Annual Value (higher of 'e' and 'f') | | 39,000 | 38,000 |
| Less. Municipal Tax [36,000*10%] | | 3,600 | 3,600 |
| Net Annual Value | | 35,400 | 34,400 |

3. ***Loss due to Vacancy ( No UR) – Where Annual Rent is less than RER***

Y is the owner of a house in Patna, particulars of which are –
Gross Municipal Value Rs. 36,000; Fair Rent Rs.42,000 and Standard Rent Rs.34,000
Rent actually received Rs.28,000. **Rent lost due to vacancy Rs. 5,000**. He paid municipal tax @ 10%. Find NAV.

Solution:

| | | |
|---|---|---|
| a. Municipal Value (MV) | 36,000 | |
| b. Fair Rent (FR) | 42,000 | |
| c. Higher of above two | 42,000 | |
| d. Standard Rent (SR) | 34,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 34,000 |
| f. Actual Rent Received / Receivable (ARR) excl rent of vacancy period | | 28,000 |
| Gross Annual Value ('e', as 'f' is not lower due to vacancy) | | 34,000 |
| Less. Municipal Tax [36,000*10%] | | 3,600 |
| Net Annual Value | | 30,400 |
| **** had Rs.5,000 been received, actual rent received would have been Rs.33,000, which is still less than RER. So, ARR is not lower owing to vacancy.** | | |

**Alternative Solution:**

| | | |
|---|---|---|
| a. Municipal Value (MV) | 36,000 | |
| b. Fair Rent (FR) | 42,000 | |
| c. Higher of above two | 42,000 | |
| d. Standard Rent (SR) | 34,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 34,000 |
| f. Annual Rent (i.e., without deducting rent of vacancy period) | | 33,000 |
| Higher of 'e' and 'f' | | 34,000 |
| less.Loss due to vacancy | | 5,000 |
| Gross Annual Value (GAV) | | 29,000 |
| Less. Municipal Tax [36,000*10%] | | 3,600 |
| Net Annual Value | | 25,400 |

*Look, both the solutions are not giving same value. Also note that, Annual Rent < RER. So it is a case of under-renting. Thus in case of under-renting both the methods will not give identical result.*

### 4. *Loss due to Vacancy ( No UR) – Where Annual Rent is more than RER*

Z is the owner of a house in Gwahati, particulars of which are –
Gross Municipal Value Rs. 36,000; Fair Rent Rs.42,000 and Standard Rent Rs.34,000
Rent for the year Rs.35,000. **Rent lost due to vacancy Rs. 5,000**. He paid municipal tax @ 10%. Find NAV.

Solution:

| | | |
|---|---|---|
| a. Municipal Value (MV) | 36,000 | |
| b. Fair Rent (FR) | 42,000 | |
| c. Higher of above two | 42,000 | |
| d. Standard Rent (SR) | 34,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 34,000 |
| f. Actual Rent Received / Receivable (ARR) [Annual Rent – LoV] | | 30,000 |
| Gross Annual Value ('f', as it is less than 'e' due to vacancy** **) | | 30,000 |
| Less. Municipal Tax [36,000*10%] | | 3,600 |
| Net Annual Value | | 26,400 |

**** ** had Rs.5,000 been received, actual rent received would have been Rs.35,000, which is more than RER. So, we can say that ARR is lower owing to vacancy.**

**Alternative Solution:**

| | | |
|---|---|---|
| a. Municipal Value (MV) | 36,000 | |
| b. Fair Rent (FR) | 42,000 | |
| c. Higher of above two | 42,000 | |
| d. Standard Rent (SR) | 34,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 34,000 |
| f. Annual Rent (i.e., without deducting rent of vacancy period) | | 35,000 |
| Higher of 'e' and 'f' | | 35,000 |
| Loss due to vacancy | | 5,000 |
| Gross Annual Value (GAV) | | 30,000 |
| Less. Municipal Tax [36,000*10%] | | 3,600 |
| Net Annual Value | | 26,400 |

*Look, both the solutions are giving same value. Also note that, Annual Rent > RER. So it is not a case of under-renting.*
*Thus, in case of under-renting both the methods will not give identical results; but in case of no such under-renting both the methods will give identical result.*
*For simplicity of calculation, we will use the alternative approach for solution of problems (although I personally differ from this concept.*

### 5. *Loss due to vacancy but still ARR is more than RER*

U is the owner of a house in Kolkata, particulars of which are –
Gross Municipal Value Rs. 60,000; Fair Rent Rs.52,000 and Standard Rent Rs.70,000
Rent actually received Rs.70,000. **Rent lost due to vacancy Rs. 14,000**. He paid municipal tax @ 10%. Find NAV.

Solution:

| | | |
|---|---|---|
| a. Municipal Value (MV) | 60,000 | |
| b. Fair Rent (FR) | 52,000 | |
| c. Higher of above two | 60,000 | |
| d. Standard Rent (SR) | 70,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 60,000 |
| f. Actual Rent Received / Receivable (ARR) | | 70,000 |
| Gross Annual Value ('f', as it is higher***) | | 70,000 |
| Less. Municipal Tax [60,000*10%] | | 6,000 |
| Net Annual Value | | 64,000 |

*** **where ARR is higher, there is no need to consider loss due to vacancy.**

6. ***Loss due to vacancy and ARR is less than RER. ARR is to be determined from annual rent.***

V is the owner of a house, particulars of which are –

Municipal Value Rs. 60,000; Fair Rent Rs.52,000 and Standard Rent Rs.70,000

Rent p.m Rs.7,000. **Rent lost due to vacancy Rs. 24,500**. He paid municipal tax @ 10%. Find NAV.

Solution:

| | | |
|---|---|---|
| a. Municipal Value (MV) | 60,000 | |
| b. Fair Rent (FR) | 52,000 | |
| c. Higher of above two | 60,000 | |
| d. Standard Rent (SR) | 70,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 60,000 |
| f. Actual Rent Received/Receivable (ARR) (7000*12 – 24,500) | | 59,500 |
| Gross Annual Value ('f', as it is lower due to vacancy***) | | 59,500 |
| Less. Municipal Tax [60,000*10%] | | 6,000 |
| Net Annual Value | | 53,500 |
| ***** had there been no vacancy, ARR would have been Rs.84,000, (i.e., 59,500+24,500) which is more than RER. So, we can say that ARR is lower owing to vacancy.** | | |

**Alternative Solution:**

| | | |
|---|---|---|
| a. Municipal Value (MV) | 60,000 | |
| b. Fair Rent (FR) | 52,000 | |
| c. Higher of above two | 60,000 | |
| d. Standard Rent (SR) | 70,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 60,000 |
| f. Annual Rent (i.e., without deducting rent of vacancy period) | | 84,000 |
| Higher of 'e' and 'f' | | 84,000 |
| Loss due to vacancy | | 24,500 |
| Gross Annual Value (GAV) | | 59,500 |
| Less. Municipal Tax [60,000*10%] | | 6,000 |
| Net Annual Value | | 53,500 |

7. ***Both loss due to vacancy and unrealized rent***

W is the owner of a house, particulars of which are –

Gross Municipal Value Rs. 60,000; Fair Rent Rs.52,000 and Standard Rent Rs.70,000

Rent p.m Rs.7,000. **Vacancy period = 1 month and Rent unrealized = Rs.28,000.** He paid municipal tax @ 10%. Find NAV.

Solution:

| | | |
|---|---|---|
| a. Municipal Value (MV) | 60,000 | |
| b. Fair Rent (FR) | 52,000 | |
| c. Higher of above two | 60,000 | |
| d. Standard Rent (SR) | 70,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 60,000 |
| f. ARR (7000*12 – 7,000*1 – 28,000) | | 49,000 |
| Gross Annual Value ('e', as ARR is not lower due to vacancy***) | | 60,000 |
| Less. Municipal Tax [60,000*10%] | | 6,000 |
| Net Annual Value | | 54,000 |
| ***** had there been no vacancy, ARR would have been Rs.56,000, (i.e., 49,000+7,000) which is still less than RER. So, we can't say that ARR is lower owing to vacancy. Thus, no benefit is given for vacancy.** | | |

***Alternative Solution:***

| | | |
|---|---|---|
| a. Municipal Value (MV) | 60,000 | |
| b. Fair Rent (FR) | 52,000 | |
| c. Higher of above two | 60,000 | |
| d. Standard Rent (SR) | 70,000 | |
| e. Reasonable Expected Rent (RER) (lower of 'c' and 'd') | | 60,000 |
| f. Annual Rent (i.e., without deducting rent of vacancy period but after deducting Unrealized Rent) [7,000*12 – 28,000] | | 56,000 |
| Higher of 'e' and 'f' | | 60,000 |
| Less. Loss due to vacancy | | 7,000 |
| Gross Annual Value (GAV) | | 53,000 |
| Less. Municipal Tax [60,000*10%] | | 6,000 |
| Net Annual Value | | 47,000 |

**Recovery of unrealized rent & Arrear Rent and its taxability :**

Such recovery is taxable in the year of receipt irrespective of present ownership and covered by sections 25A. From such recovery the assessee will get statutory deduction of 30%.

**Notes on interest on loan - sec. 24(b) :**

- Interest on loan taken for house property is allowed on accrual basis.
- Interest on loan taken for interior decoration is not allowed.
- There should be nexus between the capital borrowed and the acquisition, construction, repairs, renewal or reconstruction of the property out of this borrowing and the interest paid on it.
- Where a fresh loan has really been taken to repay the original loan, interest on second loan would also be allowed for such deduction.
- Interest on interest is not allowable. Brokerage, commission etc. for arranging such loan is also not allowable.
- Pre-construction interest, i.e., interest for the period from the date of taking the loan to 31st March immediately preceding the date of completion of such construction, shall be allowed equally in 5 years starting from the first previous year along with current year's interest, if any.
- There is no upper limit for interest allowable on let-out house property.
- **Upper limit of Interest in case of self-occupied house property:**
    - **Deductible upto Rs. 2,00,000 in total for two S/O house properties, if all the following three conditions are satisfied –**
        - ***Capital is borrowed on or after 1.4.1999 for acquiring or constructing a property***
        - ***Acquisition or construction should be completed within 5 financial years from the end of financial year in which the loan was taken. For example, if the loan was taken on 12.7.2013, then the construction or acquisition must be completed within 31.3.2019. (Financial year of taking loan is 2009-10; so to be completed within next 5 financial years, i.e., 2009-10 plus 5 years = 2014-15 which means within 31.3.15)***
        - ***Should not be used for renewal, repair and reconstruction.***
    - **In any other case, maximum limit is Rs. 30,000**

**In our solutions we will follow the alternative method to provide benefit of vacancy to the owner in all cases.

So, we will follow the following procedure and format in determining Income from Let-out House Property:

| | Particulars | Rs. | Rs. |
|---|---|---|---|
| a. | Municipal Value | xxx | |
| b. | Fair Rent or Reasonable Rent | xxx | |
| c. | Higher of above | xxx | |
| d. | Standard Rent, if applicable | xxx | |
| e. | Reasonable Expected Rent (RER) Lower of above two | xxx | |
| f. | Actual Rent Received or Receivable (AR – UR); do not deduct LoV | xxx | |
| g. | Higher of the above two | xxx | |
| h. | Loss owing to vacancy (LoV) | xxx | |
| i. | Gross Annual Value (g-h) | | xxx |
| | Less. Municipal Tax paid by the owner, irrespective of year | | xxx |
| | Net Annual Value (NAV) | | xxx |
| | Less. Deduction u/s 24(a) – 30% of above NAV | xxx | |
| | Less. Deduction u/s 24(b) – for interest on loan taken for this | xxx | xxx |
| | INCOME FROM HOUSE PROPERTY | | xxx |

Format for determining Income from self-occupied House Property

| Particulars | Rs. | Rs. |
|---|---|---|
| Net Annual Value (NAV) – maximum two S/O house combined | | Nil |
| Less. Deduction u/s 24(b) – for interest on loan taken for these | xxx | xxx |
| INCOME FROM HOUSE PROPERTY | | (-)xxx |

## Worked out problems

Q.1. From the following details relating two house properties of Mr.X for the year 2018-19, compute Income from House property for the Assessment Year 2020-21:

| | House-I | House-II | House-III |
|---|---|---|---|
| Nature of use | Let-out for residence | Let-out for business | For own business |
| Municipal Value | 60,000 | 92,000 | 90,000 |
| Fair Rent | 72,000 | 68,000 | 82,000 |
| Standard Rent | 69,000 | 1,02,000 | 68,000 |
| Actual Rent received | 82,000 | 80,000 | - |
| Municipal tax paid during the year | 3,600 | 4,000 | 4,000 |
| Municipal tax of current year left unpaid | 800 | 3,000 | |
| Actual Repair expenses | 7,000 | 9,000 | 2,000 |
| Insurance of property | 7,800 | Nil | |
| Interest for the year 20-21 on loan taken to purchase property | | | |
| Paid during the year | 12,000 | 38,000 | - |
| Accrued but not paid (i.e., left due) | 8,000 | 7,000 | - |

**Solution 1:**

| Particulars | H-I(Amt). | H-II(Amt). |
|---|---|---|
| a. Municipal value | 60,000 | 92,000 |
| b. Fair rent | 72,000 | 68,000 |
| c. higher of the above | 72,000 | 92,000 |
| d. Standard rent | 69,000 | 102,000 |
| e. RER ( lower of c and d) | 69,000 | 92,000 |
| d. ARR | 82,000 | 80,000 |
| GAV (Higher of e and d) | 82,000 | 92,000 |
| Less- Municipal tax paid | 3,600 | 4,000 |
| NAV | 78,400 | 88,000 |
| Less- Deduction u/s 24(a) @ 30% | 23,520 | 26,400 |
| Deduction u/s 24(b) Int. on loan | 20,000 | 45,000 |
| ***Income*** | ***34,880*** | ***16,600*** |

***Income under the head House Property = 34,880+16,600 = 51,480***

Q.2. Mr. A took a loan of Rs. 18,00,000, at 12% p.a interest on 01-09-2016 to construct a house. The construction of the property completed on 31-07-2019 and the house was rented from 01-08-2019 at a monthly rent of Rs. 25,000. The Municipal Value, Fair Rent and Standard Rent for the year are Rs. 2,40,000, Rs.2,28,000 and Rs. 2,70,000 respectively. Municipal tax paid during the year Rs. 16,000.
Following is the schedule of loan repayment:
On 31-03-2017 Rs. 1,00,000; on 30-06-2018 Rs.3,00,000 and on 01-08-2019 Rs. 2,00,000.
Calculate Income from the house for the assessment year 2020-21.

Workings: For deduction u/s 24(b):

1. Pre-construction Int.:

*Step 1: Find out the Pre-construction period:*

From 1-9-2016 to 31-3-2019= 7+12+12=31 M

*Step 2: Check whether we can claim the pre-construction int. in our previous year or not:*

We can claim till 2023-24 (5 years starting from 1st PY,i.e., 19-20)

*Step 3: Calculate the pre-construction Int.: [from date of loan to 31.3. 2019, as constn. Completed on 31.7.19]*

- (1-9-16 to 31-3-17)18,00,000 x 12% x 7M/12M = 126,000
- (1-4-17 to 30-6-18)17,00,000 x 12% x 15M/12M = 255,000
- (1-7-18 to 31-3-19) 14,00,000 x 12% x 9M/ 12M =126,000

Total int. =507,000

Amt to be claimed for 2019-20 (1/5th of pre-construction interest)= 507000 / 5 = 1,01,400

2. Current year's int.: PY 19-20 (1-4-19 to 31-3-20); On 1-4-19 => due 14,00,000 (as there is no repayment before 1.7.19 to the beginning of the PY)

- (1-4-19 to 31-7-19) 14,00,000 x 12% x 4M/ 12M=56,000
- (1-8-19 to 31-3-20) 12,00,000 x 12% x 8M/ 12M=96,000

152,000

| ***Computation of Income from House property*** | | Amt. |
|---|---|---|
| a. Municipal value (240000*8/12) | | 160,000 |
| b. Fair rent (228000*8/12) | | 152,000 |
| c. higher of the above | | 160,000 |
| d. Standard rent (270000*8/12) | | 180,000 |
| e. RER ( lower of c and d) | | 160,000 |
| d. ARR (25000 x 8) | | 200,000 |
| GAV (Higher of e and d) | | 200,000 |
| Less- Municipal tax paid | | 16,000 |
| NAV | | 184,000 |
| Less- Deduction u/s 24(a) @ 30% of NAV | 55,200 | |
| Deduction u/s 24(b) Int. on loan | | |
| -Current year's int. | 152000 | |
| -Pre-construction period | 101400 | |
| | | 308,600 |
| Income from House Property | | (124,600) |

Q.3. Mr.Z is the owner of three house properties of which two are self occupied and one let out for business purpose. You are required to calculate Income from House property of Mr. Z for the previous year 2019-20:

| | House-I | House-II | House-III |
|---|---|---|---|
| Nature of use | Self-occupied for residence | Self-occupied for residence | Let-out for business |
| Municipal Value | 1,20,000 | 1,50,000 | 2,00,000 |
| Fair Rent | 1,10,000 | 1,20,000 | 2,40,000 |
| Standard Rent | - | - | 2,80,000 |
| Annual Rent | | | 3,60,000 |
| Unrealised rent (of this Rs.5,000 for 18-19) | | | 15,000 |
| Municipal tax paid by Mr.Z for 19-20 | 12,000 | 16,000 | 11,000 |
| Municipal tax paid by Mr.Z for 18-19 | | 3,000 | 2,000 |
| Municipal tax paid by the tenant | | | 4,000 |
| Interest on loan taken for construction | 1,60,000 | 2,45,000 | 25,000 |
| Year of taking loan | 2013-14 | 2015-16 | 2012-13 |
| Repair expenses incurred | 12,000 | | 18,000 |

| Solution 3) | H-I | H-II | H-III |
|---|---|---|---|
| | S/O | S/O | L/O |
| Municipal Value | | | 200,000 |
| Fair Rent | | | 240,000 |
| Higher of above | H-I and H-II are combined together | | 240,000 |
| Standard Rent | | | 280,000 |
| RER (lower of above two) | | | 240,000 |
| ARR | | | 350,000 |
| Higher of above two | | | 350,000 |
| Loss owing to vacancy | | | 0 |
| Gross Annual Value | | | 350,000 |
| Municipal Tax paid by the owner | | | 13,000 |
| Net Annual Value (NAV) | | Nil | 337,000 |
| Deduction U/S: | | | |
| 24(a)- 30% of NAV | | | 101,100 |
| 24(b)- Interest on loan | | 200,000 | 25,000 |
| Total Deductions | | | 126,100 |
| Income | | **-200,000** | **210,900** |

Sum up: Total Income from HP **-10,900**

**Q.4.** X owns a house in Delhi. During 2019-20, 3/4$^{th}$ portion was Self-occupied and balance 1/4$^{th}$ portion was let out at a monthly rent of Rs. 26,000 p.m. upto 31.8.19 and thereafter @ Rs.30,000 per month. Municipal value of the house is Rs. 9,00,000 and Fair Rent Rs. 9,80,000. Municipal tax of Rs.60,000 was paid for the property during 2018-19. Interest on house building loan for the year amounted to Rs.80,000 (of the total loan 80% utilized for major repair and 20% utilized for personal convenience).

Compute Income from house property of Mr. X.

| Solution 4) | 3/4 th | 1/4 th |
|---|---|---|
| | S/O | L/O |
| Municipal Value | | 225,000 |
| Fair Rent | | 245,000 |
| Higher of above | 0 | 245,000 |
| Standard Rent | | x |
| RER (lower of above two) | 0 | 245,000 |
| ARR (annual rent - current unrealised rent) [26000*5+30000*7] | | 340,000 |
| Higher of above two | 0 | 340,000 |
| Loss owing to vacancy | | 0 |
| Gross Annual Value | 0 | 340,000 |
| Municipal Tax paid by the owner | | 15,000 |
| Net Annual Value (NAV) | 0 | 325,000 |
| Deduction U/S: | | |
| 24(a)- 30% of NAV | 0 | 97,500 |
| 24(b)- Interest on loan | 48,000 | 16,000 |
| Total Deductions | 48,000 | 113,500 |
| Income | **-48,000** | **211,500** |
| Sum-up: | | |
| ***Total Income from HP*** | **163,500** | |

Q.5.From the following particulars, calculate income from house property for the previous year 2019-20:

| | H - I | H - II | H - III | H -IV |
|---|---|---|---|---|
| Municipal Value (Rs) | 70,000 | 39,000 | 48,000 | 70,000 |
| Notional Value (Rs.) | 51,000 | 42,000 | 40,000 | 72,000 |
| Standard Rent (Rs) | 52,000 | 41,000 | 52,000 | NA |
| Monthly Rent (Rs.) | 6,000 | 4,000 | 4,000 | 7,000 |
| Unrealised Rent (Rs.) | 5,000 | - | 2,000 | 3,000 |
| Vacancy period (in months) | 2 | 1 | 2 | 1 |
| Municipal Tax paid by owner | 3,000 | 5,000 | 2,000 | 4,000 |
| Interest on loan taken for construction | nil | 9,400 | 12,000 | 32,000 |

| Solution 5) | H-I | H-II | H-III | H-IV |
|---|---|---|---|---|
| | L/O | L/O | L/O | L/O |
| Municipal Value | 70,000 | 39,000 | 48,000 | 70,000 |
| Fair Rent | 51,000 | 42,000 | 40,000 | 72,000 |
| Higher of above | 70,000 | 42,000 | 48,000 | 72,000 |
| Standard Rent | 52,000 | 41,000 | 52,000 | x |
| RER (lower of above two) | 52,000 | 41,000 | 48,000 | 72,000 |
| ARR (annual rent - current unrealised rent) | 67,000 | 48,000 | 46,000 | 81,000 |
| Higher of above two | 67,000 | 48,000 | 48,000 | 81,000 |
| Loss owing to vacancy | 12,000 | 4,000 | 8,000 | 7,000 |
| Gross Annual Value | 55,000 | 44,000 | 40,000 | 74,000 |
| Municipal Tax paid by the owner | 3,000 | 5,000 | 2,000 | 4,000 |
| Net Annual Value (NAV) | 52,000 | 39,000 | 38,000 | 70,000 |

| | | | | |
|---|---|---|---|---|
| Deduction U/S: | | | | |
| 24(a)- 30% of NAV | 15,600 | 11,700 | 11,400 | 21,000 |
| 24(b)- Interest on loan | 0 | 9,400 | 12,000 | 32,000 |
| Total Deductions | 15,600 | 21,100 | 23,400 | 53,000 |
| Income | **36,400** | **17,900** | **14,600** | **17,000** |
| Sum-up: | | | | |
| ***Total Income from HP*** | **85,900** | | | |

Q.6. From the following particulars calculate income from house property for the previous year 2019-20:

| | House- I | House- II | House- III |
|---|---|---|---|
| Location | Mumbai | Patna | Bangaluru |
| How used | Let-out | Let-out | Own use |
| Date of completion of construction | 1.5.2013 | 1.8.2017 | 1.1.2016 |
| Municipal Value (Rs.) | 2,48,000 | 1,30,000 | 2,28,000 |
| Fair Rent (Rs.) | 2,52,000 | 1,36,000 | 2,24,000 |
| Standard Rent (Rs.) | 2,56,000 | 1,32,000 | 2,27,000 |
| Annual Rent (Rs.) | 2,88,000 | 1,50,000 | - |
| Unrealised Rent (Rs.) | 12,500 | 6,000 | - |
| Vacant period | 1 month | - | - |
| Municipal Tax (in Rs.): | | - | - |
| Paid for the year 2018-19 | 2,500 | 10,000 | 12,000 |
| Paid for the year 2019-20 | 14,000 | 14,000 | 2,800 |
| Interest for the year (taken for purchase) | 21,500 | 45,000 | 49,000** |
| Interest for the pre-construction period | 26,000 | 92,000 | |

**The loan for house-III was taken on 01-06-2009.

| Solution 6) | H-I | H-II | H-III |
|---|---|---|---|
| | L/O | L/O | S/O |
| Municipal Value | 248,000 | 130,000 | |
| Fair Rent | 252,000 | 136,000 | |
| Higher of above | 252,000 | 136,000 | 0 |
| Standard Rent | 256,000 | 132,000 | |
| RER (lower of above two) | 252,000 | 132,000 | 0 |
| ARR (annual rent - current unrealised rent) | 275,500 | 144,000 | |
| Higher of above two | 275,500 | 144,000 | 0 |
| Loss owing to vacancy | 24,000 | --- | |
| Gross Annual Value | 251,500 | 144,000 | 0 |
| Municipal Tax paid by the owner | 16,500 | 24,000 | |
| Net Annual Value (NAV) | 235,000 | 120,000 | 0 |
| Deduction U/S: | | | |
| 24(a)- 30% of NAV | 70,500 | 36,000 | 0 |
| 24(b)- Interest on loan | 21,500 | 63,400 | 30,000 |
| Total Deductions | 92,000 | 99,400 | 30,000 |
| Income | **143,000** | **20,600** | **-30,000** |
| Sum-up: | | | |
| ***Total Income from HP*** | **133,600** | | |

- For H-I: pre-construction interest not allowable as first 5 years 13-14,14-15,15-16, 16-17 and 17-18 have already been expired.
- For H-II: PY 19-20 is within first 5 years; so, 1/5th of 92,000 along with 45,000 allowed.
- For H-III: time taken for construction is more than 5 F.Yrs after FY 09-10 (in which loan taken)