

Practice Session 1

Topic : Residential Status & Income u/h House Property

Illustration 1 [RTP Nov 2023]

Miss Asha is an Indian citizen. She is a lawyer by profession. She started her consultancy profession in India in 2019 with the name “New way associates”. In May 2023, she got married to Mr. Ram, an American citizen. Mr. Ram came to India for the first time on 1st May 2022 when he joined an MNC in India. He got a promotion and was transferred to Dubai. He left for Dubai on 1st October, 2023. Mrs. Asha accompanied him to Dubai. She started providing consultancy there. Both of them came to India for 3 months from June to August in 2024 to spend time with Asha’s family. Following incomes were earned by Mr. Ram and Mrs. Asha during the P.Y. 2024 -25.

	Income of Mr. Ram	₹
1	Salary from company in Dubai (not liable to tax in Dubai)	13,00,000
2	Long term capital gain on sale of shares of an Indian company	2,50,000
3	Income from house property in Delhi (computed)	4,60,000
4	Dividend from shares of an Indian company	65,000

	Income of Mrs. Asha	₹
1	Profit from consultancy profession in Dubai which was set up in India (not liable to tax in Dubai)	12,00,000
2	Profit from consultancy profession in India	3,00,000
3	Long term capital gain on sale of shares of British company, credited to her Dubai bank account	60,000
4	Short term capital loss on sale of listed shares of an Indian company	(42,000)

Determine the residential status of Mr. Ram and Mrs. Asha and their total income for the A.Y. 2025-26 ignoring the provisions of section 115BAC.

Solution

Determination of residential status of Mr. Ram

Mr. Ram is an American citizen who comes on a visit to India during the P.Y. 2024-25 for 3 months. He has been in India from 1st May 2022 to 1st October 2023. Since Mr. Ram has been in India for a period of more than 60 days (i.e., 92 days) during the P.Y. 2024-25 and for a period of more than 365 days (i.e., 519 days) during the 4 immediately preceding previous years, he satisfies one of the basic conditions and he is a resident for the A.Y. 2025-26.

Since his period of stay in India during the preceding 7 previous years is less than 730 days (i.e., 519 days), he is a resident but not-ordinarily resident in India during the

A.Y. 2025-26.

Since Mr. Ram is a resident but not-ordinarily resident, income which accrues or arises in India, deemed to accrue or arises in India, received in India, deemed to be received in India and income derived from business controlled in or a profession set up in India is chargeable to tax in India in his hands.

Computation of total Income of Mr. Ram for the A.Y. 2024-25

Particulars of income		(₹)
1	Salary from company in Dubai [Not taxable, since it accrues and arises outside India]	-
2	Long term capital gain on sale of shares of an Indian company [Taxable, since it accrues and arises in India]	2,50,000
3	Income from house property in Delhi [Taxable, since it accrues and arises in India]	4,60,000
4	Dividend from shares of an Indian company [Taxable, since it accrues and arises in India]	65,000
		7,75,000

Determination of residential status of Mrs. Asha

Mrs. Asha is an Indian citizen who comes on a visit to India during the P.Y. 2024 -25 for 3 months i.e., 92 days. Since she does not satisfy any of the basic conditions of staying in India for 182 days or 120 days during the P.Y. 2024-25, she is not a resident in India as per section 6(1).

Mrs. Asha would be a deemed resident under section 6(1A) if her total income other than the income from foreign sources exceeds ₹ 15 lakhs during the P.Y. 2024-25 as she is an Indian citizen and is not liable to tax in Dubai.

Computation of total Income other than the income from foreign sources of Mrs. Asha

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Includible]	12,00,000
2	Profit from consultancy profession in India [Includible]	3,00,000
3	Long term capital gain on sale of shares of British company [Not includible, since it is a foreign source income]	-
4	Short term capital loss on sale of listed shares of an Indian company [It accrues and arises in India. However, short term capital loss is not allowed to be set off from business or profession income, hence, not includible]	-
		15,00,000

Since, total income other than the income from foreign sources of Mrs. Asha does not exceed ₹ 15 lakhs, she would not be a deemed resident. Hence, Mrs. Asha is a non- resident during the A.Y. 2025-26.

Since Mrs. Asha is a non-resident, income which accrues or arises in India, deemed to accrue or arises in India, received in India and deemed to be received in India is chargeable to tax in India in her hands.

Particulars of income		(₹)
1	Profit from consultancy profession in Dubai which was set up in India [Not taxable]	-
2	Profit from consultancy profession in India [Taxable, since it accrues and arises in India]	3,00,000
3	Long term capital gain on sale of shares of British company [Not taxable, since it accrues and arises outside India]	-
4	Short term capital loss on sale of listed shares of an Indian company [Since, it accrues and arises in India, it is allowed to be carry forward to A.Y. 2025-26]	-
		3,00,000

Illustration 2 [PYQ Sep 2024]

Mr. Madan, a citizen of India and the Karta of an HUF, is employed in M/s. PCS Pvt. Ltd. He is drawing monthly salary of ₹ 65,500 in India. On June 1, 2024 he purchased one residential house property in Mumbai for ₹ 18,00,000 in his individual capacity. The market value of the property is ₹ 32,00,000 and value for the purpose of charging stamp duty is ₹ 23,00,000. On August 31st, 2024 he was transferred to the branch office of M/s. PCS Pvt. Ltd. in U.S.A. and he left India on September 1st, 2024. The overseas branch paid him a salary of \$ 2,500 per month in USA. He managed business of HUF from USA when he was not in India.

He had also gone out of India for 99 days and 201 days in previous years 2023-24 and 2022-23, respectively. He had never gone out of India prior to that.

He visited India from January 1, 2025 to January 15, 2025 for training on a project and received 15 days salary in India as per his Indian monthly salary before being transferred.

Mr. Rajeev, one of his friends, gifted him a sculpture in India on August 10, 2024. The market value is ₹ 45,100.

Determine the residential status of Mr. Madan and his HUF and compute gross total income of Mr. Madan for the assessment year 2025-26 assuming he opted out of the default tax regime. The value of one USD (\$) may be taken as ₹ 70.

Solution

Residential Status of Mr. Madan

Mr. Madan, an Indian citizen who left India on 1st September 2024 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the P.Y. 2024-25 which is less than 182 days.

Residential Status of HUF

Since Mr. Madan is managing the HUF for part of the year from India, control and management of its affairs is situated partly in India.

Hence, the HUF would be resident in India for the P.Y. 2024-25.

A HUF is said to be “Resident and ordinarily resident” in India during the previous year 2024-25, if Karta (Mr. Madan, in this case) satisfies both the following conditions:

- (a) He is a resident in at least 2 out of 10 previous years preceding the relevant previous year; and
- (b) His stay in India in the last 7 years preceding the relevant previous year is 730 days or more.

Mr. Madan has satisfied both the above conditions as he had never gone out of India except for 99 days and 201 days in the P.Y. 2023-24 and P.Y. 2022-23, respectively, the HUF would be ROR in India.

Computation of Gross Total Income of Mr. Madan for the A.Y. 2025-26

	Amount in ₹
Income under the head “Salaries”	
Salary earned in India: [₹ 65,500 x 5 + ₹ 65,500 x 15/31]	3,59,194
Salary paid in USA: [Not taxable as Mr. Madan is a non- resident and such income does not accrue or arise or received in India]	Nil
Less: Standard Deduction	50,000
Income from other sources	3,09,194
Difference between the consideration of ₹ 18 lakhs and stamp duty value of ₹ 23 lakhs of the residential property acquired [Taxable, since the difference of ₹ 5 lakhs exceed ₹ 1,80,000, being the higher of 10% of the consideration and ₹ 50,000]	5,00,000
Sculpture received as gift from Rajeev, his friend in India [Not taxable as the value does not exceed ₹ 50,000]	Nil
Gross Total Income	8,09,914

Illustration 3 [PYQ May 2024]

Mr. Tilak aged 35 years, furnishes the following information regarding his income for the assessment year 2025-26. Compute the total income if he is:

- (1) Resident and Ordinarily Resident.
 - (2) Resident but Not Ordinarily Resident (Ignore the provisions of Section 115BAC).
- (a) Remuneration of ₹ 50,000 for service rendered in Malaysia, credited to his bank account in Malaysia and immediately remitted to his bank account in India.
 - (b) Profits from a business in England controlled from Bombay ₹ 3,00,000 (out of which ₹ 25,000 is received in India).
 - (c) Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.
 - (d) Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.
 - (e) Income from agriculture land at Nepal of ₹ 18,000, received there and then brought to India.
 - (f) He paid ₹ 50,000 towards principal payment of loan taken for construction of his self-occupied house in India.

- (g) Interest on saving bank deposit in State Bank of India of ₹ 12,000.

Solution

Computation of total income of Mr. Tilak for the A.Y. 2025-26 (if he is Resident and Ordinarily Resident - ROR)

	Particulars	₹
(a)	Remuneration for services rendered in Malaysia Global income is taxable in case of a ROR. <i>[Note – Alternatively, remuneration for services rendered in Malaysia can be taxable as “Salaries”. In such case standard deduction of ₹ 50,000 would be reduced.]</i>	50,000
(b)	Profit from business in England controlled from Bombay Global income is taxable in case of a ROR.	3,00,000
(c)	Past untaxed profits earned in Singapore and brought to India in current year	Nil
(d)	Capital gain on sale of land in India but received in Malaysia Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(e)	Income from agricultural land in Nepal, received there Global income is taxable in case of a ROR	18,000
(f)	Interest on saving bank deposit in SBI Taxable since it is deemed to accrue or arises in India.	12,000
	Gross Total Income	5,80,000
	Less: Deduction under Chapter VI-A	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	10,000
	Total Income	5,20,000

Computation of total income of Mr. Tilak for the A.Y. 2025-26 (if he is Resident but Not Ordinarily Resident - RNOR)

	Particulars	₹
(a)	Remuneration for services rendered in Malaysia In case of RNOR, remuneration would not be taxable in India since neither services are rendered in India nor remuneration received in India.	Nil
(b)	Profit from business in England controlled from Bombay In case of RNOR, whole profits of ₹ 3,00,000 from business in England is taxable since business is controlled from India.	3,00,000
(c)	Past untaxed profits earned in Singapore and brought to India in current year	Nil

(d)	Capital gain on sale of land in India but received in Malaysia Deemed to accrue or arises in India, since the property is situated in India.	2,00,000
(e)	Income from agricultural land in Nepal, received there In case of RNOR, it would not be taxable in India, since neither it is deemed to accrue or arise in India nor received in India.	Nil
(f)	Interest on saving bank deposit in SBI Taxable since it is deemed to accrue or arises in India.	12,000
	Gross Total Income	5,12,000
	Less: Deduction under Chapter VI-A	
	Deduction under section 80C - For repayment of housing loan	50,000
	Deduction under section 80TTA - Interest on savings bank account subject to a maximum of ₹ 10,000	10,000
	Total Income	4,52,000

Illustration 4 [RTP Jan 2025]

Mr. Akshay (aged 59 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 20th April 2024 and returned on 15th October 2024. He has been in India for less than 700 days during the 7 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2025-26 from the following information:

- (1) Long term capital gain on sale of shares of Shama India Ltd., a listed Indian company, amounting to ₹ 1,12,000. The sale proceeds were credited to his bank account in UK.
- (2) Dividend amounting to ₹ 40,000 (gross) received from RIL Ltd., an Indian company. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2024. Interest on the borrowed money for the P.Y. 2024-25 amounted to ₹ 10,000.
- (3) Interest on post office saving bank account amounting to ₹ 9,500.

Mr. Akshay has shifted out of the default tax regime and wants to pay tax under normal provisions of the Act.

Solution

Determination of residential status

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India for at least 60 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.

If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Mr. Akshay, an Indian citizen, has satisfied the first basic conditions for being a resident, since he was in India for 188 days (20+17+30+31+31+28+31) during the previous year 2024-25. Hence, he is a resident in India for A.Y.2025-26.

An individual would be resident but not ordinarily resident if he satisfies either one of the following conditions:

- (i) He has been non-resident in India in any 9 out of 10 previous years preceding the relevant previous year, or
- (ii) He has, during the 7 years immediately preceding the relevant previous year, been in India for a period of 729 days or less.

Since Mr. Akshay has been in India for less than 700 days during the 7 years immediately preceding the previous year, he would be a resident but not ordinarily resident for A.Y. 2025-26

Computation of total income of Mr. Akshay for A.Y.2025-26

	Particulars	Amount (₹)
(1)	Long-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Akshay, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in UK.	1,12,000
(2)	Dividend received from an India company taxable in the hands of the Akshay as Income from other sources since the income has accrued or arisen in India	40,000
	Less: Interest expenditure restricted to 20% of dividend	8,000
		32,000
(3)	Interest on post office saving bank account is taxable in the hands of Mr. Akshay as Income from other sources, since it has accrued and arisen in India and is also received in India.	9,500
	Less: Exemption under section 10(15)	3,500
		6,000
Gross Total Income		1,50,000
Less: Deduction under section 80TTA		6,000
Total Income		1,44,000

Illustration 5 [PYQ May 2023]

- (i) Mr. Jai Chand (an Indian citizen) left India for employment in country X on 5th June, 2014. He regularly visited India and stayed for 60 days in every previous year since then. However, in the financial year 2024-25, he did not come to India at all. He owns a commercial building in Delhi which is let out. He has also set up a retail store in India which is controlled by his brother from India. He provides the following information to you regarding his income for the financial year 2024-25: Income from commercial building in Delhi - ₹ 12,00,000 (computed as per the provisions of the Act).

Income from the retail store - ₹ 4,50,000 (computed as per the provisions of the Act).

Country X does not tax any individual on their income as there is no personal income-tax regime there.

Determine the residential status of Mr. Jai Chand for the Assessment year 2025-26.

Will your answer change if he is a citizen of Country X?

- (ii) Mr. Prashant (aged 35 years) is an Australian citizen who is settled in Australia and visits India for 125 days in every financial year since past 11 years. During the F.Y. 2024-25, he visited India for a total period of 200 days. The purpose of his visit was to meet his family members who are settled in India and also for managing his business in Sri Lanka through his office in Chennai, India.

During the P.Y.2024-25, he has the following incomes:

- (A) Income from business in Australia controlled from Australia - ₹ 20,00,000
- (B) Income from business in Sri Lanka controlled from Chennai - ₹ 16,00,000
- (C) Short-term capital gains on sale of shares of an Indian company received in Australia - ₹ 50,000. The shares were sold online from Australia.
- (D) income from agricultural land in Australia, received there and then brought to India - ₹ 2,00,000

Find out the residential status of Mr. Prashant and compute his total income for Assessment Year 2025-26.

Illustration 6 [PYQ Nov 2018]

Mrs. Disha Khanna, a resident of India, owns a house property at Bhiwani in Haryana. The Municipal value of the property is ₹ 7,50,000, Fair Rent of the property is ₹ 6,30,000 and Standard Rent is ₹ 7,20,000 per annum. The property was let out for ₹ 75,000 per month for the period April 2023 to December 2024.

Thereafter, the tenant vacated the property and Mrs. Disha Khanna used the house for self-occupation. Rent for the months of November and December 2024 could not be realized from the tenant. The tenancy was bonafide but the defaulting tenant was in occupation of another property of the assessee, paying rent regularly.

She paid municipal taxes @ 12% during the year and paid interest of ₹ 35,000 during the year for amount borrowed towards repairs of the house property.

You are required to compute her income from “House Property” for the A.Y. 2025-26.

Solution

Computation of income from house property of Mrs. Disha Khanna for the A.Y.2025-26

Particulars	Amount in ₹	
Computation of Gross Annual Value		
Expected Rent for the whole year = Higher of Municipal Value of ₹ 7,50,000 and Fair Rent of ₹ 6,30,000, but restricted to Standard Rent of ₹ 7,20,000	7,20,000	
Actual rent received for the let-out period = ₹ 75,000 x 9 [Unrealised rent is not deductible from actual rent in this	6,75,000	

case since the defaulting tenant is in occupation of another property of the assessee, and 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	7,20,000	
Gross Annual Value (GAV)		7,20,000
Less: Municipal taxes (paid by the owner during the previous year) = 12% of ₹ 7,50,000		90,000
Net Annual Value (NAV)		6,30,000
Less: Deductions under section 24		
(1) 30% of NAV = 30% of ₹ 6,30,000	1,89,000	
(2) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let-out property)	35,000	2,24,000
Income from house property		4,06,000

Illustration 7 [PYQ Dec 2021]

Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property: Municipal taxes of ₹ 4,00,000 for the financial year 2024-25 (10% rebate is obtained for payment before due date.) Arrears of municipal tax of financial year 2023-24 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000. Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which made in cash. Salary of ₹ 88,000 paid of staff for collecting house rent and other charges. Compute the total income of Mr. Ravi for the assessment year 2025-26 assuming that Mr. Ravi has not opted provisions under section 115BAC.

Solution

Computation of total income of Mr. Ravi for A.Y. 2025-26 under the regular provisions of the Act

Particulars	Amount (₹)	Amount (₹)
Income from house property		
Gross Annual Value		
a) Expected rent ₹ 29,80,000 [Higher of Municipal Value of ₹ 27,00,000 p.a. and Fair Rent of ₹ 30,00,000 p.a., but restricted to Standard Rent of ₹ 29,80,000 p.a.]		

b) Actual rent ₹ 29,40,000 [₹ 30,00,000, being annual rent for house property less rent of ₹ 60,000 (₹ 2,40,000 x 4/12 x 3/4) due to vacancy]		
Gross Annual Value	29,40,000	
In this case, the actual rent is lower than the expected rent due to vacancy. Otherwise, the actual rent of ₹ 30,00,000 would have been higher than the expected rent. In such a case, the actual rent would be the gross annual value, even if it is lower than the expected rent. Less: Municipal taxes actually paid during the year: [₹ 4,00,000 - rebate of ₹ 40,000] = ₹ 3,60,000		
[₹ 1,40,000 arrears - ₹ 25,000 interest] = ₹ 1,15,000	4,75,000	
Net Annual Value	24,65,000	
Less: Deduction from Net Annual Value		
30% of Net Annual Value	7,39,500	17,25,500
Income from Other Sources/Profits and gains from business or profession		
Rent for amenities	10,00,000	
Less: Loss due to vacancy		
[₹ 2,40,000 x 4/12 x 1/4]	20,000	
	9,80,000	
Less: Expenditure in respect thereof		
• Lift maintenance expenses [excluding cash payment of ₹ 30,000 disallowed]		
= ₹ 2,40,000 - ₹ 30,000	2,10,000	
• Salary to staff [₹ 88,000 x 1/4, being the proportion pertaining to amenities] 22,000	2,32,000	7,48,000
Total Income		24,73,500

Illustration 8 [RTP May 2024]

Mr. Raj, a resident in India, owns two house property, one in Delhi and another in Kanpur. The property in Kanpur is self-occupied by Mr. Raj, however, the property in Delhi is let out throughout the year. The particulars of the Delhi house for the P.Y. 2024-25 are as under:

Standard rent	₹ 1,72,000 p.a.
Municipal valuation	₹ 2,05,000 p.a.
Fair rent	₹ 1,95,000 p. a
Rent received	15,000 p.m.
Municipal tax (Paid by Mr. Raj)	5% of municipal valuation

Municipal tax paid by Mr. Raj on 10.6.2024 for Kanpur house is ₹ 3,500. Mr. Raj had taken a loan from SBI of ₹ 35 lakhs @ 12 p.a. in April, 2021 for purchase of Delhi house. The stamp

duty value of this house was ₹ 40 lakhs. Mr. Raj purchased a plot in Kanpur in May, 2022 and the construction of the Kanpur house was began in June, 2022 and was completed on December, 2023. Mr. Raj took a loan of ₹ 25,00,000@10% on 1-7-2022 for the construction of this house. No repayment has been done so far for both the loans. During the P.Y. 2024-25, Mr. Raj has earned a salary income of ₹ 18,00,000. Compute the total income of Mr. Raj for the A.Y. 2025-26 under both tax regimes.

Solution

Computation of total income of Mr. Raj for A.Y. 2025-26 under default tax regime

Particulars		₹	₹
I.	Salaries		
	Gross salary	18,00,000	
	Less: Standard deduction under section 16(ia)	75,000	17,25,000
II.	Income from house property		
	<u>Rented property at Delhi</u>		
	Step I - Computation of Expected Rent		
	Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
	Step II - Actual Rent		
	Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	
	Step III – Computation of Gross Annual Value		
	GAV is the higher of Expected Rent and Actual rent received/ receivable	1,80,000	
	Gross Annual Value	1,80,000	
	Less: Municipal taxes (5% of ₹ 2,05,000)	10,250	
	Net Annual value	1,69,750	
	Less: Deductions under section 24 -		
	a) 30% of net annual value	50,925	
	b) Interest on loan (₹ 35 lakhs x 12%)	4,20,000	(3,01,175)
	<u>Self occupied property at Kanpur</u>		
	Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	
	Less: Deduction under section 24 -		
	Interest on borrowed capital [Not allowable under section 115BAC]	Nil	Nil
	Income from house property		(3,01,175)
	Gross Total Income [Loss from house property is not allowed to be set off against income under any other head while computing income under section 115BAC]		17,25,000

Less: Deduction under section 80EEA [Not allowable under section 115BAC]		Nil
Total Income		17,50,000

**Computation of Total income of Mr. Raj for A.Y. 2025-26
under normal provisions of the Act**

Particulars	₹	₹
I. Salaries		
Gross salary	18,00,000	
Less: Standard deduction under section 16(ia)	50,000	17,50,000
II. Income from house property		
Rented property at Delhi		
Step I - Computation of Expected Rent		
Expected Rent = Higher of Municipal Value of ₹ 2,05,000 and Fair Rent of ₹ 1,95,000, but restricted to Standard Rent of ₹ 1,72,000	1,72,000	
Step II - Actual Rent		
Actual rent received or receivable (₹ 15,000 x 12)	1,80,000	
Step III – Computation of Gross Annual Value		
GAV is the higher of Expected Rent and Actual rent received/ receivable	1,80,000	
Gross Annual Value	1,80,000	
Less: Municipal taxes (5% of ₹ 2,05,000)	10,250	
Net Annual value	1,69,750	
Less: Deductions under section 24 -		
a) 30% of net annual value	50,925	
b) Interest on loan (₹ 35 lakhs x 12%) [₹ 4,20,000 - ₹ 1,50,000, being the interest for which deduction under section 80EEA is claimed]	2,70,000	(1,51,175)
Self occupied property at Kanpur		
Annual value [No deduction for municipal taxes is allowed in respect of self-occupied property]	Nil	
Less: Deduction under section 24 -		
Interest on borrowed capital [₹ 2,50,000 (₹ 25,00,000 x 10%) plus pre construction interest of ₹ 37,500, being 1/5 th of (₹ 25,00,000 x 10% x 9/12)] [₹ 2,87,500, restricted to ₹ 2,00,000]	2,00,000	(2,00,000)
Income from house property		(3,51,175)
Gross Total Income [As per section 71(3A), loss from house property can be set off against income under any		15,50,000

other head to the extent of ₹ 2,00,000 only. Balance loss of ₹ 1,51,175 to be carried forward to A.Y. 2026-27]		
Less: Deduction under section 80EEA [Since the loan is sanctioned between 1.4.2019 and 31.3.2022 and the stamp duty value of the property does not exceed ₹ 45 lakhs, deduction of ₹ 1,50,000 is allowed in respect of interest on loan for Delhi house]		<u>1,50,000</u>
Total Income		14,00,000

Illustration 9 [RTP May 2023]

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 2024-25:

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, 2017 for the construction of the above house property. Construction was completed on 30th June, 2020. 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. 2025-26 ignoring the provisions of section 115BAC.

Solution**Computation of Gross total income of Mr. Akash for the A.Y. 2025-26**

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 ($\text{₹ } 1,60,000 \times 8\% \times 75\%$)	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	PGBP Income		8,00,000
	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	₹ 15,000		
house property (25% of ₹ 60,000)			
Depreciation	₹ 8,000	71,950	7,28,050
Gross Total Income			7,13,830

Note:**Computation of Interest on loan**

Particulars	₹
Interest for the year ($\text{₹ } 5,00,000 \times 12\%$)	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 ($\text{₹ } 1,65,000 \times 1/5$)	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 ($75\% \times \text{₹ } 1,29,000$)	96,750

Illustration 10 [RTP May 2021 & MTP Nov 2023]

Mr. Roxx, a citizen of the Country Y, is a resident but not ordinarily resident in India during the financial year 2024-25. 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 1.10.2024, 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 2024-25. 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, 2022 for purchasing this flat. No amount is repaid by him till 31.03.2025.

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 2024-25.

Compute the income chargeable from house property of Mr. Roxx for the assessment year 2025-26.

Solution

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.2025-26 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		
	a) 30% of net annual value [30% x 4,74,600]	1,42,380	
	b) 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	₹
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Interest for the current year [$18,00,000 \times 9.5\%$]		1,71,000
Add: 1/5th of pre-construction interest ($\text{₹ } 2,85,00 \times 1/5$)		<u>57,000</u>
1.8.2022 to 31.03.2023 – ($\text{₹ } 18,00,000 \times 9.5\% \times 8/12$)	1,14,000	
1.4.2023 to 31.03.2024 – ($\text{₹ } 18,00,000 \times 9.5\%$)	1,71,000	2,28,000
Interest deduction allowable under section 24, restricted to		2,00,000