



Direct Tax - CA / CMA Inter

House Property

Last Day Revision Questions - Sept 25 / Dec 25 / Jan 26

Question 1

Mr. Ramesh and Mr. Suresh constructed their houses on a piece of land purchased by them at Mumbai. The built up area of each house was 1,500 sq. ft. ground floor and an equal area in the first floor. Ramesh started construction on 1-04-2022 and completed on 1-04-2023. Suresh started the construction on 1-04-2022 and completed the construction on 30-06-2023. Ramesh occupied the entire house on 01-04-2023. Suresh occupied the ground floor on 01-07-2023 and let out the first floor for a rent of ₹ 15,000 per month. However, the tenant vacated the house on 31-12-2023 and Suresh occupied the entire house during the period 01-01-2024 to 31-03-2024.

Following are the other information.

(i)	Fair rental value of each unit (ground floor / first floor)	₹1,00,000 per annum
(ii)	Municipal value of each unit (ground floor / first floor)	₹ 72,000 per annum
(iii)	Municipal taxes paid by	Ramesh – ₹ 8,000
		Suresh – ₹ 8,000
(iv)	Repair and maintenance charges paid by	Ramesh – ₹ 28,000
		Suresh – ₹ 30,000

Ramesh has availed a housing loan of ₹ 20 lakhs @ 12% p.a. on 01-04-2022. Suresh has availed a housing loan of ₹ 12 lakhs @ 10% p.a. on 01-07-2022. No repayment was made by either of them till 31-03-2024. Compute income from house property for Ramesh and Suresh for the previous year 2023-24 (A.Y. 2024- 25). (MTP 7 Marks April '23 , March'21, Apr'19)

Assume that the assessee has shifted out of the default tax regime.



Answer

Computation of income from house property of Mr. Ramesh for A.Y. 2024-25

Particulars	₹	₹
Annual value is nil (since house is self-occupied)		Nil
Less: Deduction under section 24(b)		
Interest paid on borrowed capital ₹ 20,00,000 @ 12%	2,40,000	
Pre-construction interest ₹ 2,40,000/5	48,000	
As per second proviso to section 24(b), interest deduction restricted to	2,88,000	2,00,000
Loss under the head "Income from house property" of Mr. Ramesh		(2,00,000)

Computation of income from house property of Mr. Suresh for A.Y. 2024-25

Particulars	Ground floor (Self occupied)	First floor
Gross annual value (See Note below)	Nil	90,000
Less: Municipal taxes (for first floor)		4,000
Net annual value(A)	Nil	86,000
Less: Deduction under section 24		
(a) 30% of net annual value		25,800
(b) interest on borrowed capital		
Current year interest		
₹ 12,00,000 x 10% = ₹ 1,20,000	60,000	60,000
Pre-construction interest		
₹ 12,00,000 x 10% x 9/12 = ₹ 90,000	9,000	9,000
₹ 90,000 allowed in 5 equal installments		
₹ 90000/5 = ₹ 18,000 per annum		
Total deduction under section 24(b)	69,000	94,800
Income from house property (A)-(B)	(69,000)	(8,800)
Loss under the head "Income from house property" of Mr. Suresh (both ground floor and first floor)	(77,800)	



Note: Computation of Gross Annual Value (GAV) of first floor of Suresh's house

If a single unit of property (in this case the first floor of Suresh's house) is let out for some months and self-occupied for the other months, then the Expected Rent of the property shall be taken into account for determining the annual value. The Expected Rent shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

The Expected Rent is the higher of fair rent and municipal value. This should be considered for 9 months since the construction of property was completed only on 30.6.2023.

Expected rent = ₹ 75,000 being higher of -75
Fair rent = $1,00,000 \times 9 / 12 = ₹ 75,000$ Municipal
value = $72,000 \times 9 / 12 = ₹ 54,000$
Actual rent = ₹ 90,000 (₹ 15,000 p.m. for 6 months from July to December, 2023) Gross Annual Value = ₹ 90,000 (being higher of Expected Rent of ₹ 75,000 and actual rent of ₹ 90,000)



Question 2

Mr. Sailesh constructed a house in P.Y. 2017-18 with 3 independent units. During the P.Y. 2023-24, Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 20,000. Rent of January 2024 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Sailesh is occupied by the tenant. Unit - 1 remains vacant for February and March 2024 when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Sailesh 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 - ₹ 2,88,000 Fair rent - ₹ 2,98,000

Standard rent under the Rent Control Act - ₹ 2,78,000 Municipal taxes - ₹ 30,000 paid by Mr. Sailesh

Repairs - ₹ 7,000

Interest on capital borrowed for the construction of the property - ₹ 90,000, Ground rent - ₹ 6,000 and Fire insurance premium paid - ₹ 60,000.

Income of Sailesh from the business is ₹ 2,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Sailesh for the assessment year 2024-25 if he opts to be taxed under section 115BAC. (MTP 7 Marks April 22)

Answers

Computation of taxable income of Mr. Sailesh for A.Y. 2024-25

Particulars	Amount	Amount
Income from house property		
Unit - 1 [50% of floor area - Let out]		
Gross Annual Value, higher of		
-Expected rent ₹ 1,39,000 [Higher of Municipal Value of ₹ 1,44,000 p.a. and Fair Rent of ₹ 1,49,000 p.a., but restricted to Standard Rent of ₹ 1,39,000 p.a.]		
-Actual rent ₹ 1,80,000 i.e., [₹ 20,000 x 10] less unrealized rent of January, 2022 ₹ 20,000		
Gross Annual Value	1,80,000	
Less: Municipal taxes [50% of ₹30,000]	15,000	

Net Annual Value		1,65,000	
Less: Deductions from Net Annual Value			
(a) 30% of Net Annual Value		49,500	
(b) Interest on loan [50% of ₹ 90,000]		45,000	70,500
Unit – 3 [25% of floor area – Self occupied]			
Net Annual Value			
Less: Interest on loan [Not allowed as Mr. Sailesh is opting for section 115BAC.]			
Income from house property			70,500
Profits and gains from business or profession			
Business Income [without deducting expenditure of Unit - 2 25% floor area used for business purposes]		2,40,000	
Less: Expenditure in respect of Unit -2			
- Municipal taxes [25% of ₹ 30,000]	7,500		
- Repairs [25% of ₹ 7,000]	1,750		
- Interest on loan [25% of ₹ 90,000]	22,500		
- Ground rent [25% of ₹ 6,000]	1,500		
- Fire Insurance premium [25% of ₹ 60,000]	15,000	48,250	1,91,750
Taxable Income			2,62,250

Note:

Alternatively, if as per income-tax returns, unrealised rent is deducted from GAV, then GAV would be

₹ 2,00,000, being higher of unexpected rent of ₹ 1,39,000 and actual rent of ₹ 2,00,000. Thereafter, unrealised rent of ₹ 20,000 and municipal taxes of ₹ 15,000 would be deducted from GAV of ₹ 2,00,000 to arrive at the NAV of ₹ 1,65,000



Question 3

Mr. Kamal, a resident but not ordinarily resident in India during the Assessment Year 2025-26. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1DHS=INR 22). The entire rent is received in India. He paid property tax of DHS 2,500 and Sewerage Tax DHS 1,500 there, for the Financial Year 2024-25. The house in Mumbai is self-occupied. He had taken a loan of ₹ 10,00,000 to construct the house on 1st June, 2021 @12%.

The construction was completed on 31st May, 2023 and he occupied the house on 1st June, 2023. The entire loan is outstanding as on 31st March, 2025. Property tax paid in respect of the second house is Rs 2,400 for the Financial Year 2024-25. Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kamal for the Assessment Year 2025-26 under regular provisions of the Act.



Answer

Computation of income from house property of Mr. Kamal for A.Y. 2025-26

Particulars	₹	₹
1. Income from let-out property in Dubai [See Note 1 below]		
² Gross Annual Value (DHS 20,000 p.m. x 12 months x ₹ 22)		52,80,000
Less: Municipal taxes paid during the year [DHS 4,000 (DHS 2,500 + DHS 1,500) x ₹ 22] ³		<u>88,000</u>
Net Annual Value (NAV)		51,92,000
Less: Deductions under section 24		
(a) 30% of NAV	15,57,600	
(b) Interest on housing loan	—	<u>15,57,600</u>
		<u>36,34,400</u>
2. Income from self-occupied property in Mumbai		
Annual Value [Nil, since the property is self-occupied]		NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self occupied property]		
Less: Deduction in respect of interest on housing loan [See Note 2 below]		<u>1,64,000</u>
		<u>(1,64,000)</u>
Income from house property [₹ 36,34,400 - ₹ 1,64,000]		34,70,400

Notes

(1) Since Mr. Kamal is a resident but not ordinarily resident in India for A.Y. 2025-26, income which is, inter alia. received in India shall be taxable in India, even if such income has accrued or arisen outside India. Accordingly, rent received from house property in Dubai would be taxable in India since such income is received by him in India. Income from property in Mumbai would accrue or arise in India and consequently, interest deduction in respect of such property would be allowable while computing Mr. Kamal's income from house property because of self-occupied property.

(2) **Interest on housing loan for construction of self-occupied property allowable as deduction under section 24**

Interest for the current year (₹ 10,00,000 × 12%) ₹ 1,20,000

Pre-construction interest

For the period 01.06.2021 to 31.03.2023

(10,00,000 × 12% × 22/12) = ₹ 2,20,000

₹ 2,20,000 allowed in 5 equal installments

(₹ 2,20,000/5)

₹ 44,000

₹ 1,64,000



Question 4

Mrs. Rohini Ravi, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 2024-25. 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 Rs.75.

She took ownership and possession of a flat in Chennai on 1.7.2024, 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 31.3.2025. The municipal valuation is Rs.3,84,000 p.a. and the fair rent is Rs.4,20,000 p.a. She paid the following to Corporation of Chennai:

Property Tax Rs.16,200

Sewerage Tax Rs.1,800

She had taken a loan from Standard Chartered Bank in June, 2022 for purchasing this flat. Interest on loan was as under:

Particulars	Rs.
Period prior to 1.4.2024	49,200
1.4.2024 to 30.6.2024	50,800
1.7.2024 to 31.3.2025	1,31,300

She had a house property in Bangalore, which was sold in March, 2021. In respect of this house, she received arrears of rent of Rs.60,000 in March, 2025. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Rohini Ravi for the AY 2025-26 if she has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Would your answer change if she pays tax under the default tax regime under section 115BAC?.

Answer

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 under section 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 AY 2025-26 will be calculated as under:

Particulars		Rs.	Rs.
1.	Self-occupied house at Los Angeles		
	Annual value		Nil
	Less: Deduction under section 24		Nil
	Chargeable income from this house property		Nil
2.	Self-occupied house property at Chennai		
	Annual value		Nil
	Less: Deduction under section 24		
	Interest on borrowed capital (See Note below)		1,91,940
			(1,91,940)
3.	Arrears in respect of Bangalore property (Section 25A)		
	Arrears of rent received	60,000	
	Less: Deduction @ 30% u/s 25A(2)	18,000	42,000
Loss under the head "Income from house property"			(1,49,940)

Note: Interest on borrowed capital



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

Interest deduction under section 24(b) is allowable since she has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

- (ii) Yes, the answer would change if she pays tax under the default tax regime under section 115BAC. Under the default tax regime, deduction under section 24(b) for interest is not available. Hence, she cannot claim deduction of Rs 1,91,940 in respect of the Chennai house. Accordingly, income from house property would be Rs 42,000.

Question 5

Mrs. Disha Khanna, a resident of India, owns a HP at Bhiwani in Haryana. Municipal value of the property is Rs. 7,50,000, Fair Rent of the property is 6,30,000 & Standard Rent is 7,20,000 p.a.

Property was let out for 75,000 p.m. for the period April 2022 to December 2022.

Thereafter, the tenant vacated the property & Mrs. Disha Khanna used the house for self-occupation. Rent for the months of November & December 2022 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 & paid interest of 35,000 during the year for amount borrowed towards repairs of the HP. You are required to compute her income from HP for AY 2023-24



Answer

Computation of Income u/h HP for AY 2023-24

Particulars	Amount	Amount
Gross Annual Value [See Working Note]		7,20,000
Less: Municipal taxes (12% of 7,50,000)		(90,000)
Net Annual Value		6,30,000
Less: Deduction u/s 24		
Standard deduction @ 30% of NAV u/s 24(a)	1,89,000	
Interest on capital borrowed u/s 24(b)	35,000	(2,24,000)
Income from HP		4,06,000

Working Note:

(a) Fair rent	6,30,000
(b) Municipal Valuation	7,50,000
(c) Higher of (a) or (b)	7,50,000
(d) Standard Rent	7,20,000
(e) Expected Rent [Lower of (c) or (d)]	7,20,000
(f) Actual rent (75,000 x 9)	6,75,000
(g) GAV = Higher of (e) or (f)	7,20,000



Question 6

Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 21st March, 2024 to 28th September, 2024 to take care of her ailing mother. In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is \$ 32,000 p.a. The value of one USD (\$) may be taken as ₹ 75. Municipal taxes paid in New York in January, 2025 are \$ 2,000.

She took ownership and possession of her house in New Delhi on 25th March, 2024, for self-occupation, while she is in India. The municipal valuation is ₹ 4,20,000 p.a. and the fair rent is ₹ 4,50,000 p.a. She paid property tax of ₹ 22,000 to Delhi Municipal Corporation on 21st March, 2025. She had taken a loan of ₹ 16 lakhs @ 10% p.a. from IDBI Bank on 1st April, 2020 for constructing this house and the construction got completed on 20th March, 2024. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2024 to March 2025.

She had a house property in Mumbai, which was sold on 28th March, 2024. In respect of this house, she received arrears of rent of ₹ 3,00,000 on 4th February, 2025. This amount has not been charged to tax earlier.

She does not have any income under any other source in India during previous year in 2024-25.

Ananya Gupta wants to exercise the option to shift out of the default tax regime under section 115BAC for A.Y. 2025-26.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

MULTIPLE CHOICE QUESTIONS

1. What would be the residential status of Ananya Gupta for A.Y. 2025-26?
 - (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Deemed resident but not ordinarily resident in India
 - (d) Non-resident



2. Ms. Ananya Gupta can claim benefit of "Nil" Annual Value under section 23(2) in respect of -
- (a) Her Delhi house
 - (b) Her New York house, since it is more beneficial; her Delhi house will be deemed to be let out and expected rent would be the annual value.
 - (c) Her Delhi house alone; her New York house will be deemed to be let out and expected rent would be the annual value.
 - (d) Both her Delhi house and New York house, since benefit of Nil Annual value u/s 23(2) is available in respect of two house properties.
3. What is the income chargeable under the head "Income from house property" of Ananya Gupta for A.Y. 2025-26?
- (a) ₹ 15,65,000
 - (b) ₹ 3,09,600
 - (c) ₹ 1,00,000
 - (d) ₹ 10,000
4. Assuming that, for the purpose of this question alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of \$ 6,000 p.m. Such rent was received in a bank account in New York and then remitted to India through approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y. 2025-26?
- (a) ₹ 10,000
 - (b) ₹ 17,85,000
 - (c) ₹ 17,95,000
 - (d) ₹ 18,85,000

Answers

1. **Option (d)** Non-resident

Reason

Since Ms. Ananya Gupta is an Indian citizen who visited India only for 181 days during the P.Y. 2024-25 and her total income excluding income from foreign sources does not exceed ₹ 15 lakhs, she is a non-resident



2. **Option (a)** Her Delhi house

Reason

Since Ms. Ananya Gupta is a non-resident, income which is accrued or arisen or deemed to accrue or arisen or received or deemed to be received in India would be taxable in her hands in India. Accordingly, her apartment at New York would not fall under the scope of total income.

3. **Option (d)** ₹ 10,000

House property in Mumbai

Arrear of Rent = ₹ 3,00,000

Less: Standard deduction@30% = ₹ 90,000

Taxable = ₹ 2,10,000

House property in Delhi

NAV = Nil

Less: Interest on loan u/s 24(b) = ₹ 2,00,000

Current year interest ₹ 16 lakhs x 10% = ₹ 1,60,000

Preconstruction interest ₹ 16 lakhs x 10% x 3 = ₹ 4,80,000/5
= ₹ 96,000

Taxable = (₹ 2,00,000)

Income from house property = ₹ 10,000

4. **Option (a)** ₹ 10,000

Reason

Same as in **Point 1** since rental income from property at New York is out of scope of total income of Ms. Ananya.



Question 7

Ram Builders & Developers is the sole-proprietorship concern of Mr. Ram. The main business of the concern is construction, development and sale of residential and commercial units. Ram Builders & Developers developed a project named Luxuria Heaven, which has both residential and commercial units with its own funds. It obtained certificate of completion for the said project with effect from 31/03/2024. Ram sold majority of its residential units and commercial units in the F.Y.2024-25. However, around 30 residential units and 15 commercial units were held by him as stock in trade as on 31.3.2025. During this period, there was a slump in the real estate sector. In order to earn some income from these units, Ram incidentally let out some of the units held as stock-in-trade. The details of units constructed, sold and held as stock-in-trade are given hereunder:

Particulars	Total Units constructed	Units sold	Units held as stock-in-trade as on 31.3.2025 [(2) – (3)]	Units let out during P.Y. 2024-25 out of (4)	Units vacant during the whole of P.Y.2024-25 [(4) – (5)]	Actual rent per unit per month [in respect of let out units mentioned in (5)]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Residential Units	100	70	30	10	20	10,000 pm.
Commercial Units	40	25	15	5	10	18,000 pm.
	140	95	45	15	30	

Out of the residential units sold, 5 residential units were sold to his friend, Mr. Gaurav, who is also a real estate developer, on 15.2.2025, for ₹ 20 lakhs each. The stamp duty value on the date of sale was ₹ 23 lakhs each. However, the agreement of sale was entered into on 1.11.2024, on which the date the stamp duty value was ₹ 22 lakhs. Mr. Ram received ₹ 1 lakh by way of account payee bank draft on 1.11.2024 from Mr. Gaurav.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

MULTIPLE CHOICE QUESTIONS

1. While computing the total income of Mr. Ram, the income from residential and commercial units let out during the P.Y.2024-25 will be taxed under head:



- (a) Income from house property
 - (b) Profits and gains of business or profession
 - (c) Income from let out residential units will be taxed under the head "Income from house property" and income from let out commercial units will be taxed under the head "Profits and gains of business or profession"
 - (d) Income from other source
2. What would be the tax treatment of vacant residential and commercial units held as stock in trade as on 31.3.2025?
- (a) The vacant residential units would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2025-26.
 - (b) The vacant units, both residential and commercial, would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2025-26.
 - (c) The annual value of both vacant residential and commercial units would be Nil for A.Y.2025-26. Hence, no income is chargeable for such units under the head "Income from house property" for A.Y. 2025-26.
 - (d) Vacant units held as stock-in-trade can never be deemed as let out at any point of time
3. What would be the full value of consideration in respect of sale of units to Mr. Gaurav for the purpose of computing profits and gains from transfer of units?
- (a) ₹ 1,00,00,000
 - (b) ₹ 1,15,00,000
 - (c) ₹ 1,10,00,000
 - (d) ₹ 99,00,000



4. Assume that ₹ 1 lakh was paid in cash by Mr. Gaurav to Mr. Ram on 1.11.2024 instead of by way of account payee bank draft, what would be the income chargeable under section 56(2)(x) in the hands of Mr. Gaurav?
- (a) ₹ 15 lakh
 - (b) ₹ 10 lakh
 - (c) Nil, since the stamp duty value is within the permissible deviation limit
 - (d) Nil, since section 56(2)(x) is not applicable in this case

Answer

1. **Option (a)** Income from house property

Reason

Rental income from letting residential and commercial units by Ram Builders & Developers is chargeable to tax under Income from house property since its main business is to construct, develop and sale of residential and commercial units..

2. **Option (c)** The annual value of both vacant residential and commercial units would be Nil for A.Y.2025-26. Hence, no income is chargeable for such units under the head "Income from house property" for A.Y. 2025-26.

Reason

As per section 23(5), the annual value of property being held as stock in trade would be treated as NIL for a period of two years from the end of the financial year in which certificate of completion of construction of the property is obtained from the competent authority, if such property is not let-out during such period.



Since the completion certificate is received during the F.Y. 2023-24, the annual value of the such properties will be Nil for P.Y. 2024-25 and P.Y. 2025-26.

3. Option (a) ₹ 1,00,00,000

Reason

Mr. Gaurav has made the advance payment by way of account payee bank draft on the date of the agreement. Therefore, as per section 43CA, stamp duty value as on the date of agreement i.e., on 1.11.2024 is to be taken into consideration for determining full value of consideration. Since the stamp duty value of ₹ 22 lakhs as on 1.11.2024 does not exceed 110% of actual consideration of ₹ 20 lakhs, ₹ 20 lakhs will be the full value of consideration for each residential unit. Hence, full value of consideration would be ₹ 1 crore (₹ 20 lakhs x 5).

4. Option (d) Nil, since section 56(2)(x) is not applicable in this case

Reason

The provisions of section 56(2)(x) are applicable to the assessee in case of property which is a capital asset of the assessee. In this case, since Mr. Gaurav is a real estate developer, the residential unit will be his stock-in-trade and not capital asset. Hence, section 56(2)(x) is not applicable.

YouTube - <https://www.youtube.com/@CrackTaxWithAmit>

Telegram - <https://t.me/taxation0707> [Tax Notes and Guidance – CA Amit Mahajan]

LinkedIn - <https://www.linkedin.com/in/amit-mahajan-34803892/>