

## Chapter IV C

### Income from House property

#### Learning objectives

- \* Basics of IFHP - Definitions u/s 27.
- \* Concept of 'property', 'building' & 'lands appurtenant thereto'.
- \* Concept of 'standard rent', 'fair rent', 'actual rent'.
- \* Concept of 'Annual value' and its determination.
- \* Deductions allowed u/H IFHP.
- \* Treatment of ———
  - Principal borrowed for HP.
  - Interest on borrowed capital
  - Pre-construction interest
- \* Expenses not allowed as deductions.
- \* Treatment of unrealised rent & arrears of rent recovered subsequently.
- \* IFHP vis-a-vis co ownership.
- \* Miscellaneous issues.

### 1. Income from House property (Sec. 22)

\* Sec. 22 is the **Charging section** for chapter IV C.

\* It provides scope of chargeability of IT on income from HP.

\* Various components of S. 22 are as under—

component	Analysis
1. Annual value taxability	<p>* Taxability is not on rent actually earned/collected. It is on the 'annual value' calculated as per 'Section 23'.</p> <p>* Annual value considers only the inherent revenue earning potential in a property and not actuals.</p>
2. Property	<p>* The annual value must be in relation to a property.</p> <p>* Property here has a limited purpose meaning which consist of —</p> <ul style="list-style-type: none"> <li>• Buildings (or)</li> <li>• Lands appurtenant to building</li> </ul> <p>* Property in chp IV C do not include</p> <ul style="list-style-type: none"> <li>• All immovable properties not consisting of building.</li> <li>• Vacant lands.</li> <li>• Intangibles.</li> </ul>
3. Ownership	<p>* In order to charge tax U/H IFHP, Alee must be the owner of such property.</p> <p>* If Alee is not owner of HP, then, income therein is not chargeable U/H IFHP.</p>
4. Assessee of any kind	<p>* section just used the word 'Assessee' and therefore, any one can be chargeable to tax U/H IFHP.</p> <p>* Therefore, Alee can be —</p> <ul style="list-style-type: none"> <li>• Resident</li> <li>• Non-Resident</li> <li>• Individual</li> <li>• HUF</li> <li>• Firm</li> <li>• company</li> <li>• etc.</li> </ul>

component	Analysis												
5. Purpose -not for BIP	<p>* The property under consideration shall not be used by A/c for the purposes of his own BIP. In such a case, it is not subject to tax U/H IFHP.</p> <p>Note: AV of IFHP is not charged U/H IFHP but considered U/H P&amp;BP if and only if the BIP has profits chargeable to tax. If, by any reason, BIP does not have profits to charge for IT, then AV of such HP is chargeable U/H IFHP.</p> <p>* Let out of a property for other B/P is chargeable U/H IFHP.</p> <p>* Self occupancy for residential purpose (or) let out to others is chargeable U/H IFHP.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3">IFHP?</th> </tr> <tr> <th>Situ</th> <th>BIP*</th> <th>others</th> </tr> </thead> <tbody> <tr> <td>self</td> <td>NO</td> <td>yes</td> </tr> <tr> <td>others</td> <td>yes</td> <td>yes</td> </tr> </tbody> </table> <p>* Assumed that business profits are chargeable to tax.</p>	IFHP?			Situ	BIP*	others	self	NO	yes	others	yes	yes
IFHP?													
Situ	BIP*	others											
self	NO	yes											
others	yes	yes											
6. Occupancy of a portion	<p>* Occupancy/Annual value shall be calculated on portions-wise for a building.</p> <p>* If a A/c self-occupied a portion of a building, remaining portions can't be claimed again as a self-occupied property for same A.Y.</p>												

## Miscellaneous Issues

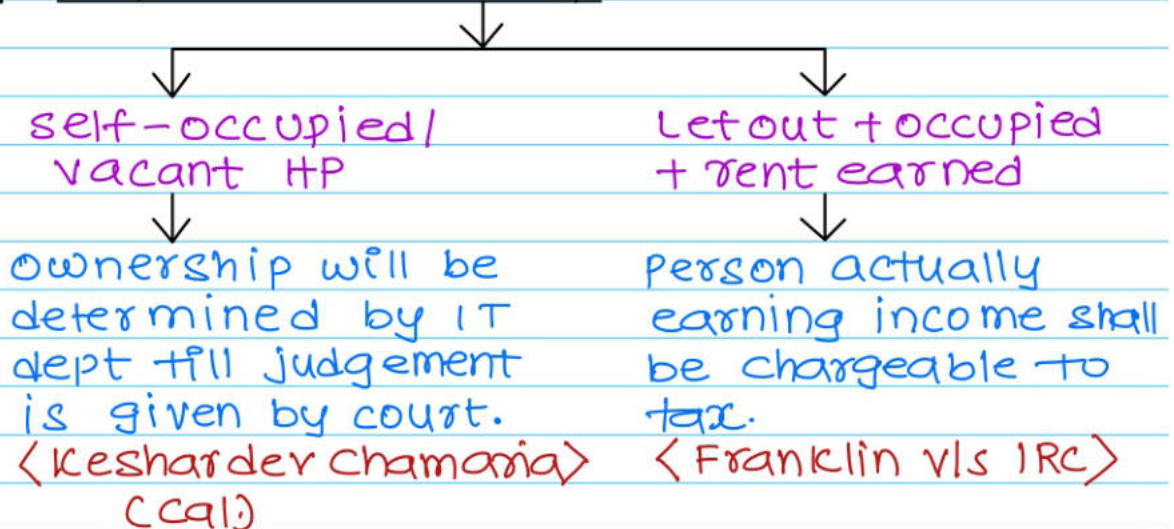
\* Property can be a foreign property also. In such case, annual value is determined as if similar property is situated in India.

< CIT v/s Venu Gopal Reddy >

\* ownership shall be seen in the PY and not in the A.Y. That means, if property is sold in the A.Y, even then income earned in PY as included in T.I is chargeable to tax UH IFHP irrespective of ownership in A.Y.

< sec 22 r/w sec 4 >

\* Dispute in ownership



\* meaning of Buildings + Land appurtenant thereto u/s 22

1. An incomplete house which is in ruins with no slab, roof (or) windows cannot be called as 'building'.

< Baladin v/s Lachan Singh > AIR.

2. A construction made of wood is also treated as building not necessarily out of cement + concrete.

<waite's executors v/s IRC>

3. Temporary purpose establishments can also be called as 'building'.

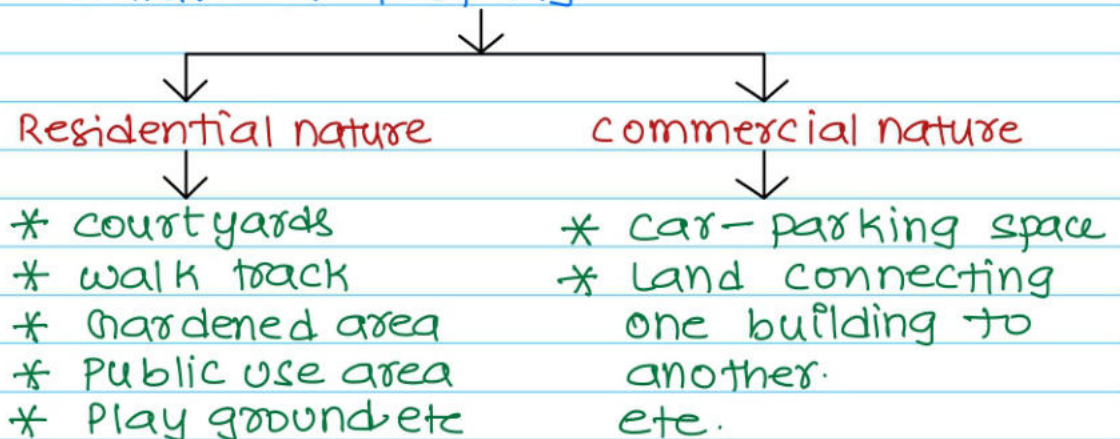
<Fielding v/s Ryhl improvement commission>

conclusion:

Building includes ———

- \* Residential houses.
- \* Let out houses
- \* self occupied houses
- \* factories
- \* Auditoriums etc.

4. Lands appurtenant thereto depends on nature of property ———

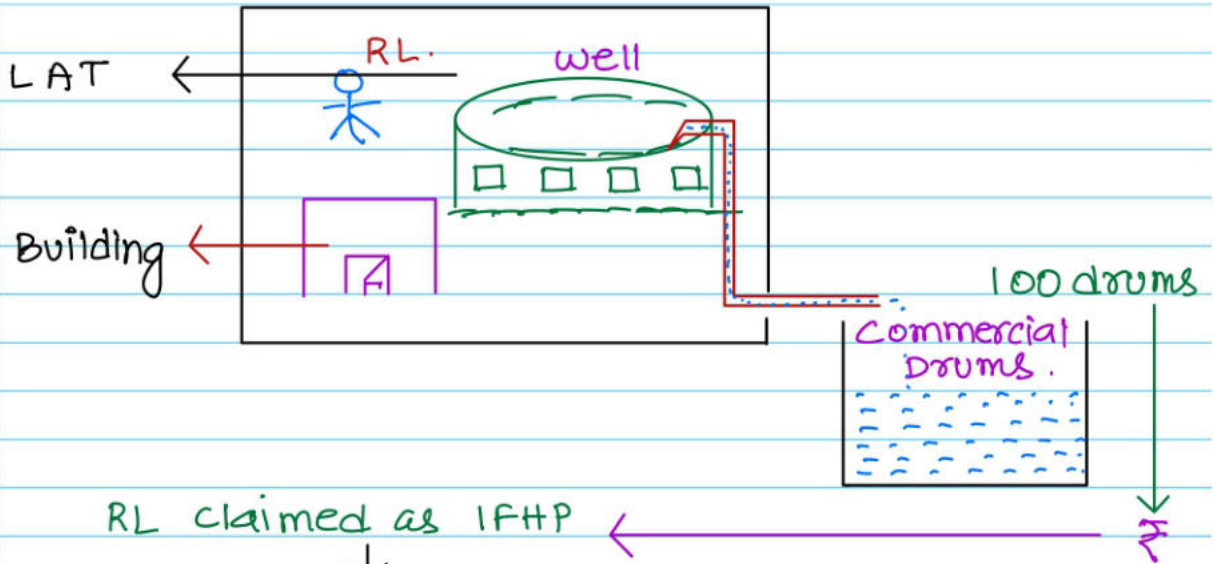


5. Lands 'appurtenant' means it should be indivisible + shall be a part & parcel of building.

6. Vacant lands and its ground rent is therefore chargeable not under ITP but under P&BP/IFOs depending on its nature. <CIT v/s Bhatnagar>

<Choudhary Sharafat Hussain v/s CIT>

7. <M. Ramalakshmi Reddy v/s CIT>

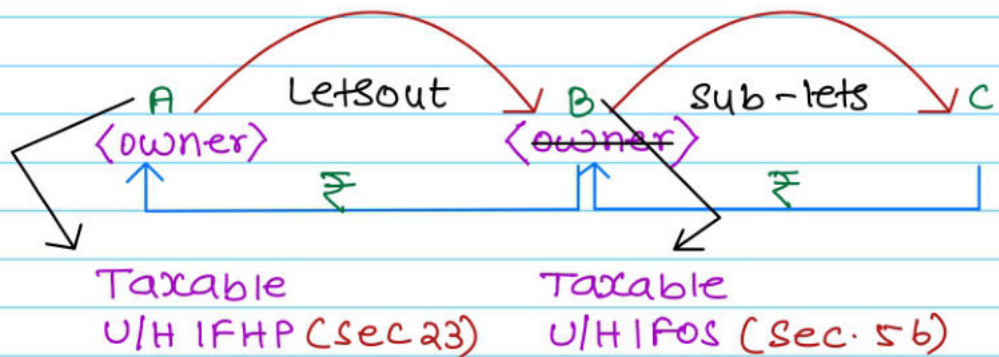


RL claimed as IFHP

Decided that it is not chargeable to tax U/H IFHP.

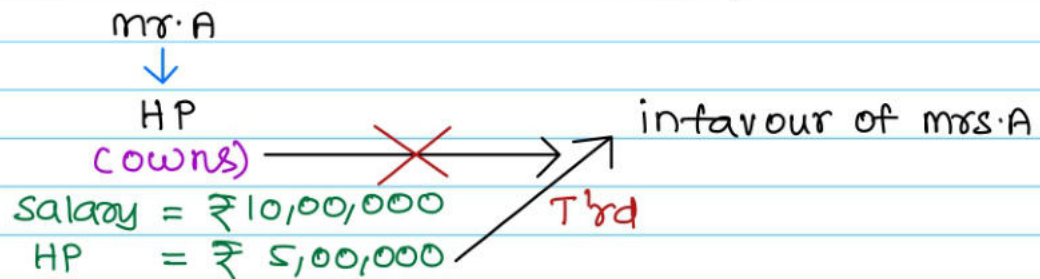
\* Where the Atee has a well attached to her compound and from where she agreed to supply water for commercial purposes + claiming that well is 'Land appurtenant' & thereby charging income from supply of water as IFHP cannot be accepted.

8. Income from sub-letting - IFHP?



Income from sub-letting by a non-owner  
 ≠ IFHP  
 = IFOS

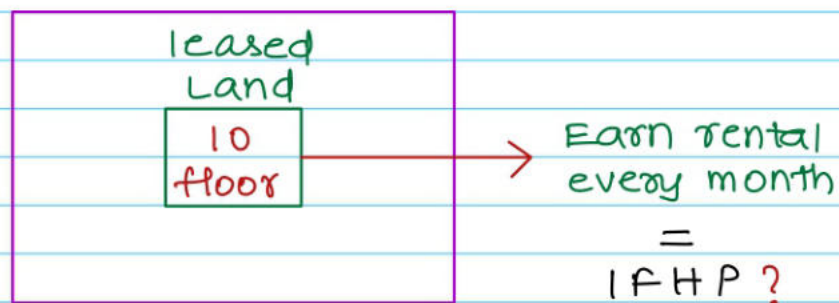
9. Transfer of income - chargeable in whose hands?



Q: T's of income without t's of ownership.

S: Income from IFHP is not charged in the hands of Mrs. A since ownership is still retained with Mr. A.  
<Kartar Singh v/s CIT>

10. Facts:



Since the tax regime of IFHP is subjected to building and not on the site/Land, even income on building owned constructed on leased land is taxable U/H IFHP.

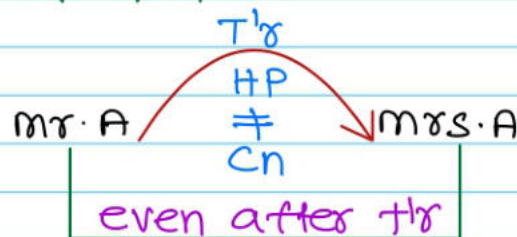
<CIT v/s Om Prakash Jhunjhunwala>

2. concept of Deemed owner (Sec. 27)a. Transfer of HP to spouse / minor child

Cond	Content
1	Alee is an individual.
2	He transfers his HP.
3	Transfer is made to — a. spouse (other than w/r agreement to live apart) b. minor child (other than minor married daughter)
4	Transfer is made without adequate consideration.

I<sub>1</sub>:Facts:

Mr. A	Mrs. A
TI: ₹ 10,00,000	TI: -
RI: ₹ 5,00,000	



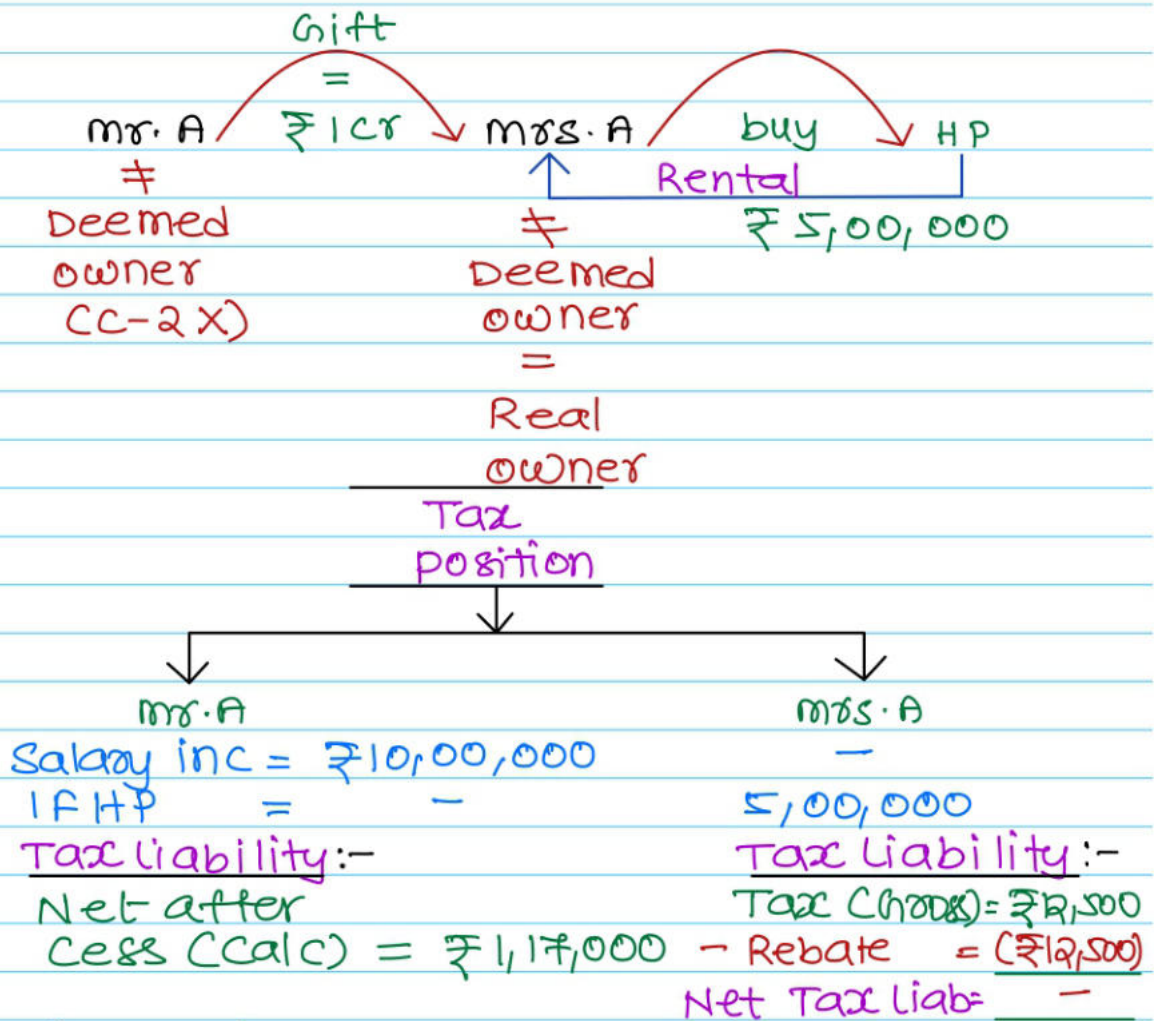
Mr A: Deemed as owner for chp IV C.

→ Total inc of Mrs A = ₹ 15,00,000

I<sub>2</sub>:

Mr. A  
TI: ₹ 10,00,000  
Cash: ₹ 1,00,00,000 (accd)

Mrs A  
Gift = ₹ 1,00,00,000  
↓  
HP  
T.I = -



< clubbing not done = violation

U/S 64(C)

< inviting income escaping assessment >

U/S 142.

Club the rental income to income of such individual whose T.I before the clubbing is more.

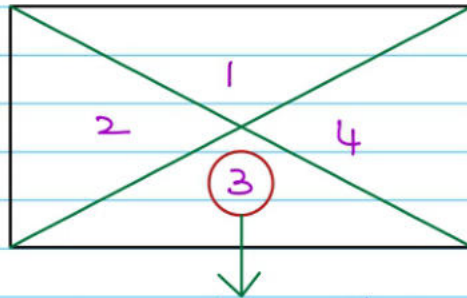
Conclusion:

IF husband gifts cash to wife and with the gifted amount she purchases any HP then she will be the real owner of HP and the transferor is not deemed as a owner U/S 27(C).

< Dr. Thomas Mathew v/s CIT >

### b. Impartible estate:

The holder of impartible estate shall be deemed as owner u/s 27(ii)



Holds impartible rights  
=  
Deemed owner

[1, 2, & 4 can enjoy the property but has no right to 3]

### c.) Property held by member of co-op society/ AOP/CO etc.

If co-op society/AOP/company allots the house to its members as per a housing scheme, the member will be deemed as a owner, though co-op society is the regd owner.

Once the member of co-op society is deemed as a owner, irrespective of real + legal ownership, member is only assessed to tax u/s 22. - u/s 27(iii)

(monarch citadel (P) Ltd u/s 170)

### d. owner as per POA transaction - Under transfer of property Act, 1882.

If a HP is transferred u/s 53A of TPA, 1882 on the basis of regd agreement & where 'Cn' is paid / partly paid, then irrespective of regn the t'ree shall be deemed as owner even if HP regn is not done in his name. (provided he is

given with effective possession.

< Jasbir Singh Sarkaria > AAR (2007)

e. Lease txn vis 269UA(f):

\* There is a transfer of HP by way of lease.

\* Lessor transferred HP on a lease term of 12 yrs (either single/aggregate of all extensions but not including renewals on month to month basis)

\* Then, lessee = Deemed owner

< Yagyawati Jaiswal family trust vis ITO >

Illustration

Particulars	C-1	C-2	C-3	C-4	C-5
original lease term	12 years	7 years	7 years	2 years	1 year
Extended term	-	6 years	4 years	4y + 4y + 4y	4m (R) (100 times)
Total term	12 years	13 years	11 years	14 years	34 years
S. 27(iib)	✓	✓	✗	✓	✗



< CIT vis Pelican investments (P) Ltd >

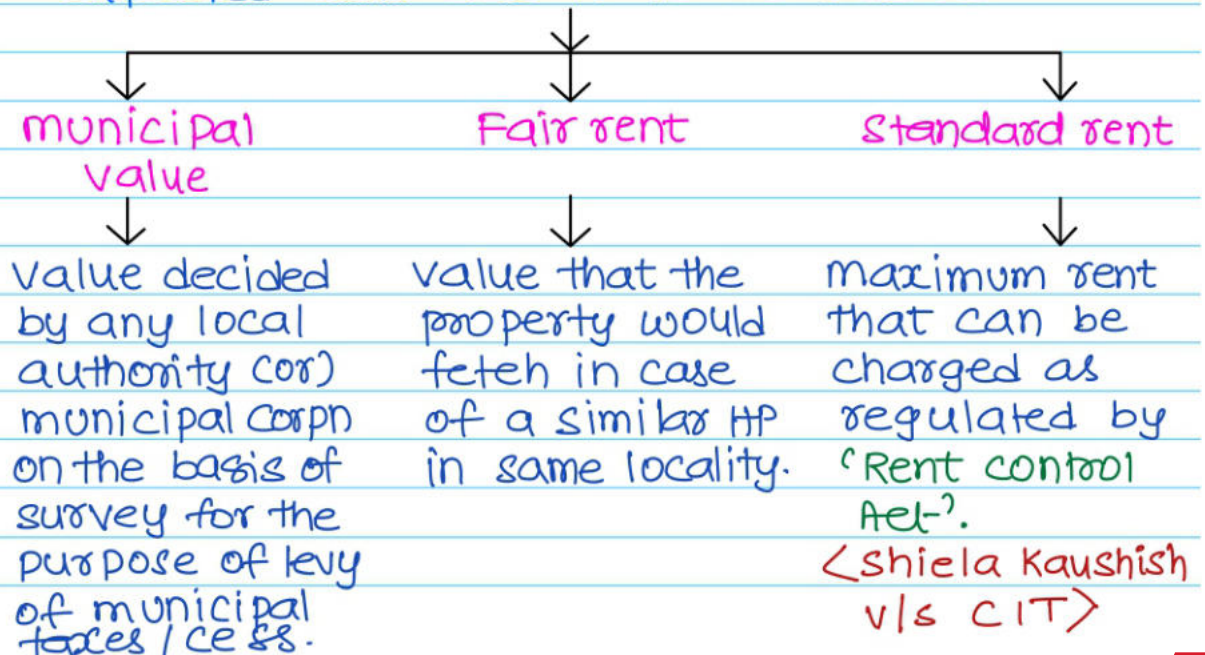
3. Property owned by coowners (S. 26)

Cond	Content
1.	Property must consist of buildings + lands appurtenant thereto.
2.	Property is owned by 2/more persons
3.	The respective share of each such person is definite + ascertainable

Then, the respective shares is taxable independently U/H IFHP and not as an AOP.

4. Determination of 'Annual Value' (Sec 23)Basics:

- Tax under the head IFHP is not tax on rent of property. It is a tax on rent earning potential of a property.
- Section 23 provides 'manner of computation of annual value for the purposes of S. 22'.
- Rules attached to S. 23 has provided for 3 types of values to calculate reasonable expected rent and it is as follows —



4. computation format for a let-out property

Particulars	Amt(₹)
Gross annual value (GAV)	X X X
(-) municipal taxes	(X X X)
Net annual value (NAV)	X X X
(-) Deductions u/s 24	(X X X)
(-) Standard dedn	(X X X)
(-) Interest on capital borrowed	(X X X)
Taxable value of IFHP	X X X

5. Computation format of Gross annual value

Step	computation content	Details
1	Calculate reasonable rent expected on the HP	compare MV, FR & SR
2	calculate actual rent rec'ble after deducting <u>unrealised rent</u> but before deducting any <u>loss due to vacancy</u> .	URR shall satisfy 4 conditions as in rules
3	Basic value	S1 v/s S2 ↑
4	compute loss due to vacancy	-
5	Gross annual value	S3 - S4

6. computation of reasonable expected rent

step	details
1	Identify the MV
2	Identify the FR
3	Identify the higher of MV (or) FR. <span style="float: right;">{ MV ↑ FR }</span>
4	Maximum reasonable expected value cannot exceed SR <span style="float: right;">{ S3 ↓ SR }</span>

In simple —

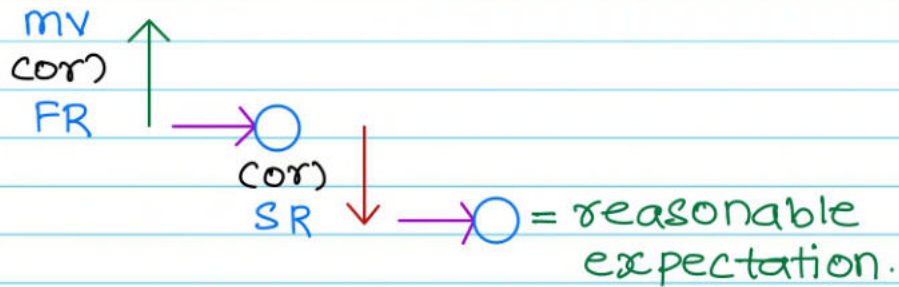


Illustration:

Answered

(₹ in thousand)

	A	B	C	D	E
Municipal value (MV)	↑40	↑40	↑40	↑40	↑40
Fair Rent (FR)	46 ✓	46 ✓	46 ✓	48 ✓	51 ✓
Standard Rent (SR)	NA ↓	45 ↓	35 ↓	45 ↓	63 ↓
Reasonable expected rent under Step I [MV or FR, whichever is higher, subject to maximum of (SR)]	46	45	35	45	51**

Reasonable expected rent ≠ SR but it can be lower. < Balbir Singh v/s ITO >

## 7. Analysis on taxable value of letout property

Particulars	Content explanation								
1. Annual value	Section 23 aims at imposing tax on HP income on 'annual basis' though it is actually collected on 'periodic basis'.								
2. Deemed value	The annual value calculated is 'deemed as annual value' irrespective -ve of actuals.								
3. Basic comparable	Always first preference is on the reasonable expectation of rent on the HP. <supra>								
4. Actual rent adjustment	Actual rent is then compared to the reasonable expectation as said earlier and consider the higher value.								
5. Unrealised rent (URR) & its treatment.	As per explanation below s.23(D), the unrealised rent by the owner shall not be included in the actual rent receivable. <u>It is as under:</u>								
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td>Annual rent (Rent p.m x 12)</td> <td>X X X</td> </tr> <tr> <td>↳ Unrealised rent (Rent p.m x Nom)</td> <td>(X X X)</td> </tr> <tr> <td>Annual actual rent</td> <td>X X X</td> </tr> </tbody> </table>	Particulars	₹	Annual rent (Rent p.m x 12)	X X X	↳ Unrealised rent (Rent p.m x Nom)	(X X X)	Annual actual rent	X X X
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Annual rent (Rent p.m x 12)	X X X								
↳ Unrealised rent (Rent p.m x Nom)	(X X X)								
Annual actual rent	X X X								
6. Conditions to claim deduction of URR (Rule 4)	<table border="1"> <thead> <tr> <th>Cnd</th> <th>Content</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Tenancy must be Bonafide.</td> </tr> <tr> <td>2</td> <td>Defaulting tenant has vacated/ taken steps to vacate him.</td> </tr> <tr> <td>3</td> <td>Defaulting tenant is not in occupation of any HP of Atee.</td> </tr> </tbody> </table>	Cnd	Content	1	Tenancy must be Bonafide.	2	Defaulting tenant has vacated/ taken steps to vacate him.	3	Defaulting tenant is not in occupation of any HP of Atee.
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Particulars	Content explanation				
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Cond	Content				
4	The Atee has taken reasonable steps to institute legal proceedings for recovery of URR/ proved A.O that those legal proceedings are proved useless.				
7. Property sold during the year - Treatment?	<p>If a property is held for some period of time in a year and sold during another part of year, then, all the values shall be proportionately calculated.</p> $MV/FR/SR \times \frac{\text{Holding period}}{12m}$				
8. Rent differential - Treatment?	<p>If rent for one part of the year is different from that of another part, then, the rent actually received for each part of the year shall be considered separately.</p> <p>Note: Part of the month shall not be taken as full.</p> <p>Eg: If rent is ₹10,000 upto August 15th and thereafter changed to ₹15,000, ₹10,000 shall be considered for 5-5 months.</p>				
9. Loss due to vacancy	LDV shall not be deductible from 'ARR' like URR, but it should be deducted at last stage before calc GAV.				
10. Issues on municipal taxes.	<ul style="list-style-type: none"> <li>* MT are deducted from GAV</li> <li>* MT deemed to include service tax component also</li> <li>* MT levied by Local authority are only deductible.</li> </ul>				

Particulars	Content explanation
	<p>* MT are deductible only if —</p> <ul style="list-style-type: none"><li>• It is borne by the owner (and)</li><li>• Actually paid by him.</li></ul>
	<p>* owner's method of accounting is irrelevant.</p>
	<p>* If property is situated in foreign country, then, MT levied by foreign local authority and are paid by the owner actually are deductible</p>
	<p>* MT paid by the tenant are not deductible by the owner and they cannot be even added to ARR since, payment of MT is statutory obligation.</p>

## Illustrations on GAV calculation

I1.

	H1 X	H2 Y	H3 Z	H4 A	H5 B
Municipal value (MV)	105	105	105	105	105
Fair Rent (FR)	107	107	107	107	107
Standard rent under the Rent Control Act (SR)	NA	88	88	135	135
Actual rent	103	112	86	114	97
Unrealized rent (conditions mentioned in para 90.1(2a) are satisfied)	1	2	1	2	1
Period of the previous year (in months)	12	12	12	12	12
Period during which the property remains vacant	Nil	Nil	Nil	Nil	Nil

Find out the gross annual value for the assessment year 2025-26.

Solution:

Particulars	H-X	H-Y	H-Z	H-A	H-B
<u>S1: Calc of RER</u>					
a) MV ↑	105	105	105	105	105
b) FR ↑	107	107	107	107	107
c) SR ↓	-	88	88	135	135
d) RER	107	88	88	107	107
<u>S2: Calc of ARR - UR</u>					
	102	110	85	112	96
	(103-1)	(112-2)	(86-1)	(114-2)	(97-1)
<u>S3: Calc of GAV</u>					
ARR (or) RER ↑	107	110	88	112	107

(I2)

X owns a house property (municipal valuation: ₹ 1,45,000, fair rent: ₹ 1,36,000, standard rent: ₹ 1,24,000). It is let out throughout the previous year (rent being ₹ 8,000 per month up to November 15, 2024 and ₹ 14,000 per month thereafter). X transfers the property to Y on January 31, 2025. Find out the gross annual value of the property in the hands of X for the assessment year 2025-26.

Solution:

Step	Computation	₹
1	Reasonable expected rent (WN-1)	1,03,333
2	Actual rent - URR (WN-2)	95,000
3	Higher of 1 (a) 2 [S. 23(c)(b)]	1,03,333
4	Loss due to vacancy	-
5	Gross annual value.	1,03,333

working notes1. Calc of RER: (proportionate basis) - 10m

$$MV = ₹ 1,45,000 \times 10/12 = 1,20,833$$

$$FR = ₹ 1,36,000 \times 10/12 = 1,13,333$$

$$SR = ₹ 1,24,000 \times 10/12 = 1,03,333$$

RER as per S. 23(1)(a)

$$MV = ₹ 1,20,833$$

(or)

$$FR = ₹ 1,13,333$$

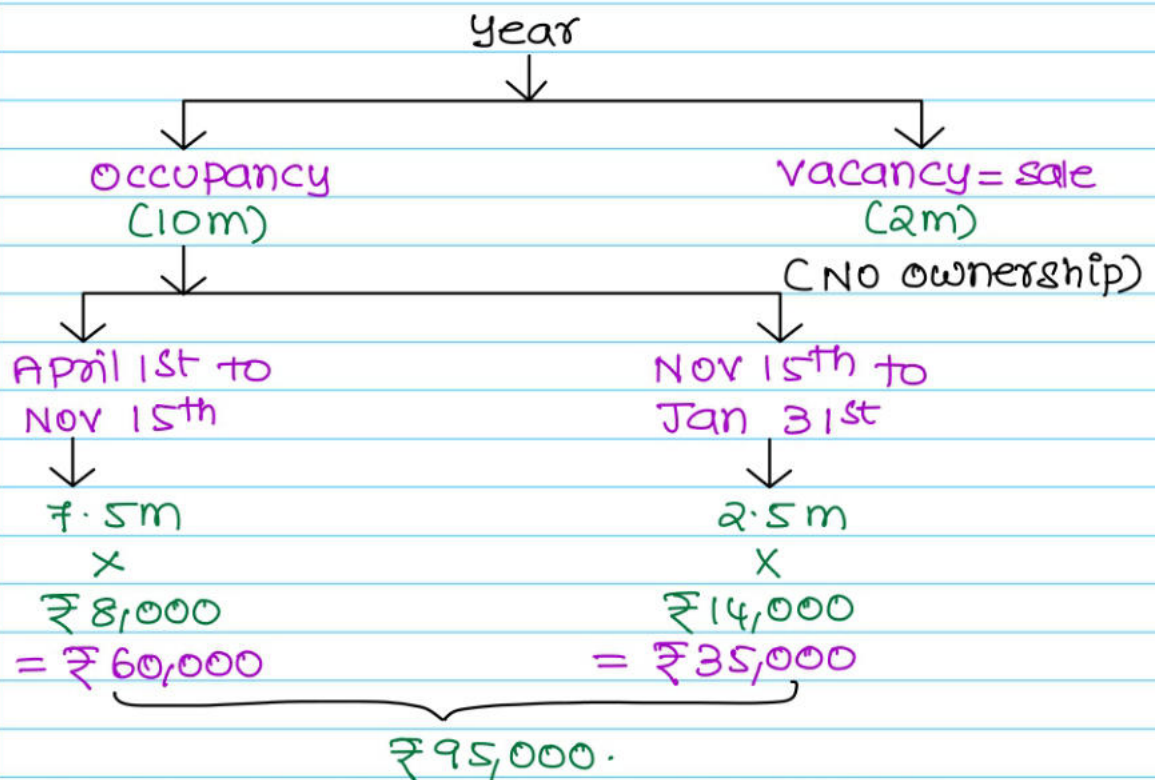
(or)

$$SR = ₹ 1,03,333$$

$$\therefore RER = ₹ 1,03,333$$

$$MV = ₹ 1,20,833$$

$$SR = ₹ 1,03,333$$

2. Calculation of actual rent

Note: There is no unrealised rent.

I3.

compute hAV:

(₹ in thousand)

	X	Y	Z	A	B
Municipal value (MV)	60	60	60	112	112
Fair rent (FR)	68	68	68	117	117
Standard rent under the Rent Control Act (SR)	62	62	70	115	115
Annual rent	67	67	73	121	110
Unrealised rent of the previous year 2024-25 which could not be realised and conditions of rule 4 are satisfied [see para 90.1(2a)]	2	6	5	50	40
Loss due to vacancy	1	1	1	1	-

Solution:

House property

(₹ in 000's)

Particulars	X	Y	Z	A	B
S1: Calc of RER (WN1)	62	62	68	115	115
S2: Calc of ARR-UR	65	61	68	71	70
S3: Higher of S1+S2	65	62	68	115	115
S4: loss due to vacancy	(1)	(1)	(1)	(1)	-
S5: Gross annual value	64	61	67	114	115

WN1: Calc of reasonable expected rent

Type	X	Y	Z	A	B
MV ↑	60	60	60	112	112
FR ↑	68	68	68	117	117
SR ↓	62	62	70	115	115
RER	62	62	68	115	115

I4.

Calc the hAV.

	X	Y	Z	A	B	C	D
Municipal value (per annum) (MV)	60	61	60	80	80	140	140
Fair rent (per annum) (FR)	65	66	64.5	78	78	150	150
Standard rent under the Rent Control Act (per annum) (SR)	59.5	59	63	85	76	120	120
Annual rent	72	57	72	72	NA	96	144
Property remains vacant (in number of month)	(1)	(1.5)	(5)	(3)	(12)	(10)	(10)
Loss due to vacancy	6	7.125	30	18	-	80	120

Solution:

Particulars	House property				₹ in 000's			
	X	Y	Z	A	B	C	D	
S1: Calc of RER (WN1)	59.5	59	63	80	76	120	120	
S2: Calc of ARR-UR	72	57	72	72	-	96	144	
S3: Higher of S1+S2	72	59	72	80	76	120	144	
S4: Loss due to vacancy	(6)	(7.125)	(30)	(18)	(76)	(80)	(120)	
S5: Gross annual value	66	51.875	42	62	-	40	24	

WN1: Calc of reasonable expected rent

₹ in 000's.

Particulars	X	Y	Z	A	B	C	D
MV ↑	60	61	60	80	80	140	140
FR ↑	65	66	64.5	78	78	150	150
SR ↓	59.5	59	63	85	76	120	120
RER	59.5	59	63	80	76	120	120

I5.

Find out GAV	X (₹)	Y (₹)
Municipal value (per annum) (MV)	61,000	61,000
Fair rent (per annum) (FR)	1,08,000	30,000
Standard rent under the Rent Control Act (per annum) (SR)	60,000	60,000
Rate of rent		
▪ old tenant (from April 1, 2024 to June 30, 2024) (per month)	5,000	2,000
▪ new tenant (from July 1, 2024 to December 31, 2024) (per month)	9,000	2,500
Period when the property remains unoccupied because suitable tenant was not available	January 1, 2025 to March 31, 2025	January 1, 2025 to March 31, 2025
Actual rent received/receivable (if there is no vacancy)	96,000	28,500
Loss due to vacancy	27,000	7,500

₹

Solution:

Particulars	X	Y
1. Reasonable ER (WN-1)	60,000	60,000
2. ARR - UR	96,000	28,500
3. Higher of (1) + (2)	96,000	60,000
4. Loss due to vacancy	(27,000)	(7,500)
5. Gross annual value	69,000	52,500

WN-1: Calculation of reasonable ER

Type	X	Y
MY ↑	61,000	61,000
FR ↑	1,08,000	30,000
SR ↓	60,000	60,000
RER	60,000	60,000

## 8. Analysis on taxable value of self-occupied properties

Particulars	Content
1. meaning of self occupied property (SOP)	SOP means such part of the HP which is used for self residence of the assessee.
2. Annual value calculation.	<p>1. Generally:</p> <ul style="list-style-type: none"> <li>* In general, annual value of               <ul style="list-style-type: none"> <li>• SOP &amp;</li> <li>• Vacant property (wholly) shall be considered NIL.</li> </ul> </li> <li>* Hence, reasonable expected rent concept does not apply. <del>(s. 23(1)(a))</del></li> </ul> <p>2. Special case:</p> <ul style="list-style-type: none"> <li>* The NIL value benefit <del>(supra)</del> shall apply only in respect of 2 HPs.</li> <li>* That means, an Atee can claim nil value benefit only in respect of 2 HPs irrespective of no. of properties he actually self-occupied / wholly kept vacant.</li> <li>* Selection of HPs for nil value of benefit out of many is at the option of Assessee and other SOP/wholly vacant HP shall be assessed to tax UH IFHP as if they are let out (DLOP).</li> </ul>

### 3. Computation format for ONE self-occ property

Particulars	Amt (₹)
Gross annual value (GAV)	—
(-) Municipal taxes	—
Net annual value (NAV)	—
(-) Deductions u/s 24	—
(-) Standard dedn	—
(-) Interest on capital borrowed	xxx (Note)
Taxable value of IFHP	(- / cxxx)

#### Note:

- \* Interest on capital borrowed is not allowed on actual basis. It is restricted to ₹ 2,00,000 (or) ₹ 30,000, as the case may be.
- \* Interest on capital borrowed is allowed as a deduction on 'accrual basis'.

Particulars	Content
4. Situational analysis w.r.t. S.O property.	<ul style="list-style-type: none"> <li>* Property is used throughout the PY for own residential purpose + not let out or put to any other use.</li> <li>* Property could not be occupied through out PY by any reason such as — <ul style="list-style-type: none"> <li>• Employment else where</li> <li>• B/P else where</li> </ul> </li> <li>* Property is a independent residential unit with partitions and in that also self-occupied one part + remaining are let out.</li> <li>* Property is self-occupied for a part of year + let out for other part of the year.</li> </ul>

Particulars	Content
S. Tax treatment in each case <supra>	<p><u>S1: HP S-O through out the PY</u></p> <ul style="list-style-type: none"> <li>* Sec 23(2) shall apply.</li> <li>* Annual value of a SOP shall be taken as NIL.</li> <li>* This includes also a situation of vacancy by any reason.</li> </ul> <p><u>Note:</u> IF the alee retains exclusive control over the possession of house owned by him, then it is said to be SOP not as vacant property since it is a constructive possession. &lt;CIT v/s Deepak Seth&gt;</p> <p><u>S2: HP not occupied + kept vacant through out the year</u></p> <ul style="list-style-type: none"> <li>* S.23(2) shall apply.</li> <li>* Alee owns one/more HPs which actually cannot be occupied by him any reason.</li> <li>* It is implied that he is residing at some other place in a building not owned by him.</li> <li>* He received no other benefit from that HP.</li> </ul> <p>Tax treatment is same as S1</p> <p><u>S3: Part is SO &amp; part is let out</u></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>↓</p> <p>Part that is SO. (incl full vacancy)</p> <p>↓</p> <p>same as S1 &amp; S2 &lt;supra&gt;</p> </div> <div style="text-align: center;"> <p>↓</p> <p>Part that is L.O</p> <p>↓</p> <p>Topic ≠ (L.O.P) &lt;supra&gt;</p> </div> </div>

Particulars	Content
	<p>S 4: Property S.O. for some part in PY + other part it is let out</p> <p>* In this case the benefit of S. 23(a) is not available.</p> <p>* Calculations are made as if property is L.O. throughout year.</p> <p><u>Base Act content:</u></p> <p>2) <u>The annual value of the property consisting of a house or any part thereof shall be taken as nil, if owner occupies it for his own residence or cannot actually occupy it due to any reason.</u></p> <p>(3) The provisions of sub-section (2) shall not apply if—</p> <p>(a) the house or part of the house is actually let during the whole or any part of the previous year; or</p> <p>(b) any other benefit therefrom is derived by the owner.</p> <p>As per Sec. 23(2), AV of property = NIL if owner occupies for his own residence</p> <p style="text-align: center;">+</p> <p>Sec 23(3) substantiates that the above benefit is not available if it is let out even for part of PY.</p> <p>'let during whole cor) any part.....'</p>

9. Treatment for arrears of rent cor) unrealised rent received subsequently (Sec 25A)

Particulars	Detailed explanation
a) when sec gets attracte - d?	* Arrears of rent cor) * Unrealised rent realised subsequently from tenant.
b) Receipt by whom?	Receipt shall be by the alee only & not by any legal representatives.
c) Impact of section	That amount received shall be DEEMED to be IFHP and shall be assessed as such.
d) No ownership	Tax incidence attracts even if Alee doesnot own HP by the fy of receipt
e) Standard deduction	30% of amount received is allowed as a std. deduction.

10. Amounts not deductible from IFHP: (Sec 25)

Particulars	Detailed explanation
1. Basic provision	<ul style="list-style-type: none"> <li>* Interest is chargeable under this Act</li> <li>* Payable outside India.</li> <li>* TDS is not deducted (or) is not paid after duly deducting it.</li> <li>* There is no agent in India u/s 163.</li> </ul>
2. Result of the section	The amount of interest so chargeable under this Act shall not be allowed as a deduction u/s IFHP.

11. Deductions from IFHP (Sec. 24)

Particulars	Detailed explanation
1. Types of deductions	There are only 2 deductions that are allowed against IFHP namely— <ul style="list-style-type: none"> <li>* Standard deduction @ 30% of NAV</li> <li>* Interest on capital borrowed.</li> </ul>
2. Special emphasis on interest on CB.	<ul style="list-style-type: none"> <li>* capital borrowed is for —                             <ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Construction</li> <li>• Repairs</li> <li>• Renewal</li> <li>• Reconstruction.</li> </ul> </li> <li>* Deduction will be given as under</li> </ul>

\* Sys from end of FY in which capital is borrowed

Repairs, Renewal/ Reconstruction

Acquisition/ construction.

SOP

LOP

Pre cnt

Post cnt

₹ 30,000

Actuals Allowed as dedn in S SOP equal instalments

LOP actuals

3 cnds ✓

3cnds:  
 1. CB on/after 1/4/99  
 2. Acq/cont  
 3. comp in 5yrs \*

3 cnds X

₹ 2,00,000

₹ 30,000

Particulars	Detailed explanation								
3. How much interest on CB is allowed in case of a L.O.P	<ul style="list-style-type: none"> <li>* Actual amount paid as interest on CB will be allowed as a deduction.</li> <li>* Interest is allowed on 'accrual basis'.</li> <li>* Dedn is allowed even if a/c follow cash basis of accounting.</li> </ul>								
4. Pre-construction interest	<ul style="list-style-type: none"> <li>* Allowed only if capital borrowed is for purchase/construction and not for repairs, renovation/reconstruction.</li> <li>* <u>Pre-construction period:</u> <ul style="list-style-type: none"> <li>• It is a period prior to the PY in which the property is acquired (or) constructed.</li> <li>• In simple way, it is the period that begins from date of CB + ends with the last date of PY in which HP is acquired/constructed.</li> </ul> </li> </ul>								
5. Period of amortising the pre-const interest	PCI is allowed as a deduction in 5 equal instalments and the first instalment starts in the year in which the construction of HP (or) acquisition of HP is completed								
6. Practical implication explained	<p>If the loan is repaid before a/cn construction of HP, then the expln has no practical relevance and interest upto the date of repayment of loan only should be considered.</p> <p><u>Let us illustrate</u></p> <p>Loan = ₹ 40,000, int @ 15% p.a, (1st June '19), DOC = 20/Jan/2025.</p> <table border="1"> <thead> <tr> <th></th> <th>S1</th> <th>S2</th> <th>S3</th> </tr> </thead> <tbody> <tr> <td>Date of repyt of the Loan</td> <td>Jan 31 2030</td> <td>June 30 2026</td> <td>Oct 31 2022</td> </tr> </tbody> </table>		S1	S2	S3	Date of repyt of the Loan	Jan 31 2030	June 30 2026	Oct 31 2022
	S1	S2	S3						
Date of repyt of the Loan	Jan 31 2030	June 30 2026	Oct 31 2022						

Situation - 1: IF date of repayment is 31/Jan/2030

Date of CB	PY	Date of last comp of date const	
01/06/19		20/1/25	
			31/3/25 31/3/26 31/3/27 31/3/28 31/3/29
	<u>Pre-cnst</u>	₹	
19-20:	$6,000 \times 10/12 = 5,000$		₹ 5,800 p.a
20-21:	= 6,000		+
21-22:	= 6,000		regular interest
22-23:	= 6,000		of ₹ 6,000 p.a
23-24:	= 6,000		= ₹ 11,800 p.a.
	<u>29,000</u>		

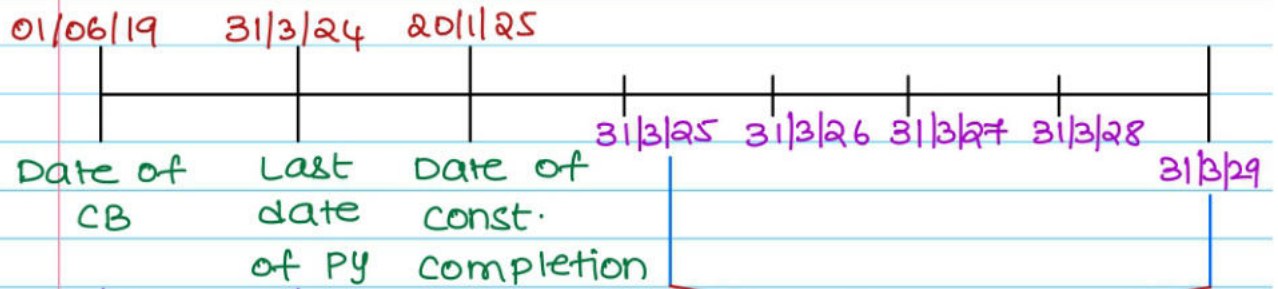
$$\begin{aligned} \text{PCI per year} &= \frac{\text{₹ } 29,000}{5} \\ &= \text{₹ } 5,800 \end{aligned}$$

Statement of payments

Particulars	PY							(₹)
	24-25	25-26	26-27	27-28	28-29	29-30	30-31	
CY	6,000*	6,000	6,000	6,000	6,000	5,000	-	
PCP	5,800	5,800	5,800	5,800	5,800	-	-	
Total	11,800	11,800	11,800	11,800	11,800	5,000	-	

\* Even if construction of property is completed on Jan 20th 2025 (during 2024-25), the interest for entire FY is treated as CY int.

Situation 2- If date of repayment is 30/June 2026



Pre-cnt

year	Amt (₹)
19-20	5,000*
20-21	6,000
21-22	6,000
22-23	6,000
23-24	6,000

\* ₹40,000  
 $\times 15\% \times 10/12$

Interest p.a =  $\frac{29,000}{5}$   
 = ₹5,800

Pre-cnt interest

₹5,800 p.a  
 < start from 31/3/25 till 31/3/29 >

Regular interest

since loan itself is repaid on 30/June/26 no dedn will be applicable on interest after date.

31/3/25  
 ₹6,000

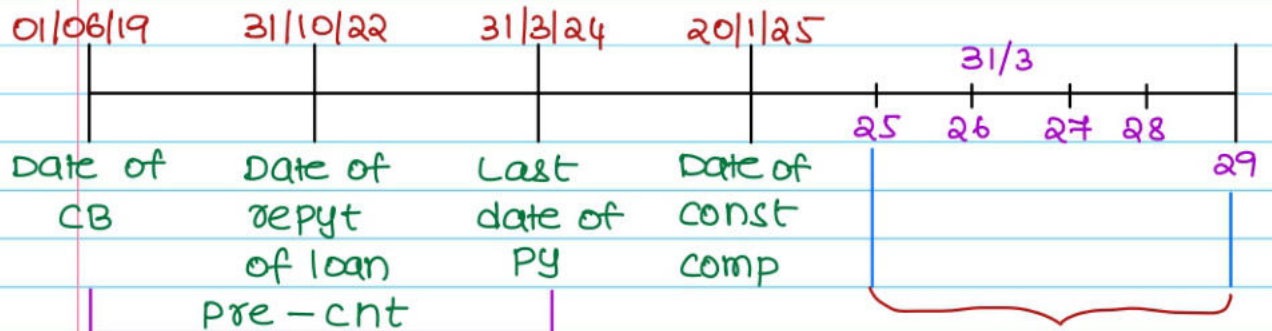
31/3/26  
 ₹6,000

31/3/27  
 ₹1,500

₹6,000  $\times 3/12$   
 < since, loan itself is repaid in 3m in FY >

Statement of payments

Particulars	Py (₹)						
	24-25	25-26	26-27	27-28	28-29	29-30	30-31
cy	6,000	6,000	1,500	-	-	-	-
PCP	5,800	5,800	5,800	5,800	5,800	-	-
Total	11,800	11,800	7,300	5,800	5,800	-	-

Situation 3: IF date of repayment is 31 Oct 22

Year	Amt (₹)
19-20	5,000
20-21	6,000
21-22	6,000
22-23	3,500*
23-24	—
	<u>20,500</u>

$$* ₹ 6,000 \times 7/12$$

$$\text{Int p.a} = \frac{₹ 20,500}{5} = ₹ 4,100$$

PCI = ₹ 4,100  
< allowed till 31/3/29 >

Regular interest = —  
< since loan is repaid even before completion of construction >

Statement of payments

Particulars	PY						(₹)
	24-25	25-26	26-27	27-28	28-29	29-30	
cy	—	—	—	—	—	—	—
PCP	4,100	4,100	4,100	4,100	4,100	—	—
Total	4,100	4,100	4,100	4,100	4,100	—	—