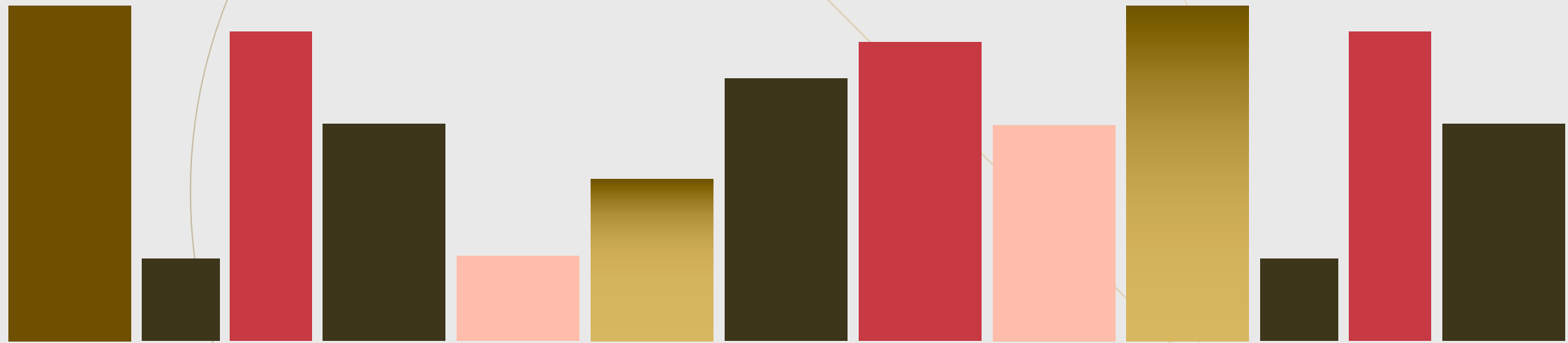


House Property



Sec 22

Charging section.

Annual value will be assessed under the head House Property if 3 conditions are satisfied.

There should be a House Property.

Assessee should be the owner of the HP

Assessee should not be using it for his business.

Condition 1

Condition 2

Condition 3

Condition 1

- House Property is not defined under Income-tax Act.
- Based on various case laws, HP means:
 - Any land surrounded by wall ✓
 - Any land appurtenant to a building
- Residential ✓ Commercial purpose ✓

Incomplete, ruined, demolished building is not a House Property.

V Imp

Rental income received from such demolished building → ~~House Property~~ IFOS ✓

Vacant Land → let out

~~House Property~~ IFOS ✓

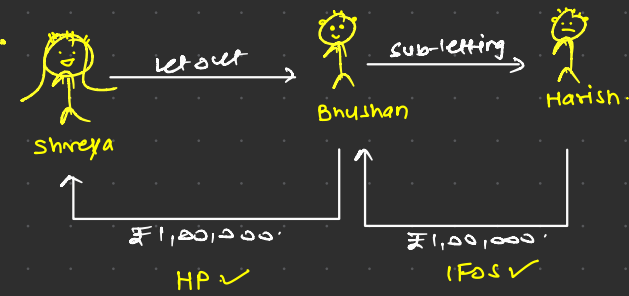
Land appurtenant thereto includes car park, backyard, approach roads.

Condition 2

A/c should be the owner

- Registered owner / Beneficial owner.
- FY 20-21 → I was the owner & I did not receive rent.
- FY 21-22 → I sold my property on the first day of FY & I received the rent of that property of FY 20-21.

Even though I am not the owner in FY 21-22 But still I am reqd to pay tax because such income is related to FY 20-21 when I was the owner ✓



Letting → HP ✓
sub-letting → IFOS ✓

Condition 3

House Property should not be used for Business.
IF used → Taxable under PGBP



Concept 1 Foreign Property.

If I let out the foreign property & earn rent out of it, then such rent would be **taxable** in India ✓

ROR → Always taxable ✓

RNR → only if received in India ✓

NR → only if received in India ✓

Concept 2 Composite letting.

When HP is let out along with amenities (eg. Furniture), such letting is called as composite letting.

Tax Treatment

₹ 30,000 per month.

Letting

HP Furniture

1] 25000

5000

HP

IFOS/PuBP

when 2 lettings are separable



when 2 lettings are NOT separable

Entire amount of ₹ 30,000 will be taxable

IFOS/PuBP



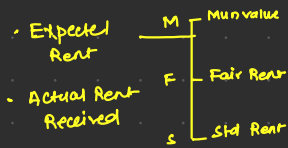
Concept 3

Format of computing Income from House Property.

Particulars	₹
Actual Rent OR Expected Rent	M ✓ F ✓ S ✓
Gross Annual value.	xxx
(-) Municipal tax paid by the Assessee during FY	(xx)
Net Annual value.	xxx
(-) <u>Deductions u/s 24</u>	
(a) Standard deduction @ 30%	(xx)
(b) Interest on borrowed capital.	(xx)
Income from House Property.	xxx

Computation of GAV

1] Expected Rent



2] Municipal value

- value determined by Municipality.
- value on which Municipal tax is charged.

3] Fair Rent

- Rent of a similar property in the same locality.

4] Standard Rent

- Rent computed basis Rent Control Act.



	I	II	III	IV	V	VI
Municipal value.	5000	6000	7000	8000	2000	4000
Fair Rent	7000	5000	7000	4000	12000	6000
Std Rent	6000	7000	8000	6000	20000	4000
Expected Rent	6K	6K	6K	6K	13K	4K
Actual Rent	5K	5K	5K	5K	5K	5K
GAV	6K	6K	6K	6K	13K	5K

- (a) Municipal value
- (b) Fair Rent
- (c) Higher of (a) & (b)
- (d) Standard Rent
- (e) Expected Rent: Lower of (c) & (d)

Bank



Presentation in the answer sheet

Computation of GAV

↑	(a) Municipal value.	xxx			
	(b) Fair Rent	xxx			
↓	(c) Higher of a & b		xxx		
↓	(d) Standard Rent		xxx		
↑	(e) Expected Rent (lower of c & d)			xxx	
↑	(f) Actual Rent Recd.			xxx	
	(g) Gross Annual value (Higher of e & f)				xxx

2] Actual Rent Received



Actual Rent Receivable (-) Unrealized Rent Rule 4

₹ 1,20,000 [₹ 10,000 x 12m] ₹ 20,000 [₹ 10,000 x 2]

Actual Rent Received → ₹ 1,00,000

Compare this with Expected Rent ✓

if 12m ✓
if 10m vacant 2m ✓

computation of Income from HP in the hands of _____ For Am _____

Particulars	₹
Gross Annual value [WN-1]	
(-) Municipal Tax paid	
Net Annual value.	
(-) Deduction 4% or 24	
(a) std dedn @ 30%	
(b) Int on Borrowed Capital.	
Income from House Property.	

WN-1

Computation of GAV

↑	(a) Municipal value.				
	(b) Fair Rent				
↓	(c) Higher of a & b				
↓	(d) Standard Rent				
↑	(e) Expected Rent (lower of c & d)				
↑	(f) Actual Rent Recd.				
	(g) Gross Annual value (Higher of e & f)				

- 1) FP ✓
- 2) Comp. letting.
- 3) Format.
- 4) E.R.
- 5) Situations



Situations to Compute GAV

Situation 1 → where HP is let out for the entire FY.

GAV = Expected Rent or Actual Rent Recd

Situation 2

10m → Let out.
2m → vacant.

HP is let out for some period & HP is VACANT for some period.

Example

HP let out @ ₹ 10,000 p.m = 10m.
HP vacant = 2m.

Actual Rent Received = ₹ 1,00,000 ✓
Expected Rent = ₹ 1,15,000 ✓

IF ARR is lower than expected Rent due to vacancy.

GAV = Actual Rent Received ✓

HP → let out → 10m → ₹ 10,000 p.m.
vacant → 2m

ARR = ₹ 1,00,000 GAV 1,00,000.
ER = ₹ 1,15,000

Let out → 10m → ₹10,000 p.m.

Vacant → 2m

	1	2	3	4	5	6	7
ARR	1L	1L	1L	1L	1L	1L	1L
ER	1.10L	1.25L	1.20L	90K	1.55L	1.30L	1.90L
GAV	1L	1.25L	1L	1L	1.55L	1.30L	1.90L

Example for understanding

Ms. Shrestha owns one HP in Kolkata. She has let out this HP @ ₹17,000 p.m from

1/4/24 till 31/12/24 & afterwards it remained vacant for the rest of the F.Y.

Mun. value is ₹1,90,000, rent received from similar property is ₹2,30,000. Rent computed Rent Control Act is ₹2,00,000

Shrestha has paid municipal tax @ 10%.

Shrestha has taken a loan from HDFC bank of ₹15,00,000 @ 5% Interest.

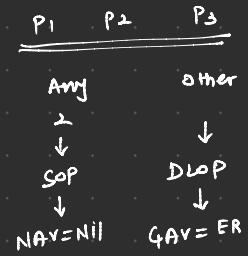
Compute Income from House Property.

P. firm has 3 partners → a/b/c
It has 3 houses namely in Mum, Kolkata, Bihar where none of the houses are let out.

ER from Mum → 12L
Koi → 9L
Bihar → 5L.



X NAY = Nil X



Computation of Income from HP in the hands of Ms. Shrestha for AY 25-26.

Particulars	₹
Gross Annual value [WN-1]	1,53,000.
(-) Municipal Tax paid by A/c.	(19,000)
Net Annual Value.	1,34,000.
(-) Deductions u/s 24:	
(a) std ded ⁿ @ 30%	(40,200)
(b) Int on borrowed Capital.	(75,000)
Income From House Property.	18,800.

WN-1 Computation of GAV.

(a) Mun. value	1,90,000
(b) Fair Rent	2,30,000
(c) Higher a & b.	2,30,000
(d) std Rent	2,00,000
(e) Expected Rent (c & d ↓)	2,00,000
(f) ARR	1,53,000
(g) GAV.	<u>1,53,000</u>

17k 17k 17k

- ✓ EF
- ✓ Camp
- ✓ ER
- ✓ GAV

Situation 3

Property is self-occupied.

↓

~~GAV NAY = Nil~~

Particulars	₹
Net Annual value	Nil
(-) Ded ⁿ u/s 24:	
(a) std ded ⁿ @ 30%	Nil
(b) Int on Borrow Cap.	(75,000)
Loss from House Property	(75,000)

* ₹75,000 Int is assumed

• This loss from HP can be set-off against other incomes.

• If property is self-occupied



• This benefit of NAV = Nil will be applicable only to 2 self-occupied properties.

• This benefit is available only Individuals/HUF.

In other words → If a Co/P Firm/LP uses any property for self-occupy then NAV ≠ Nil

we compute normally
 ↓
 GAV = ARR or ER ↑
 = Nil or ER ↑
 = ER ✓



Situation 4

Property is let out for some period & self-occupied for rest of the period.

Let out → 10 months @ ₹10,000
 self-occupied → 2 months.

ARR = Rent Receivable - Unrealised Rent
 = ₹1,00,000 - Nil
 = ₹1,00,000

ER = ₹1,15,000

↑ ARR (6m) or ER (Xm) ↑ ARR (6m) or ER (12m)

Possession → 1/12/15 - 11/11/15
 Let out → 11/15 - 31/10/15
 Self occ → 1/12/15 - 31/12/15

Situation 2	Situation 4
GAV = ARR	Do normal comp ⁿ
↓	GAV = ARR ↑
IF ARR < ER	ER
↓	= 1,00,000 ↑
Due to vacancy	1,15,000
GAV = 1,00,000	GAV = ₹1,15,000



Q.7

Computation of income from HP in the hands of Smt. Rajalakshmi for AY 20-21.

Particulars	₹
Gross Annual value [WN-1]	4,80,000
(-) Municipal Tax paid	(60,000)
Net Annual value	4,20,000
(-) Deductions u/s 24	
(a) Std ded ⁿ @ 30%	(1,26,000)
(b) Int on Borrowed Capital	(25,000)
Income from House Property	2,69,000

WN-1 Computation of GAV

(a) Municipal value	5,00,000
(b) Fair Rent	4,20,000
(c) Higher of a & b	5,00,000
(d) Std Rent	4,80,000
(e) Exp. Rent (Lower of b & d)	4,20,000
(f) ARR	3,50,000
(g) GAV	4,80,000

$\left[\left(\frac{30,000}{6m} \right) - \left(\frac{50,000}{12m} \right) \right]$

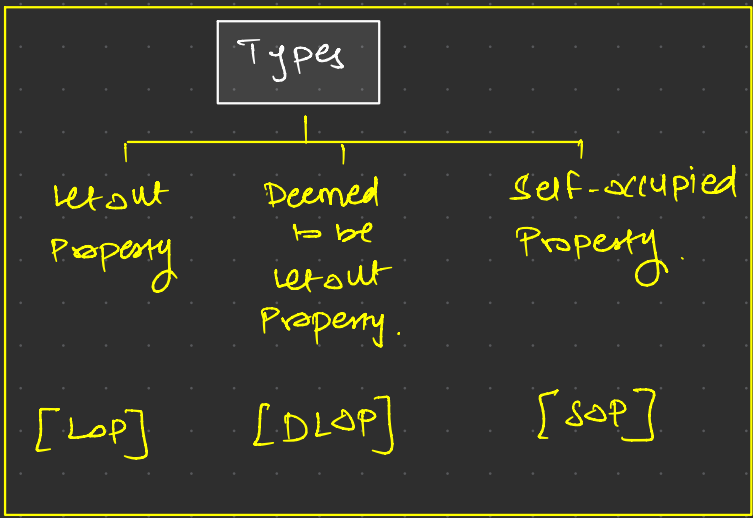
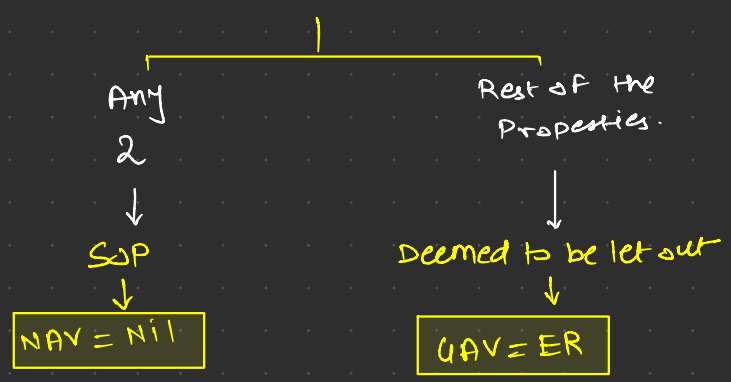
X

Situation 5 Deemed to be let out property.

Intro If an A/c has more than 2 properties as SOP, then any 2 properties which are beneficial to the A/c will be considered as SOP & rest of the properties will be considered as deemed to be let out properties.

- This law is introduced so that people having multiple prop. will be discouraged to keep the prop. self-occupied & let them out in the market & ↑ the overall supply of properties.
- Resultingly, this step can help reduction of prop. prices ✓.

IF I have more than 2 prop. → SOP ✓



	Mumbai	Bihar	Kolkata
AR	Nil	Nil	Nil
ER	17L	7L	10L

2 Prop: Mum & Kol
NAV → Nil

1 Prop: Bihar
GAV = ER

[Logically, we will always consider those properties as SOP which has highest taxable income].

Situation 6

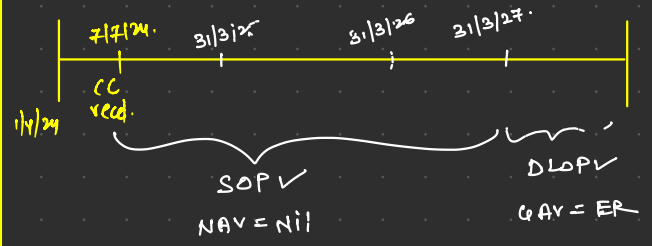
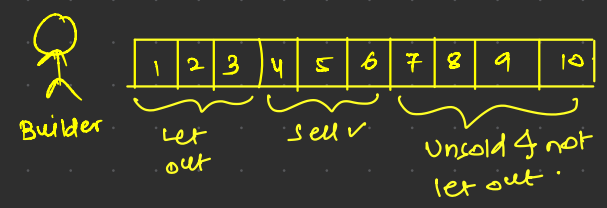
Property held as stock-in-trade.

- In this case, Govt wants to put a pressure on the builder to take out the prop. in the market in the form of sale or rent.
- Govt is discouraging the builders to keep the prop. idle for a long duration.
- Govt has given 2 years from the end of FY in which CC is received to either sell the prop or let out the same.

IF neither sold nor let out, Govt will consider those properties as DLopV.

DLop → GAV = ER

This will put the builder under pressure to let out the property / sell as soon as possible ✓

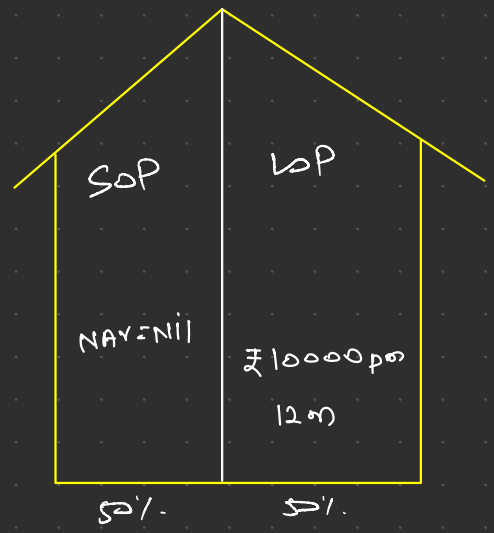


In our example we had sold 3 prop & let out 3 prop. within 2 FYs & DLop will be Prop 7/8/9/10



Situation 7

Property is partly let out & partly self-occupied.



- Municipal value → ₹3,00,000
- Fair Rent → ₹2,00,000
- std rent → ₹1,75,000
- Int on borrowed capital → ₹70,000
- Municipal tax paid → 5%

Compute IHP

Computation of HP in the hands of _____ for AY _____

I] self-occupied Property [50%]

Particulars	₹
Net Annual value	Nil
(-) <u>Dedⁿ u/s 24</u>	
(a) std ded ⁿ @ 30%	Nil
(b) Int on borrowed capital (50%)	70,000 (35,000)
Loss from House Property	(35,000)

II] Let out Property [50%]

Particulars	₹
Gross Annual value [WN-1]	1,20,000
(-) Municipal tax paid (7500)	
Net Annual value	1,12,500
(-) <u>Dedⁿ u/s 24</u>	
(a) std ded ⁿ @ 30%	(33,750)
(b) Int on borrowed capital	(35,000)
Income from House Property	43,750

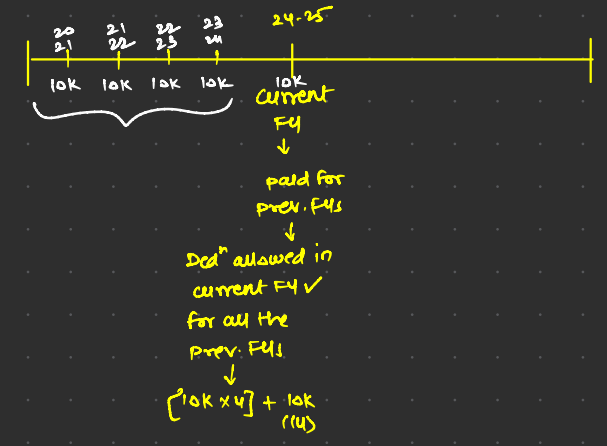
Total Income from HP [I+II] → ₹8,750

WN-1 Computation of GAV

(a) MV (50%)	1,50,000
(b) FR	1,00,000
(c) Higher a & b	1,50,000
(d) SR	87,500
(e) ER (lower e & d)	87,500
(f) ARR	1,20,000
(g) GAV	1,20,000

Concept 4 Municipal Tax

- Mun. Tax % is to be applied on Mun. value.
- Mun. Tax is reduced from GAV.
- Allowed a dedⁿ only if
 - ★ L → It is actually paid during FY ✓
[No dedⁿ on accrual basis]
 - ★ L → It is paid by the Assessee himself.
[If MT paid by the tenant → XXX]
- Foreign Mun. Tax paid for foreign property → Dedⁿ ✓



Examples of Municipal Tax → Fire tax

- water charges → 10,000 x → Different → water tax
- Insurance → 40,000 x
- These are exp & will get covered in 30%.
- Sewerage etc.

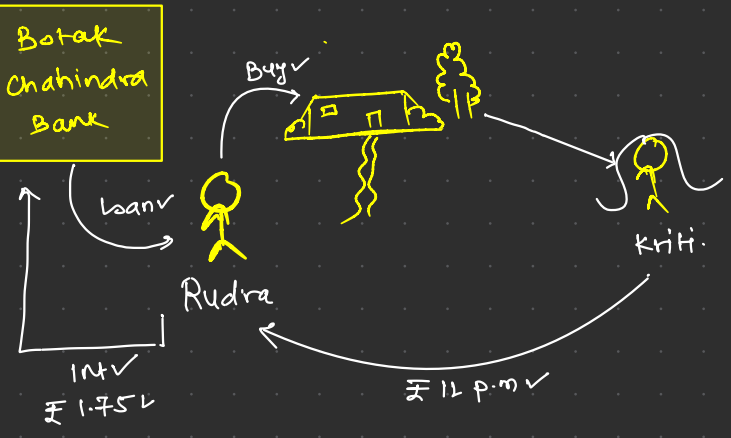
Concept 5 Deductions u/s 24

Section 24(a) → Standard dedⁿ

- This deduction is allowed to all Assessees.
- Dedⁿ → 30% Flat.
- This deduction includes all costs incurred by the Assessee viz repairs, maint, insurance, other charges.
- No sep. treatment to be given for these expenses.



Concept 6 Int. on Borrowed Capital



24(b) → Int on borrowed capital ✓

Interest on Borrowed Capital

Pre-constⁿ
Int

- Accumulate the entire pre-construction Int for all the FYs.

- Deductⁿ → In the FY in which construction is completed

Post Construction Int.

- Int paid after completion of constⁿ
- This int will always be of the current FY (i.e. for 1 year)

Armt of Deductⁿ → Equal instalments.

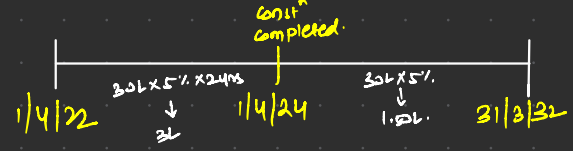
	1	2	3	4	5	6	7
Pre-	✓	✓	✓	✓	✓	-	-
Post	✓	✓	✓	✓	✓	✓	✓

Example

Mr. Apoorv has taken a loan from HDFC Bank of ₹30L on 1/4/22 for 10 years where int @ 5% is charged. The loan is taken for construction of HP. Constⁿ got completed on 1/4/24. He has given the prop. on rent to Harshita where she pays rent of ₹12L in FY 24-25. Compute Income from HP.

CRAV	12,00,000
(-) MT	Nil
NAV	12,00,000
(-) Ded ⁿ u/s 24	
(a) Std ded ⁿ @ 30%	(3,60,000)
(b) Int on Borr Cap [WN-1]	(2,10,000)
Income from House Prop	6,30,000

WN-1 Loan = 30L (10Yr) Int = 5%



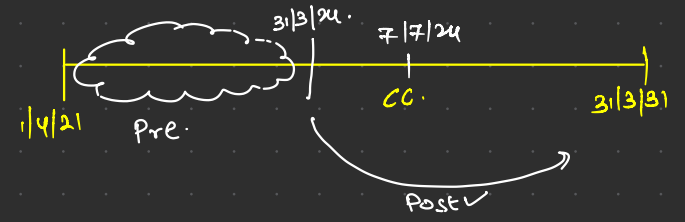
Pre-construction Int = ₹3,00,000
Post construction Int = ₹1,50,000

Int on Borrowed Capital allowed in FY 24-25

Pre-Const ⁿ	Post Const ⁿ
3L / 5 = ₹60,000	₹1,50,000
2,10,000	

Concept 7

How to identify Pre-construction & Post construction period.



Loan taken →	25/2/20	1/4/21
Construction started →	1/4/21	25/2/20
CC received →	7/12/24	7/12/24
Loan Repaid →	31/3/30	31/3/30

	Pre	Post
Start	Date on which loan is taken OR Date of beg. of const ⁿ LATER	1 st April of the FY in which CC is received. 1/4/24
End	31 st March of the prec. FY in which CC is received ✓ 31/3/24	when loan is fully repaid. 31/3/30



Example

Mr. NAKUL had taken a loan from ICICI Bank on 21/2/21 of ₹40,00,000. He then started constructing a HP on 1 June 22 & completed the same on 31 July 2024. Int payable to ICICI Bank is 5% p.a. & the loan is taken for 10 years. NAKUL has let out the property to shital for ₹45000 p.m. for 8 months. Municipal tax paid by NAKUL is ₹1500. Repairs → ₹25,000. Insurance → ₹20,000. Maint → ₹10,000. Compute Income from HP for AY 25-26.

Pre start 1/6/22. Post 1/4/24.
end. 31/3/24.

FY 22-23 → 10m → $40L \times 5\% \times 10/12 \rightarrow 1,66,667$
FY 23-24 → 12m → $40L \times 5\% \times 12/12 \rightarrow 2,00,000$

Pre-Constⁿ 3,66,667

Dedⁿ → 73,333 → (I)

Post constⁿ

$40L \times 5\% \rightarrow 2,00,000 \rightarrow$ (II)

2,73,333

GAV	3,60,000
(-) Mun. Tax paid.	(1,500)
NAY	3,58,500
(-) Ded ⁿ u/i 24	
(a) std ded ⁿ @ 30%	(1,07,550)
(b) Int on Borr. Cap [WN-1]	(2,73,333)
IFHP	(22,383)

WN-1



I] Pre-construction Period = 1/6/22 - 31/3/24.
L FY 22-23 → $40L \times 5\% \times 10/12 \rightarrow 1,66,667$
L FY 23-24 → $40L \times 5\% \times 12/12 \rightarrow 2,00,000$

Pre-constⁿ Int. 3,66,667

Allowing Int in FY 24-25 [3,66,667/5] → 73,333 → (I)

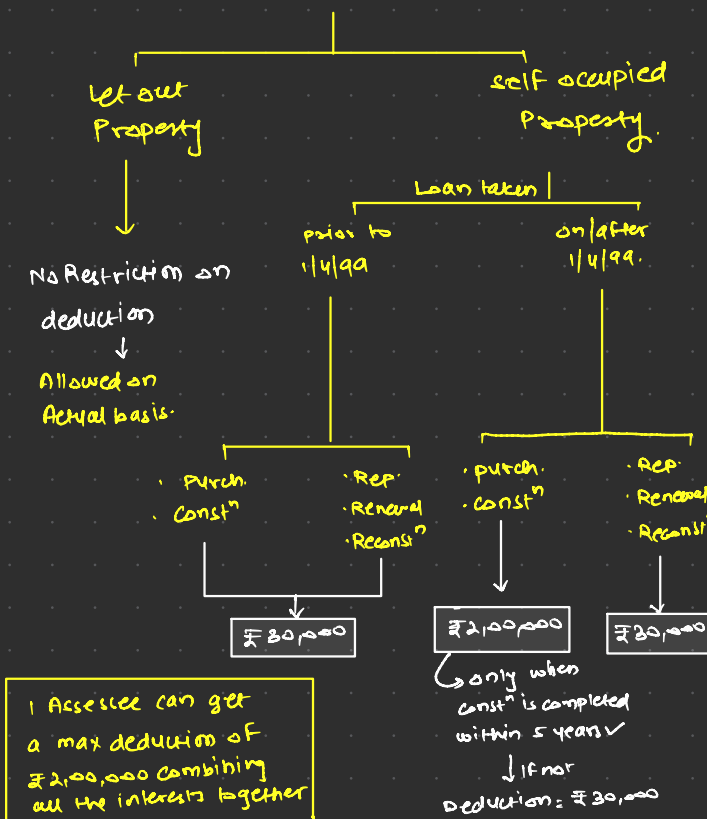
II] Post construction period = $40L \times 5\% \rightarrow 2,00,000$

Total Int allowable as dedⁿ = 2,73,333



Concept 2

Int on Borrowed Capital

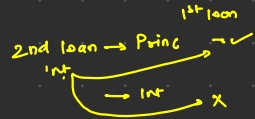


Assessee can get a max deduction of ₹2,00,000 combining all the interests together

only when constⁿ is completed within 5 years. If not Deduction = ₹30,000

Concept 9

2nd loan taken to repay the earlier loan.



Int paid on the second loan

• If 2nd loan taken to repay the Princ. comp. of 1st loan
 ↳ Dedⁿ ✓ (2nd loan's Int)

• If 2nd loan taken to repay the Interest comp. of the 1st loan
 ↳ Dedⁿ X (2nd loan's Int)

• If loan taken to repay the Municipal Tax
 ↳ Dedⁿ X

24(b) → Int on borrowed capital

↓
 Accrual basis.

Even though A/c did not make a part, still, he will get a deduction ✓

Concept 10 Unrealised Rent.

GAY = Expected Rent 40,000
 Actual Rent Received
 ↓
 Rent Receivable (-) Unrealised Rent *
 1,20,000 (-) 60,000
 = 60,000
 ↓

Rule 4

* Rule 4 *

HOWEVER, conditions to Rule 4 to be satisfied:

1. Tenancy is bona fide
2. The defaulting tenant has vacated, or steps have been taken to compel him to vacate the property:
3. The defaulting tenant is not in occupation of any other property of the assessee;
4. The assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless.

Mumbai

ER → ₹ 2,00,000

- 1] Bonafide ✓
- 2] Make him vacate the prop ✓
- 3] X occupⁿ of any other prop.
- 4] Legal steps

Concept 11 → Arrears of Rent or Unrealised Rent recd.

FY 23-24 → URR dedⁿ ✓

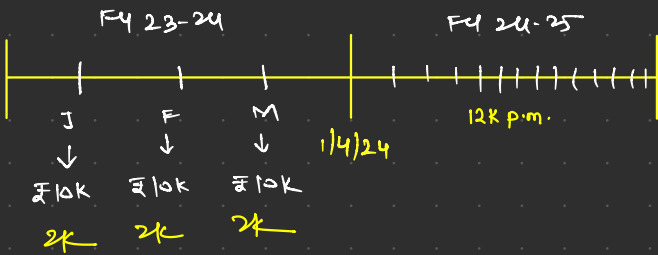
FY 26-27 → I recd URR of FY 23-24.

↳ URR received → consider it as your income ✓

↓
 Even if I am not the owner in FY 26-27.

Unrealised Rent Received	X X X
(-) Std ded ⁿ @ 30%	

Arrears of rent



Rent → 12K x 12

₹2K x 3 → Arrears of Rent
↓
Receipt

I increased the rent retrospectively from Jan. & I communicated the same to tenant in April.

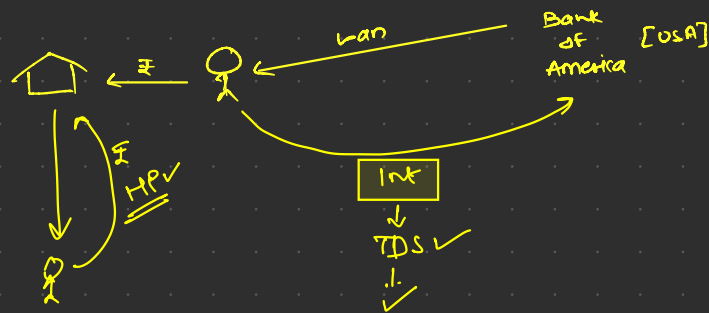
I received arrears of rent in April ✓

Arrears → received → consider it as your income ✓
of Rent

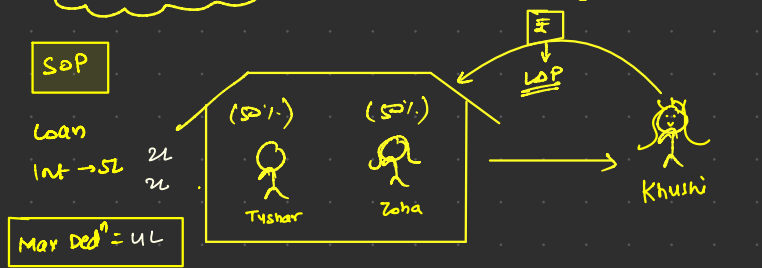
↓
Even if I am not the owner

↓
Deduction @ 30% → Allowed ✓

Concept 12 Inadmissible Deductions



Concept 13 Co-owned Property.



Let out

- Make only 1 computation ✓
- Get final Answer
- Bifurcate into 2 in the proposition ✓

Self-occupied

- 2 sep. computations.
- Limit of ₹2,00,000 / ₹30,000 is available to both the co-owners independently ✓
- Tax planning Point
It is always beneficial to buy a new SOP on loan jointly so that benefit of limit of Int can be availed by both.

★ Deemed ownership [Sec 27]

1. ✓ **Transfer of HP to Spouse for Inadequate consideration** → **Transferor** is deemed to be owner of HP transferred. [Except: Transferred under agreement to live apart].
2. ✓ **Transfer of HP to Minor Child for inadequate consideration** → Transferor is deemed owner of HP. [Except: **HP is transferred to minor married daughter**] NOTE - Where cash is transferred to spouse/minor child and the transferee acquires property out of such cash, then, the transferor shall not be treated as deemed owner of the property. However, clubbing provisions will be attracted.
3. **Holder of Impartible Estate** → Impartible estate is the property which is legally not divisible. Deemed as owner of all properties in the estate.
4. **Member of a Co-operative Society** to whom a building is allotted/leased under House Building Scheme of society → Deemed owner of building allotted to him although co-op society is legal owner of that building.
5. **Person in possession of HP under part-performance of a contract [Sec 53 of TOPA]** Buyer will be deemed owner of HP although it is not registered in his name.
6. ✓ **Person having right in property by way of Lease for 12 years or more:** A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.
Exception: Lease is acquired from month to month basis or for < 1 year.

