



**CA INTER**

**INCOMETAX**

**HOUSE  
PROPERTY**

**ONE SHOT**



## CHAPTER 3B: HOUSE PROPERTY

### BASIS OF CHARGE [SECTION 22]

1. Property should consist of **any building** or **land** appurtenant thereto
2. Assessee must be the **owner** or **Deemed Owner**
3. HP Must be used for any purpose **except B&P** of Assessee

**Note:** Annual value of HP held as SIT will also be taxable under this head. However, NAV of HP held as SIT shall be **Nil for 2 years** from the end of FY in which **completion certificate** is issued, if Not Let Out for such period.

### COMPUTATION OF INCOME UNDER HOUSE PROPERTY

Particulars	Rs.
Gross Annual Value (GAV)	-
Less: Municipal Tax (MT) Paid by Owner	-
<b>Net Annual Value (NAV)</b>	-
Less: Standard Deduction – 30% Of NAV	-
Less: Interest On Capital Borrowed – Due Basis	-
<b>Income U/H House Property</b>	-

### CALCULATION OF GAV [SECTION 23]

1. Fair Rent	-
2. Municipal Value	-
3. Standard Rent	-
4. Expected Rent (Higher of 1 or 2 but restricted to 3)	-
5. Actual rent Received or Receivable	-
6. <b>GAV (Higher of 4 or 5)</b>	-

**Note: Municipal Taxes**

1. Deducted from GAV if paid by **Owner** during **previous year**.
2. Deductible in PY of **Payment** even if they relate to **past years**.

### CASE A. INCOME OF HOUSE LYING VACANT FOR SOME PERIOD

1. Calculate **Expected Rent (ER)** for whole year
2. Calculate **Actual Rent (AR)** for Let out period
3. Compare Expected Rent and AR

**Situation 1:** If  $AR > ER$ , then  $GAV = AR$ .

**Situation 2:** If  $AR < ER$  due to vacancy i.e.  $AR+VR \geq ER$ , then  $GAV = AR$ .

**Situation 3:** If  $AR < ER$  due to other reason i.e.  $AR+VR < ER$ , then  $GAV = ER$

### CASE B. INCOME OF HOUSE LET OUT FOR PART OF THE YEAR & SELF OCCUPIED FOR PART OF THE YEAR

1. Calculate **Expected Rent (ER)** for whole year
2. Calculate **Actual Rent (AR)** for **Let out period**
3. **GAV = Higher of ER Or AR.**

### CASE C. SELF-OCCUPIED/UNOCCUPIED HOUSE PROPERTY (FOR MAXIMUM 2 HOUSE PROPERTY)

1. **GAV = Nil for 2 houses**
2. Deduction of **MT Paid** shall not be allowed
3. Thus **NAV = Nil**
4. Interest on capital borrowed allowed subject to **maximum 2,00,000 or 30,000** as the case may be. **(Only in case of old regime)**

**Note:** Under default regime, no deduction is allowed for interest on capital borrowed of Self occupied property.

### CASE D. MORE THAN 2 HOUSE SELF OCCUPIED

1. Any 2 Houses Shall be considered as **Self occupied** and dealt with accordingly.
2. **Remaining house(s)** shall be Deemed to be Let Out and its **GAV** Shall be Expected Rent.



### CASE E. PART (PORTION) OF THE HOUSE IF LET OUT AND OTHER PART (PORTION) IS SELF-OCCUPIED

Let Out (LO) Portion	Self-Occupied Portion
Compute income of <b>let out portion</b> normally considering Following: <b>a)</b> ER shall be Computed for part of property LO. <b>b)</b> MT Allowed for the part of property LO. <b>c)</b> ICB shall be <b>Allowed</b> for the part of property LO. (Suppose <b>60% portion</b> is LO and <b>40% is SO</b> , then above 3 points shall be calculated for 60% only)	<ol style="list-style-type: none"> <li><b>GAV = Nil</b></li> <li>Deduction of MT Paid shall not be allowed</li> <li>Thus <b>NAV = Nil</b></li> <li>ICB Shall be <b>allowed</b> for the part of property SO only under old regime (<b>Subject To Max 30,000/2,00,000</b>)</li> </ol>

### TREATMENT OF UNREALISED RENT

Actual rent **received/receivable** should not include unrealised rent if all the conditions are satisfied:

- Tenancy is **bona fide**.
- defaulting tenant has **vacated** HP
- defaulting tenant is not in **occupation** of **another HP** Of Assessee
- Assessee initiated legal steps to recover unrealised rent or satisfy AO that such will be useless.

### TAX LIABILITY IN RESPECT OF ARREARS OF RENT / RECOVERY OF UNREALISED RENT [SECTION 25A]

Recovery of unrealised rent or arrears of rent received shall be taxable in the year of receipt **after standard deduction of 30%**

### STATUTORY DEDUCTION [SECTION 24(a)]

Assessee shall be allowed a notional expenditure equals to **30% of NAV**

### INTEREST ON CAPITAL BORROWED [SECTION 24(b)]

#### 1) Pre- Construction Period Interest

It is the interest paid before the year in which construction is completed. **Pre period interest** is accumulated and allowed in 5 installments from the year in which **construction is completed**.

#### 2) Current Year interest (Relevant PY) – Allowed in same previous year on due basis.

#### Note:

- Interest on loan is **allowed as deduction** if it is taken for the purpose of construction, repair, renovation, reconstruction etc. of house property.
- Loan can be raised from banks, FI, NBFC, friends, family etc.
- Interest is allowed on due basis.
- Interest on fresh loan taken to repay **original loan** taken for house property shall be allowed as deduction.
- Brokerage/commission for **Arrangement** of loan is Not allowed.
- Interest on unpaid interest is **Not allowed**.
- If loan is taken from o/s India, Interest is deductible **only if TDS** is deducted.

### RESTRICTION OF DEDUCTION IN CASE OF SELF OCCUPIED HP

Situation	Max. Deduction
Loan for acquisition or construction of HP taken <b>on/after 1.4.1999</b> & such acquisition or construction is completed <b>within 5 year</b> from end of FY In Which loan is taken.	Rs. 2 Lakh
Other Cases	Rs. 30,000

**Note:** ICB in respect of SO property is allowed **only under New regime**.



## CO-OWNED HOUSE PROPERTY

Co-owned Property Is Let Out	Co-owned Property is Self-Occupied
<ol style="list-style-type: none"> <li>1. Calculate income of let out property normally as a single owner.</li> <li>2. Income so calculated shall be <b>divided</b> between each <b>co-owner</b> on the basis of ownership right.</li> </ol>	<ol style="list-style-type: none"> <li>1. Calculated for each co-owner separately.</li> <li>2. NAV= Nil</li> <li>3. <b>Each co-owner</b> is entitled for deduction of ICB of <b>Rs.30,000</b> or <b>Rs.2 lakh</b> respectively (only in case of old regime)</li> </ol>

## DEEMED OWNER [SECTION 27]

Case	Deemed Owner
Transfer of HP to Spouse for Inadequate consideration	Transferor <b>Spouse</b> is deemed to be owner of HP transferred. However, if Transferred under an agreement to live apart, then transferee spouse shall be considered as owner
Transfer of HP to Minor Child for inadequate consideration	Transferor is <b>deemed</b> as <b>owner</b> of HP. However, HP is transferred to a <b>minor married daughter</b> , then deemed ownership not applied.
Member of a Co-operative Society	<b>Member</b> to whom a building or part thereof is <b>allotted or leased</b> shall be deemed to be owner of that building
Person in possession of a property	Person having possession for <b>part performance</b> of the contract
Holder Of Impartible Estate	Deemed as <b>owner</b> of all properties in the estate
Lease for 12 years or more	A person who acquires any building for a <b>period of 12 years</b> or more





**THANK**

**YOU**