

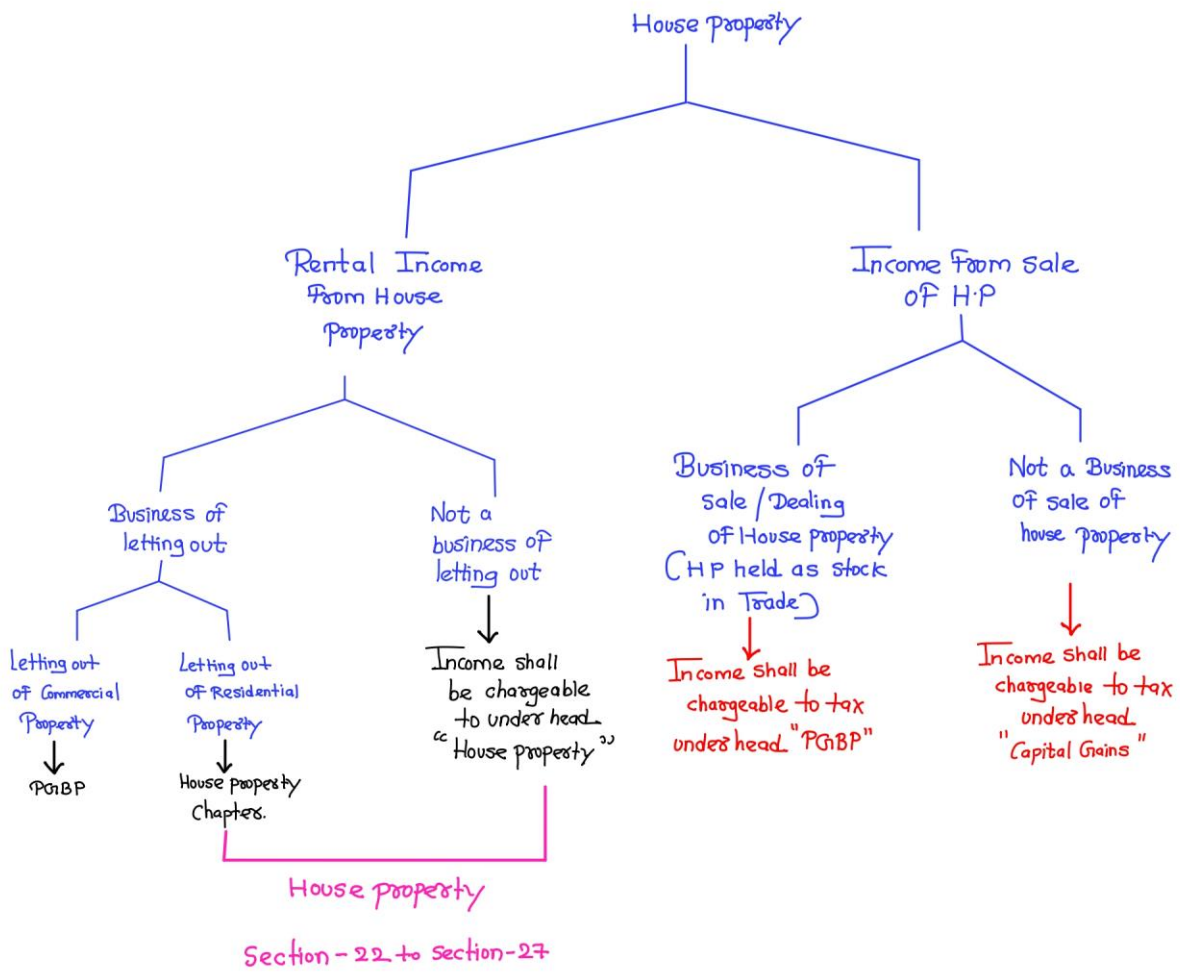


CHAPTER - 9

INCOME FROM HOUSE PROPERTY

Background of House Property

Lecture 1



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Section 22 = Section 23 - Section 24 = Income from H.P



Charging section
of H.P.

Annual
value

Deduction
From Annual
value

Section 25(1) = No deduction of section 24(b) if No TDS Deducted.

Section 25A = Recovery of unrealised / Arrears of Rent

Section 26 = Joint ownership / Co-ownership

Section 27 = Deemed owner

Section 22 charging section

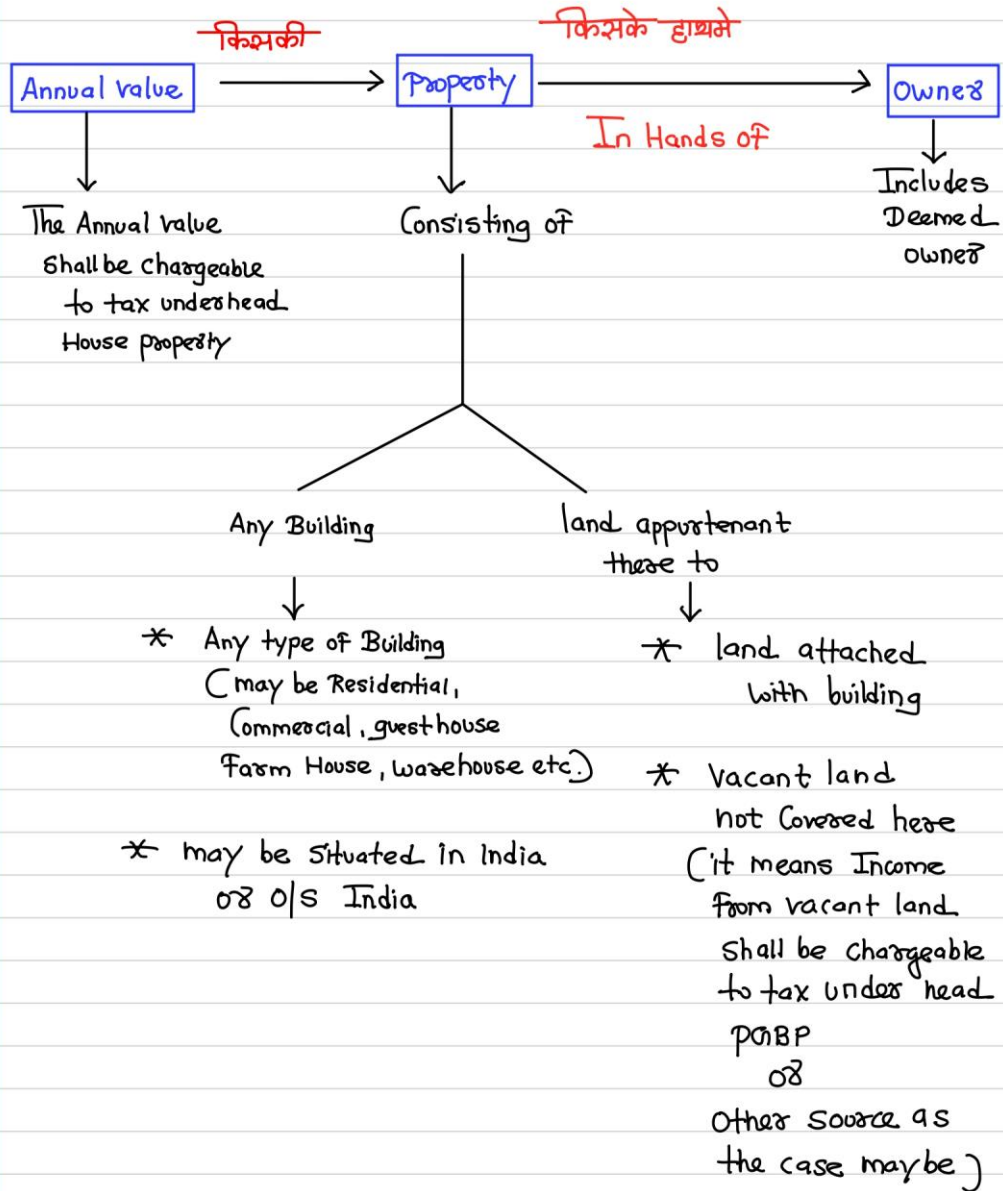
Income from House property

Attach
to ←

The annual value of property consisting of any building or lands appurtenant thereto of which the assessee is the owner, other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him the profits of which are chargeable to income-tax, shall be chargeable to income-tax under the head "Income from house property".



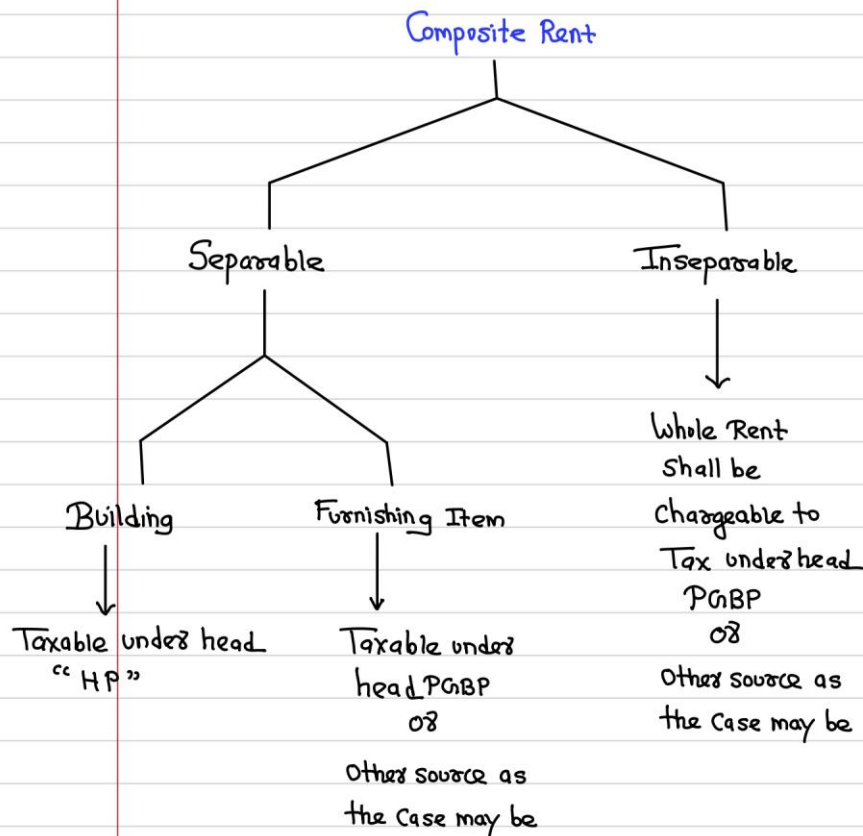
Analysis of Section - 22



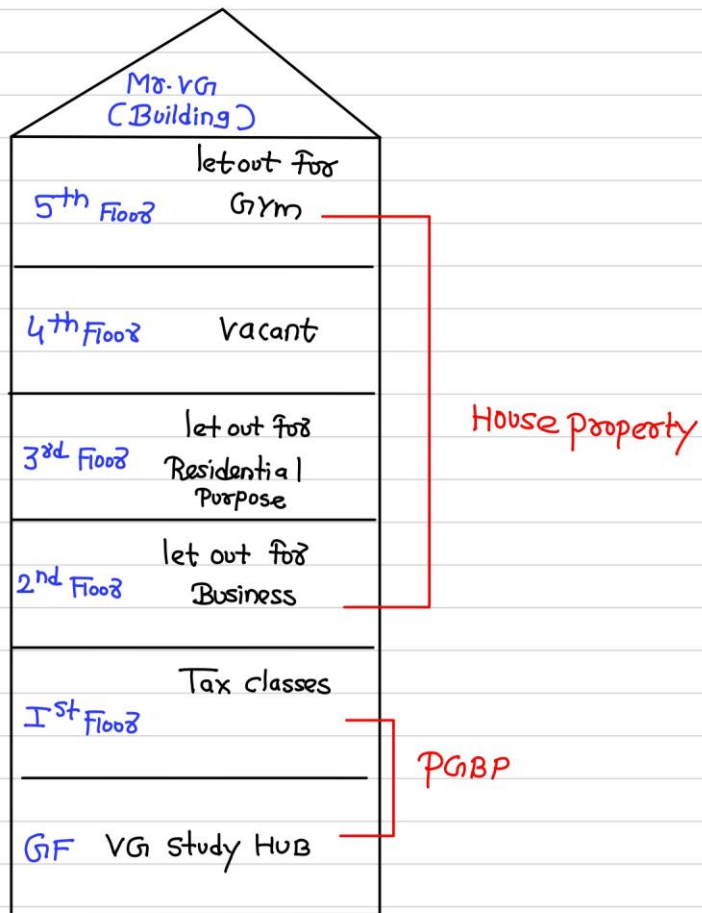
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Annual value of Any building or land appurtenant thereto is taxable under the head house property in All cases except following 3 cases

- 1] Such portion of such property as he may occupy for the purpose of any business or profession carried on by him → Taxable under head PGBP
- 2] IF let out is supplementary to the main business then such rental income is chargeable to tax under head PGBP
- 3] Composite Rent (Joint Rent, Combine Rent)

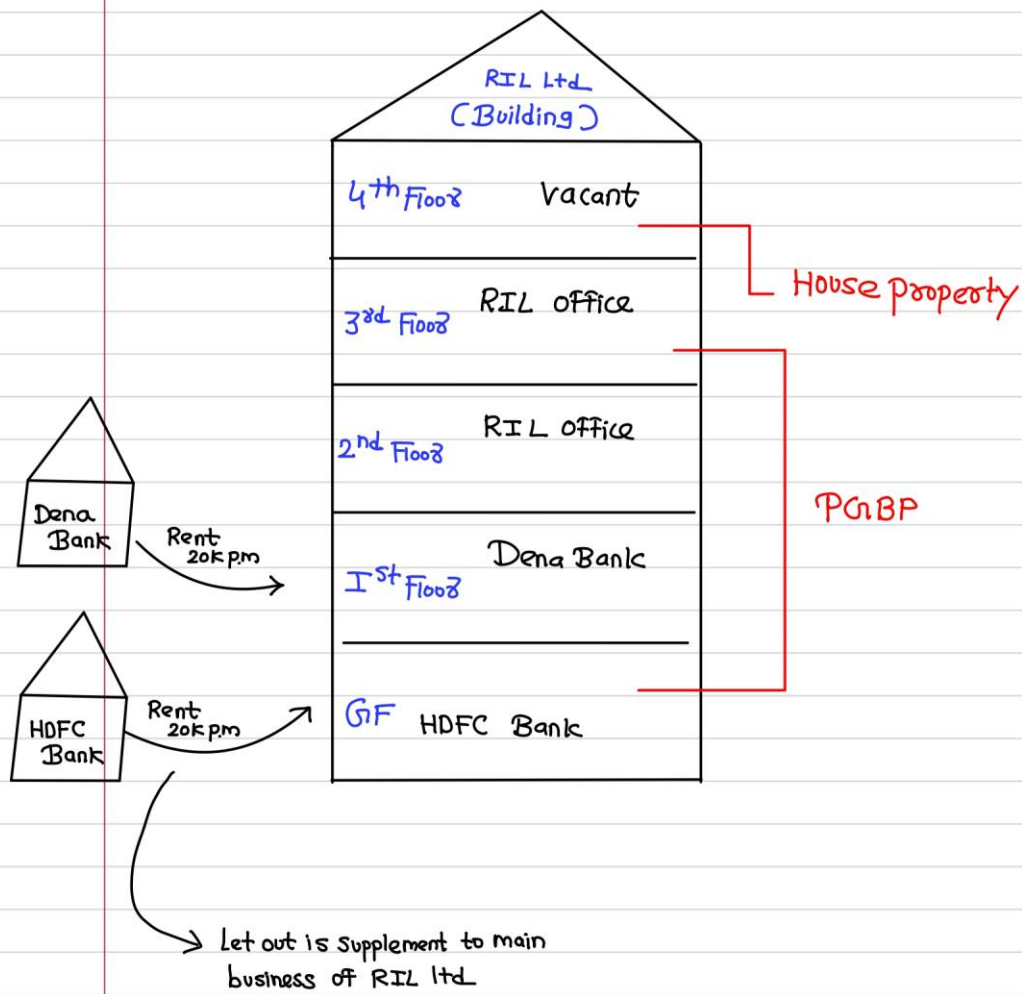


Example 1



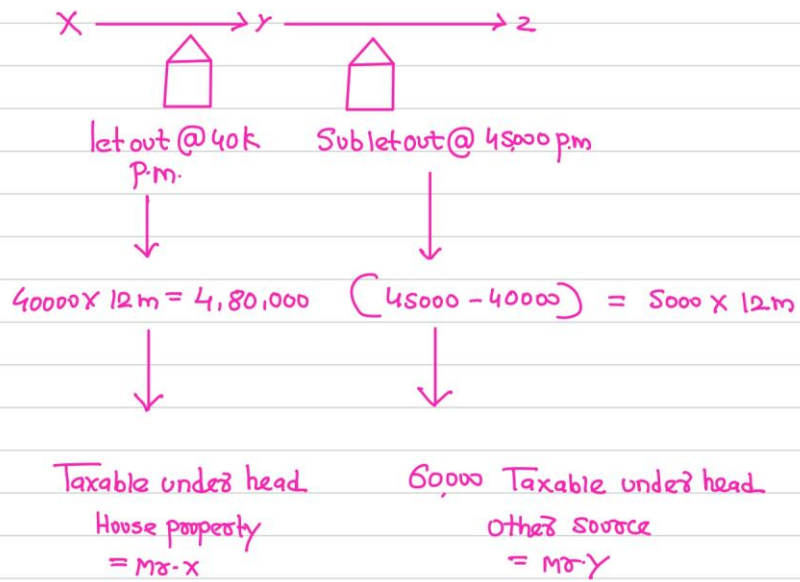
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Example 2



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Example 3



Computation of Income from "House property"

	Gross Annual value (section - 23) (GAV)	XXXX
(less)	Municipal Tax paid by the owner during the py	XXXX
	Net Annual value (NAV)	XXXX
(less)	<u>Deduction u/s 24</u>	
	a) Standard deduction (30% of NAV)	XXXX
	b) Interest on loan (Housing loan)	XXXX
	Income from H.P	XXXX
Add	Recovery of unrealised Rent / Arrears of rent (After 30% Deduction)	XXXX
	Total Income of H.P	XXXX



Example 1

$$\text{GAV} = 8,00,000$$

Municipal Tax

Paid by owner during the p.y = 2,00,000

payable by owner during the p.y = 1,00,000

paid by Tenant during the p.y = 1,00,000

Income from H.P = ?

Solution :-

GAV	8,00,000
(less) Municipal Tax paid by the owner during the p.y	<u>2,00,000</u>
Net Annual value (NAV)	6,00,000
(less) Deduction u/s 24 Standard deduction (30% of NAV)	<u>1,80,000</u>
Income from H.P	4,20,000



Example 2

$$G.A.V = 7,50,000$$

$$\text{Municipal Tax Paid by owner during the p.y 24-25} = 6,00,000$$

(Includes

* ₹ 2,00,000 belong to p.y. 23-24

* ₹ 2,00,000 belong to Current p.y 24-25

* ₹ 2,00,000 belong to Next Year 25-26)

Income from H.P = ?

Solution :-

G.A.V	7,50,000
(less) Municipal Tax paid by the owner during the p.y	<u>6,00,000</u>
Net Annual value (NAV)	1,50,000
(less) Deduction u/s 24	<u>45,000</u>
Standard deduction (30% of NAV)	
Income from H.P	1,05,000



Lecture 2

Example

$$\text{GAV} = 12,00,000$$

$$\text{Municipal Tax} = 3,00,000 \text{ p.a.}$$

(60% paid by owner, which includes 20% related to Next year)

$$\text{Interest on House property} = 80,000 \text{ p.a.}$$

Income from House property ?

Solution :-

	GAV	12,00,000
(less)	Municipal Tax paid by the owner during the py (3LX60%)	1,80,000
	Net Annual value (NAV)	<u>10,20,000</u>
(less)	<u>Deduction u/s 24</u>	
	a) Standard deduction (30% of NAV)	3,06,000
	b) Interest on loan (Housing loan)	80,000
		<u>3,86,000</u>
	Income from H.P	<u><u>6,34,000</u></u>



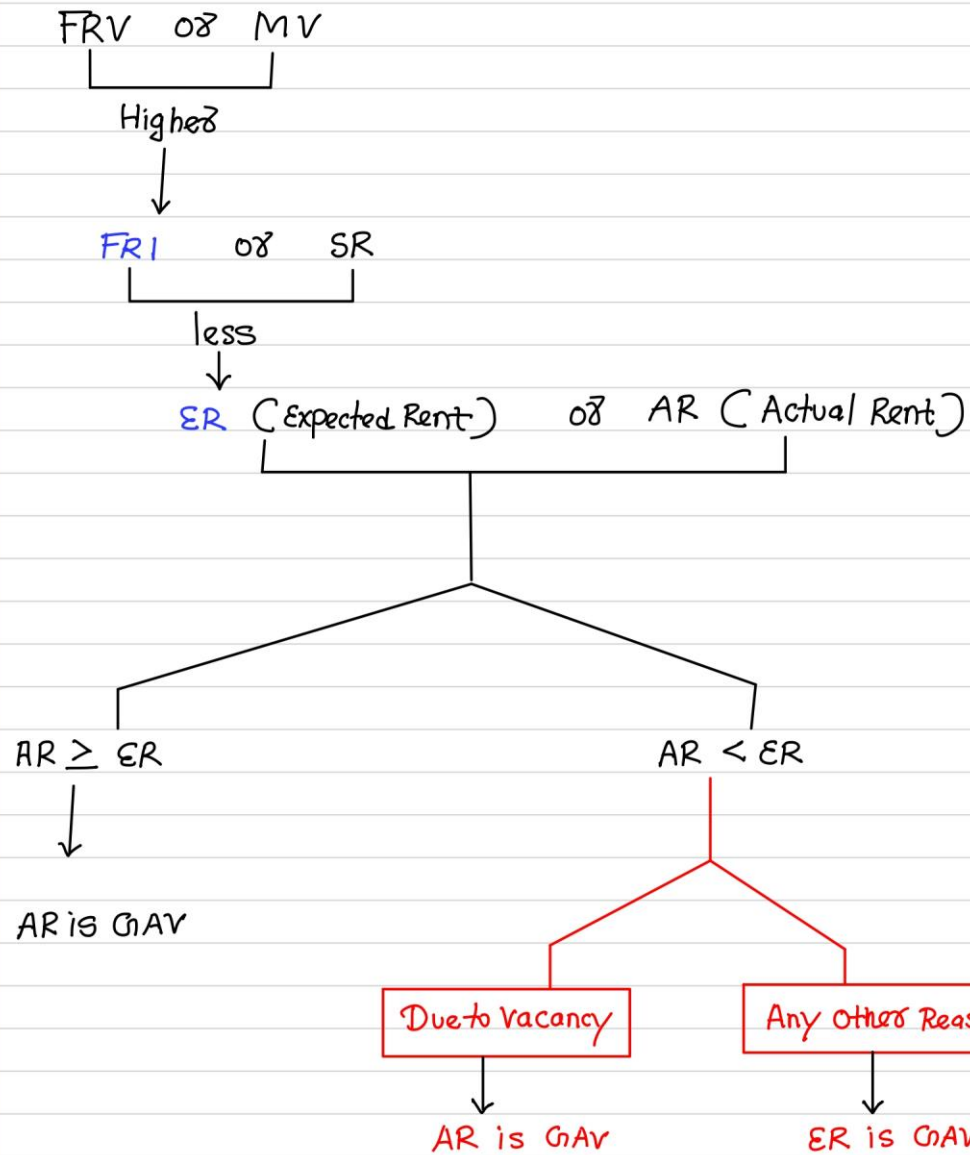
Section 23 - Computation of GAV

GAV means the reasonable rental value of a house.

It is computed with the help of 4 Rents :-

- 1) Fair Rental value (FRV) =
The Rent of Similar type of property in same locality
- 2) Municipal value (MV) =
Rental Value determined by the municipality for purpose of charging municipal TAX.
- 3) Standard Rent (SR) =
The highest / maximum possible rent as per rent Control Act.
- 4) Actual Rent (AR) =
Actual Rent Received





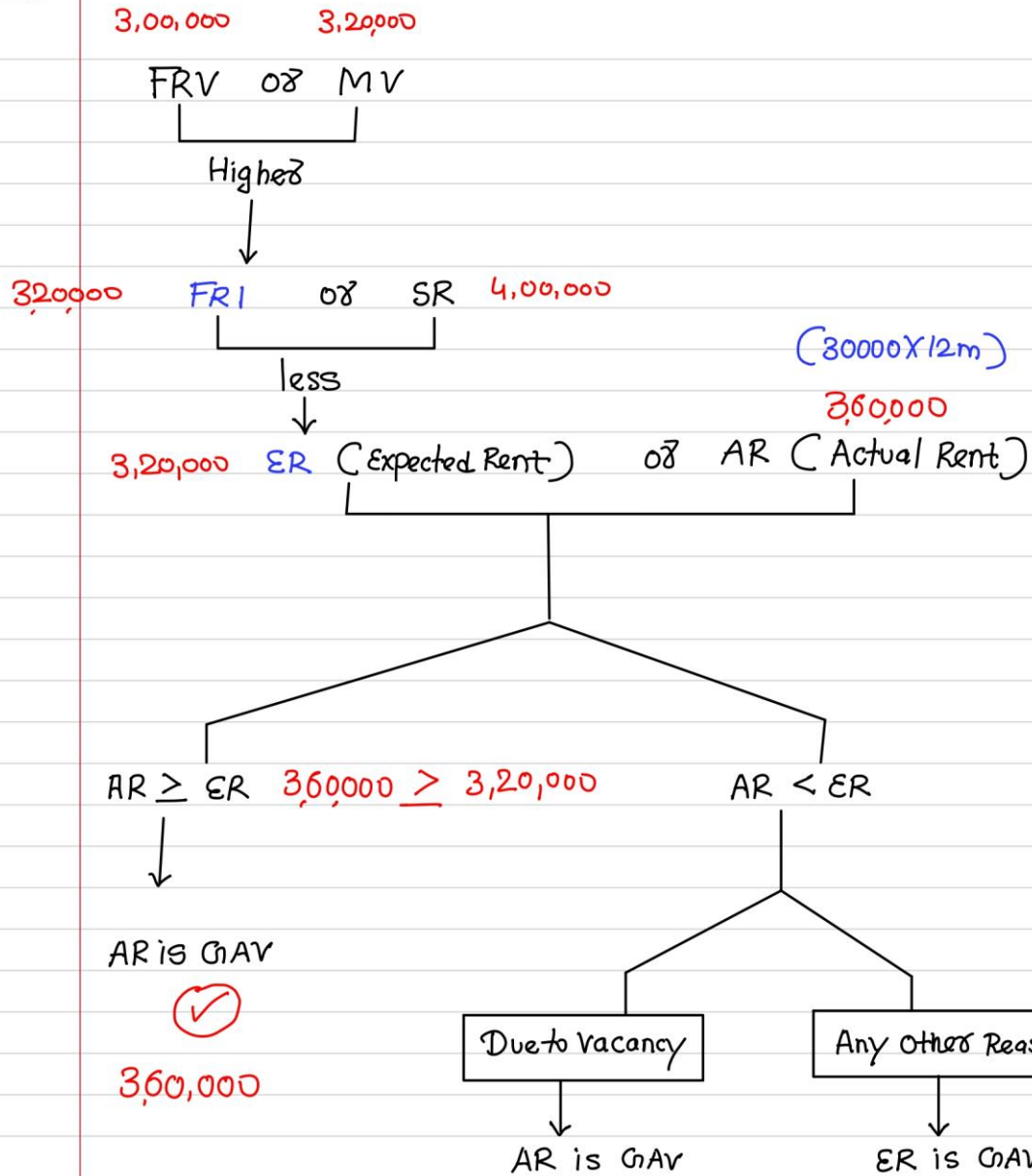
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Example :-

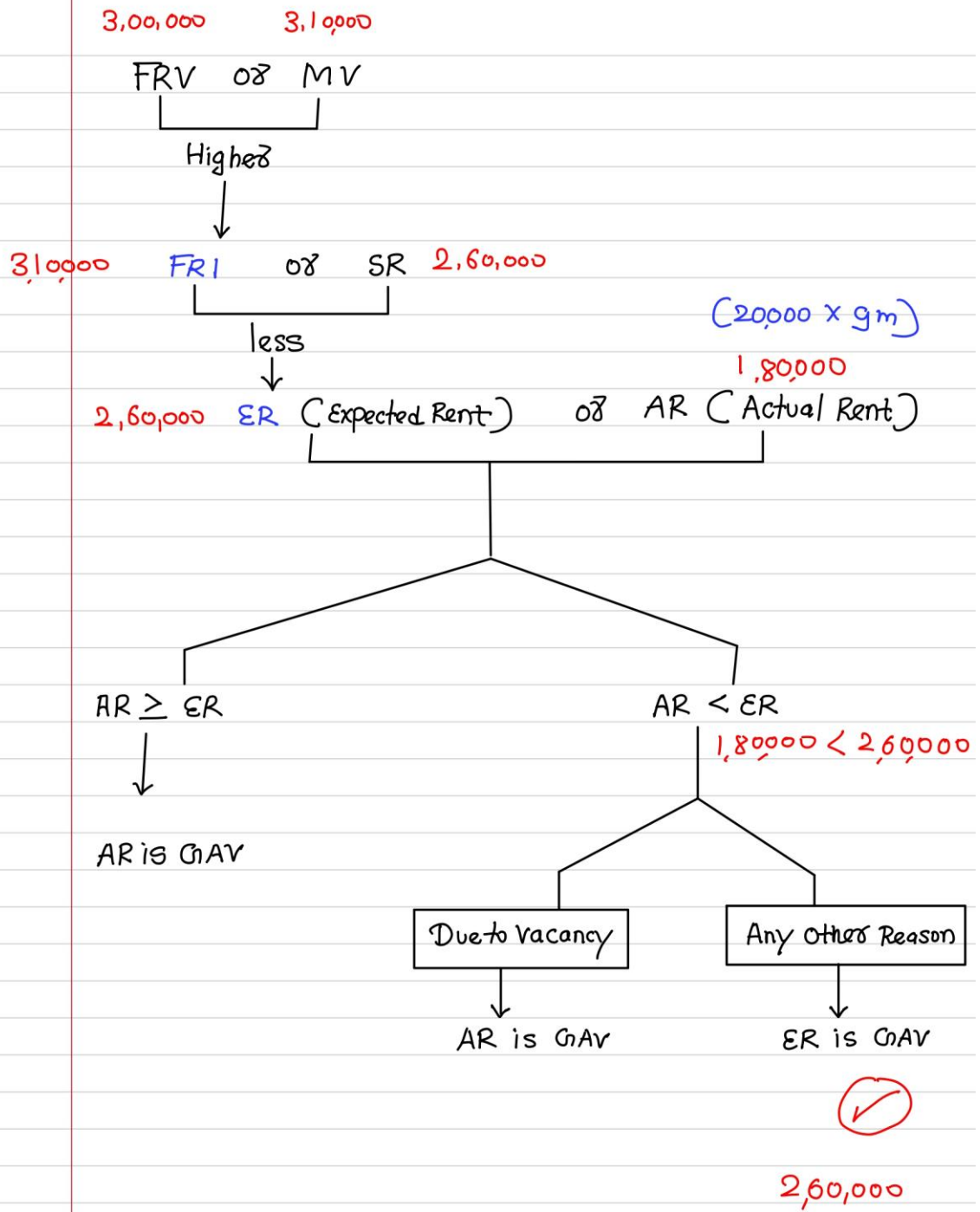
	I	II	III	IV	V	VI
FRV	3,00,000	3,00,000	3,50,000	4,00,000	4,50,000	2,50,000
MV	3,20,000	3,10,000	4,20,000	2,80,000	3,00,000	2,90,000
SR	4,00,000	2,60,000	3,80,000	—	3,80,000	4,00,000
AR	30,000pm	20,000pm	40,000pm	40,000pm	40,000pm	35,000pm
Vacancy	—	3m	4m	3m	—	3m
unrealised Rent	—	—	—	—	5m	1m
GRAV	3,60,000	2,60,000	3,20,000	3,60,000	3,80,000	2,80,000



I.



II.



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III.

3,50,000 4,20,000

FRV or MV

Higher

4,20,000 FRI or SR 3,80,000

less

(4,00,000 × 8m)

3,20,000

3,80,000 ER (Expected Rent) or AR (Actual Rent)

AR ≥ ER



AR is GAV

AR < ER

3,20,000 < 3,80,000

Due to Vacancy

AR is GAV

Any Other Reason

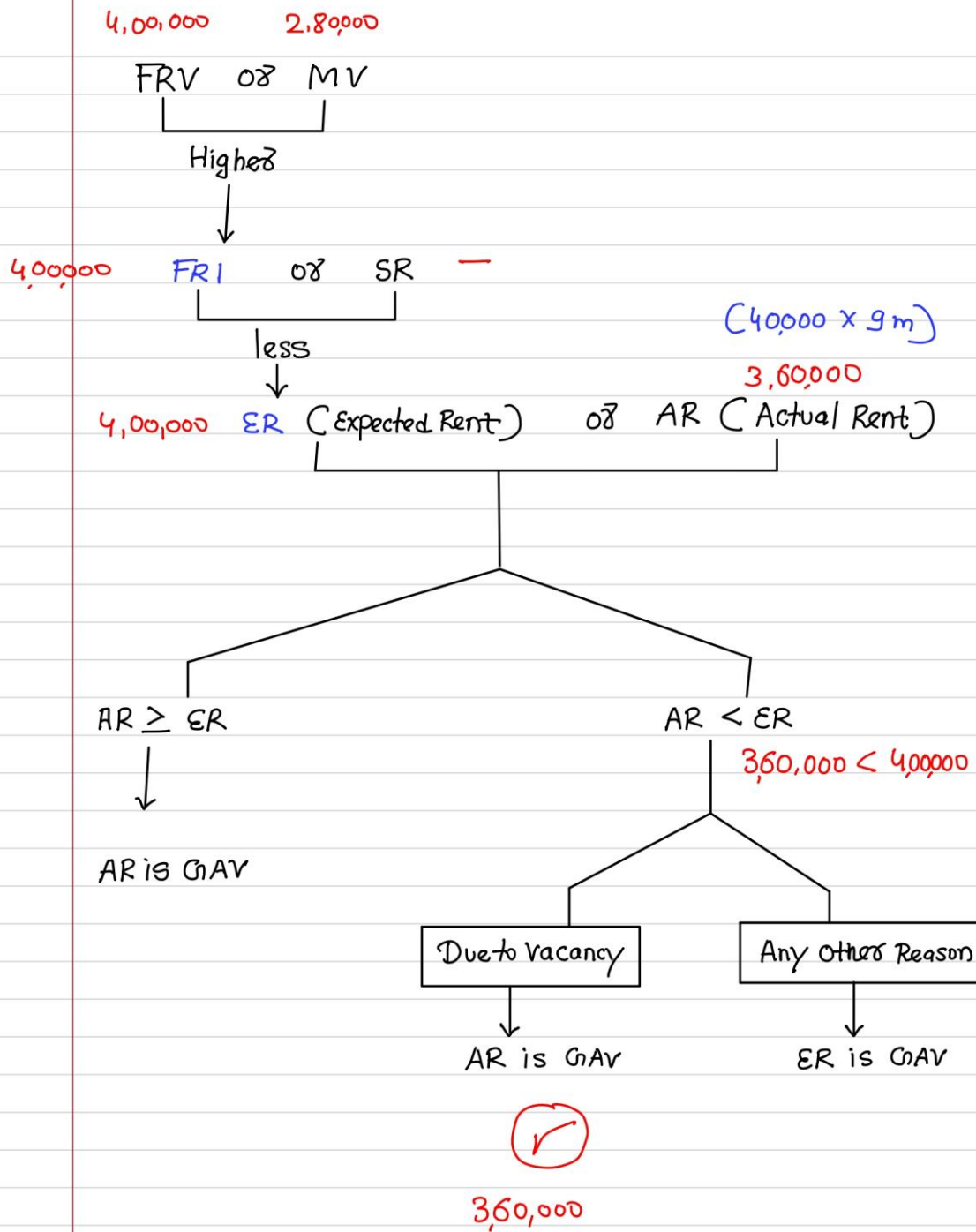
ER is GAV



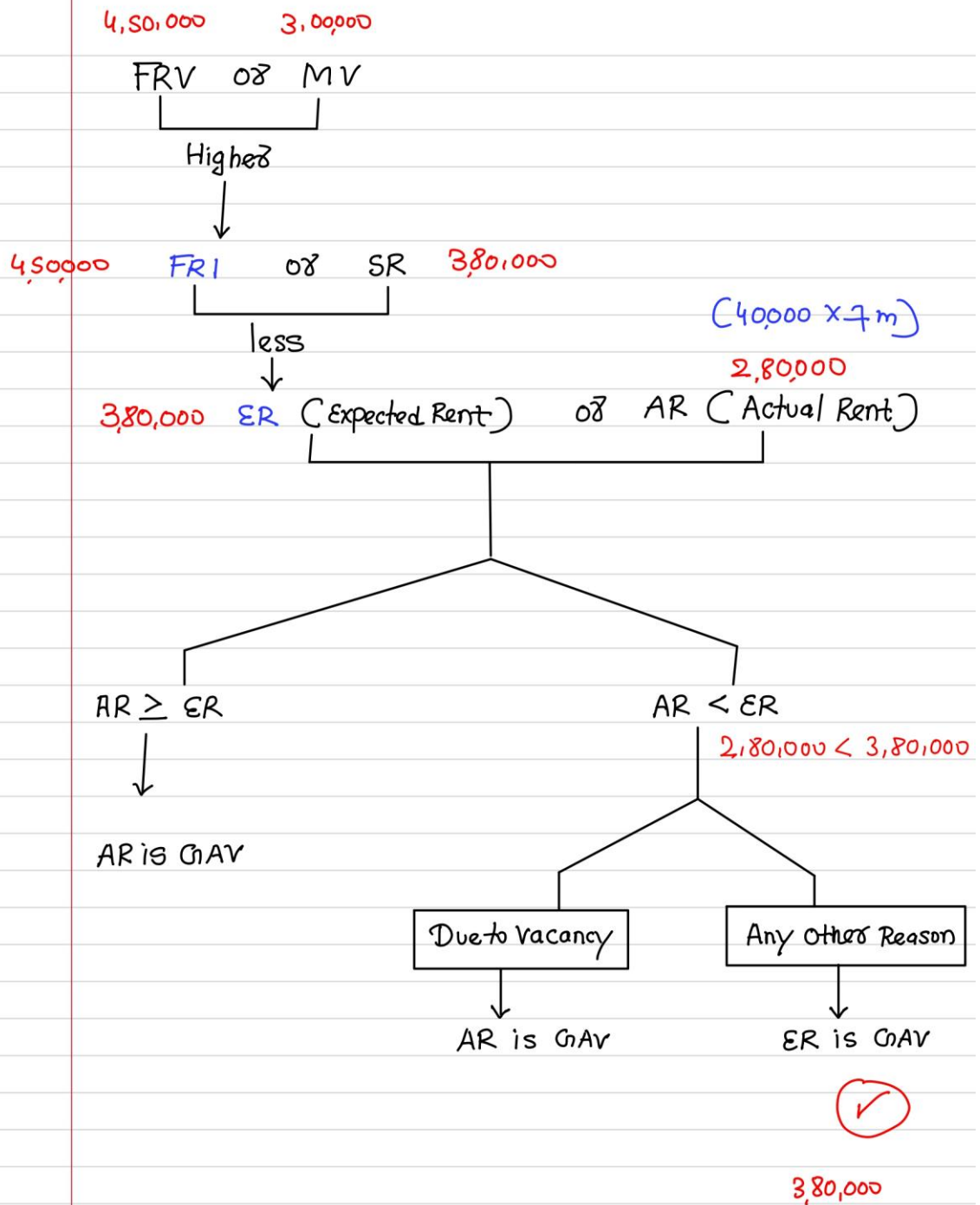
3,20,000



IV.

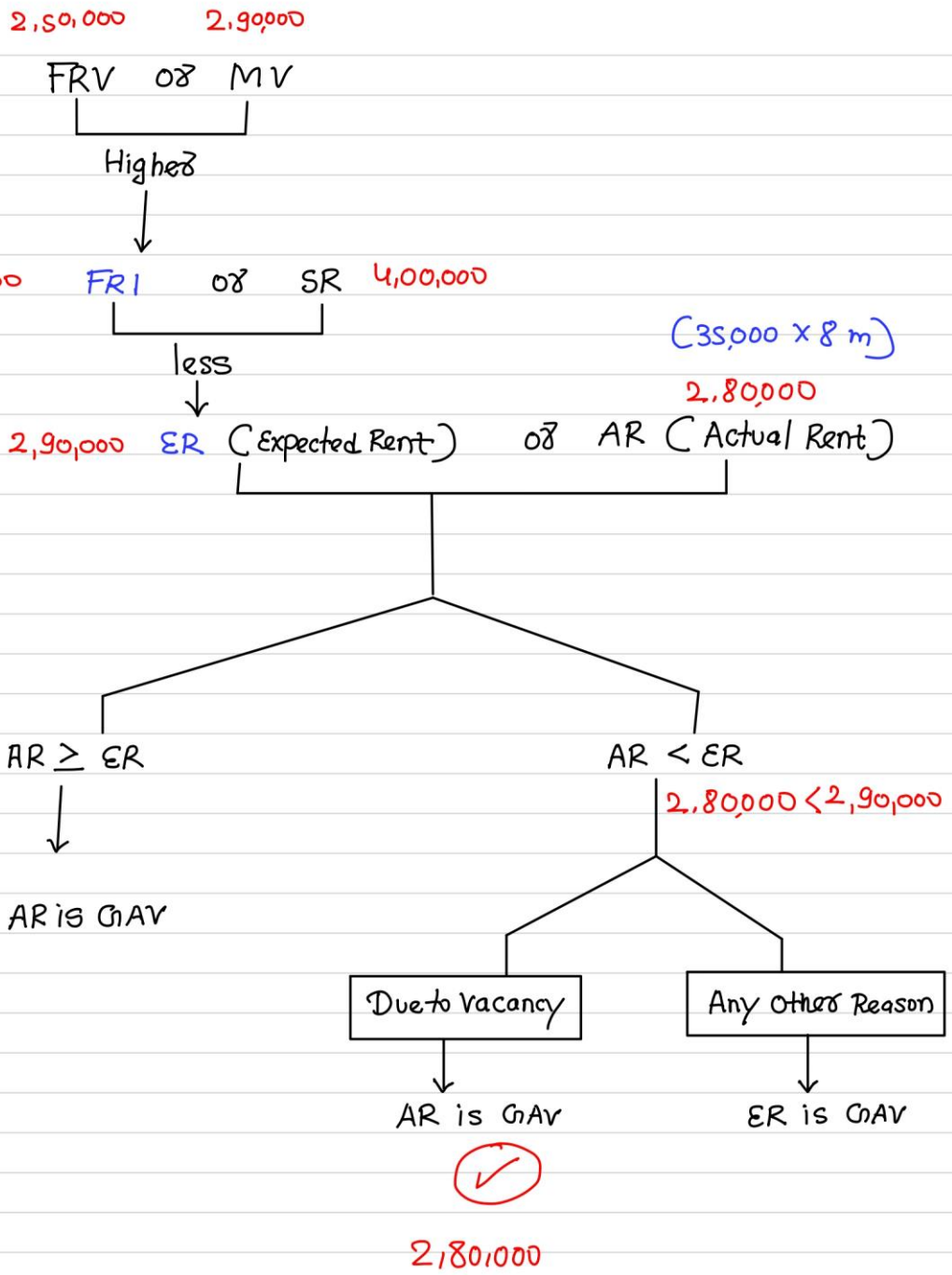


V.



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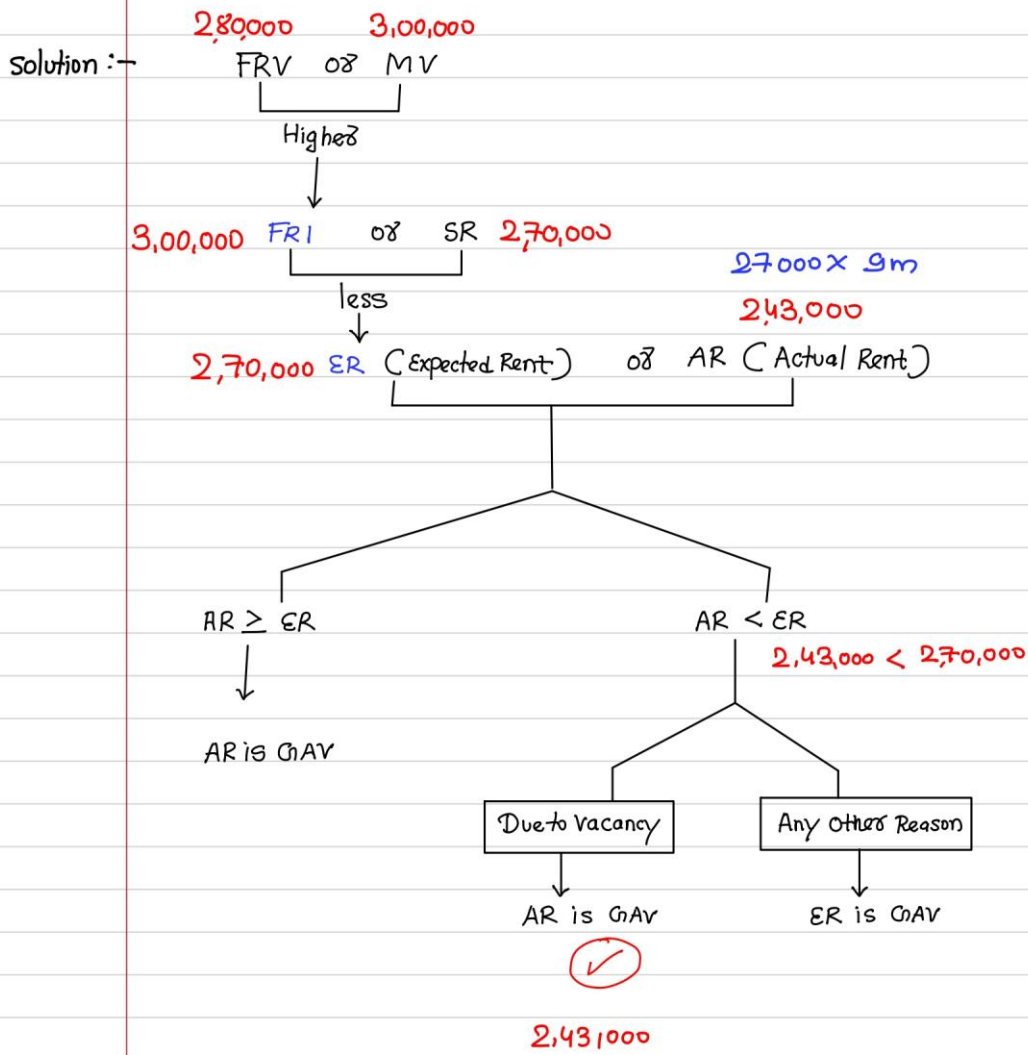
VI.



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Example :-

$$\begin{aligned} \text{FRV} &= 2,80,000 \\ \text{MV} &= 3,00,000 \\ \text{SR} &= 2,70,000 \\ \text{AR} &= 27,000 \text{ pm} \\ \text{Vaccancy} &= 3 \text{ m} \end{aligned}$$



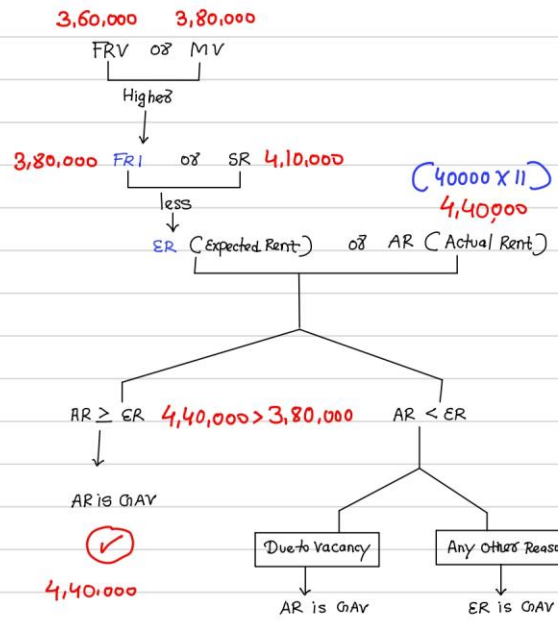
Questions :-

	I	II	III	IV
FRV	3,60,000	3,20,000	3,00,000	4,20,000
MV	3,80,000	3,00,000	2,70,000	4,50,000
SR	4,10,000	2,90,000	2,40,000	3,80,000
AR	40,000 pm	30,000 pm	15,000 pm	40,000 pm
Vacancy	1m	4m	2m	3m
Unrealised Rent	-	-	-	1m
Municipal Tax	10% (Paid by tenant)	5% (Paid by owners)	10% (50% paid by owners, Balance outstanding)	10% (70% paid by owners, 30% paid by tenant)
Income From House Property?	71,400	1,57,500	1,58,550	2,01,950



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Q1.



GAV

4,40,000

(less) Municipal Tax paid by the owner during the PY

—

Net Annual value (NAV)

4,40,000

(less) Deduction u/s 24

a) Standard deduction (30% of NAV)

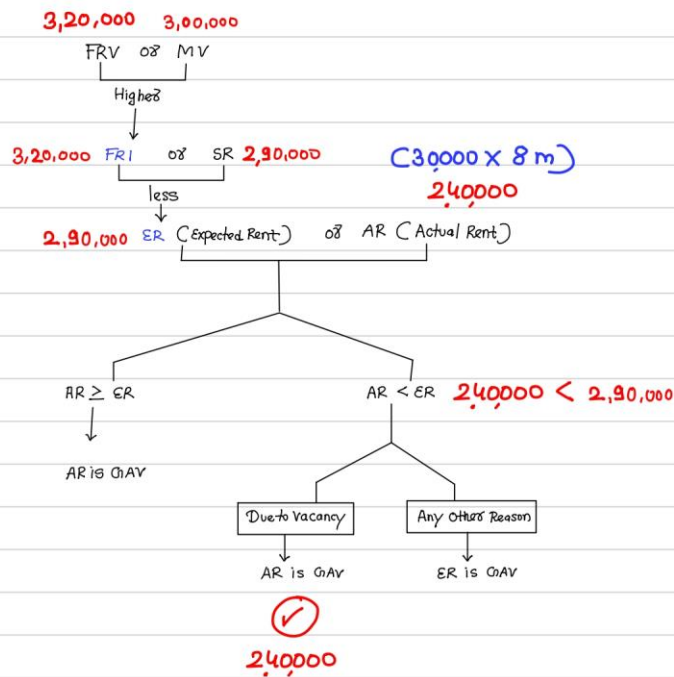
1,32,000

Income from H.P

3,08,000



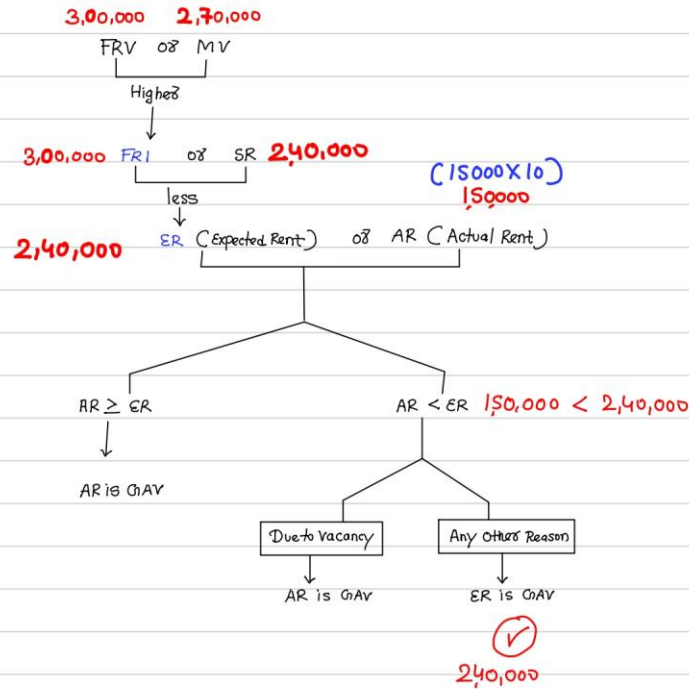
Q2.



GAV	2,40,000
(less) Municipal Tax paid by the owner during the py	15,000
Net Annual value (NAV)	<u>2,25,000</u>
(less) <u>Deduction u/s 24</u>	
a) Standard deduction (30% of NAV)	67,500
Income from H.P	<u><u>1,57,500</u></u>



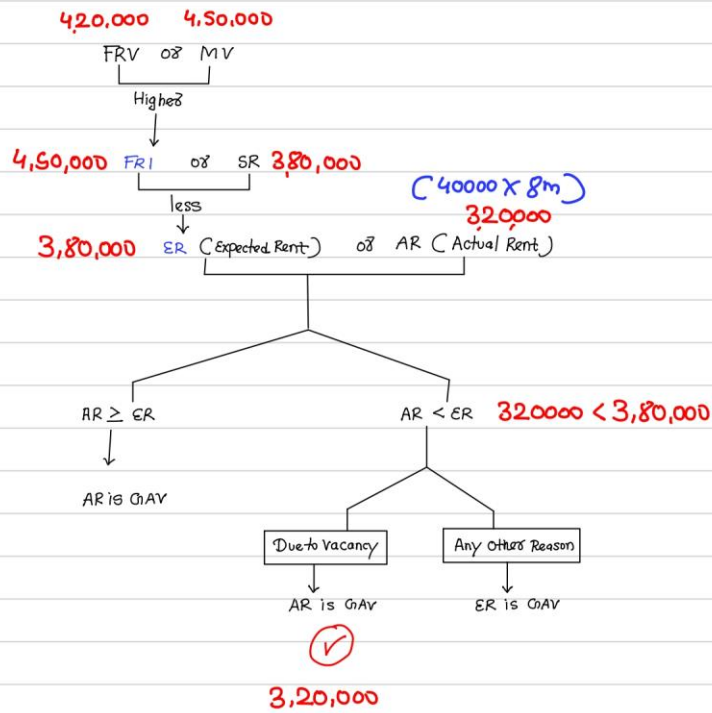
Q3.



	GAV	2,40,000
(less)	Municipal Tax paid by the owner during the py	13,500
	Net Annual value (NAV)	<u>2,26,500</u>
(less)	<u>Deduction u/s 24</u>	
	a) Standard deduction (30% of NAV)	67,950
	Income from H.P	<u>1,58,550</u>



Q4.



GAV	3,20,000
(less) Municipal Tax paid by the owner during the py	31,500
	<u>2,88,500</u>
Net Annual value (NAV)	
(less) <u>Deduction u/s 24</u>	
a) Standard deduction (30% of NAV)	86,550
	<u>2,01,950</u>
Income from H.P	



GAV shall be Computed in All Cases Except Following 3 Cases :-

- * 1] Wholly self occupied
 - 2] Wholly vacant
 - * 3] Deemed self-occupied
- GAV = Nil

Option to take GAV = Nil in case of self-occupied house is available only for 2 House. Other deemed to be letout.

Example :-

$V_G \rightarrow 1 \text{ SOH} = \text{GAV} = \text{Nil}$

$V_G \rightarrow 2 \text{ SOH} = 2 \text{ SOH} = \text{GAV} = \text{Nil}$

$V_G \rightarrow 3 \text{ SOH} = 2 \text{ SOH} = \text{GAV} = \text{Nil}$

1 Deemed let out house = GAV Calculate

$V_G \rightarrow 4 \text{ SOH} = 2 \text{ SOH} = \text{GAV} = \text{Nil}$

2 Deemed to be letout = GAV Calculate



Computation of Income From House property

	Wholly SOP/ Deemed SOP	Wholly vacant	Other H.P (Partly letout/Partly SOH etc)
GAV	Nil	Nil	Compute u/s 23
(-) M-Tax paid by owner during the PY	- Not Allowed -	Allowed	Allowed
NAV	Nil	Nil / Negative	Nil / Negative / Positive
(-) Standard deduction 24(a)	- Not Allowed -	- Not Allowed -	Allowed if NAV Positive
(-) Interest on loan 24(b)	Allowed	Allowed	Allowed
Income from HP	Nil / Negative	Nil / Negative	Nil / Negative / Positive



What if some portion letout and some portion self occupied ?

Case 1



FRV = 4,00,000
 MV = 4,90,000
 SR = 5,50,000
 AR = 20,000 pm
 MT = 10% (Paid by owner)

Income from H.P ?

Solution :-

	50% Portion SOH	50% Portion LOH
GAV	Nil	2,45,000
↳ MT paid by the owner	—	(24,500) $(2,45,000 \times 10\%)$
NAV	Nil	2,20,500
↳ 24(a)	Nil	(66150) $(2,20,500 \times 30\%)$
↳ 24(b)	—	—
Income from H.P	Nil	1,54,350



Note 1. Computation of GAV of 50% portion

$$FRV = 2,00,000$$

$$MV = 2,45,000$$

$$SR = 2,75,000$$

$$AR = 2,40,000$$

FRV (or) MV = Higher

$$2,00,000 \text{ (or) } 2,45,000 = 2,45,000 \text{ (FRV)}$$

FRV (or) SR = less

$$2,45,000 \text{ (or) } 2,75,000 = 2,45,000 \text{ (ER)}$$

ER (or) AR

$$2,45,000 \text{ (or) } 2,40,000 = \text{ER is GAV} \\ 2,45,000$$



Question :-



FRV = 6,60,000
 MV = 6,30,000
 SR = 6,90,000
 AR = 40,000 pm
 Vacancy = 7m
 M. Tax = 5% (paid by owner)
 Interest paid on Housing loan as such property
 = 9000

Total Income of HP ?

	1/3 Portion SOH	2/3 Portion LOH
GAV	Nil	2,00,000
↳ MT paid by the owner	-	21,000 $4,20,000 \times 5\%$
NAV	Nil	1,79,000
↳ 24(a)	Nil	(53,700) $1,79,000 \times 30\%$
↳ 24(b)	30,000	(60,000)
	(30,000)	65,300

Total Income = 35,300



Note 1. Computation of GAV of 2/3 portion

$$FRV = 4,40,000$$

$$MV = 4,20,000$$

$$SR = 4,60,000$$

$$AR = 40,000 \text{ pm}$$

FRV (or) MV = Higher

$$4,40,000 \text{ (or) } 4,20,000 = 4,40,000 \text{ (FRV)}$$

FRV (or) SR = less

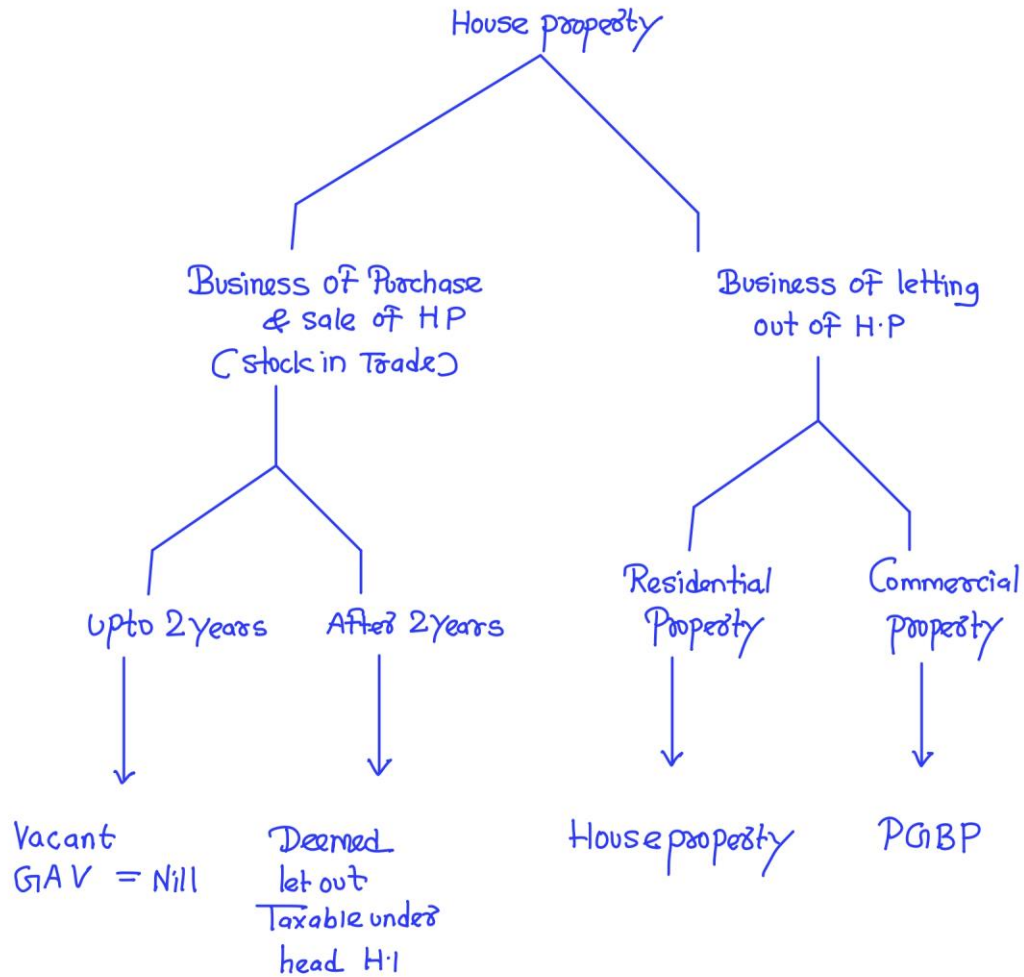
$$4,40,000 \text{ (or) } 4,60,000 = 4,40,000 \text{ (FRV)}$$

FRV (or) AR

$$4,40,000 \text{ (or) } 2,00,000 = AR \text{ is GAV} \\ 2,00,000$$



Section 23(s) House property held as stock in Trade



Section 24 Deduction From Annual value

Section (a) Standard deduction

1. This is a Flat deduction @ 30% of NAV and is allowed irrespective of the actual Expenditure incurred.

(Actual Expenditure given in Question is irrelevant)

2. The assessee will not be entitled to claim deduction as 30% in the following Cases :-

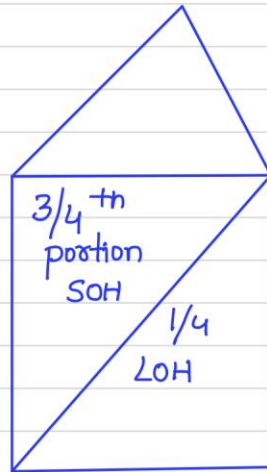
1] Where GAV is Nil in Case of SOH / Deemed SOH

2] Where NAV is Nil (or) Negative then No Deduction u/s 24(a) is allowed



H.W

Q1.



$FRV = 4,00,000$
 $MV = 4,40,000$
 $SR = 3,80,000$
 $AR = 10,000 \text{ pm}$
 Vacancy = 1 month

M.Tax 10%.

[50% paid by owner]

Interest on H.P = 80,000 p.a

Income from House property ?



	3/4 Portion SOH	1/4 Portion LOH
GA V	Nil	1,10,000
→ MT paid by the owner	—	5,500
NAV	Nil	1,04,500
→ 24 (a)	Nil	(31,350)
→ 24 (b)	60,000	(20,000)
	(60,000)	53,150
	(6850) loss	



Note 1. Computation of GAV of $1/4$ portion

$$FRV = 1,00,000$$

$$MV = 1,10,000$$

$$SR = 95,000$$

$$AR = 10,000 \text{ pm}$$

$$FRV \text{ (or) } MV = \text{Higher}$$

$$1,00,000 \text{ (or) } 1,10,000 = 1,10,000 \text{ (FRV)}$$

$$FRV \text{ (or) } SR = \text{less}$$

$$1,10,000 \text{ (or) } 95,000 = 95,000 \text{ (SR)}$$

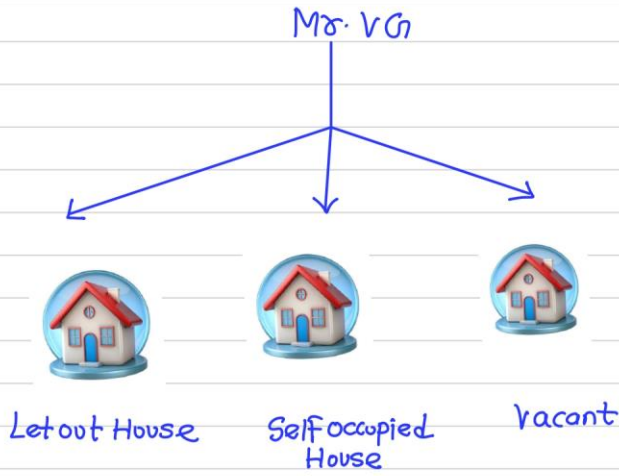
$$SR \text{ (or) } AR$$

$$95,000 \text{ (or) } 1,10,000 = AR \text{ is GAV}$$

1,10,000



Q2.



FRV =	2,40,000	2,20,000	2,10,000
MV =	2,60,000	2,60,000	2,40,000
SR =	-	-	-
AR =	20000 pm	-	-
M. Tax =	10%	5%	5%

(paid by owner) (paid by owner) (paid by owner)

Income from H.P ?



Computation of GAV in case of let out property

FRV : 2,40,000

MV : 2,60,000

SR : -

AR : 20,000 p.m

FRV or MV : higher

2,40,000 or 2,60,000 : 2,60,000 \rightarrow FR \rightarrow ER

ER = 2,60,000 AR = 2,40,000

ER > AR

Reason other than vacancy

\therefore ER \rightarrow GAV

\therefore GAV : 2,60,000



Q. 2) Solution:

	Let-out	Self-occupied	Vacant
GAV:	2,60,000	Nil	Nil
(-) Municipal tax paid by owner during P.Y.	(26,000)	-	(12,000)
(=) NAV	2,34,000	Nil	(12,000)
(-) Standard deduction @ 30%	(70,200)	-	-
(-) Interest on House prop.	-	-	-
(=) Income from House property	1,63,800	Nil	(12,000)

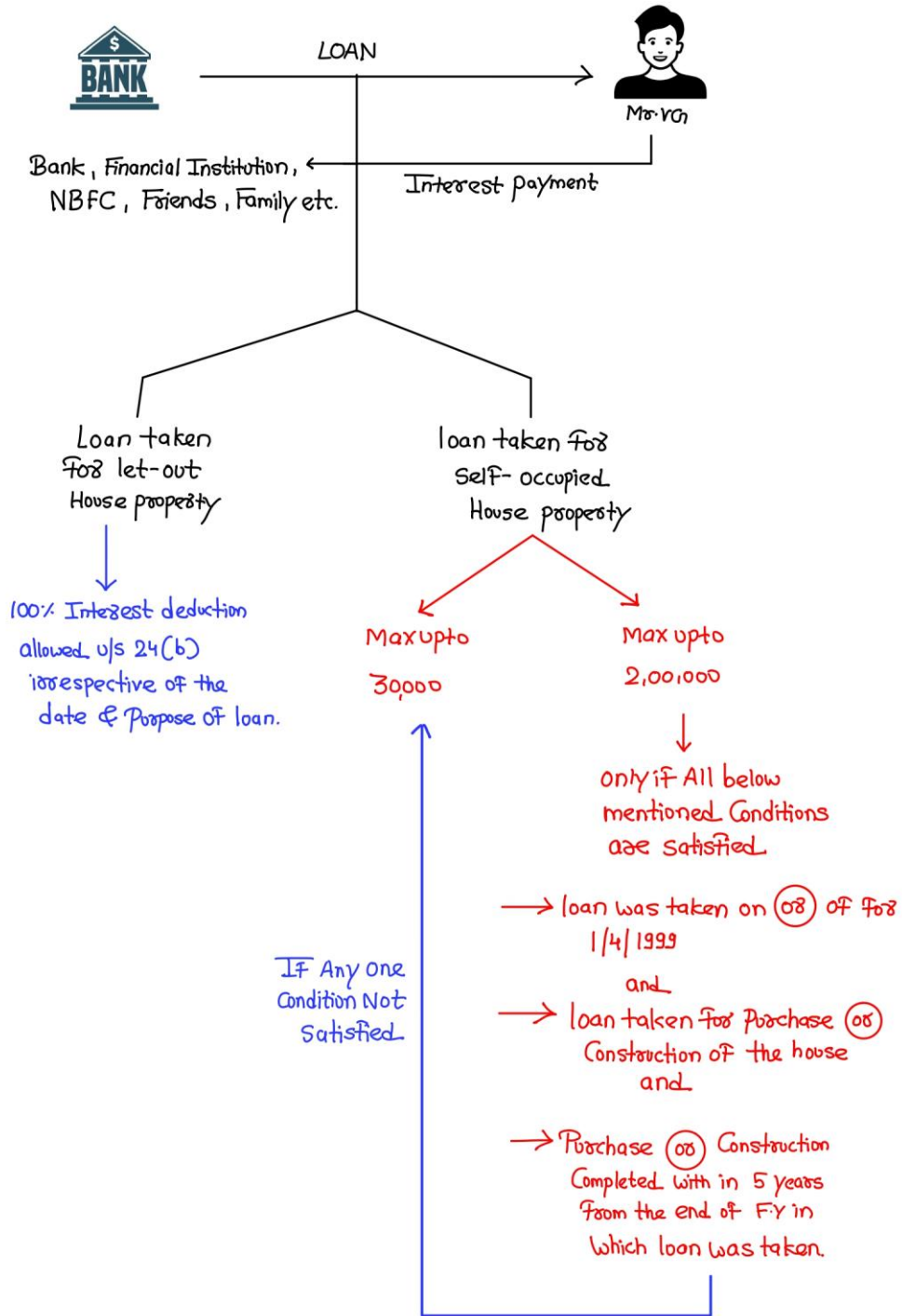
Total Income from House property
 = 1,63,800 + Nil + (-12,000)
 = 1,63,800 - 12,000
 = 1,51,800



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Lecture 3

Section - 24(b) Deduction in case of Interest on House loan



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Example

	Cases	Maximum Limit
1]	loan taken on 02/03/1999 + SOH purchase + purchase after 6 years	30,000
2]	loan taken on 02/03/1999 + LOH Repair + Repair within 2 years	No limit
3]	loan taken before 1/4/1999 + SOH Construction + Construction Completed within 4 years	30,000
4]	loan taken on 02/03/1999 + LOH purchase + purchase within 4 years	No limit
5]	loan taken on 02/03/1999 + LOH Repair + Repair within 6 years	No limit
6]	loan taken 18/7/2015 + SOH purchase + purchase - 15/1/2022	2,00,000



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₹]	loan taken + LOH purchase + purchase 25/8/2016	18/7/2024	NO limit
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Example

M8. VGT loan = 1/5/2024 ₹ 10,00,000

Interest Rate 12% P.a.

Purpose of loan = SOH purchase

House purchase = 25/12/2024

No Repayment till 31/3/2025

Deduction u/s 24 (b) in py 24-25?

Solution :- 1/5/2024 — 31/3/2025 = 11 months

$$10,00,000 \times 12\% \times \frac{11}{12} = 1,10,000 \text{ Interest}$$

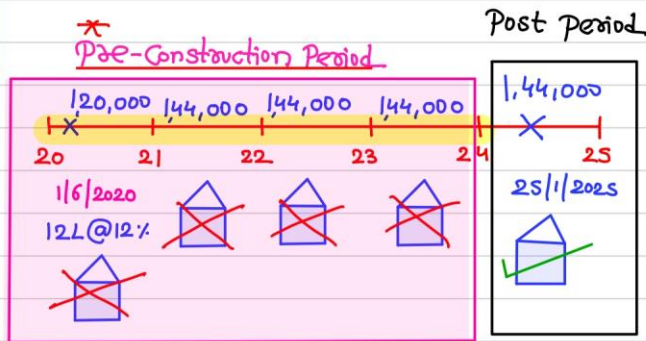
$$\text{Deduction u/s 24 (B)} = 1,10,000$$



Example :-

loan taken - 1/6/2020
 Amount & Rate - 12,00,000 @ 12% p.a
 purpose of loan = S.O.H Construction
 Construction Complete = 25/1/2025
 Deduction u/s 24(b) in 24-25 ?
 No Repayment till 31/3/25

Solution :-



$$\frac{5,52,000}{5} = 1,10,400$$

$$+ 1,44,000$$

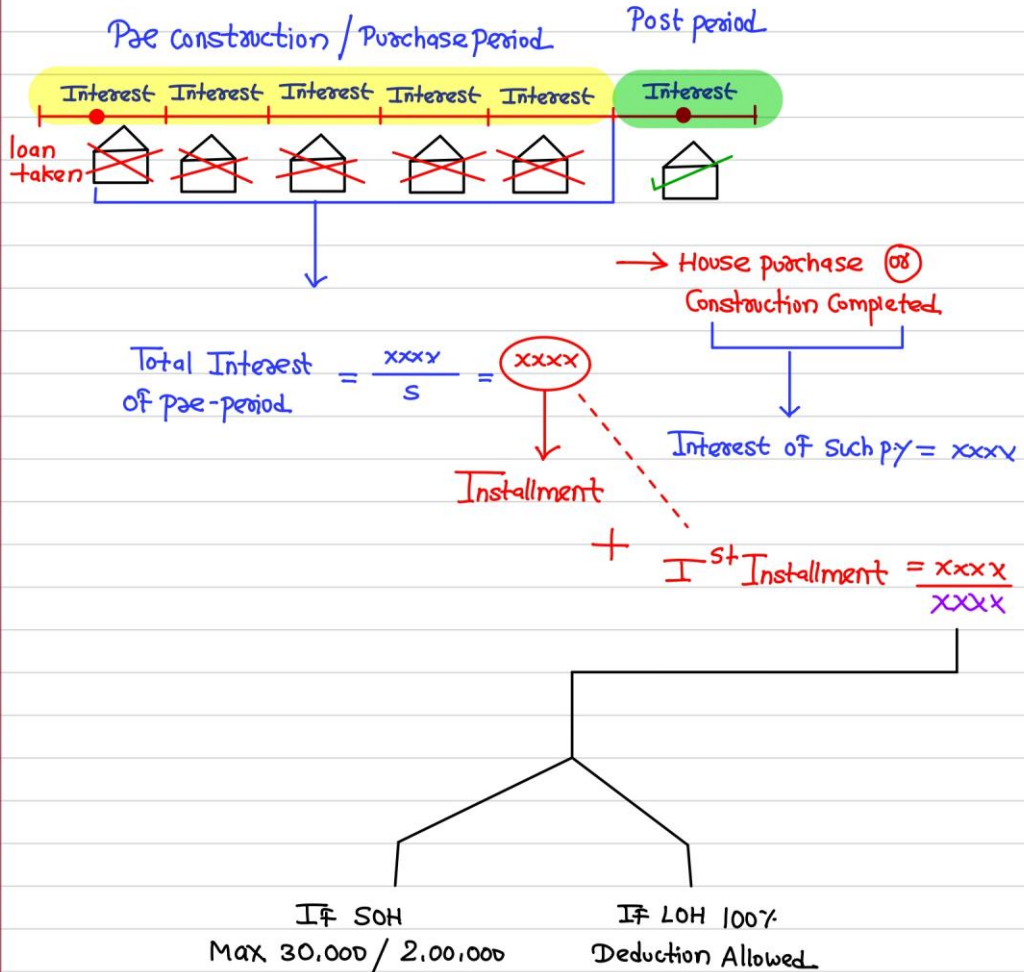
$$\hline 2,54,000$$

Restricted to ₹ 2,00,000

Since SOP
 Deduction u/s 24(b) = 2,00,000 in py 24-25



Concept of Pre-construction / pre-purchase period



Deduction U/s 24(b)

- उस Year से मिलना start होगी
- जिस Year में House की Construction Complete होगी (21) H.P purchase की होगी ।

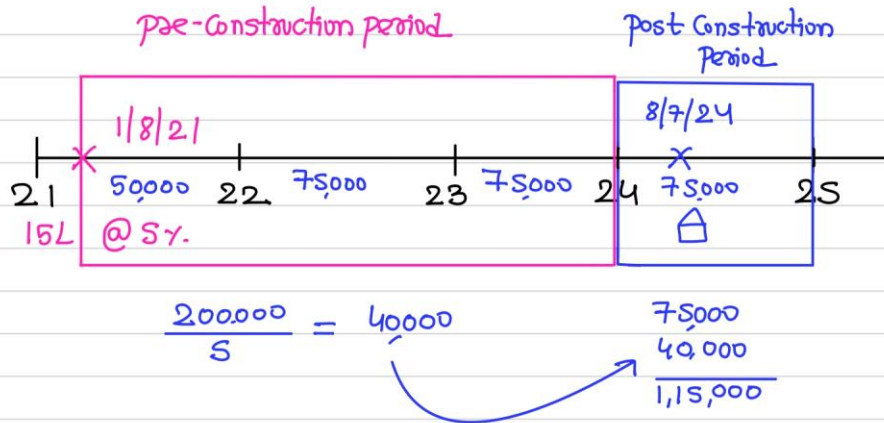


HW

Q1. loan = 15,00,000 @ 5% p.a
 Date of loan = 1/8/2021
 Purpose of loan = SOP purchase
 House purchase = 8/7/2024

24-25? Deduction u/s 24(b) — No repayment involved

Solution:—



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Q2. loan = 15,00,000 @10% p.a
 Date = 1/11/2018
 Purchase = LOH Construction
 Construction Complete = 25/12/24
 No Repayment involved
 Deduction 24(b) - PY 24-25 ?

Solution :-



Lecture 4

Important points Related to section 24(b)

1. loan may be taken from Bank, F.I, NBFC, Friends, Family etc.
2. Interest is allowed on due basis (i.e. paid = allowed, payable = allowed)
3. Interest on Interest (penal interest) is not allowed as Deduction u/s 24(b)
4. Any fresh loan is taken for Repayment of earlier loan and earlier loan was taken for the purpose of house property then interest on fresh loan shall be allowed as deduction u/s 24(b)
5. Interest paid outside India shall not allowed as Deduction if NO TDS Deducted & paid.

Most Important pointDeduction u/s 24(b)

There would be No Deduction on account of Interest on loan u/s 24(b) under default Tax Regime for "SELF OCCUPIED PROPERTY" (or) "DEEMED SELF OCCUPIED PROPERTY"

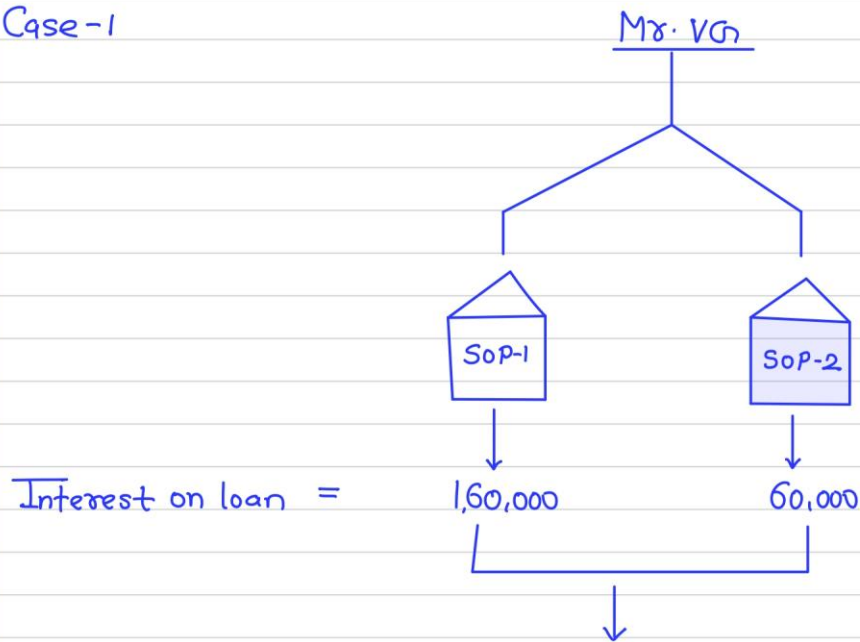
Final Cox

	Default scheme	Normal scheme
<u>Deduction</u>		
→ M. Tax paid by owner doing the PY	✓	✓
<u>Deduction u/s 24</u>		
24 (a) Standard deduction		
SOP	X	X
LOP	✓	✓
24 (b) Interest on loan		
SOP	X	✓
LOP	✓	✓



Self-occupied House में Deduction u/s 24 (b)
"owner wise मिलती है" "Property wise नहीं मिलती है।"

Case-1

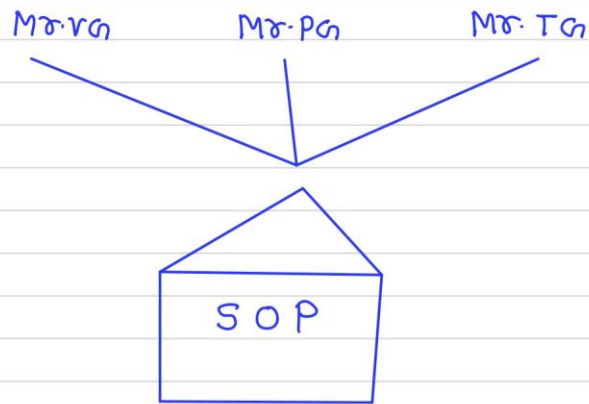


Total Interest paid 2,20,000

↳ But Restricted to ₹ 2,00,000
u/s 24 (b)



Case 2



Interest on loan	1,40,000 (V)	60,000 (P)	40,000 (T)
Deduction u/s 24(b)	1,40,000	60,000	40,000

Section 25A Recovery of unrealised Rent (OR) Arrears of Rent

- # Taxable in the year of Receipt / Realisation
- # Deduction @ 30% of Rent Received / Realised
- # Taxable even if assessee is Not the owner of such property in the F.Y in which UR / AOR is realised.



Section 26 Joint ownership / Co-ownership

Joint ownership means property is owned by more than one owner. In this case income from H.P is calculated normally and thereafter it should be divided between co-owners in their ownership ratio.

What about Interest on loan

