

#### 4 — Actual Rent :-

$$\text{Actual Rent} = \text{Rent Received} + \text{Rent Receivable} \\ - \text{unrealized Re}$$

#### 5 — Municipal Taxes :-

- a) It means Taxes recovered by Municipality, local authority, gram panchayat.
- b) It is also known as property tax, local tax and house tax, etc
- c) It is allowed only if it paid by owner. If it is paid by tenant then it is not allowed.
- d) It is allowed on payment basis  
Paid  $\rightarrow$  Allowed  
o/s  $\rightarrow$  Not allowed  
(Pay kiya to Allow Hoga, Nah kiya to Nah hoga, jab karoge tab hoga)
- e) If it is given in percentage form then it should be calculated on municipal value.

## — Computation of Income from House Property

Particulars	SOP (2)	LOP	DLOP
Municipal value	-	xx	xx
Fair Rent	-	xx	xx
↑ whichever is higher	-	xx	xx
↓ standard Rent	-	xx	xx
Expected Rent	-	xx	xx
Actual Rent	-	xx	-
Gross Annual Value (GAV)	-	xx	xx
- Municipal Taxes paid	-	(xx)	(xx)
Net Annual Value (NAV)	-	xx	xx
- Deduction u/s 24			
(i) 24(a) 30% of NAV	-	(xx)	(xx)
(ii) 24(b) Interest on Loan	(xxx)(-)	(xx)	(xx)
IFHP	(xxx) -	xx	xx

- 1 — Municipal value: It means value of property as per municipality record.
- 2 — Fair Rent: It means Rent of similar property in the same locality. It is also known as Reasonable Rent or Reasonable letting value.
- 3 — Standard Rent: It means Rent as per Rent Control Act. It is the maximum amount of Rent that can be legally recovered by owner from tenant.

#4 — Actual Rent :-

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Ms Jayashree

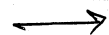
PY 25-26 AY 26-27

Computation of NAV

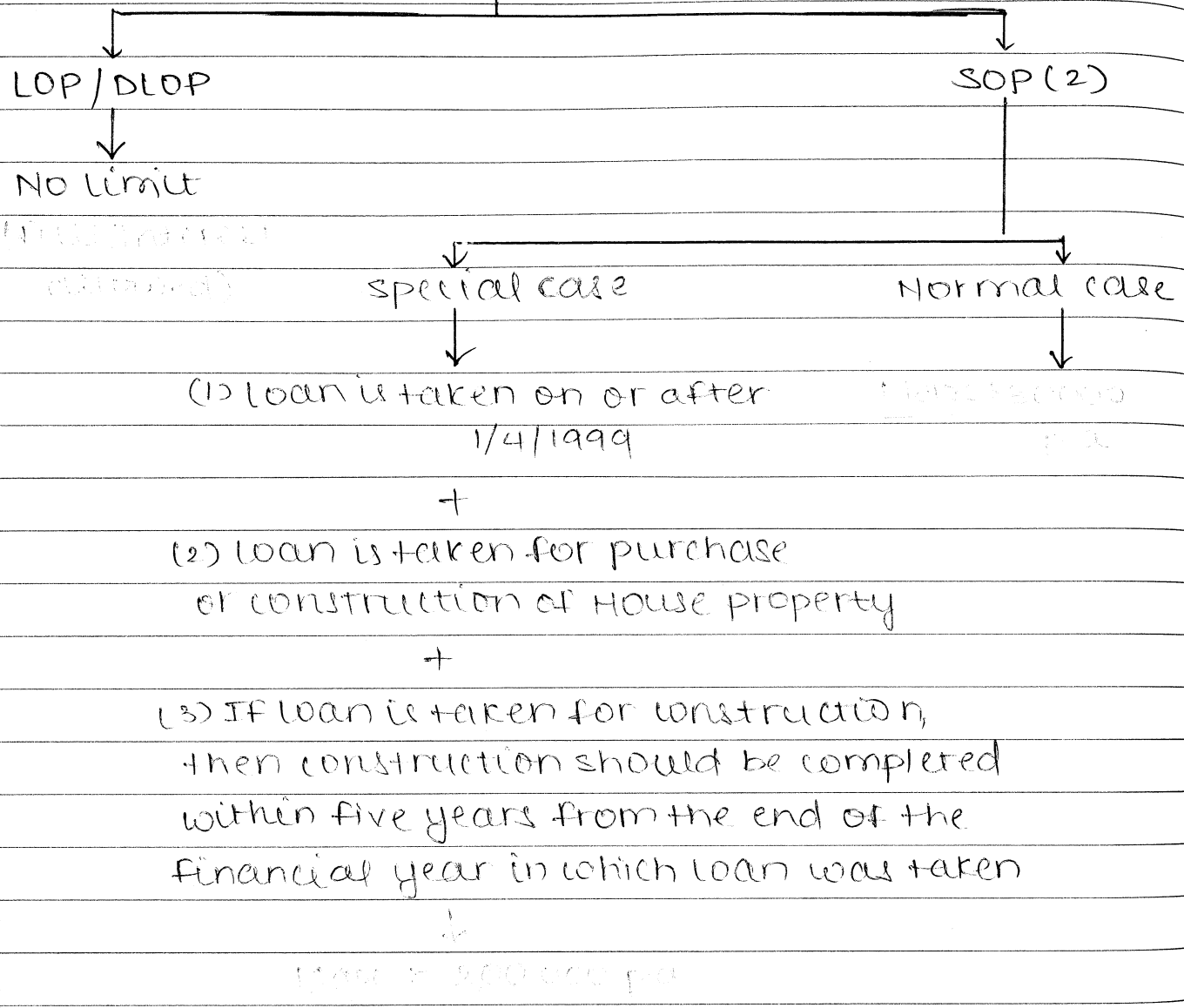
Particulars	House I	House II	House III	House IV	House V
Municipal Value	80000	55000	65000	24000	80000
Fair Rent	90000	60000	65000	25000	75000
whichever is Higher	90000	60000	65000	25000	80000
Standard Rent	-	75000	58000	-	78000
Expected Rent	90000	60000	58000	25000	78000
Actual Rent	72000	72000	60000	30000	72000
Gross Annual Value	90000	72000	60000	30000	78000
- Municipal Taxes paid	(8000)	(6600)	(5200)	(2400)	(12000)
Net Annual Value	82000	65400	54800	27600	66000

## 6 — Interest on loan :-

- a) Interest is allowed as deduction if loan is taken for the purpose of House Property i.e. Purchase / Construction / Repair / Renovation.
- b) Loan may be taken from Bank, financial institutions, Friends, family, etc.
- c) Interest is allowed on due basis.  
Paid → Allowed  
o/s → Allowed
- d) Interest on Interest (Penal Interest) is not allowed as deduction.
- e) If 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 is allowed as deduction.
- f) If any interest paid / payable outside India shall not be allowed as deduction if TDS is not deducted on such interest.
- g) Limit of Interest



### Limit of Interest



Here it says special def with formation of special case...  
 (1) Loan is taken on or after 1/4/1999  
 (2) Loan is taken for purchase or construction of house property  
 (3) If loan is taken for construction, then construction should be completed within five years from the end of the financial year in which loan was taken  
 Loan < 200,000 per

## 7 — Other Expenses :-

- Repair and Renovation
- Insurance charges
- Parking charges
- Society charges
- Electricity / Water charges

Not allowed because 30% standard deduction allowed on NAV U/S 24(a)

Actual Rent = Rent Received + Receivable - unrealised Rent

\* Unrealised Rent :- It means Rent which is not recovered from tenant. It is like Bad Debts of Rent.

It is deductible while calculating Actual Rent if following four conditions of Rule 4 are satisfied

- 1) Tenancy should be bonafide.
- 2) Tenant should have vacated that property.
- 3) Such tenant should not occupy any other House Property of same Assessee.
- 4) Reasonable step should be taken for recovery of unrealised Rent.

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Mr. Anirudh

PY 25-26 AY 26-27

## Computation of Income from House property

Particulars	₹
Municipal Value ↑	130000
Fair Rent	110000
Whichever is Higher	130000
Standard Rent ↓	120000
Expected Rent ↑	120000
Actual Rent ↑ (WN 1)	121000
Gross Annual Value	121000
(-) Municipal Taxes paid	(18000)
Net Annual Value	108000
(-) Deduction u/s 24	
(a) Standard deduction on 30% of NAV	(32400)
(b) Interest on loan	(40000)
IFHP	35600

WN 1: Actual Rent = Rent Rec'd + Receivable - unrealised rent

$$\begin{aligned}
 & 11000 \times 12 \text{ months} \\
 & = 132000 - 11000 \\
 & = 121000
 \end{aligned}$$

When a property is let out, the owner is liable to pay municipal taxes. These taxes are deductible from the gross annual value. The net annual value is then calculated after deducting the interest on the loan taken for the purpose of acquisition, construction, repair, or renewal of the property.

## Pre construction period Interest / Pre acquisition period Interest

It means interest before the year in which construction was completed. It is allowed in five equal installment from the year in which construction was completed.

Eg = Ms Payal took a housing loan from HDFC Bank on 1/10/2023 of ₹ 15,00,000 @ 9%. Interest for construction of House Property. construction is completed on 14<sup>th</sup> feb 2026. calculate amount of Interest allowed for PY 25-26 (AY 26-27)

			Pre construction interest $\frac{202500}{5}$ = 40500
→	PY 23-24	67500	
	PY 24-25	135000	
	x PY 25-26	135000 + 40500	→ 175500
		+ 40500	<u>24(b)</u>
		+ 40500	
		+ 40500	
		+ 40500	

HW

Mr B took a loan of ₹ 20,00,000 from SBI on 1st June 2021 @ 6% Interest. He made following repayment of principal amount

1/4/2022	400000
1/10/2023	200000
1/12/2024	150000

Construction completed on 10<sup>th</sup> Dec 2025, calculate Interest to be allowed in PY 25-26 (AY 26-27)

PY	
21-22	$2000000 \times 6\% \times 10/12 = 100000$
22-23	$1600000 \times 6\% = 96000$
23-24	$[(1600000 \times 6\% \times 6/12) + (1400000 \times 6\% \times 6/12)] = 90000$
24-25	$[(1400000 \times 6\% \times 3/12) + (1250000 \times 6\% \times 4/12)] = 81000$
x 25-26	$1250000 \times 6\% = 75000 + 73400 = 148400$

Pre construction period  
 = 367000  
 5 years  
 = 734000

Mr Ganesh took a Housing loan from Axis Bank on 1/10/2022 for ₹ 2500000 @ 9% Interest. He made repayment as follows

$$1/4/2023 : 300000$$

$$1/12/2024 : 400000$$

$$1/1/2025 : 200000$$

$$1/7/2025 : 300000$$

Construction completed on 10/12/24. Calculate Interest to be allowed for PY 25-26 (AY 26-27)

$$\text{PY } 22-23 = 2500000 \times 9\% \times 8/12$$

112500

$$23-24 = 2200000 \times 9\%$$

198000

$$\times 24-25 (2200000 \times 9\% \times 8/12) + (1800000 \times 9\% \times 1/2)$$

$$+ (1600000 \times 9\% \times 3/12)$$

$$132000 + 13500 + 36000$$

$$= 181500$$

$$25-26 (1600000 \times 9\% \times 3/12) + (1300000 \times 9\% \times 9/12)$$

$$36000 + 87750$$

$$= 123750 + 62100$$

$$\text{Int amt available} = 185850$$

$$\text{pre construction period} = 112500 + 198000$$

$$= 310500 = 62100$$

₹