

Income under the head House Property

Lesson 5

KEY CONCEPTS

- House Property ■ Gross Annual Value ■ Net Annual Value ■ Unrealized Rent ■ Arrear of Rent ■ Self-Occupied Property
- Deemed to be let out Property ■ Co-ownership ■ Deemed Owner

Learning Objectives

To understand:

- The conditions to be satisfied for income to be chargeable under the head house property
- How to determine the annual value of different types of house properties?
- Admissible deductions and inadmissible deductions from annual value
- Tax treatment of unrealized rent
- Who are deemed owners?
- What is meant by co- ownership and what is its tax treatment etc.?
- How to compute Income under the head 'House Property'

Lesson Outline

- Basis of Charge
- Deemed Ownership
- Property held as Stock in trade
- Concept of Composite Rent
- Impact of Section 115BAC under the head 'House Property'
- Determination of Annual Value
- Deductions from Net Annual Value
- Inadmissible deductions
- Treatment of unrealized rent/Arrear of rent
- Properties owned by Co- owners
- House Property Income Exempt from Tax
- Case Law
- Lesson Round-Up
- Test Yourself
- List of Further Readings
- Other References

REGULATORY FRAMEWORK

<i>Sections</i>	<i>Income Tax Act, 1961</i>
Section 22	Basis of Charge
Section 23(1)	Annual Value of House Property
Section 23(2)	Annual Value where property is self-occupied / unoccupied
Section 23(3)	Annual Value where the property is partly let out and partly self-occupied
Section 23(4)	Deemed to be let-out property
Section 23(5)	Notional income from house property held as stock in trade
Section 24	Deduction from Net Annual Value
Section 24(a)	Standard Deduction
Section 24(b)	Interest on borrowed capital
Section 25	Inadmissible Deductions
Section 25A	Treatment of Unrealized Rent / Arrear of Rent
Section 26	Income from Co-Owned Property
Section 27	Deemed Ownership

BASIS OF CHARGE [SECTION 22]

The **annual value** of property consisting of any **buildings 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.

In other words a house property is taxable under this head if following conditions are satisfied:-

1. **There should be a property consisting of any buildings or lands appurtenant thereto;**

The term '**buildings**' includes any building- office building, godown, storehouse, warehouse, factory, halls, shops, stalls, platforms cinema halls, auditorium etc. as long as they are not used for business or profession by owner.

Land appurtenant includes land adjoining to or forming a part of the building It would depend on the nature of the land, whether it is appurtenant to the residential building, factory building, hotel building, club house, theatre etc. and will include courtyards, compound, garages, car parking spaces, cattle shed, stable, drying grounds, playgrounds and gymkhana.

2. **Assessee should be the owner of such property**

- a) The Assessee must be the Owner of the House Property during the P.Y. It is not material whether he is the owner in the A.Y.
- b) Ownership includes both Free-hold and certain long term Lease hold rights.

- c) Ownership includes **Deemed Ownership (Section 27)**.
 - d) The person who owns the Building need not also be the Owner of the Land upon which it stands.
 - e) If the title of the Ownership of the property is under dispute in a Court of Law, the decision as to who will be the owner chargeable to tax u/s 22 will be that of the Income Tax Department till the Court gives its decision on the matter.
 - f) An Owner is a person who is entitled to receive Income from the Property in his own right. The requirement of registration of the sale deed is not warranted.
3. **Such property should not be occupied by the assessee for the purposes of any business or profession carried on by him, the profits of which are chargeable to income tax.**

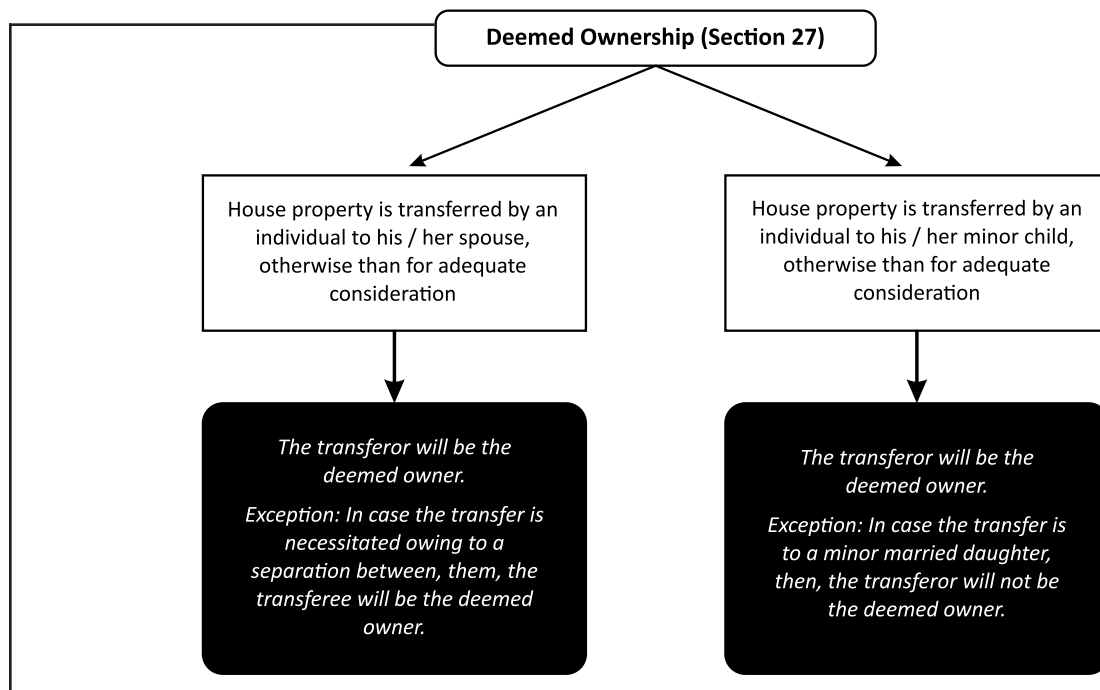
Note: It makes no difference if the assessee is a company which has been incorporated with the object of buying and developing landed properties - *S.G. Mercantile Corpn. (P.) Ltd. v. CIT* [1972] 83 ITR 700 (SC).

Further, It equally makes no difference that the property constitutes stock-in-trade of a business or the business of the assessee is to let out house properties - *O.R.M.SP.SV Firm v. CIT* [1960] 39 ITR 327 (Mad.), *Salisbury House Estate Ltd. v. Fry* [1930] AC 432 (HL).

For Example – The following illustrations are given to have a better understanding-

- 1) Mr. A is a owner of a building. It is given on rent. Income of the property is taxable under the head “Income from house property”, as the above-noted three conditions are satisfied.
- 2) Mr. A is a owner of a building. It is used by him for carrying on a business or he uses the building as his office/factory/godown. In this case, no income is taxable under the head “Income from house property”, as condition (3) is not satisfied.

DEEMED OWNERSHIP [SECTION 27]



1. The holder of an impartible estate, i.e., one that is not legally divisible, shall be deemed to be the owner of all the properties in the estate.
2. A member of a co-operative society, company or other association of persons to whom a building or part thereof is allotted or leased under a House Building Scheme of a society/company/association, shall be deemed to be owner of that building or part thereof allotted to him although the co-operative society/company/association is the legal owner of that building.
3. Person in possession of a property: A person who is allowed to take or retain the possession of any building or part thereof in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act shall be deemed owner of that house property.

This would cover cases where the

- (a) Possession of property has been handed over to the buyer,
 - (b) Sale consideration has been paid or promised to be paid to the seller by the buyer,
 - (c) Sale deed has not been executed in favour of the buyer, although certain other documents like power of attorney/agreement to sell/will etc. have been executed. The buyer would be deemed to be the owner of the property although it is not registered in his name.
3. Person having right in a property for a period not less than 12 years: A person who acquires any right in or with respect to any building or part thereof, by virtue of any transaction as is referred to in section 269UA(f) i.e. transfer by way of lease for not less than 12 years shall be deemed to be the owner of that building or part thereof. This will not cover the case where any right by way of a lease is acquired from month to month basis or for a period not exceeding one year.

Important Practical Issues

The House Property is owned by the Assessee, but it is used by the Firm in which he is a Partner, and he has not derived any benefit from the Firm. It is deemed that the Partner is using the property for his own business, and hence not taxable under Income from House Property.	PM Thomas 181 ITR 256 (Ker.), Sri Champalal Jeevaraj 215 ITR 289 (Mad.), D Srinivasan 248 ITR (Kar.), Mustafa Khan 145 Taxman 522 (AH.)
Where IT Authorities found that the Assessee had leased out his property to his own family members to show lesser income in his hand and family members had in turn sub-leased it to outsiders on much higher rentals, Assessing Authorities could tax the said income in hands of the assessee.	[Maneklal Agarwal vs. DCIT [2017] (SC)

From the provisions of section 27(iiiib) read with section 269UA(f) it is clear that where the period of lease is not less than 12 years, lessee is deemed to be the owner of the property for purpose of assessment- *Yagyawati Jayaswal Family Trust v. ITO* [2004] 89 ITD 199 (Kol.)(SMC).

For Example: The following illustrations are given to have a better understanding-

1. Mr. A owns a property. It is given on lease for a period of 12 years to Y, lease rent being Rs. 40,000 per month as the period of lease is not less than 12 years, Y becomes deemed "owner" of the property.
2. Mr A owns a property. It is given on lease for a period of 6 years to B lease rent being Rs. 20,000 per month. B has a right to get renewal of lease for further period of 6 years after the expiry of lease. In this case, the aggregate period of lease is not less than 12 years. Therefore, B is deemed as "owner" of the property.

3. Mr C owns a property, which is given on lease to D for a period of one month, rent being Rs. 10,000. D has a right to get renewal of the lease subject to the condition that every time it will be renewed only for a period of one month and such renewal is possible with mutual consent till 2050. In this case, the aggregate period of lease is more than 12 years, but D will not become deemed “owner” of the property (the property is given on lease from month to month).

PROPERTY HELD AS STOCK IN TRADE

If the property constitutes **Stock-in-Trade** of a business or the business of the Assessee is to let- out house properties, the Income is to be charged only under the head “**Income from House Property**”.

However, the annual value of property being held as stock in trade would be treated as NIL for a period of two years from the end of the financial year in which certificate of completion of construction of the property is obtained from the competent authority, if such property is not let-out during such period [Section 23(5)]

Exceptions:

- Letting out is a supplementary to the main business:** If the property is let out with the object of carrying on the business of the Assessee in an efficient manner, then Rental Income is taxable as Business Income. Deductions or allowances have to be calculated as relating to Profits/Gains of Business, and not relating to House Property.
- Sublet receipts:** In case of sub-letting, since the assessee is not the owner of the building sublet, hence the income derived therefrom shall not be taxable as income from house property, but shall be taxable as ‘income from other sources’.
- Assessee’s property used for his partnership firm :** In case any property is owned by an assessee and the same is given by him to the partnership firm, in which he is a partner, for carrying on the business of such firm, then it will be treated as if the property is used by the assessee for his own business and thus, the income from such property will not be taxable under this head. However, if property owned by HUF is given on rent to a firm in which members of HUF are partners in their personal capacity, then the rental income from such property shall be taxed as ‘income from house-property in the hands of HUF.

Principle of Mutuality: When the assessee is governed by principle of mutuality, then the income from property will also be governed by the said principle and hence, not taxable under the head ‘Income from House Property’. *E.g.* - Annual value of property of a social club will be outside the scope of the levy of income tax.

CONCEPT OF COMPOSITE RENT

- Property is let out by the Assessee.
- Together with Services (e.g. electricity, gas, water etc.) or Assets (e.g plant, machinery or furniture).
- Rent charged by the assessee is a consolidated sum (i.e. Rent for property + Rent for services/assets).

Treatment of Composite Rent

where rent of property and rent of services / assets can be separated		where rent of property and rent of services / assets cannot be separated
<i>Rent of letting of property</i>	<i>Rent of service, assets</i>	Taxable under Other sources or Business income
Taxable under House property	Taxable under Other sources	

For Example:

1. Mr A owns a property. It is given on rent to Mr B. Mr B annually pays Rs. 1,00,000 as rent of the property and Rs. 20,000 for different services like lift, security, air-conditioning, etc. In this case, Rs. 20,000 is not taxable in the hands of Mr A as income from house property. Rs. 20,000 would be taxed in the hands of Mr A after deducting his actual expenditure for providing different services (lift, security, air-conditioning, etc.) as income from other sources or as business income.
2. Mr ABC owns a property. It is given on rent to Mr PQR. Mr PQR annually pays Rs. 1,50,000 as rent of the building as well as the charges for different services (like lift, security, etc.) provided by Mr ABC. In this case, one has to split up the annual payment of Rs. 1,50,000 into rent of the building and charges for different services. The amount, which relates to rendition of the services (after deducting actual expenditure) is taxable either as business income or as income from other sources. The sum, which is attributable to the use of the property, is to be assessed in the form of annual value under section 22 under the head "Income from house property". This rule is applicable even if it is difficult to split up the annual payment of Rs. 1,50,000. In other words, in such a case it is not legally correct to assess the entire amount of Rs. 1,50,000 (less expenditure) as business income or as income from other sources.
3. Mr. A owns an air-conditioned furnished lecture hall. It is let out, annual rent being Rs. 5,00,000 (it includes rent of building and rent of air-conditioner and furniture). In this case, letting of lecture hall is not separable from the letting of air-conditioner/furniture. This income (after excluding expenditure) is taxable as business income or as income from other sources.
4. Mr A owns an air-conditioned furnished lecture hall. It is let out, annual rent being Rs. 3,00,000 for building and Rs. 2,00,000 as rent of air-conditioner and furniture. In this case, letting of lecture hall is not separable from the letting of air-conditioner/furniture. This income (after excluding expenditure) is taxable as business income or as income from other sources. This rule is applicable even if one can find out rent of building and rent of air-conditioner/furniture separately.

Illustration 1:

State the head of income in the following cases under which the receipt is to be assessed and comment.

- a) Atin uses his property for his own business. Can he claim depreciation?
- b) Ashni lets out his property to Preeti. Preeti sublets it. How is sub-letting to be assessed in the hands of Preeti?
- c) Sachin has built a house on a leasehold land. He has let out the property and claims the rent as income from house property and deducted expenses on repairs, security charges, insurance and collection charges totalling to 40% of receipts.

Solution:

The taxability of income under various heads is as under-

- a) Yes, even if property is used for assessee's own business depreciation is allowed u/s 32 of Income-tax Act, 1961.
- b) Income from sub-letting is taxable under the head income from other sources.
- c) Even if property is built on a leasehold land, the assessee will be regarded as owner of such house property and rental income will be taxed under Income from house property. However, standard deduction of 30% of net annual value is allowed while computing income from house property. Hence, he will not be entitled deduction on repairs, security charges, insurance and collection charges totalling to 40% of receipts.

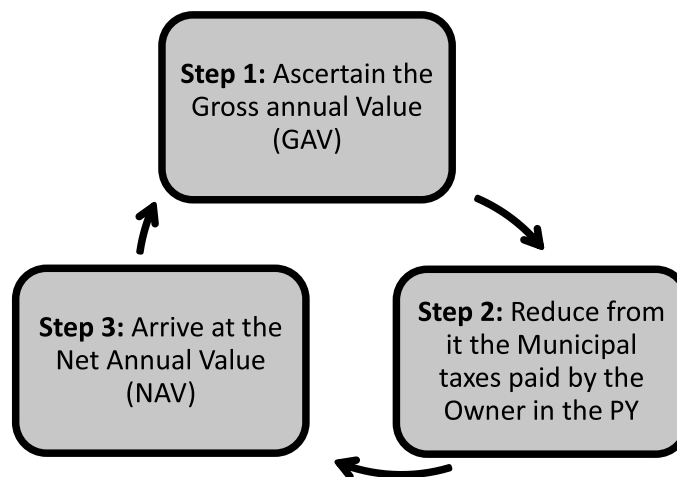
IMPACT OF SECTION 115BAC UNDER THE HEAD HOUSE PROPERTY

The below exemptions / deduction will not be allowed to the assessee (i.e., individual or Hindu undivided family or association of persons (other than a co-operative society), or body of individuals, whether incorporated or not, or an artificial juridical person) paying tax as per section 115BAC of the Income tax Act, 1961.

Sr. No.	Nature of Exemption/Deduction Relating to House Property	New System of Tax Section 115BAC	Existing System of Tax
1.	Deduction of Municipal Tax from GAV	Allowed	Allowed
2.	Standard Deduction u/s 24(a) from NAV	Allowed	Allowed
3.	Interest Deduction u/s 24(b) from NAV		
	(a) Let out properties u/s 23(1)	Allowed	Allowed
	(b) Self Occupied Property u/s 23(2)	Not Allowed	Allowed
	(c) Property which is stock in trade u/s 23(5)	Allowed	Allowed
4.	Set off of brought forward House Property losses & brought forward Depreciation from Current year House Property Income	Not Allowed if related to disallowed deduction & exemptions	Allowed
5.	Set off current year House Property loss from other Heads	Not Allowed	Allowed

DETERMINATION OF ANNUAL VALUE

The process of determination of Annual Value is exhibited below:



Annual Value: The measure of charging income-tax under this head is the annual value of the property, i.e., the inherent capacity of a building to yield income. The expression 'annual value' has been defined in Section 23(1) of the Income-tax Act as per which the annual value of any property shall be deemed to be:

- (a) the sum for which the property might reasonably be expected to be let from year to year; or

- (b) where the property or any part of the property is let and the actual rent received or receivable by the owner in respect thereof is in excess of the sum referred to in clause (a), the amount so received or receivable; or
- (c) where the property or any part of the property is let and was vacant during the whole or any part of the previous year and owing to such vacancy the actual rent received or receivable by the owner in respect thereof is less than the sum referred to in clause (a), the amount so received or receivable.

Provided that the taxes levied by any local authority in respect of the property shall be deducted (irrespective of the previous year in which the liability to pay such taxes was incurred by the owner according to the method of accounting regularly employed by him) in determining the annual value of the property of that previous year in which such taxes are actually paid by him, i.e., municipal taxes will be allowed only in the year in which it was paid.

Explanation: for the purposes of clause (b) or clause (c) of this sub-section, the amount of actual rent received or receivable by the owner shall not include the amount of unrealized rent.

Actual rent received or receivable: Actual rent received/receivable is an important factor in determining the annual value of a property though this is not the only decisive factor. The actual rent could be dependent upon various considerations. There could be circumstances where the owner agrees to bear certain obligations of the tenant e.g. the water and electricity bills of the tenant may be payable by the owner. In this case, the de facto rent (i.e. what should have been the actual rent) will be calculated by reducing from the rent received/receivable, the amount spent by the owner on meeting the obligation of water and electricity bills of the tenant as we have to tax rent from house property under this head and not the amount recovered for other services provided in the nature of electricity and gas bills. On the other hand, if any obligation of water and electricity bills of the owner is met by the tenant, the de facto rent will be computed by adding to the rent received/receivable, the amount spent by the tenant in discharging the obligation of the landlord.

Some Important Terms:

1. **Municipal Value** is the value that the Municipal Authorities deem as the value of the property for the purpose of assessment of Property Taxes. Municipal authorities normally charge house tax/municipal taxes on the basis of annual letting value of such house property, which is determined by it based upon many considerations.
2. **Fair Rent** of the property is the rent fetched by a similar property, in same or similar locality, with same facilities.
3. **Standard Rent:** The standard rent is fixed under the Rent Control Act. If the standard rent has been fixed for any property under the Rent Control Act, the owner cannot be expected to get a rent higher than the standard rent fixed under the Rent Control Act. Therefore, this is also an important factor in determining the annual value.

Further, where the property consists of a house or part of a house-

1. which is in the occupation of the owner for the purposes of his own residence;
2. or cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him,

the annual value of such house or part of the house shall be taken to be nil.

However, the above provisions i.e. (1) and (2) shall not apply if:

- (a) the house or part of the house is actually let during the whole or any part of the previous year; or
- (b) any other benefit there from is derived by the owner.

Further also, where the property referred to in point (1) and (2) as mentioned above consists of more than two houses:

- (a) the provisions of that sub-section shall apply only in respect of two of such houses, which the assessee may, at his option, specify in this behalf;
- (b) the annual value of the house or houses, other than the house or houses in respect of which the assessee has exercised an option considering it as self occupied property, shall be determined under as if such house or houses had been let.

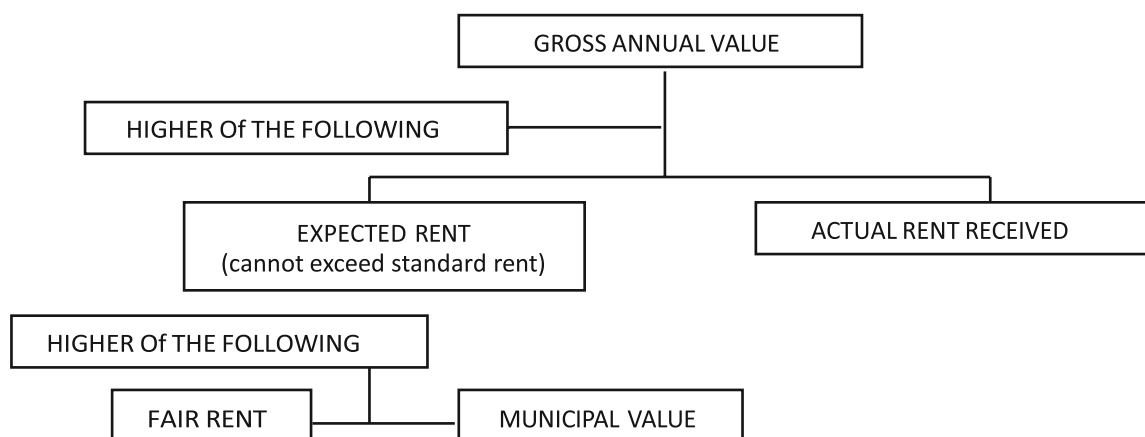
Unrealized Rent: The amount of rent which the owner cannot realise shall be equal to the amount of rent payable but not paid by a tenant of the assessee and so proved to be lost and irrevocable only if following conditions under **Rule 4** are satisfied:

- (a) tenancy is *bonafide*;
- (b) the defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;
- (c) the defaulting tenant is not in occupation of any other property of the assessee;
- (d) the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfied the Assessing Officer that legal proceedings would be useless.

Important Point:

1. For collecting municipal taxes, local authorities make a periodical survey of all buildings all their jurisdiction. Such valuation may be taken as a strong evidence representing the earning capacity of a building - *C.J. George v. CIT* [1973] 92 ITR 137 (Ker.). It cannot, however, be considered to be a conclusive evidence - *Jamnadas Prabhudas v. CIT* [1951] 20 ITR 160 (Bom.)
2. Though two properties cannot be alike in every respect, it has been observed in *Stocks v. Sulley* 4 TC 98 that the evidence afforded by transactions of other parties in the matter of the neighbourhood, more or less comparable with the property in question, is very relevant in arriving at reasonable expected rent.
3. The Supreme Court has observed in the cases of *Shiela Kaushish v. CIT* [1981] and *Amolak Ram Khosla v. CIT* [1981] that a landlord cannot reasonably expect to receive from a hypothetical tenant anything more than the standard rent under the Rent Control Act.
4. Reasonable expected rent cannot exceed the amount of standard rent. Reasonable expected rent can, however, be lower than standard rent- see *Dr. Balbir Singh v. MCD* [1985] 152 ITR 388 (SC).
5. Commission paid by the assessee-owner of property to a broker for rental income is not deductible - *CIT v. Piccadily Hotels (P.) Ltd.* [2005] 97 ITD 564 (Chd.)
6. If maintenance charges are recovered from the tenant by a service provider (and not by the landlord), such maintenance charges cannot be added to actual rent received/receivable - *CIT v. DLF Office Developers* [2012] 211 Taxman 190 (Delhi). Conversely, if maintenance charges are collected by the landlord, it shall be excluded from actual rent received/receivable in order to calculate gross annual value - *DIT (International Taxation) v. Vinod Arora* [2012] 139 ITD 205 (Delhi).

Where the property is let out for the whole year [Section 23(1)]



The Gross Annual value (GAV) is the higher of

- a) Expected Rent (ER) and
- b) Actual Rent received / receivable (AR)

Note: The Expected Rent is the higher of Fair Rent (FR) and the Municipal Value (MV), but capped to Standard Rent (SR).

Municipal Taxes: The taxes including service taxes (fire tax, conservancy tax, education, water tax, etc.) levied by any municipality or local authority in respect of any house property to the extent to which such taxes are borne and paid by the owner, and include enhanced municipal tax finally determined on appeal and payable by assessee - *Clive Buildings Cola Ltd. v. CIT* (1989) 44 Taxman 160. However, deduction in respect of municipal taxes will be allowed in determining the annual value of the property only in the year in which municipal taxes are actually paid by the owner.

Paid by Owner	Municipal Tax borne by the Owner and paid by him during the previous year, shall be allowed as deduction. [Note: Municipal Taxes met by Tenant are not allowed as deduction.]
Property let out	Municipal Tax can be claimed as a deduction only in respect of let-out or deemed to be let-out properties (i.e. more than one property self-occupied).
Year of payment:	Municipal Tax relating to earlier previous years, but paid during the current previous year can be claimed as deduction only in the year of payment.
Advance Payment	Advance Municipal Tax paid shall not be allowed as deduction in the year of payment, but can be claimed in the year in which it falls due, because it is not a tax levied and incurred as liability.
Foreign Property	For a property situated outside India, Municipal Tax levied by Foreign Local Authority can be claimed as a deduction.

Enhanced Municipal Tax demand	Where the tax on property is enhanced with retrospective effect by municipal or local authorities and the enhanced tax relating to the prior year is demanded during the assessment year, the entire demand is deductible in the assessment year [<i>C.I.T. v. L. Kuppu Swamy Chettiar (1981) 132 ITR 416 (Mad.)</i>].
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Illustration 2:

Mr. X is the owner of four houses, which are all let out and are covered by the Rent Control Act. From the following particulars find out the gross annual value in each case, giving reasons for your answer:

<i>Particulars</i>	<i>House I</i>	<i>House II</i>	<i>House III</i>
Municipal Value	30,000	20,000	35,000
Actual (<i>De facto</i>) Rent	32,000	28,000	30,000
Fair Rent	36,000	24,000	32,000

Solution:

Gross Annual Value (GAV): Higher of Expected or Actual Rent Expected Rent: Higher of Municipal Valuation or Fair Rent

House I: Rs. 36,000

House II: Rs. 24,000

House III: Rs. 35,000

Actual Rent (given) GAV:

House I: Rs. 36,000 House II: Rs. 28,000 House III: Rs. 35,000

Illustration 3:

Mr. x is the owner of three houses, which are all let out and not governed by the Rent Control Act. From the following particulars find out the gross annual value in each case:

<i>Particulars</i>	<i>House I</i>	<i>House II</i>	<i>House III</i>	<i>House IV</i>
Municipal Value	30,000	26,000	35,000	30,000
Actual (<i>De Facto</i>) Rent	40,000	30,000	32,000	32,000
Fair Rent	36,000	28,000	30,000	36,000
Standard Rent	30,000	35,000	36,000	40,000

Solution:

As all the houses are covered by the Rent Control Act, their gross annual value will be higher of Expected Rent or Actual Rent. Expected Rent shall be higher of Municipal Value or Fair Rent but subject to Standard Rent:

<i>Particulars</i>	<i>House I</i>	<i>House II</i>	<i>House III</i>	<i>House IV</i>
Expected Rent	30,000	28,000	35,000	36,000
Actual (<i>De Facto</i>) Rent	40,000	30,000	32,000	32,000
Gross Annual Value (GAV)	40,000	30,000	35,000	36,000

- Annual letting value of self occupied property, subject to Rent Control Act is to be fixed on basis of standard rent and not on basis of open market *Tilak Raj v. CIT (1989) 45 Taxman 279/178 ITR 327 (Punj. & Har.)*.
- In determining annual value salary paid to caretaker cannot be taken into account *CIT v. Smt. Sreelekha Banerjee (1989) 45 Taxman 358/179 ITR 46 (Cal.)*.
- Loss relating to self occupied house property could be set off against income from other sources *CIT v. K.K. Dhanda (HUF) (1989) 45 Taxman 346/178 ITR 602 (Punj. & Har.)*.

Where let out property is vacant for part of the year

In a scenario of vacancy for a part of the year, it is quite probable that the Actual Rent received / receivable would fall lower than Expected Rent and in such an eventuality; therefore the Actual Rent becomes the Gross Annual Value.

Illustration 4:

(i.e. No vacancy but there is unrealized rent)

Mr. A owns two houses. The expected rent of the house one is Rs. 65,000. This house was let out for Rs. 7,500 per month but the rent for the months of February and March, 2025 could not be realized.

The expected rent of another house is Rs. 1,50,000. This house was let out for Rs.12,000 per month but the rent for the last three months could not be realized.

In the both cases, Mr. A fulfills the conditions of Rule 4. You are required to compute the Gross Annual Value of both the houses.

Solution:

<i>Particulars</i>	<i>House I</i>	<i>House II</i>
Expected Rent	65,000	1,50,000
Annual Rent	90,000	144,000
Unrealized Rent	15,000	36,000

Computation of Gross Annual Value

<i>Particulars</i>	<i>House I</i>	<i>House II</i>
Step 1: Expected Rent	65,000	1,50,000

Step 2: Actual Rent (After deducting unrealized rent) if higher than Expected Rent then Actual rent otherwise Expected rent	75,000	N.A.
Step 3: Applicable only in case of vacancy	N.A.	N.A.
Gross Annual Value	75,000	1,50,000

Illustration 5:**(There is vacancy but no unrealized rent)**

Find out the gross annual value in the case of the following properties for the Assessment year 2026-27

Rs. in thousands

<i>Particulars</i>	<i>P</i>	<i>Q</i>	<i>R</i>	<i>S</i>
Expected Rent	70	55	85	125
Rent Per Month (if let out)	7	5	8	8
Let out period (in months)	11	0	9	10
Vacancy (in months)	1	12	3	2

Further all the rent were realized for the year by the assessee.

Solution:**Calculation of Gross Annual Value for A.Y. 2026-27***Rs. in thousands*

<i>Particulars</i>	<i>P</i>	<i>Q</i>	<i>R</i>	<i>S</i>
Annual Rent (If let out for 12 months)	84	60	96	96
Loss due to vacancy	7	60	24	16
Unrealized rent	Nil	Nil	Nil	Nil
Actual Rent (for let out period)	77	Nil	72	80
Calculation of Gross Annual Value				
Step 1: Expected Rent	70	55	85	125
Step 2: If annual rent is more than Expected Rent then annual rent otherwise expected Rent	84	60	96	125
Step 3: If property remain vacant then decline due to vacancy shall be considered	(7)	(60)	(24)	(16)
Gross Annual Value	77	0	72	109

Illustration 6:

(Vacancy and unrealized rent both exist)

Mr. X is the owner of a house property. He lets the property during the previous year 2025-26 for Rs. 7,000 p.m. The house was occupied from 1.4.2025 to 31.1.2026. From 1.2.2026, it remained vacant. Mr. X fails to realize Rs. 10,000 from the tenant. The Expected rent of the house is Rs. 82,000 p.a.

Calculate the Gross Annual Value of the house.

Solution:

<i>Particulars</i>	<i>Rs.</i>
Expected Rent	82,000
Annual Rent (Actual for the whole year - 7000 x 12)	84,000
Actual Rent (7,000 x 10)	70,000
Unrealized rent	10,000
Realized rent (70,000 - 10,000)	60,000
Loss Due to vacancy (7,000 x 2)	14,000
Decline due to vacancy (82,000 - 14,000) but not less than actual rent received	68,000

Calculation of Gross Annual Value

Step 1: Expected Rent	82,000
Step 2: Actual Rent received/receivable (7,000 x 12 = 84,000 - unrealised rent Rs. 10,000)	74,000
Expected rent or actual rent received/receivable whichever is higher	82,000
Step 3: Decline due to vacancy	(14,000)
Gross Annual Value	68,000

Where property is self-occupied / unoccupied [Section 23(2)]

Where the property consists of a house or part of a house in the occupation of the owner for his own residence, and is not actually let out during any part of the previous year and no other benefit is derived therefrom by the owner, or cannot actually occupy it due to any reason, the annual value of such a house or part of the house shall be taken to be nil. The only deduction available in respect of such house is towards interest on borrowed capital but subject to a ceiling of Rs. 30,000 or Rs. 2,00,000 as the case may be. In other words, to this extent there could be a loss from such house.

Concession for Two Houses Only:

Where the assessee has occupied more than two houses for the purposes of residence for himself and family members, he has to make a choice of two houses only in respect of which he would like to claim exemption. Other self-occupied houses will be treated as if they were let out and their annual value will be determined in the same manner as we have discussed in the case of let out property.

- Annual Value would be taken as Nil
- It is imperative that the property is self-occupied OR unoccupied for the whole year

- This benefit is for two houses
- This benefit is for Individual / HUF only
- No deduction is allowed for Municipal Taxes for such property.

Note: The Deduction of Rs. 30,000 / Rs. 2,00,000 with respect to Interest paid on borrowed capital u/s 24(b) not allowed in case of Self occupied Property, if assessee opted for section 115BAC of the Income Tax Act, 1961.

Illustration 7:

Mr. R owns a house which uses for residential purposes throughout the previous year 2025-26. Municipal Value: Rs. 2,40,000. Fair Rent: Rs. 3,00,000. Compute income from house property assuming following expenditure are incurred by him:

Municipal taxes paid: Rs. 15,000

Repairs: Rs. 12,000

Depreciation: Rs. 10,000

Interest on borrowed capital: Rs. 2,00,000 (loan taken on 1.1.2015). House was purchased on 1.5.2018.

Option 1: Assessee pay tax under normal tax regime.

Option 2: Assessee pay tax under Section 115BAC

Solution:

Option 1: Assessee pay tax under normal tax regime.

<i>Particulars</i>	<i>Rs.</i>
Net Annual Value	Nil
Less: Interest on borrowed capital	2,00,000
(lower of actual interest or 2,00,000; as conditions are satisfied)	
Loss from House Property	(2,00,000)

Option 2: Assessee pay tax under Section 115BAC

<i>Particulars</i>	<i>Rs.</i>
Net Annual Value	Nil
Less: Interest on borrowed capital	NA
Income from House Property	Nil

Where the property is partly let out and partly self-occupied during the PY [Section 23(3)]

(a) Property let out partially:

When a portion of the house is self-occupied for the full year and a portion is let-out for whole year, the annual value of the house shall be determined as under:

- (i) From the full annual value of the house, the proportionate annual value for self-occupied portion for the whole year shall be deducted.
- (ii) The balance under (i) shall be the annual value for let out portion for a part of the year.

Illustration 8:

Mr. R. owns a house. The Municipal value of the house is Rs. 50,000. He paid Rs. 8,000 as local taxes during the year. He uses this house for his residential purposes but lets out half of the house @ Rs. 3,000 p.m. Compute the annual value of the house.

Solution:

<i>Particulars</i>	<i>Rs.</i>
Gross Annual rent or Municipal valuation (higher)	72,000
Less: Local taxes paid	8,000
Net Annual value of House Property	64,000
Less : Half of annual value regarding self occupied portion for the whole year	(32,000)
Net Annual Value of let out portion	32,000

(b) House let out during any part of the previous year and self-occupied for the remaining part of the year:

In this case, the benefit of Section 23(2) is not available and the income will be computed as if the property is let out.

Illustration 9:

M is the owner of a house. The municipal value of the house is Rs. 40,000. He paid Rs. 8,000 as local taxes during the year. He was using this house for his residential purposes but let out w.e.f. 1.1.2026 @ Rs. 4,000 p.m. Compute the annual value of the house.

Solution:

<i>Particulars</i>	<i>Amount (Rs.)</i>
Gross annual value : Expected Rent or Actual rent (Rs. 40,000 or Rs.12,000) whichever is higher	40,000
Less: Local taxes	(8,000)
Net Annual value of the House	32,000

(No benefit shall be given for self occupied period as the house did not remain vacant during the previous year)

Note: If fair rent is not given, then assume actual rent as fair rent.

(c) Self-occupied House remaining vacant:

If the assessee has reserved any two houses (owned by him) for his residence or he is the owner of two houses, one of which is meant for his own residence but could not be occupied by him for residential purposes in the previous year owing to the fact that he had to live at some other place in a house not

belonging to him, then he can claim non-occupation or vacancy allowance during the previous year for the period during which house remained vacant. The reason for his living at a different place might be for business or professional purposes or for a salaried employee due to transfer etc. The annual value of the house, which remained vacant in these circumstances, shall be nil.

The above mentioned concession will be granted to the assessee only if he has neither let out the said house nor has derived any benefit from it during the period for which it remained vacant. Only deduction for interest on borrowed capital upto a maximum of Rs. 2,00,000 is allowed if following conditions are satisfied:-

1. Capital is borrowed for Purchase/Construction of property;
2. Capital borrowed on or after the 1st day of April 1999 and such acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed.

If any of above conditions are not met then maximum deduction allowed shall be limited to Rs. 30,000 only.

Note: The Deduction of Rs. 30,000 / Rs. 2,00,000 with respect to Interest paid on borrowed capital u/s 24(b) not allowed in case of Self occupied Property, if assessee pay tax under section 115BAC of the Income Tax Act, 1961

Deemed to be let-out property [Section 23(4)]

- Assessee given the choice of any two houses to be construed as self-occupied and for that the Annual Value would be NIL. Others house property would be treated as deemed to be let out.
- The assessee is allowed the flexibility to change the option to suit his needs / benefits.
- In such as case, therefore, the Expected Rent becomes the Gross Annual Value
- Municipal Taxes paid by the owner for the whole year allowed as a deduction

Notional Income from House Property held as stock in trade [Section 23(5)]

Annual value of house property held by a person as stock in trade shall be taken as NIL if the Property (consisting of buildings or land appurtenant thereto) is held as stock in trade by the owner of the property and the property (or any part of property) is not let out during whole or any part of the previous year.

However, the above benefit/concession is available only for 2 years from the end of the financial year in which certificate of completion of construction of the property is obtained from the competent Authority.

DEDUCTIONS FROM NET ANNUAL VALUE [SECTION 24]

Standard deduction [Section 24(a)] : 30% of Net Annual Value

- a. This is not available when the Annual Value is NIL
- b. This is a flat deduction irrespective of the actual expenditure incurred.

Interest on Borrowed Capital [Section 24(b)]

- a. Interest on borrowed capital for purchase/construction/repair/renewal/re-construction is allowed as a deduction from gross annual value.
- b. Pre-construction period interest is also allowed as a deduction. Pre-construction period refers to the period starting from the date of taking of loan and ending with the end of financial year immediately preceding the previous year in which construction is completed (or the date of repayment of loan; whichever is earlier). This can be claimed for a period of 5 equal installments starting from the year of acquisition / completion of construction.

Deductions for Principal and Interest Repayment:

<i>Nature</i>	<i>Loan From</i>	<i>Allowability</i>
Principal	Specified Person u/s 80C	Allowed as a deduction u/s 80C
	Any Other Person	Not allowed as a deduction u/s 80C
Interest	Any Person	Allowed as a deduction u/s 24(b)

Assessee paid the purchase price in installments. The unpaid purchase price shall be treated as amount borrowed for acquiring property & interest thereon shall be eligible for deduction.	Sunil Kumar Sharma (P&H) 122 Taxman 159
Interest payable on unpaid purchase price qualifies for deduction in computation of Income from House Property.	RP Goenka & JP Goenka ITR 123 (Cal.)

Computation of Prior Period Interest if the date of completion of construction is before the date of repayment of loan

Step 1: Identify the Date of Borrowal of Loan.

Step 2: Identify the Date of Completion / Acquisition.

Step 3: Identify Last Date of the Financial Year immediately preceding the date of Completion / Acquisition.

Step 4: Prior Period = Period calculated from Step 1 to Step 3.

Step 5: Prior Period Interest = Interest will be calculated from the date of borrowing till the end of the previous year prior to the previous year in which the house is completed and not till the date of completion of construction.

Step 6: Allowable Prior Period Interest = Prior Period Interest as per Step 5 / 5 Years.

Computation of Prior Period Interest if the date of repayment of loan is before the date of completion of construction

Step 1: Identify the Date of Borrowal of Loan.

Step 2: Identify the Date of Completion / Acquisition.

Step 3: Identify Last Date of the Financial Year immediately preceding the date of Completion / Acquisition.

Step 4: Prior Period = Period calculated from Step 1 to Step 3.

Step 5: Prior Period Interest = Interest will be calculated from the date of borrowing till the end of the previous year prior to repayment of loan.

Illustration 10:

X has a house which has two identical units. One of the units is self-occupied throughout the previous year and the other unit is let out throughout the previous year on a rent of Rs. 50,000 p.m. Municipal taxes for the complete house amounting to Rs. 60,000 have been paid during the previous year. The construction of the property was completed on 1.1.1995. Determine the income from house property for assessment year 2026-27, if X:

- Pay tax under normal tax regime
- Pay tax under section 115BAC

Solution:

<i>Particulars</i>	<i>Unit I (Let out)</i>		<i>Unit II (Self-occupied)</i>	
	<i>Pay tax under normal tax regime</i>	<i>Pay tax u/s 115BAC</i>	<i>Pay tax under normal tax regime</i>	<i>Pay tax u/s 115BAC</i>
Gross Annual Value	6,00,000	6,00,000	Nil	Nil
Less: Municipal Taxes	30,000	30,000	—	—
Net Annual Value	5,70,000	5,70,000	Nil	Nil
Less: Statutory deduction @ 30%	1,71,000	1,71,000	Nil	Nil
	399,000	399,000	Nil	Nil

No deduction shall be made under the second proviso unless the assessee furnishes a certificate, from the person to whom any interest is payable on the capital borrowed, specifying the amount of interest payable by the assessee for the purpose of such acquisition or construction of the property, or, conversion of the whole or any part of the capital borrowed which remains to be repaid as a new loan.

Summary of Allowability of Deduction**A) Let out / Deemed to be let out property**

- 1) Standard deduction of 30% of NAV is fully allowed [Section 24(a)]
- 2) Interest on borrowed capital is fully allowed [Section 24(b)].

B) Self-occupied Properties

- 1) Since the Annual Value is nil, there is no Standard deduction available
- 2) In case the capital is borrowed
 - a. for repairs / renewals / reconstruction, the maximum allowable deduction on account of interest is limited to INR 30000.
 - b. for acquisition / construction, the deduction would depend on whether the loan was taken prior to or later
 - i. In case capital borrowed prior to 1.4.99; the maximum allowable deduction on account of interest is limited to INR 30000;
 - ii. In case capital borrowed post 1.4.99; as long as the acquisition / construction was completed within 5 years from the end of the FY in which the capital was borrowed, and the assessee is in possession of a certificate on interest payable from the lender, the maximum allowable deduction on account of interest is limited to INR 200,000.

where the assessee has opted for two houses to be treated as self occupied, the combined total deduction of the amount of interest given above shall in aggregate remain maximum to Rs. 30,000 or Rs. 2,00,000 as the case may be.

Note: The Deduction of Rs. 30,000 / Rs. 2,00,000 with respect to Interest paid on borrowed capital u/s 24(b) not allowed in case of Self occupied Property, if assessee pay tax under section 115BAC of the Income Tax Act, 1961

Points to Remember:

1. Interest on overdue interest is not allowed u/s 24(b) Income tax Act, 1961. [*Shew Kissen Bhatler v. CIT (SC)*]
2. Even interest on unpaid purchase price is allowed as deduction u/s 24(b) of the Income tax Act, 1961 [*CIT v. Sunil Kumar Sharma (Punjab & Haryana)*]
3. Where a fresh loan has been raised to repay the original loan if the second borrowing has really been used merely to repay the original loan and this fact is proved to the satisfaction of the Income Tax Officer, the interest paid on the second loan would also be allowed as a deduction under section 24(l) (vi). (Circular No. 28, dated 20.8.1969).
4. Any amount paid for brokerage or commission for arrangement of the loan will not be allowed as deduction. [Circular No. 28, dated 20.8.1969].

Illustration 11:

The assessee took a loan of Rs. 6,00,000 on 1.4.2023 from a bank for construction of a house on a piece of land owns in Indore. The loan carries an interest @ 10% per annum. The construction is completed on 15.8.2025. The entire loan is still outstanding. Compute the interest allowable for the assessment year 2025-26.

Solution:

<i>Particulars</i>	<i>Amount (Rs.)</i>
(i) Interest for the previous year 2025-26 on ₹6,00,000 @ 10%	60,000
(ii) Interest for the pre-construction period i.e. from 1.4.2023 to 31.3.2025 (1/5th of ₹1,20,000)	24,000
Total interest allowable	84,000

Note: Although the property is completed on 15.8.2025, the interest for the entire previous year i.e. 1.4.2025 to 31.3.2026 will be treated as current year's expenditure.

Important Points

1. The list of allowance of section 24 is exhaustive- *Indian City Properties v. CIT* [1965] 55 ITR 262 (Cal.), *CIT v. H.G Gupta & Sons* [1984] 149 ITR 253 (Delhi). In other words, no deduction can be claimed in respect of that expenditure which is not specified in section 24. For instance, no deduction can be claimed in respect of expenses on insurance, ground rent, land revenue, repairs, collection charges, electricity, water supply, salary of liftman, etc.
2. Interest on unpaid interest is not deductible- *Shew Kissen Bhatler v. CIT* [1973] 89 ITR 61 (SC), *Naman Kumar v. CIT* [2014] 221 Taxman 269 (Punj. & Har.)
3. Where a buyer, instead of raising a loan form a third person, enters into an arrangement with a seller to pay sale price in instalments along with interest due thereon, by such arrangement seller becomes lender qua unpaid purchased price and purchaser becomes borrower. In such a case, unpaid purchase

price can be treated as capital borrowed for acquiring property and interest paid thereon be allowed as deduction under section 24(b)- *CIT v. Sunil Kumar Sharma* [2002] 122 Taxman 159 (Punj. & Har.)

4. A transaction of allotment of a property to an assessee on instalment basis does give rise to relationship of borrower and lender between the assessee and the estate officer and as such interest paid by the assessee on instalments constitutes interest on borrowed capital- *CIT v. Master Sukhwant Singh* [2005] 196 CTR (Punj. & Har.) 122
5. Deduction of interest under section 24(b) cannot be denied on the ground that interest was paid on funds borrowed for acquisition of plot and not house property, since in section 24(b) the word 'Property' is used and not the word 'house property'- *CIT v. Amrit Lal Adlakha* [2007] 11 SOT 674 (Asr.) (SMC II)
6. Interest on loan taken (for construction of an additional floor) from a tenant, is an allowable expenditure under section 24(b)- *Shivom Build Con (P.) Ltd. v. ITO* [2011] 12 taxmann.com 191 (Mum.- ITAT)
7. An assessee acquired lease rights in a property by paying a non-refundable premium and such premium was paid by utilizing borrowed fund. The Tribunal held that the interest paid on such borrowed money was allowable under section 24(b)- *Radio Components & Transistors Co. Ltd. v. ITO* [2012] 50 SOT 237 (Mum.)
8. Unpaid purchase price of the property can be considered as 'borrowed capital' for the purpose of section 24(b)- *Gopi Kishan Purohit v. CIT* [2012] 51 SOT 323/20 taxmann.com 257 (Jodh.-Trib.).
9. Interest paid on refundable deposits of tenants is allowable under section 24(b) if such deposits are used to repay housing loan- *ITO v. Structmast Relator (Mumbai) (P.) Ltd.* [2015] 56 taxmann.com 107 (Mum.).
10. If Capital contributed by partners is utilised for purchase, acquisition, etc., of a house property by a partnership firm, interest payable to partners is deductible under section 24(b)- *CIT v. Sane & Doshi Enterprises* [2015] 232 Taxmann 452 (Bom.)
11. "Pre-closure charges" is covered in the definition of Interest under section 2(28A) and, consequently, eligible for deduction as interest under section 24(b)- *Windermere Properties (P.) Ltd. v. CIT* [2013] 88 DRT 150 (Mum.) (Trib.).

SUMMARY OF COMPUTATION OF INCOME FROM HOUSE PROPERTY

A) Computation of Income in case of Let out Property	Amount (Rs.)
Gross Annual Value	xxx
Less: Deduction u/s 23(1) for Municipal Taxes (to the extent actually paid and borne by the owner during previous year)	(xxx)
Net Annual Value (NAV)	xxx
Less: Standard Deduction u/s 24(a)-@ 30% of NAV	(xxx)
Deduction for Interest on Borrowed Capital u/s 24(b)	(xxx)
Income from House Property	xxx
B) Computation of Income in case of Self Occupied Property	
Gross Annual Value	xxx

Less: Deduction for Municipal Taxes (even if paid and borne by the owner during previous year)	(xxx)
Net Annual Value	xxx
Less: Deduction u/s 24(a) Standard Deduction	(xxx)
Less: Deduction u/s 24(b) for Interest on Borrowed Capital	(xxx)
Income/Loss from House Property	xxx

Illustration 12:

Nikhil has a property whose Municipal Valuation is INR 500,000 p.a. The Fair Rent of the property is INR 400,000 p.a. and the Standard Rent fixed by Rent Control Act is Rs. 4,50,000 p.a. The property was let out for a Rent of INR 35,000 pm and the tenant vacated the same on 31st Jan 2026. Unrealised Rent was INR 35000 and the conditions are fulfilled with respect to the same. He paid municipal taxes worth INR 15000 during the PY and the Interest on Loan was INR 60000. Please exhibit the computation and advise the income from house property.

Solution:

Computation of GAV (Gross Annual Value)	INR	INR
ER (Expected Rent)		
Higher of:		
1) Fair Rent	4,00,000	
2) Municipal Value	5,00,000	
<i>Limited to Standard Rent</i>		4,50,000
AR (Actual Rent)	3,50,000	
Less: Unrealised Rent	(35,000)	
		3,15,000
		4,50,000
Less: Unrealised Rent		(70,000)
GAV (as falls Vacant)		3,80,000
Less: Municipal Taxes paid by the owner during the PY		(15,000)
NAV (Net Annual Value)		3,65,000
Less: Deductions u/s 24		
30% NAV	(1,09,500)	
Interest on borrowed capital	(60,000)	
		(1,69,500)
Income from House Property		1,95,500

Illustration 13 :

Smt. Shanti Devi has a house property in Kolkata. The Municipal Valuation for the same is INR 10,00,000. The Fair Rental for the property is INR 750,000. The Standard Rent per the Rent Control Act is INR 800,000. She let out the property until 30th November, 2025 for a monthly rent of Rs. 75,000 per month. Thereafter, the tenant vacated the property and she used the house for self-occupation. Rent for the months of Oct & November 2025 could not be realised despite all efforts, and all the conditions for unrealised rent were satisfied. She paid Municipal Taxes @ 12% during the year. She also paid Interest of INR 25,000 during the year for amount borrowed for repairs. Compute the Income from House Property for AY 2026-27.

Solution:

Computation of GAV	INR	INR
ER		
Higher of:		
1) Fair Rent	7,50,000	
2) Municipal Value	10,00,000	
<i>Limited to Standard Rent</i>		8,00,000
Annual Rent	6,00,000	
Less: Unrealised Rent	(1,50,000)	4,50,000
GAV (partly let out and partly self occupied)		8,00,000
Less: Municipal Taxes paid by the owner during the PY		1,20,000
NAV		6,80,000
Less: Deductions u/s 24		
30% NAV	2,04,000	
Interest on borrowed capital	25,000	(2,29,000)
Income from House Property		4,51,000

Inadmissible Deductions [Section 25]

- Interest under the Act, which is payable outside India, shall not be allowed as a deduction, if tax has not been deducted from such Interest and there is no person in India, who could be treated as an agent.

Treatment of Unrealized Rent / Arrear of Rent [Section 25A]

- Arrears of Rent and the unrealised rent received subsequently from a tenant by an assessee, shall be deemed to be the income from House Property in the FY in which such rental is received and shall be included in the Income from House Property of that year; irrespective of whether he is the owner of the property any more or not, in that FY.
- 30% of such arrears or unrealised rent received subsequently is allowed as a deduction.

Income from Co-Owned Property [Section 26]

- The share of each co-owner should be determined in accordance with Section 22–25 and included in the respective individual assessments.
- In a scenario, where the house property owned by co-owners is self-occupied by them, the Annual Value for each of them will be construed as NIL. Each Co-Owner shall be allowed a deduction of INR 30000 / INR 200,000 as the case may be *vis-à-vis* Interest on Borrowed Capital. [Provided not opted for Section 115BAC]
- In a scenario, where the house property owned by the co-owners is let out, the income from the property will be computed as if the property is owned by one owner, and thereafter such computed income would be apportioned amongst each of them as per their respective share.

HOUSE PROPERTY INCOMES – EXEMPTED FROM TAX

There are certain cases where the Incomes from the house property are tax-free. They are neither taxable nor included in the total income for taxation. The incomes that are exempted from tax are described below.

1. The revenue generated from the buildings in and around the agricultural land that forms a part of agricultural income is exempted from tax as per section 10(1). Eg. Renting or leasing of a farmhouse, storehouse.
2. Income from property confined to local authorities is tax-exempted as per section 10(20).
3. House property income of a political party is free from tax under section 13A.
4. Revenue earned from a property belonging to an approved scientific research association is exempted from tax under section 10(21).
5. Property income of educational organizations, medical institutions are free from tax as per section 10(23C).
6. Income from property subjected to charitable or religious purpose is tax-exempted as per section 11.
7. Property income of Certified trade union is exempted from tax under section 10(24).
8. The annual value of one palace possessed by an ex-ruler of Indian states is free from tax as per section 10(19A) where other palaces come under taxation.
9. The annual value of two self-occupied properties for own residence is exempted from tax under section 23(2).
10. Income from property used for one's own business or profession is also tax-exempted under section 22.

Illustration 14:

Mrs. Ruchika has a house which has two identical units. One of the units is self-occupied throughout the previous year and the other unit is let out throughout the previous year on a rent of ₹50,000 p.m. Municipal taxes for the complete house amounting to ₹60,000 have been paid during the previous year. The construction of the property was completed on 1.1.1995.

Determine the income from house property for assessment year 2026-27, if Mrs. Ruchika:

- (a) Pay tax under normal tax regime
- (b) Pay tax under section 115BAC

What if the self-occupied portion was let out for three months then what will be the income from house property?

Solution:

<i>Particulars</i>	<i>Unit I (Let out)</i>		<i>Unit II (Self-occupied)</i>	
	Pay tax under normal tax regime	Pay tax u/s 115BAC	Pay tax under normal tax regime	Pay tax u/s 115BAC
Gross Annual Value	6,00,000	6,00,000	Nil	Nil
Less: Municipal Taxes	30,000	30,000	—	—
Net Annual Value	5,70,000	5,70,000	Nil	Nil
Less: Statutory deduction @ 30%	1,71,000	1,71,000	Nil	Nil
Income under the head House Property	399,000	399,000	Nil	Nil

In this case, the self-occupied property has been let out for part of the year and as such annual value shall not be nil. It will be determined as if the property is let, as per provisions of section 23(1).

<i>Particulars</i>	Pay tax under normal tax regime	Pay tax u/s 115BAC	Pay tax under normal tax regime	Pay tax u/s 115BAC
	<i>Unit I</i>	<i>Unit I</i>	<i>Unit II</i>	<i>Unit II</i>
Gross Annual Value	6,00,000	6,00,000	6,00,000	6,00,000
Less: Municipal value	30,000	30,000	30,000	30,000
Net Annual Value	5,70,000	5,70,000	5,70,000	5,70,000
Less: Statutory deduction @ 30%	1,71,000	1,71,000	1,71,000	1,71,000
Income from house property	3,99,000	3,99,000	3,99,000	3,99,000

Illustration 15:

Two sisters, Seema and Rashmi, are co-owners of a house property, with 50% share each in the property. The property was constructed prior to 1st April, 1999. The property has 7 equal units and is situated in Bangalore. During the FY 2025-26, each co-owner occupied one unit each and the balance were let out at a rental of INR 20000 per unit per month. The Municipal Valuation (MV) was INR 7,00,000 and the Municipal Taxes were @ 10% of the MV. Interest payable on loan taken for construction was INR 400,000. One of the let-out units was vacant for 6 months in the year.

Compute the Income from House Property for each of the sisters. Assuming they pay tax under normal tax regime

Solutions:

Computation of GAV	INR	INR
Estimated Rent		
Higher of:		
1) Fair Rent	-	
2) Municipal Value	5,00,000	
<i>Limited to Standard Rent</i>		5,00,000
Annual Rent	12,00,000	
Less: Unrealised Rent	(1,20,000)	
		10,80,000
GAV (partly let out and partly self occupied)		10,80,000
Less: Municipal Taxes paid by the owner during the PY		(50,000)
NAV		10,30,000
Less: Deductions u/s 24		
30% NAV	3,09,000	
Interest on borrowed capital	2,85,714	
		(5,94,714)
Income from House Property		4,35,286
Share of each Co-owner		2,17,643
Loss from House Property (self occupied portions)		(30,000)
Income from House Property (each co-owner)		1,87,643

Notes:

- 1) Observe that the computation has been done for the 5 let out and 2 self-occupied portions separately and commensurately.
- 2) The Interest on Borrowed Capital for let out proportions is fully allowable as deduction without any cap.
- 3) The Annual Value for the Self Occupied Portion is NIL and the Interest on Borrowed Capital is restricted to INR 30,000 for each co-owner.

Illustration 16:

Mr. X is the owner of four houses. The following particulars are available:

<i>Particulars</i>	<i>House 1</i>	<i>House 2</i>	<i>House 3</i>	<i>House 4</i>
Municipal valuation	16,000	20,000	24,000	5,600
Rent (Actual)	—	14,000	20,000	6,800
Municipal taxes	400	1,000	1,200	300
Repairs and collection charges	200	2,500	1,040	460
Interest on mortgage	—	—	—	1,000
Ground rent	—	100	—	60
Fire premium	140	—	200	—
Annual charges	—	—	360	—

House No. 1 is self-occupied.

House No. 2 is let out for business; construction was completed on 1.3.91 and consists of two residential units.

House No. 3 is 3/4 used for own business 1/4 let out to the manager of the business.

House No. 4 is let out for residential purposes.

His other income is Rs. 30,000. Find out the income of X from house property for the assessment year 2026-27. Assuming he has not opted for section 115BAC of the Income Tax Act, 1961 and pay tax under normal tax regime.

Solution:**House No. 1****Rs.**

Municipal valuation	16,000
Annual Value deemed	NIL

House No. 2**Rs.**

Fair rental value	20,000
Less: Municipal taxes	1,000
Net Annual Value	19,000
Less: 30% of Net Annual Value	(5,700)
	13,300

House No. 3

Since the house is used for own business, the income from this house is not taxable under the head 'Income from house property' but will be assessed under 'Profit and gains of business or profession'. 1/4 of the house occupied by the Manager is presumed to be incidental to the business and hence not assessable under the head 'Income from house property'.

House No. 4**Rs.**

Rent Received	6,800
Less: Municipal taxes	(300)
Net annual Value	6,500
Less: 30% of Net Annual Value	(1,950)
	4,550

Income from House Property: Rs. NIL + Rs. 13,300 + Rs. 4,550 = Rs. 17,850. It is presumed that House No. 4 has not been mortgaged for purposes of acquiring or repairs on the house property.

Illustration 17:

Mr. Lal is the owner of a house property. Its municipal valuation is Rs. 80,000. It has been let out for Rs. 1,20,000 p.a. The local taxes payable by the owner amount to Rs. 16,000 but as per agreement between the tenant and the landlord, the tenant has paid the amount direct to the municipality. The landlord, however, bears the following expenses on tenant's amenities:

<i>Particulars</i>	<i>(Rs.)</i>
Extension of water connection	3,000
Water charges	1,500
Lift maintenance	1,500
Salary of gardener	1,800
Lighting of stairs	1,200
Maintenance of swimming pool	750

The landlord claims the following deductions:

Repairs and Collection charges	7,500
Land revenue paid	1,500

Compute the taxable income from the house property for the assessment year 2026-27.

Solution:**Computation of income from house property for the Assessment Year 2026-27**

<i>Particulars</i>	<i>Rs.</i>	<i>Rs.</i>
Gross annual value: to be higher of the following:		
Municipal valuation or	80,000	
<i>De facto</i> rent (1,20,000 less value of amenities)	1,20,000	

Rent Received		1,20,000
Less: Value of the amenities provided by the assessee:		
(i) Extension of water connection not deductible as it is capital expenditure		–
(ii) water charges	(1500)	
(iii) Lift maintenance	(1500)	
(iv) Salary of gardener	(1,800)	
(v) Lighting of stairs	(1,200)	
(vi) Maintenance of swimming pool	(750)	
		(6,750)
Gross Annual Value		1,13,250
Less: Local tax Rs.16,000: No deduction is permissible as the taxes have been paid by the tenant		-
Net Annual Value		1,13,250
Less: Standard deduction from Net Annual Value: 30% of Net Annual Value		(33,975)
Income from House Property		79,275

Illustration 18:

For the assessment year 2026-27, Sonu submits the following information:

Income from business (speculative)	40,000	
Property Income	House I	House II
	Rs.	Rs.
Municipal valuation	35,000	80,000
Rent received	38,000	68,000
Municipal taxes paid by tenant	3,000	4,000
Repairs paid by tenant	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Interest on borrowed capital for payment of municipal tax of house property	200	400

Nature of occupation	Let out for Residence	Let out for Business
Date of completion of construction	1.4.1996	1.7.1994

Determine the taxable income of Sonu for the assessment year 2026-27.

Solution:

Computation of Taxable Income of Sonu for Assessment year 2026-27

House I	Rs.
Gross Annual Value	38000
Less: Municipal Taxes - not deductible since paid by tenant	NIL
Net Annual Value	38000
Less: 30% of Net Annual Value Taxable Income	(11,400)
Total	26,600
House II	
Gross Annual Value	80000
Less: Taxes - not deductible, paid by tenant	NIL
Net Annual Value	80,000
Less: 30% of Net Annual Value Taxable Income	(24,000)
Total	56,000

Total Income = Rs. 26,600 + Rs. 56,000 + Rs. 40,000 (income from speculative business) = Rs. 1,22,600.

Note: Interest on borrowed capital for payment of municipal tax is not allowed as deduction under Section 24 of the Act.

Illustration 19:

Mr. X has taken a loan of Rs. 5,00,000 on 01.10.2001 @ 10% p.a. for construction of a house which was completed on 01.10.2023 and the house remained self-occupied throughout the previous year 2025-26. The assessee has income under the head salary Rs. 4,00,000. Mr. X has paid life insurance premium of Rs. 20,000. Compute tax liability for assessment year 2026-27.

Option 1: Assessee Pay tax under normal tax regime.

Option 2: Assessee pay tax under section 115BAC

Solution: Option 1 - Assessee Pay tax under normal tax regime

Particulars	Rs.
Net Annual Value	Nil
Less: Interest on capital borrowed u/s 24(b)	(30,000)

Loss under the head House Property	(30,000)
Income under the head Salary	4,00,000
Gross Total Income	3,70,000
Less: Deduction u/s 80C	(20,000)
Total Income	3,50,000
Computation of Tax Liability Tax on Rs. 3,50,000 at slab rate	5,000
Less: Rebate u/s 87A	(5,000)
Tax Liability	Nil

Working Notes:

Current period Interest from 01.04.2025 to 31.03.2026	
$5,00,000 \times 10\% =$	50,000
Prior period interest from 01.10.2021 to 31.03.2023	
$5,00,000 \times 10\% \times 18/12 =$	75,000
Installment = $75,000 / 5 =$	15,000
Total Interest = Rs. 50,000 + Rs.15,000 =65,000 Subject to maximum Rs. 30,000	

Solution: Option 2 Assessee pay tax under section 115BAC

Net Annual Value	Nil
Less: Interest on capital borrowed u/s 24(b)	(NA)
Income under the head House Property	Nil
Income under the head Salary	4,00,000
Gross Total Income	4,00,000
Less: Deduction u/s 80C	(NA)
Total Income	4,00,000
Computation of Tax Liability	
Tax on Rs. 4,00,000 at slab rate	Nil
Less: Rebate u/s 87A	Nil
Tax Liability	Nil

Illustration 20:

Mr. Rohit has a house property in Delhi whose particulars are as under:

<i>Particulars</i>	<i>Rs.</i>
Municipal value	4,00,000
Standard rent	4,50,000
Fair Rental Value	5,40,000
Municipal taxes paid	50,000
Interest on Money borrowed for acquiring the house	1,60,000

Actual rent for 10 months [Rs.45,000 per month]

Compute the income from house property assuming he pay tax under Section 115BAC of the Income tax Act, 1961.

Solution:

Computation of income from House Property
Gross annual value shall be higher of following two

(a) Expected rent (Municipal value Rs. 4,00,000 or FRV Rs. 5,40,000 whichever is higher i.e., Rs. 5,40,000 but restricted to standard rent i.e., Rs. 4,50,000)	4,50,000
(b) Actual rent received or receivable (45,000 x 10)	4,50,000
Less: Municipal taxes paid	(50,000)
Net Annual Value	4,00,000
Less: Deduction u/s 24	
(a) Statutory deduction @ 30%	(1,20,000)
(b) Interest on money borrowed for acquisition houses	(1,60,000)
Income from House Property	1,20,000

Illustration 21:

Prakash owns a house property in Delhi which is let out for Rs. 15,000 p.m. The municipal value of which is Rs. 2,00,000 and municipal taxes were 20% of municipal valuation. He paid during the previous year municipal tax of 6 year which relate to past 5 years as well as for the current year. The other expenses of the property were as under:

	Amount (Rs.)
Repair	8,000
Insurance premium	4,000
Interest for purchase of house	25,000
Ground rent due	4,000

Compute the Income from Prakash from house property assuming he pay tax under Section 115BAC of the Income Tax, 1961

Solution:

	<i>Rs.</i>
Gross Annual value higher of the following two	
(a) Expected rent	2,00,000
(b) Actual rent received or receivable	1,80,000
Gross Annual Value	2,00,000
Less: Municipal taxes paid	(2,40,000)
Net annual value	(40,000)
Less: Deduction u/s 24	
(a) Statutory deduction @ 30%	Nil
(b) Interest	(25,000)
Income from House Property	(65,000)

Illustration 22

Mr A owns a house property. It is used by him throughout the previous year 2025-26 for his (and his family members) residence. Municipal value of the property is Rs. 1,66,000, whereas fair rent is Rs. 1,76,000 and standard rent is Rs. 1,50,000. The following expenses incurred by Mr A -repairs Rs. 20,000, municipal tax: Rs. 16,000, insurance Rs : 2,000, interest on capital borrowed to construct the property: Rs. 1,66,000; interest on capital borrowed by mortgaging the property for daughter's marriage: Rs. 20,000(in either case capital is borrowed before April 1, 1999). Income of Mr A from business is Rs. 7,10,000. Find out the net income of Mr A for the assessment year 2026-27.

Solution:

<i>Particulars</i>	<i>Rs.</i>
Gross annual value	Nil
Less: Municipal tax	Nil
Net annual value	Nil
Less: Interest on borrowed capital(maximum Rs. 30,000)	-30,000
Property income	-30,000
Business income	7,10,000
Net income	6,80,000

Illustration 23

Find out the income from property chargeable to tax for the assessment year 2026-27 in the following cases-

<i>Particulars</i>	<i>X Rs.</i>	<i>Y Rs.</i>
Municipal value (MV)	1,20,000	1,20,000
Fair rent	1,30,000	1,30,000
Standard rent under the Rent Control Act (SR)	1,10,000	1,10,000
Actual rent if property is let out throughout the previous year	1,26,000	1,26,000
Unrealized rent of the previous year 2025-26	10,500	Nil
Period when the property remains vacant (in number of month)	(1)	(Nil)
Loss due to Vacancy	10,500	Nil
Municipal taxes-		
Tax for the year 2025-26	18,000	18,000
– Paid by X and Y during 2025-26	17,000	8,000
– Paid by X and Y after March 31, 2026	1,000	1,000
– Paid by Tenants during 2025-26	-	9,000

Solution: Computation of income under the head “Income from house property”

<i>Particulars</i>	<i>X Rs.</i>	<i>Y Rs.</i>
Gross annual value		
Step I – Reasonable expected rent of the property [MV or FR, whichever is higher, but subject to maximum of SR]	1,10,000	1,10,000
Step II – Rent received/receivable after deducting unrealized rent but before adjusting loss due to vacancy	1,15,500	1,26,000
Step III – Amount computed in Step I or Step II, whichever is higher	1,15,500	1,26,000
Step IV – Loss due to vacancy	10,500	Nil
Step V – Gross annual value in Step III minus step IV	1,05,000	1,26,000
Less : Municipal tax paid by X or Y during the previous year 2025-26	17,000	8,000
Net annual value	88,000	1,18,000
Less : Standard deduction under section 24(a) [30% of net annual value]	26,400	35,400
Income from house property	61,600	82,600

Illustration 24

X, Y, Z, A and B separately own the following properties-

(Rs. in thousand)

<i>Particulars</i>	<i>H1 X</i>	<i>H2 Y</i>	<i>H3 Z</i>	<i>H4 A</i>	<i>H5 B</i>
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 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 2026-27.

Solution: In this case gross annual value shall be determined as follows-

(Rs. in thousand)

<i>Particulars</i>	<i>X</i>	<i>Y</i>	<i>Z</i>	<i>A</i>	<i>B</i>
Computation of gross annual value					
Step I- Reasonable expected rent of the property [MV or FR, whichever is higher, but subject to maximum of SR]	107	88	88	107	107
Step II- Rent received/receivable after deducting unrealized rent but before adjusting loss due to vacancy	102	110	85	112	96
Step III- Amount computed in Step I or Step II, whichever is higher	107	110	88	112	107
Step IV- Loss due to Vacancy	Nil	Nil	Nil	Nil	Nil
Step V- Gross annual value is Step III minus Step IV	107	110	88	112	107

CASE LAWS

2015

Chennai Properties and Investments Ltd. v. CIT

Supreme Court

Would income from letting out of properties by a company, whose main object as per its memorandum of association is to acquire and let out properties, be taxable as its business income, or as income from house property, considering the fact that the entire income of the company as per its return of income was only from letting out of properties?

Judgment: The Supreme Court opined that the judgment in *Karanpura Development Co. Ltd.*'s case squarely applied to the facts of the present case, where letting of the properties is in fact the business of the assessee. The main objective of the company as per its memorandum of association is to acquire and hold properties in Chennai and let out these properties. Therefore, holding of the properties and earning income by letting out these properties is the main objective of the company. Further, in the return of income filed by the company and accepted by the AO, the entire income of the company comprised of income from letting out of such properties. The Supreme Court, accordingly, held that the assessee had rightly disclosed the income derived from letting out of such properties under the head "Profits and gains of business or profession".

2010

Nutan Warehousing Company Limited v. Dy. Commissioner of Income Tax

Mumbai High Court

Income from letting of warehouse would constitute Business or Property Income?

Judgment: The question before the Bombay High Court was whether the income from warehousing activity received by the assessee was assessable as "Income from House Property" or "Income from Business". The High Court held that the question has to be resolved on the basis of the well settled decisions laid down by the Law in decided cases. The primary object of the assessee while exploiting the property is material. If the dominant intention to exploit commercial assets by carrying on a commercial activity, the income would be treated as Income from Business and whether letting out of the property constitutes a dominant aspect of the transaction or whether it was subservient to the main business of the assessee.

On the facts of the case before the Lordship it was found that the transactions of the warehousing agreements were not considered by the Tribunal. Merely styling an agreement as warehousing agreement would not be conclusive of the nature of the transaction. The question that is to be answered by the Tribunal, it was noted, whether the transaction was a bare letting out of the asset or whether the assessee was carrying on a commercial activity involving warehousing operations. The matter was remanded to consider these aspects.

What is to be noted from the aforesaid decisions is that the transactions of the leasing deed and also the dominant intention of the assessee was to exploit commercial asset by carrying out commercial activity. If the answer is in the positive, it is to be assessed as business income subject to examination of the terms of warehousing agreements.

Please also refer to the decision of the Madras High Court in *C.I.T. v. Indian Warehousing Industries Ltd.* and also the judgement of the Karnataka High Court in *C.I.T v. Karnataka State Warehousing Corporation.*

2012

CIT v. Hariprasad Bhojnarwala

Gujarat High Court

Can benefit of self-occupation of house property under section 23(2) be denied to a HUF on the ground that it, being a fictional entity, cannot occupy a house property?

The Gujarat High Court observed that a firm, which is a fictional entity, cannot physically reside in a house property and therefore a firm cannot claim the benefit of this provision, which is available to an individual owner who can actually occupy the house. However, the HUF is a group of individuals related to each other i.e., a family comprising of a group of natural persons. The said family can reside in the house, which belongs to the HUF. Since a HUF cannot consist of artificial persons, it cannot be said to be a fictional entity.

Also, it was observed that since singular includes plural, the word “owner” would include “owners” and the words “his own” used in section 23(2) would include “their own”. Therefore, the Court held that the HUF is entitled to claim benefit of self-occupation of house property under section 23(2).

Letting out is subservient and incidental to the main business

CIT v. Delhi Cloth & General Mills Co. Ltd

If an assessee constructs residential quarter's & lets them out to his employees & letting out of residential quarter's is only related to business, i.e., it is not main business of assessee, then income is taxable as business income & not income from house property.

In the same way it was held in *CIT v. National News prints & Paper Mills Ltd.*, that if the assessee makes its accommodation available to Govt. for locating a branch of nationalised bank, post office, police station, central excise office etc., with the aim of carrying on its business efficiently and smoothly, rent collected is taxable as business income and not as house property income.

2018

Principal CIT v. Karia Can Co. Ltd.

Mumbai High Court

Once interest on interest free security deposits received by assessee from tenant was offered to tax as income from other sources, adding notional interest on interest free security deposits to determine 'Annual letting value' of property under section 23(1)(b) of the Income tax act, 1961 would amount to double taxation [Assessment year 2004-05 to 2007-08] [In favour of assessee]

Once an interest on interest free security deposits received by the assessee from tenant was offered to tax as income from other sources, adding notional interest on interest free security deposits to determine 'Annual letting value' of property under section 23(1)(b) would amount to double taxation.

2018

Ansal Holding & Construction Ltd. v. Asstt. CIT

Delhi High Court

Where flats constructed by assessee were held as stock-in-trade and same were not at all let out for any previous years, there would be no question of availing vacancy allowance under section 23(1)(c); assessee would be liable to pay tax on ALV of said that under section 23(1)(a) [Assessment year 2005-06 and 2006-07] [In favour of revenue]

The assessee was engaged in business of construction of house property. Some flats constructed by the assessee were not let out during year. The Tribunal assessed Annual Letting Value 'ALV' of those flats as 'income from house property'. The assessee contended that said flats were its Stock in trade and that provision of section 23(1)(c) would be applicable to its case and, therefore, ALV of flats could not be brought to tax under the head income from house property.

Held that where properties held as stock in trade were not let out for any previous years, there would be no question of availing vacancy allowance given in section 23(1)(c) and the assessee would be liable to pay tax on ALV of those flats under section 23(1)(a) of the Income tax Act, 1961.

LESSON ROUND-UP

- **Charging Section:** Section 22 of the Act provides that the annual value of property consisting of any buildings 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.
- **Deemed Owner:** As per section 27, the following persons though not the legal owners of a property are deemed to be the owners for the purposes of sections 22 to 26:
 - (a) Transfer to a spouse or minor child
 - (b) Holder of an impartible estate
 - (c) Member of a co-operative society
 - (d) Person in possession of a property
 - (e) Person having right in a property for a period not less than 12 years
- The measure of charging income-tax under this head is the annual value of the property, i.e., the inherent capacity of a building to yield income. The expression 'annual value' has been defined in Section 23(1) of the Income-tax Act as, the annual value of any property shall be deemed to be:
 - The sum for which the property might reasonably be expected to be let from year to year; or
 - where the property or any part of the property is let and the actual rent received or receivable by the owner in respect thereof is in excess of the sum referred to in clause (a), the amount so received or receivable; or
 - where the property or any part of the property is let and was vacant during the whole or any part of the previous year and owing to such vacancy the actual rent received or receivable by the owner in respect thereof is less than the sum referred to in clause (a), the amount so received or receivable.
- Gross annual value shall be higher of
 - (a) Expected Rent
 - (b) Actual rent received or receivable.

The higher of Municipal value and fair rental value shall be Expected rent. However, expected rent shall not exceed the Standard rent.
- Net Annual Value shall be computed in the following manner:

Determine the Gross Annual Value

Deduct municipal tax actually paid by the owner during the previous year from the Gross Annual Value.
- Deduction from Annual Value (Section 24): w.e.f. Assessment year 2002-03, income chargeable under the head "Income from house property" shall be computed after making the following deductions, namely:
 - (a) Standard deduction: a sum equal to 30% of the annual value;

- (b) Interest on borrowed capital: where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital. The interest on borrowed money pertaining to pre-construction period is available in 5 equal installments commencing from the previous year in which house is acquired or constructed. For this purpose the pre-construction period means the period commencing on the date of borrowing and ending on 31st March immediately prior to the date of completion of construction/date of acquisition or date of repayment of loan, whichever is earlier. Interest for current year is deductible upto Rs. 30,000/ Rs. 2,00,000 as the case may be.

TEST YOURSELF

(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation.)

Multiple Choice Questions (MCQs)

1. The Gross Annual Value is the higher of Actual Rent and?

- (a) Municipal Valuation
- (b) Fair Rental Value
- (c) Standard Rent
- (d) Expected Rent

Answer: d

2. Expected Rent is always the higher of Fair Rental Value and Municipal Valuation?

- (a) True
- (b) True but limited to Standard Rent
- (c) True but limited to INR 250,000
- (d) False

Answer: b

3. Standard Rent is the rent fetched by a similar property in the neighbourhood?

- (a) Yes
- (b) Yes, but not limited to neighbourhood
- (c) Yes, but with a Cap
- (d) No

Answer: d

4. If the assessee has more than two house that is self-occupied, the choice of the houses that should be construed as self-occupied for the others to be considered as deemed to be let out lies with?

- (a) Assessing Officer
- (b) Assessee
- (c) Either
- (d) Neither

Answer: b

5. Section 24 (a) prescribes the standard deduction from NAV of a sum equal to?

- (a) 33% of NAV
- (b) 30% of NAV
- (c) 1/3rd of NAV
- (d) Actual cost of repairs

Answer: b

LIST OF FURTHER READINGS

- **Direct Taxes Law and Practice**
Author : Dr. Vinod K. Singhania & Dr. Kapil Singhania
Publisher : Taxmann
- **Direct Taxes Ready Reckoner with Tax Planning**
Author : Dr. Girish Ahuja & Dr. Ravi Gupta
Publisher : Wolters Kluwer

OTHER REFERENCES

- **Income Tax Act, 1961:** <https://www.incometaxindia.gov.in/Pages/acts/income-tax-act.aspx>
- **Income Tax Rules, 1962:** <https://www.incometaxindia.gov.in/Pages/rules/income-tax-rules-1962.aspx>
- **Circulars:** <https://www.incometaxindia.gov.in/Pages/communications/circulars.aspx>
- **Notifications:** <https://www.incometaxindia.gov.in/Pages/communications/notifications.aspx>