

Example

	I	II	III	IV	V
FRV	200000	280000	240000	280000	300000
MV	240000	270000	250000	260000	320000
SR	220000	300000	210000	270000	310000
AR	20000 pm	25000 pm	15000 pm	25000 pm	30000 pm
Vacancy	-	2 months	2 months	-	2 months
Unrealised Rent	-	-	-	2 months	1 month
GIAV	240000	250000	210000	270000	270000

Important Note 1:-

Annual Value u/s 23 shall be calculated in all cases except following 3 cases :-

- * Wholly self occupied house
 - * Wholly Vacant
 - * Deemed Self Occupied
- } → GIAV = Nil

* This option is only for two house.

Important Note 2:-

Concept of Partly Let out property (Area wise)

If some area of house property is Let out and remaining is self occupied then let out portion is treated as LOH and self occupied portion is treated as SOP. In this case, Municipal Value, fair Rent, standard rent, municipal taxes, interest on loan should be **divided between SOPH and LOH on area basis.**
Actual rent should never be divided because it is

always for SOH

Important Note 3

Concept of partly let out property (Time wise)

If property is let out for some period of time and self occupied for remaining time then such house is treated as LOH only, If house is let out for even 1 day then, also that house is treated as LOH.

Important Note 4

Assessee owns more than one SOH

Two of such house property (at the option of assessee) treated as SOH and remaining be treated as DLOH. Suppose, Mr. Karan owns 3 house property and all used for self occupation, in this case, you have to solve the question

↓	↓	↓
OPTION-1	OPTION-2	OPTION-3
$HP_1 = SOH$	$HP_1 = SOH$	$HP_1 = DLOH$
$HP_2 = SOH$	$HP_2 = DLOH$	$HP_2 = SOH$
$HP_3 = DLOH$	$HP_3 = SOH$	$HP_3 = SOH$

Conclusion

Select an option which is more beneficial to assessee (income is lower)

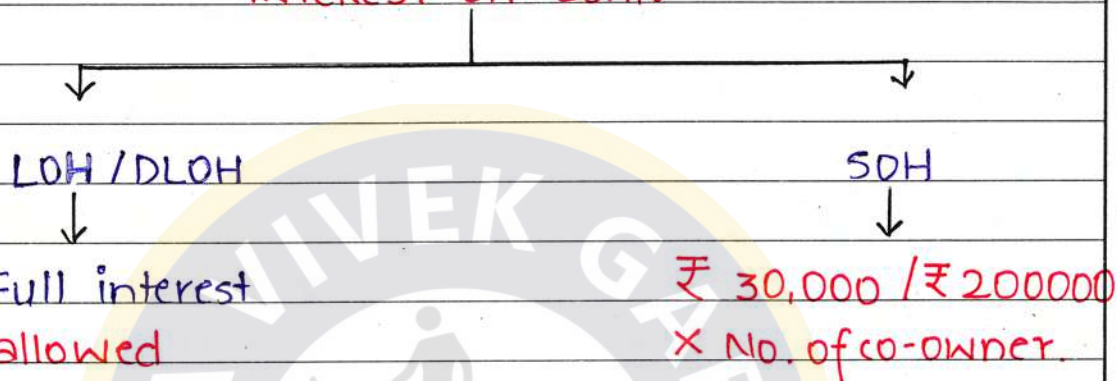
Important Note 5

Concept of joint ownership

Joint ownership (co-ownership) means property is

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

INTEREST ON LOAN



Important note 6

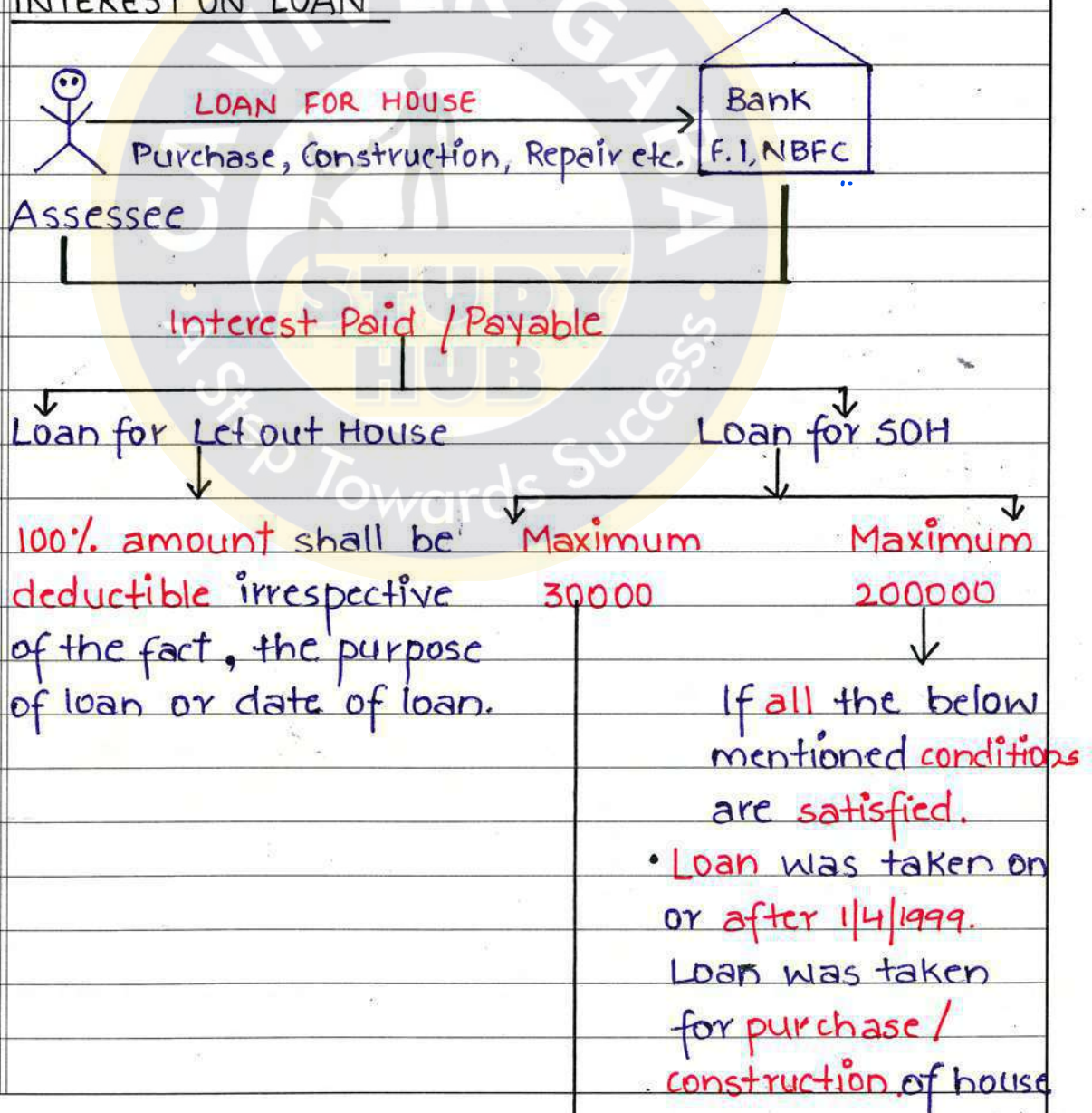
Section 27 : Deemed Owner

- If any individual transfers any house property to his/her spouse for without consideration or inadequate consideration then such individual is treated as Deemed owner of such property.
- EXCEPTION - Transfer in connection of live apart.
- If any individual transfers any house property to a minor child (other than minor married daughter) for without consideration or inadequate consideration then such individual is treated as deemed owner.
- If case of a co-operative society, shareholder is treated as deemed owner of such property.
- Holder of an impartible estate.

STATUTORY STANDARD DEDUCTION

- Every assessee shall be allowed a notional expenditure equal to thirty per cent of the net annual value of the house for the various expenditures incurred by him.
- Actual expenditure incurred by the assessee shall not be taken into consideration

INTEREST ON LOAN



Remarks

Purchase / construction completed within 5 years from the end of F.Y in which loan was taken.

If any one condition not satisfied.

FOCUS AREA

- Loan may be taken from banks, financial institutions, trusts, friends, family etc.
- Interest is allowed on **due basis** (paid - allowed; o/s - allowed)
- Interest on interest (penal interest) is **not allowed** as deduction
- Any fresh loan is taken for repayment of earlier loan and earlier loan was taken for the purpose of house property then interest of fresh loan shall be **allowed** as deduction.
- Interest paid **outside India** shall **not be allowed** as deduction if **TDS not deducted** on such interest
- **Pre-construction / Acquisition Interest** : It means interest paid before the **year** in which construction was completed.

Unrealised Rent and recovery of un-realised rent.

Actual Rent = Rent received + Receivable - unrealised Rent.

Unrealised Rent : It means rent which is not recovered by owner 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.

- Tenancy should be **bonafide**.
- Tenant should have **vacated that house property**
- Such tenant should **not occupy any other house property of same assessee**.
- Reasonable step should have been taken for recovery of unrealised rent.

Arrears of Rent

It means rent under dispute.

Section 25A: Recovery of un-realised rent and arrears of rent.

Recovery is **taxable** in the year in which it is **recovered** under the head house property, **whether** the assessee is the **OWNER** of the property **or not** in that financial year. Any expenditure incurred for such recovery shall be ignored.

Taxable Amount = Recovery x 70% (30% standard deduction).

Example

1. Unrealised Rent	= ₹ 60,000 (For P.Y. 2010-11)
Allowed by A.O	= ₹ 45,000
Recovery during P.Y 2018-19	= ₹ 52,000
Taxable Amount	= Recovery - Disallowed easier
	= 52000 - 15000

Remarks

$$= 37,000 \times 70\%$$

$$= 25,900$$

2. Unrealised Rent = ₹ 50,000 (For P.Y 2010-11)

Disallowed earlier by A.O = ₹ 30,000

Recovery during P.Y 2018-19 = ₹ 45,000

Taxable Amount = ₹ 45,000 - ₹ 30,000

$$= ₹ 15,000 \times 70\%$$

$$= ₹ 10,500$$

→ Other Expenses

Repair and Maintenance

Society charges

Parking charges

Insurance charges

Electricity and water charges

Lift charges, etc

Not allowed

because 30%

standard deduction

on NAV is allowed.

Section 23(5) HOUSE PROPERTY HELD AS STOCK IN TRADE

House Property

↓
Business of Letting Out

↓
Business of Purchase/Sale (means SIT)

↓
Upto 2 Year

↓
After 2 Year

↓
Vacant

↓
Deemed let Out

Remarks

GAV = Nil

Taxable u/H H-P

CHAPTER - 6
CAPITAL GAIN
(Sec. 45 - 55A)

➤ Section - 45(1) Charging Section

Any income arise from transfer of a Capital Asset

Income shall be chargeable to tax U/H "Capital Gain"

In the previous year in which transfer took place.

* ➤ Section 2(14) Capital Assets

MEANS

↓
CLAUSE - A

Property of any kind
(movable, immovable,
tangible, intangible)
but does not includes :-

- Stock-in-trade
- Personal effects, movable property except.

a. Jewellery

b. Archaeological collections
(old coins)

c. drawings

d. Paintings

e. Sculptors

f. Any work of art

↓
CLAUSE - B

Any securities
held by FII's is
always treated as
Capital Asset.

Clause - C

- Any ULIP issued on or after 1/4/21 if premium payable More than 2.50 lakh.

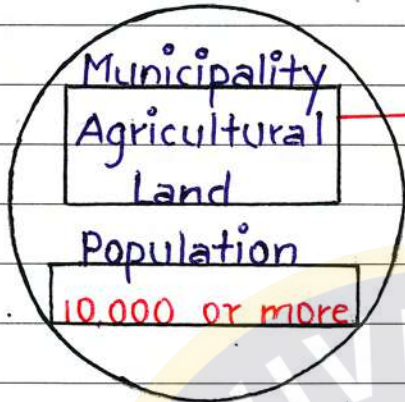
Remarks

(designing, photography etc)

• Agricultural land in India is not a Capital Asset

EXCEPT :-

a)

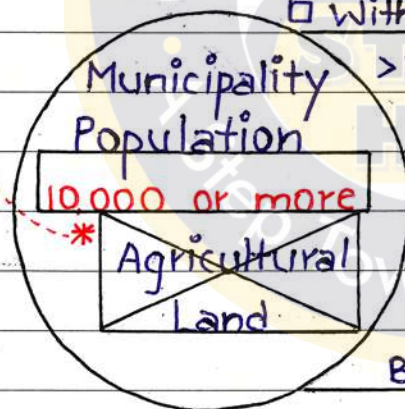


↑ Agricultural Land municipality के अंदर है।

It is a Capital Asset

b)

* Agricultural Land municipality के अंदर नहीं है, बाहर है।



□ Within 2Km > 10K - 1L → It is a Capital Asset

> 10K - 1L

□ Within 6Km > 1L - 10L → It is a Capital Asset

> 1L - 10L

□ Within 8 Km > 10L → It is a Capital Asset

> 10L

Beyond 8Km → It is not a Capital Asset

NOTE: Agricultural Land situated in foreign country is always a capital asset irrespective of the limit and population of any municipality.

4)

• Gold deposit bonds (GDB) issued under GDS, 1999 or deposit certificate Gold monetization Scheme 2015.

Remarks

Analysis of provision of Agricultural Land

Distance	Population according to the last preceding measured aerially census published before 1 st day of P.Y.			
	≤ 10,000	10,001 - 1,00,000	1,00,001 - 10,00,000	10,00,000 - ∞
1 Km	X	✓	✓	✓
2 Km	X	✓	✓	✓
3 Km	X	X	✓	✓
4 Km	X	X	✓	✓
5 Km	X	X	✓	✓
6 Km	X	X	✓	✓
7 Km	X	X	X	✓
8 Km	X	X	X	✓
Beyond 8	X	X	X	X

X = Not a Capital Asset.

✓ = It is a Capital Asset.

•> TRANSFER - Sec. 2(47)

Transfer includes

- Sale
- Exchange
- Relinquishment
- Extinguishment
- Compulsory acquisition under any law.
- Possession of immovable property
- Allotment of property by co-operative societies to members.
- Redemption of zero coupon bonds.

Remarks