

CHAPTER 3B: INCOME U/H HOUSE PROPERTY

Basis Of Charge (Section 22)

- Property should consist of **any building or land appurtenant thereto**
- Assessee must be the owner or Deemed Owner
- HP Must be used for any purpose **except business or profession of Assessee**

↳ Building se Juda hua Unbuilt area.
 ↳ lawn with building parking area.

Note: Annual value of HP held as SIT will also be taxable under this head. However, As per Section 23(5) NAV of HP held as SIT shall be Nil for 2 years from the end of FY in which completion certificate is issued, if Not Let Out for such period.

MIO

⇒ Hold!

Computation of Income Under House Property

MT Due but not paid ⇒ Ded. Not allowed

Particulars	Rs.
Gross Annual Value (GAV) *	15000
Less: Municipal Tax (MT) Paid by Owner	10000
Net Annual Value (NAV)	0
Less: Standard Deduction u/s 24(a) → 30% of NAV.	-
Less: Interest On Capital Borrowed u/s 24(b) - Due Basis	-
Income U/H House Property	-

Note: Adv. Municipal Tax paid ⇒ Not allowed in current year. Ded. allow in year to which it relates.

Calculation Of GAV (Section 23)

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

Higher of 1 or 2 = ER * ✓
 Lower of 3 or 4 = ER * ✓

Note: Municipal Taxes

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

SR x

$$ER = FR / MV = \text{Higher}$$

$$FR = X$$

$$\rightarrow FR = AR \text{ pm.}$$

Example.1 Calculate GAV

Fair Rent = 2,40,000; Municipal Val. = 2,30,000; Stand. Rent = 1,90,000; Actual Rent = 2,25,000

ER

GAV = 2,25,000

Example.2 Calculate GAV

Fair Rent = 2,40,000; Municipal Valuation = 2,50,000; Actual Rent = 2,40,000

↓

FR = FR / MV - higher is 250000
 AR = 240000 } Higher is GAV = 250000.

FR 42000 pm
 MV 50000 pm
 Higher 501000 pm
 SR 45000 pm
 ER (lower) 45000 pm
 AR 42000 pm

Annually = $45000 \times 12 = 5,40,000.$

CA Jasmeet Singh Arora

Higher is 45000 pm → GAV.

Example 3. Calculate GAV ⇒ FR NOT GIVEN ⇒ FR = AR pm i.e. 42000 pm.

Municipal Valuation = 50,000 p.m.; Standard Rent = 45,000 p.m.; Actual Rent = 42,000 pm

HW

Illustration 1: Mr. X owns five houses in Chennai, all of which are let-out. Compute the GAV of each house from the information given below –

Particulars	House I	House II	House III	House IV	House V
Municipal Value	80,000	55,000	65,000	24,000	75,000
Fair Rent	90,000	60,000	65,000	25,000	80,000
Standard Rent	N.A.	75,000	58,000	N.A.	78,000
Actual rent received/ receivable	72,000	72,000	60,000	30,000	72,000
	GAV 90,000	72,000	60,000	30,000	78,000

HW

Illustration 2: Mr. X has one house property which is let out @ 80,000 p.m. Fair rent 90,000 p.m., Municipal Valuation 70,000 p.m., Standard Rent 81,000 p.m. Municipal tax paid 60,000 and interest paid on loan for construction of house property is 50,000. Compute his Income.

Illustration 3: Mr. X has let out one House property @ 62,000 p.m., Municipal Valuation 72,000 p.m., Fair Rent 90,000 p.m., Standard Rent 1,00,000 p.m., Municipal Tax paid 40,000 and Interest on loan taken for construction 60,000 She has completed the age of 60 years on 01.04.2023. Compute Income

CASE A. Income of House Lying Vacant for Some Period

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

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

Situation 2: If AR < ER due to vacancy i.e. AR+VR ≥ ER, then GAV = AR.

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

Example.4 Calculate GAV

Expected Rent = ₹ 2,40,000; Actual Rent = 35,000 p.m.; Vacancy = 3 month, Let out = 9m.

12m. AR (let out period) = $35000 \times 9 = 315000$ AR > ER = GAV = AR i.e. 315000.

Example.5 Calculate GAV

Expected Rent = 2,40,000; Actual Rent = 25,000 p.m.; Vacancy = 3 Month, let out = 9m.

Example.6 Calculate GAV

Expected Rent = 2,40,000; Actual Rent = 18,000 p.m.; Vacancy = 3 Months, let out = 9m.

Illustration 4: Compute gross annual value in the following cases:

Particulars	Situation 1	Situation 2	Situation 3	Situation 4
Fair Rent (p.m.)	9,000	13,000	16,000	12,000
Municipal Valuation (p.m.)	ER 10,000	9,000	18,000	19,000
Standard Rent (p.m.)	12,000	ER 11,000	ER 16,000	ER 7,000
Rent received/ receivable (p.m.)	7,000	11,500	16,000	20,000
Vacancy (Months)	1	1	2	2

$LO = 4m \quad VO = 2m \quad SO = 6m$

Illustration 5: Mr. X constructed one house in 2020 and it is let out for 4 months and self occupied for 6 months and vacant for 2 months during previous year 2024-25. Municipal valuation of the house is 40,000 p.m. and fair rent 30,000 p.m. Standard rent of the house is 38,000 p.m. It was let out @ 32,000 p.m. Municipal tax levied is 6,000 out of which 2,000 was paid by the tenant and 2,000 by the assessee and balance 2,000 yet to be paid. Interest on the capital borrowed for construction of the house is 30,000. Compute his Income Under The Head House Property

CASE B. Income of House Let out For Part of the Year & Self Occupied for part of the year

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

LAW LAY UAYE MAI

Example.7 Calculate income under head House Property

- Fair Rent = 2,40,000
 - Municipal Valuation = 2,00,000
 - Standard Rent = 2,20,000
- $ER = 2,20,000 (12m)$
- GAV
ER/AR (Higher)
i.e. 2,20,000
- Actual Rent = 21,000 p.m.
 - Let Out Period = 10 month
 - Self Occupied = 2 month
- $AR (LO period) = 21000 \times 10m = 210000$

Example.8 Calculate Income under head House property

- Fair Rent = 2,40,000
 - Municipal Valuation = 2,50,000
 - Actual Rent = 30,000 p.m.
- $ER = 2,50,000$
- Let Out period = 6 month
 - Vacancy = 2 months
 - Self Occupied = 4 month

→ VACANT

CASE C. Self-Occupied/Unoccupied House Property (For Maximum 2 House Property)

↳ Throughout year (12m)

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

HP → 2.0 → Old / New. $i.e. \uparrow = allow$
 $\rightarrow 8.0 = 1000 \Rightarrow Income \downarrow = Tax \downarrow$

New Regime

Note: Under default regime, no deduction is allowed for interest on capital borrowed of Self occupied property. Hence, income of Self occupied property shall always be nil under default regime.

CASE D. More Than 2 House Self Occupied

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

Illustration 6: Mr. X has 3 houses which are self occupied and the details of these houses is as under.

Particulars	House 1	House 2	House 3
Fair Rent	11,00,000	12,00,000	11,50,000
Municipal Valuation	11,24,000	11,78,000	11,25,000
Standard Rent	13,00,000	12,50,000	11,40,000
Municipal Taxes Paid – owner.	1,00,000	80,000	90,000
Interest on Capital Borrowed → High	3,20,000	2,90,000	1,90,000
Repair charges → No Ded. Allowed.	10,000	3,000	8,000

Compute income under the head house property → Old / New

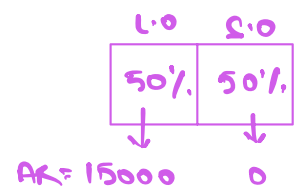
CASE E. Part (Portion) of the house if Let Out And Other Part (Portion) Is Self Occupied

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

Example.9

- Fair Rent = 2,40,000
- Municipal Valuation = 2,00,000
- Standard Rent = 2,10,000
- Municipal Taxes Paid for property = 10,000
- AR = 15000 pm.

ER = 2,10,000.



- Interest on capital borrowed for construction of Property = ₹1,50,000
- 50% of House property is Let out & 50% of house property is Self-Occupied
- Calculate Income Under head House Property As per optional Regime. ⇒ old regime

Example.10 House property is 50% let out + 25% self occupied + 25% used for Business

- Fair Rent 3,60,000
 - Municipal Valuation 3,00,000
 - Standard Rent 3,20,000
- } ER = 3,20,000
Full property
- ↓
Covered with PGBP.
- Actual Rent from let out property is 15000 p.m. (2 month Vacancy) L.O = 10m.
 - Municipal Taxes Paid ₹ 15,000
 - Interest on Capital Borrowed for repair of HP = ₹2,10,000

Calculate the income Under head house property under optional regime. = old regime

ER = 3,00,000

Illustration 7: Mr. X owns a house in Madras. During the previous year 2024-25, 2/3rd portion of the house was self-occupied and 1/3rd portion was let out for residential purposes at a rent of 8,000 p.m. Municipal value of the property is 3,00,000 p.a., fair rent is 2,70,000 p.a. and standard rent is 3,30,000 p.a. He paid municipal taxes @ 10% of municipal value during the year. A loan of 25,00,000 was taken by him during the year 2019 for acquiring the property. Interest on loan paid during the previous year 2024-25 was ₹ 1,20,000. Compute Mr. X's income from house property for the A.Y. 2025-26. All the conditions for higher deduction of interest in case of self-occupied property is satisfied.

Treatment Of Unrealised Rent

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

Condition of Rule 4

- a) Tenancy is bona fide; → In Good faith
- b) defaulting tenant has vacated HP;
- c) defaulting tenant is not in occupation of another HP Of Assessee;
- d) Assessee initiated legal steps to recover unrealised rent or satisfy AO that such will be useless.

(Homo → In Good faith → HE1 → let out for Res.
HE2 → let out for Bus.
Default in pay. Rent for HE1
From pe lost market → HE1 vacate
From pe lost market → HE2 vacate

Assessing/Income Tax Officer.

Example.11

- Expected Rent = 2,40,000 = 12m.
- Actual Rent = 30,000 p.m.
- Vacancy = 2 Month
- Unrecovered Rent = 1 Month

Calculate GAV (all condition are Rule 4 are satisfied)

↓
Not Included In AR.

Example.12

- Expected Rent = 2,40,000
- Actual Rent = 30,000 p.m.

- Vacancy = 2 Months
 - Unrecovered Rent = 3 Month
- Calculate GAV (Assume all Rule 4 conditions are satisfied)

$U/R \text{ Rent} = N - D$ $ER = 4,80,000$ $Apr - Dec = 9M = 50000 \text{ pm}$
 $J - M = 2.0.$

Frw.

Illustration 8: Mrs X owns a house property at Adyar in Chennai. The municipal value of the property is 5,00,000, fair rent is 4,20,000 and standard rent is 4,80,000. The property was let-out for 50,000 p.m. up to December 2024. Thereafter, the tenant vacated the property and Mr. X used the house for self-occupation. Rent for the months of November and December 2024 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied. She paid municipal taxes @ 12% during the year. She had paid interest of 25,000 during the year for Amount borrowed for repairs for the house property. Compute his Income Under the Head House Property.

Tax liability in respect of arrears of rent / Recovery of Unrealised Rent (Section 25A)

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

$FR / MV / SR = X.$

1117/9
Pw.

Hw

Illustration 9: Mr. X has let out his house to State Bank @ 20,000 p.m. The bank has increased the rent on 1st July, 2024 to 27,000 p.m. retrospectively w.e.f. 01.11.2023. The assessee has paid municipal taxes of 7,000 during the previous year 2024-25. Compute income under the head House Property.

ROR	London	MF
Global Income		%
Taxable		Rent
	GAV	₹ 1,20,000 ✓
	(-30% ST)	₹ 80,000 ✓
	NAV	₹ 1,12,000 ✓
	(-7.5% ICB)	₹ 33,600 ✓
	ICB	₹ 78,400
	Income	↓
	U/MHR	x 82.50
		= ₹ 64,680

Statutory Deduction (Section 24(a))

Section 24(a), assessee shall be allowed a notional expenditure equals to 30% of NAV

R-OR

Illustration 10: Mr. X, a British national, is a resident and ordinarily resident in India during the P.Y. 2024-25. He owns a house in London, which he has let out at £ 10,000 p.m. The municipal taxes paid to the Municipal Corporation of London is £ 8,000 during the P.Y. 2024-25. The value of one £ in Indian rupee to be taken at 82.50. Compute Mr. X's taxable income for the A.Y. 2025-26

Interest On Capital Borrowed (Section 24(b))

1) Pre- Construction Period Interest

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

Eg. Loan is taken on 15/7/2021; construction is completed on 25/4/2024.

In this case interest for the period 15/7/2021 to 31/4/2024 shall be accumulated and allowed in 5 installments from 2024-25 till 2028-29.

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

Note:

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

Example.13 Loan of 15,00,000 @ 12% p.a. interest rate is taken on 1/12/21

Construction completion date = 21/1/25 (24-25)

Entire loan is outstanding

Calculate deduction u/s 24(b) for PY 2024-25 ⇒ Current Period.

Example.14 Loan of ₹ 17,50,000 @ 12% p.a. interest rate is taken on 01/04/2018

Construction completion date = 15/12/20 (2020-21)

₹50,000 repay on 01/10 every year Since 1/10/19

Calculate deduction u/s 24(b) for PY 24-25 → Current period.

Example.15 loan of 10,00,000 @ 12% p.a. Interest rate is taken on 1/7/22

Construction completion date = 31/12/24 (24-25)

Assume 100% of loan is outstanding

Calculate deduction of Interest on capital borrowing u/s 24(b)

Example.16 loan of 20,00,000 @ 12% p.a. Interest rate is taken on 1/6/19

Construction completion date = 28/2/23 (22-23)

Assessee Repays 2,00,000 on 1/4 of every year since 1/4/22

Ded.
for PY 24-25

Hw

Illustration 11: Mr. X took a loan of 5,00,000 on 01.10.2021 @ 10% p.a. for construction of house which was completed on 31.03.2024. Compute interest on capital borrowed for the previous year 2024-25.

PY 23-24

Entire loan o/s

PY 24-25

ER = May - March

Illustration 12: Mr. X has taken a loan of 15,00,000 on 01.07.2020 from State Bank of India @ 12% p.a. for construction of one house which was completed on 01.05.2024 and was let out @ 90,000 p.m. w.e.f 01.07.2024 and Fair rent is 1,25,000 p.m. and the assessee has paid municipal tax of 30,000 in P.Y. 2024-25 and the assessee has repaid the loan Amount in annual instalment of 1,00,000 starting from 01.01.2023. Compute his income for the assessment year 2025-26.

May | June ⇒ Valent

L.O = May - March = 90,000 (11m)
 April → Volant

Const Comp. = FY 24-25

Illustration 13: Mr. X has taken a loan of 15,00,000 on 01.07.2020 from State Bank of India @ 12% p.a. for construction of one house which was completed on 01.04.2024 and was let out @ 90,000 p.m. w.e.f 01.05.2024 and Fair rent is 1,00,000 p.m. and the assessee has paid municipal tax of 30,000 in P.Y. 2024-25 and the assessee has repaid the loan Amount in annual instalment of 1,00,000 starting from 01.01.2023. Compute his income. $AR = 12\%$.

Illustration 14: Mr. X has constructed one house on 01.09.2023 and it was let out @ 1,25,000 p.m. and municipal taxes paid are 35,000. The house was constructed after taking a loan from outside India and interest allowed under section 24(b) is 2,10,000, but the assessee has not deducted tax at source. Compute assessee's GTI for the year ended 31st March 2025. *Loan raised from op India → No TDS → Ded up 24(b) X.*

Illustration 15: MR. X has one house property at Indira Nagar in Bangalore. She stays with her family in the house. The rent of similar property in the neighbourhood is 25,000 p.m. → FR. The municipal valuation is 23,000 p.m. Municipal taxes paid is 8,000. The loan of 20,00,000 was taken on 01.01.2018 from SBI Housing Finance Ltd. The construction was completed on 30.11.2020. The accumulated interest up to 31.03.2020 is 3,00,000. During the previous year 2024-25, Mr. X paid 1,88,000 which included 1,44,000 as interest. Compute Mr X's income from house property for A.Y. 2025-26. All the conditions for higher deduction of interest in case of self-occupied property is satisfied. *Pre-Period: 11/10/20 - 31/3/22*

Illustration 16: Mr. X has taken a loan of 5,00,000 on 01.10.2020 @ 10% p.a. for construction of a house which was completed on 01.10.2022 and the house remained self-occupied throughout the previous year 2024-25. The assessee has income under the head salary 4,00,000. Compute tax liability for assessment year 2025-26

Restriction of deduction in case of Self Occupied House property

Situation	Max. Deduction
Loan for acquisition or construction of HP taken on/after 1.4.99 & such acquisition or construction is completed within 5 year from end of FY in Which loan is taken.	Rs. 2 Lakh
Other Cases	Rs. 30,000

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

Example.17

Particulars	HP-1	HP-2
	Self Occupied	Let Out
Fair Rent	1,00,000	1,50,000
Municipal Valuation	90,000	1,20,000

*HW Q14/17 = PW
 11/6/7/10 ICAI*

Standard Rent	1,50,000	1,60,000
Actual Rent	NA	1,80,000
Municipal Taxes Paid	10%	10%
Interest on Capital Borrowed	25,000	25,000

Calculate Income of Mr. X for PY24-25 under both regime.

Co-owned House Property

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

Illustration 17: Mr. X is a co-owner of a house property alongwith his brother. Municipal value of the Property 1,60,000; Fair Rent 1,50,000; Standard Rent under the Rent Control Act 1,70,000; Rent received 15,000 p.m. The loan for the construction of this property is jointly taken and the interest charged by the bank is 25,000 out of which 21,000 have been paid. Interest on the unpaid interest is 450. To repay this loan, X and his brother have taken a fresh loan and interest charged on this loan is 5,000. The Municipal taxes of 5,100 have been paid by the tenant. Mr. X has 50% share in the house property. Mr. X has income from Other Sources 2,60,000. Compute the income from this property chargeable in the hands of Mr. X.

X & brother = equal owner ER = 160000 AR = 180000

25000 Due & Paid 21000
Int on Int 450.
X

Hw 1319

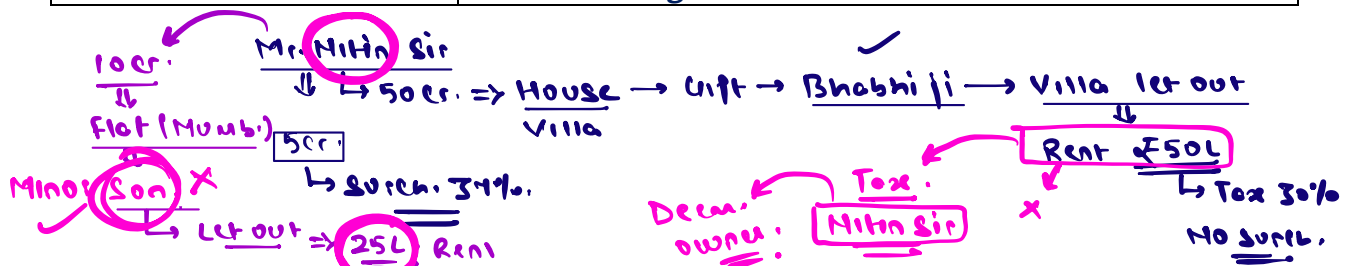
Let out
↓
Normally Income Calculation
↓
X Share

Int on fresh loan ⇒ allowed 5500

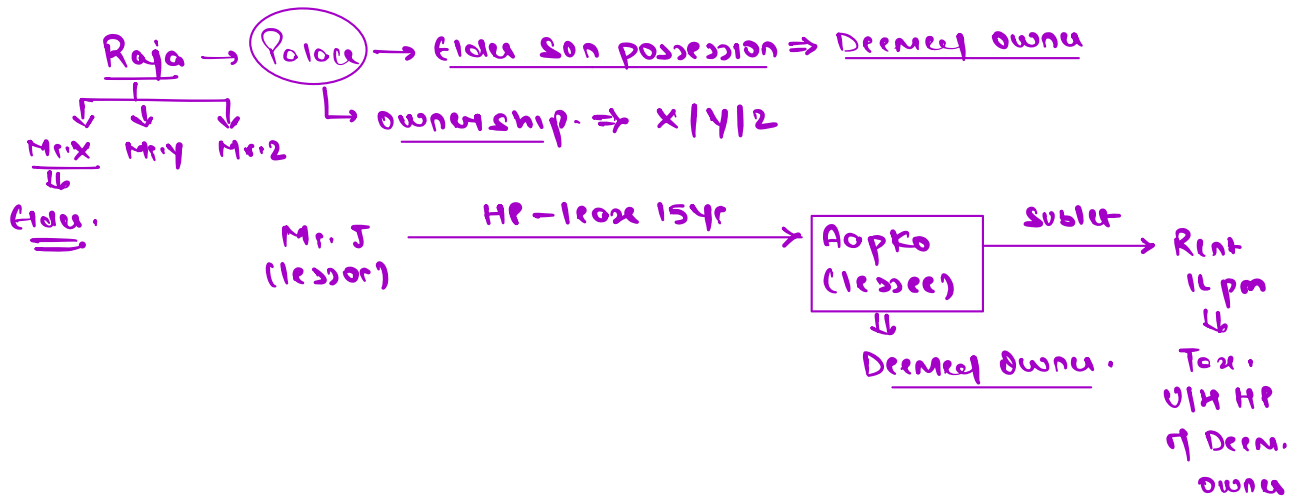
ICB = 301000

Deemed Owner (Section 27) → ONLY FOR KNOWLEDGE

a) Transfer of HP to Spouse for <u>Inadequate consideration</u>	Transferor Spouse is deemed to be owner of HP transferred. However, if Transferred under an agreement to live apart, then transferee spouse shall be considered as owner
b) Transfer of HP to Minor Child for <u>inadequate consideration</u>	Transferor is deemed as owner of HP. However, HP is transferred to a minor married daughter, then deemed ownership not applied.
c) Member of a Co-operative Society	Member 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



d) Person in possession of a property	If possession is received for part performance of the contract, then person having the possession is deemed owner for income tax purpose
e) Holder Of Impartible Estate	Deemed as owner of all properties in the estate ↳ Property → whose division/Partition is not allowed.
f) Lease for 12 years or more	A person who acquires any building by way of lease for a period of 12 years or more shall be deemed to be the owner of that building.



Mr. J & Aapko ⇒ Agreement to Sell the HP. ⇒ F50L

* Mr. J seller Aap (buyer)

* Today 14/9 ⇒ 15L & bal = 35L ⇒ After 3m i.e. 14/12

* Title Transfer on Receipt of bal paym.

* Possession Today = 14/9.

As possession transfer for part performance of contract
Deemed owner = Aapko.