Chapter - 4 Income from house property

Background of house property

Rental income:-
- Not a business of letout
- Business of letout of residential property → HP
- Business of letout of commercial property → PGBP

Income from sale of HP
- Business of sale of HP → PGBP
- Not a business of sale of HP → CG

Section 22 : Charging section

Annual value —of→ Property —of→ Owner

The annual Value shall be chargeable to tax u/h HP

Consist of
- Any Building
  - Any type of building.
  - Building whether situated in India or O/S india.
- Land appertenant thereto
  - Land attached with building.
  - Vacant land not covered here[Covered in PGBP/OS]

Owner
- Include deemed owner
- Owner must be in PY.

Exception of section 22
- Occupy for business or profession.
- Letout is supplementary to the main purpose.
- Composite rent
  - → Inseparable - PGBP
  - → Separate - building- HP
  - - Furnish item - PGBP

Computation of Income from house property

Particular	Amount
Gross annual value [GAV]	xxx
Less :- Municipal tax paid by owner during the PY	(xxx)
Net annual value [NAV]	xxx
Less :- Deduction u/s 24	(xxx)
– Standard Deduction u/s 24(a) (30% of NAV)	
– Interest on housing loan u/s 24(b)	(xxx)
Income from house property	xxx
Add :- Recovery of unrealized rent/arrears of rent Subject to condition	xxx
Net income from house property	xxx

Deduction of Muncipal tax

- Municipal Tax paid by owner ,or
- During the previous year.

Municipal tax paid by owner	✓
Municipal tax paid by tenant	✗
Municipal Tax Payable by owner	✗
Municipal tax payable by tenant	✗
Municipal tax burn by owner	✓

How to compute Gross annual value

GAV	Reasonable rental value.
FRV	Rent of similar building in same locality.
MV	Determine by municipality purpose of charging tax.
SR	Highest possible rent as per rent contract Act.
AR	Actual rent received.

FRV or MV → Higher → FR1

FR1 or SR → Lower → ER

ER or AR

- AR>ER → AR is GAV
- AR<ER
  - Due to vacancy → AR is GAV
  - Other reason → ER is GAV

Case were GAV not to be Compute

Wholly self Occupied | Wholly vacant house | Deemed self occupied

- Option to take GAV NIL of self occupied house is available only for 2 house after that deemed letout.
- The annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it *due to any reason.".*

Section 23(5) :- House property held as stock in trade

- Business of purchase/sale [means SIT]
  - Upto 2 years - vacant-GAV NIL.
  - After 2 years-deemed letout-taxable u/h HP.

Section 24 : Deduction from annual value

Section 24(a) : Standard Deduction

Allowed → For expenditure incurred → 30 % of NAV

Not Allowed
- if GAV is NIL
- NAV is NIL or negative
  - But allowed to deemed SOH.

Section 24(b) : Standard Deduction

Bank/FI —Loan for house→ Person

Person —Interest +Payable/paid→ Bank/FI

Deduction u/s 24(b) depends

Loan is taken for letout house → 100 % interest deduction u/s 24(b) irrespective of date and purpose as the loan.

Loan is taken for self-occupied house
- Max upto ₹30,000 → If any condition not satisfied.
- Max upto ₹2,00,000 → If all condition satisfied
  1. Laon take. on or after 1/4/1999.
  2. Loan taken for purchase & construction.
  3. Purchase or construction completed within 5 years from the end of relevant PY in which loan was taken.

Important points for 24(b)

- Loan may taken from bank,family,friend, trust etc.
- Interest paid on due Basis allowed or outstanding interest allowed also allowed.
- Interest on interest [penal interest] are not allowed.
- New loan taken for repay earlier HP loan ,Interest of new laon is allowed .
- Interest Paid o/s india if tds not deducted,not allowed.
- Deduction is ownerwise, not house wise.
- MAX deduction under SOH is ₹2,00,000
- In case of SOH If the interest is more than Rs 2,00,000 then deduction will be available u/s 80EE and 80EEA if the conditions are satisfied
- Pre-construction/Acquisition interest [note 1]

Pre-construction/Acquisition interest

Int | Int | Int | Int | Int

loan taken → Pre - construction

= Total int of pre-period / 5

Interest of PY
Add:- 1st installment
XXX

= Installment

- If SOH → Maximum deduction 30,000 or 2,00,000 shall allowed
- If LOH → 100% deduction allowed

Benefit not allowed to Default regime u/s 115BAC

- Interest on house loan for SOH or deemed SOH u/s 24(b).
- Set-off of HP loss(letout/SOH) cannot be Set-off against any other head and can't be carry forward.

Section 25A : Recovery of unrealized rent & Arrear of rent

- Taxable in the year of receive/realisation.
- Deduction @30% of rent received / realized.
- Taxable even if assessee is not the owner of the property in the FY of receipt/realization.

Section 26 : Co-ownership/joint ownership

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

Interest on loan :- LOH/deemed LOH = Full interest allowed
:- SOH = ₹30,000/₹2,00,000 (×)no. of owner.

Section 27 : Deemed ownership

- Transferor gifting property to spouse or minor child (except married daughter).
- Holder of an impartible estate.
- member of co-operative society.
- Person in possession of a property.
- Person having right in a property for a period not a less than 12 years.



CHAPTER 4 INCOME FROM HOUSE PROPERTY {SECTION 22 TO 27}

Chargeability u/s 22

Question 1

Enumerate the head of income under which the following incomes would be taxable:

(i) Income earned by Mr Bhushan from letting out house property.

(ii) Income earned by Mr Bhushan from selling one house property.

(iii) Income earned by ABC Ltd from letting out an open land.

(iv) Income earned by ABC Ltd from letting out 500 flats (such flats are stock-in-trade for ABC Ltd).

(v) ABC Ltd has constructed flats within its premises for letting out to the employees.

(vi) ABC Ltd is engaged in the business of providing paying guest accommodation in its own building.

(vii) Mr X is engaged in the business of warehousing.

(viii) Income earned by Mr X from sub-letting of house property.

Question 2

Jayashree 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 (₹)	NA	75,000	58,000	NA	78,000
Actual Rent Received/Receivable (₹)	72,000	72,000	60,000	30,000	72,000

Question 3

Assessee is owner of a building. It was let out for ₹ 18,000 p.m. Municipal value of the building is ₹ 20,000 p.m. and FRV of the building is ₹ 16,000 p.m. Following are the expenses of the building: municipal taxes paid ₹ 2,000 p.m, repairs are ₹ 4,000 p.m, insurance premium ₹ 12,000 p.m. Interest on loan taken for house property ₹ 80,000 p.a. Compute income u/h house property.

Question 4

Assessee is owner of a building. It was let out for ₹ 15,000 p.m. Municipal value of the building is ₹ 10,000 p.m. and FRV of the building is also ₹ 10,000 p.m. Following are the expenses of the building: municipal taxes paid by the owner ₹ 15,000 p.m, repairs ₹ 21,000 p.m, insurance premium ₹ 2,000 p.m. Interest on loan taken for property ₹ 5,000 p.m. Compute income u/h house property.

Question 5

Assessee is owner of a building. It was let out for ₹ 20,000 p.m. but it remained vacant for 2 months. MV of the building is ₹ 18,000 p.m. and FRV of the building is ₹ 16,000 p.m. Compute GAV of the house property.

Question 6

Assessee is owner of a building. It was let out for ₹ 65,000 p.m. but it remained vacant for 5 months. MV of the building is ₹ 45,000 p.m. and FRV of the building is ₹ 40,000 p.m. Compute GAV of the house property.

Question 7

X owns 3 House Properties situated in Delhi. The particulars of the houses are as under:

	Particulars	House 1	House 2	House 3
(1)	Municipal Value (₹)	1,00,000	1,50,000	2,00,000
(2)	Fair Rent (₹)	1,40,000	1,80,000	2,40,000
(3)	Standard Rent (₹)	1,20,000	2,00,000	-
(4)	Actual Rent p.m. (₹)	12,000	17,500	21,000
(5)	Period of vacancy	Nil	1 month	6 months
(6)	Municipal taxes payable for the entire year (₹)	20% of MV	40,000	50,000
(7)	Municipal taxes paid during the year (₹)	20,000	80,000	30,000

Compute the income u/h house property of all the 3 properties.

Question 8

Sachin Tendulkar has given his house on rent of ₹ 1,000 p.m. But the house could not be let out for 5 months & during this period it was not occupied by any person. FRV of the house is ₹ 10,000. Interest of the current year is ₹ 5,000 & total interest of the pre-construction period is ₹ 10,000. Municipal taxes paid by the tenant were ₹ 4,000. Compute income u/h HP.

Question 9

Assessee is owner of a building. It was occupied by the assessee for his own residence. Expected rent of the house property is ₹ 1,00,000 p.m. For the above house property, municipal taxes of ₹ 20,000 were paid by the owner. Compute net annual value of the house property.

Question 10

Assessee purchased a building in Shahadra. It was self-occupied by the assessee for his own residence. Rent collected by owner of a similar property in Shahadra is 65,000 p.m. Assessee paid municipal taxes of ₹ 1,00,000 which were outstanding from last 3 years in relation to the building purchased. Compute net annual value of the house property.

Question 11

Mr. X constructed a building in Dehradun. It was occupied by the assessee for his own residence. Rent collected from a similar property in Dehradun is ₹ 25,000 p.m. Municipal taxes. paid for the house property amounted to ₹ 15,000. Compute net annual value of the house property.

Question 12

Poorna 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. The municipal valuation is ₹ 23,000 p.m. Municipal taxes paid are ₹ 8,000. The house was constructed in the year 2019 with a loan of ₹ 20,00,000 taken from SBI Housing Finance Ltd. The construction was completed on 30.11.2021. The accumulated interest up to 31.3.2021 is ₹ 1,50,000. During PY 2025-26, Poorna paid ₹ 2,40,000 to SBI which included ₹ 1,80,000 as interest. Compute Poorna's income from house property for AY 2026-27.

Question 13

Mr Manas owns two house properties one at Bombay, wherein his family resides and the other at Delhi, which is unoccupied. He lives in Chandigarh for his employment purposes in a rented house. For acquisition of house property at Bombay, he has taken a loan of ₹ 30 lakhs @ 10% p.a. on 1.4.2024. He has not repaid any amount so far. In respect of house property at Delhi, he has taken a loan of ₹ 5 lakhs @ 11% p.a. on 1.10.2024 towards repairs. Compute the deduction which would be available to him u/s 24(b) for AY 2026-27 in respect of interest payable on such loan.

Question 14

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for PY 2025-26 are as under:

Particulars	House I	House II	House III
Municipal valuation p.a.	₹ 3,00,000	₹ 3,60,000	₹ 3,30,000
Fair rent p.a.	₹ 3,75,000	₹ 2,75,000	₹ 3,80,000
Standard rent p.a.	₹ 3,50,000	₹ 3,70,000	₹ 3,75,000
Date of completion/purchase	31.3.1999	31.3.2001	01.07.2014
Municipal taxes paid during the year	12%	8%	6%
Interest on money borrowed for repair of property during the current year	-	₹ 55,000	-
Interest for current year on money borrowed in July 2014 for purchase of property	-	-	₹ 1,75,000

Compute Ganesh's income from house property for AY 2026-27 and suggest which houses should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum.

Question 15

Assessee purchased a building and it was self-occupied by the assessee for his own residence for 5 months. After 5 months, assessee had let out the same at a rent of ₹ 75,000 p.m. Municipal valuation of the building is ₹ 65,000 p.m. Assessee paid municipal taxes of ₹ 1,00,000 which were outstanding from last 3 years in relation to the building purchased. Compute income u/h house property.

Question 16

Mrs X took ownership & possession of a flat in Chennai, which is used for self-occupation. During PY 2025-26, the flat was used by her for 5 months only. For the remaining 7 months, it was let out at a rent of ₹ 75,000 p.m. Municipal valuation is ₹ 32,000 p.m. & the fair rent is ₹ 4,20,000 p.a. Compute income u/h house property.

Question 17

A has a house property in Delhi whose municipal value is ₹ 1,00,000 and the fair rental value is ₹ 1,20,000. It was self-occupied by A from 1.4.2025 to 31.7.2025. Wef 1.8.2025, it was let out at ₹ 9,000 p.m. Compute income u/h house property for AY 2026-27 if the municipal taxes paid during the year were ₹ 20,000.

Question 18

Assessee is owner of two buildings, both buildings are self-occupied. Municipal value of building B is ₹ 18,000 p.m. and its FRV is ₹ 16,000 p.m. Compute income u/h house property. Following are the expenses of the buildings:

- Building A: Municipal taxes ₹ 2,000; repairs ₹ 4,000 ; interest on loan taken for repair ₹ 80,000 ; insurance premium ₹ 12,000.

- Building B: Municipal taxes ₹ 2,000 ; repairs ₹ 4,000 ; interest on loan taken for repair ₹ 80,000 ; insurance premium ₹ 12,000.

Question 19

Mr V has two self-occupied houses. One in Delhi and other in Bangalore. He has sought your advice as to the tax treatment of these two houses.

- Delhi House: FRV is ₹ 1,00,000; MV is ₹ 2,00,000; municipal taxes paid ₹ 20,000; interest on loan taken for construction of house is ₹ 50,000; repairs ₹ 30,000.
- Bangalore House: FRV is ₹ 5,00,000; municipal taxes paid ₹ 2,00,000; interest on loan taken for construction of house is ₹ 2,70,000; land revenue paid ₹ 50,000.

Question 20

Mr X owns one residential house in Mumbai. The house is having two units. First unit of the house is self-occupied by Mr X and another unit is rented for ₹ 8,000 p.m. (excluding facilities for which charged separately). The rented unit was vacant for 2 months during the year. Compute income of Mr X from house property for AY 2026-27 if the particulars of the house for PY 2025-26 are as under:

Standard rent	**₹ 1,62,000 p.a.**
Municipal valuation	₹ 1,90,000 p.a.
Fair rent	₹ 1,85,000 p.a.
Municipal tax paid	15% of municipal valuation
Light and water charges	₹ 500p.m.
Interest on borrowed capital	₹ 1,500p.m.
Lease money	₹ 1,200 p.a.
Insurance charges	₹ 3,000 p.a.
Repairs	₹ 12,000 p.a.

Question 21

Mr Vikas owns a house property whose municipal value, fair rent and standard rent are ₹ 96,000, ₹ 1,26,000 and ₹ 1,08,000 (per annum) respectively. During Fy 2025-26, one-third of the portion of the house was let out for residential purpose at a monthly rent of ₹ 5,000. The remaining two-third portion was self-occupied by him.

Municipal taxes @ 11% of municipal value were paid during the year. The construction of house began in June 2018 and was completed on 31.05.2021. Vikas took a loan of ₹ 1,00,000 on 01.07.2018 for construction of building. He paid interest on loan @ 12% p.a. and every month such interest was paid. Compute income from house property of Mr Vikas for AY 2026-27.

Question 22

Prem owns a house in Madras. During PY 2025-26, $2/3^{rd}$ portion of house was self-occupied and $1/3^{rd}$ 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 MT @ 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 PY 2025-26 was ₹ 1,20,000. Compute Prem's income from house property for AY 2026-27.

Question 23

Mr Jai Jain started the construction of the house on 01.04.2020 with borrowed capital of ₹ 22,00,000 @ 10% p.a. He completed the house on 01.04.2021. During PY 25-26, the house was let out for ₹ 20,000 p.m. Municipal taxes paid were ₹ 30,000. Loan is still outstanding. Calculate income of PY 25-26.

Question 24

Arvind had taken a loan of ₹ 5,00,000 for construction of property on 1.10.2024. Interest was payable @ 10% p.a. The construction was completed on 30.6.2025. No principal repayment has been made up to 31.3.2026. Compute the interest allowable as deduction u/s 24 for AY 2026-27.

Question 25

Mr Raphael constructed a shopping complex. He had taken a loan of ₹ 25 lakhs for construction of the said property on 01.08.2023 from SBI @ 10% for 5 years. The construction was completed on 30.06.2024. The shopping complex has been let out for the whole year and rental income received is ₹ 30,000 per month. Municipal taxes paid for shopping complex ₹ 8,000.

Arrears of rent received from shopping complex ₹ 1,20,000. Interest paid on loan taken from SBI for purchase of house for use as own residence for the period FY 2025-26 is ₹ 3 lakhs. Compute income from house property of Mr Raphael for AY 2026-27 as per the Income Tax Act, 1961.

Question 26

Anirudh has a property whose municipal valuation is ₹ 1,30,000 p.a. The fair rent is ₹ 1,10,000 p.a. & the standard rent fixed by the Rent Control Act is ₹ 1,20,000 p.a. The property was let out for a rent of ₹ 11,000 p.m. throughout the PY. Unrealised rent was ₹ 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 10% of municipal valuation. Interest on borrowed capital was ₹ 40,000 for the entire year. Compute the income from house property of Anirudh for AY 2026-27.

Question 27

Ganesh has a property whose municipal valuation is ₹ 2,50,000 p.a. The fair rent is ₹ 2,00,000 p.a. whereas standard rent fixed by the Rent Control Act is ₹ 2,10,000 p.a. The property was let out for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.2026. Unrealised rent was ₹ 20,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 8% of municipal valuation. Interest on borrowed capital was ₹ 65,000 for the year. Compute income from house property of Ganesh for AY 2026-27.

Question 28

Smt Rajalakshmi 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 2025. Thereafter, the tenant vacated the property and Smt Rajalakshmi used the house for self-occupation. Rent for the months of November & December 2025 could not be realized 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 her income from house property for AY 2026-27.

Question 29

Mrs Disha Khanna, a resident of India, owns a house property at Bhiwani in Haryana. Municipal Value of the property is ₹ 7,50,000, Fair Rent of the property is ₹ 6,30,000 and Standard Rent is ₹ 7,20,000 per annum. The property was let out for ₹ 75,000 p.m. for the period from April 2025 to December 2025.

Thereafter, the tenant vacated the property and Mrs Disha Khanna used the house for self-occupation. Rent for the months of November and December 2025 could not be realized from the tenant. The tenancy was bonafide but the defaulting tenant was in occupation of another property of the assessee, paying rent regularly.

She paid municipal taxes @ 12% during the year and paid interest of ₹ 35,000 during the year for amount borrowed towards repairs of the house property.

You are required to compute her income from "House Property" for AY 2026-27.

Question 30

Mr Ramesh constructed a big house (construction completed in PY 2008-09) with 3 independent units. Unit-1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 15,000. A sum of ₹ 3,000 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr Ramesh is occupied by the tenant. Unit-1 remains vacant for 2 months when it is not put to any use. Unit-2 (25% of the floor area) is used by Mr Ramesh for the purpose of his business, while Unit-3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation	**₹ 1,88,000**
Fair rent	₹ 2,48,000
Standard rent under the Rent Control Act	₹2,28,000
Municipal taxes	₹20,000
Repairs	₹5,000

Interest on capital borrowed for the construction of the property - ₹ 60,000, ground rent ₹ 6,000 and fire insurance premium paid - ₹ 60,000.

Income of Ramesh from the business is ₹ 1,40,000 (without debiting house rent and other incidental expenditure). Determine the taxable income of Mr Ramesh for AY 2026-27 if he does not opt to be taxed u/s 115BAC.

Question 31

M & N are two equal co-owners of the property situated in Goa, which has 2 units of identical size. M & N have selfoccupied one unit each for their residence. The municipal valuation of the house is ₹ 2,00,000 p.a. FRV of the house is ₹ 2,50,000 p.a. The other particulars of the house property are as under:

Taxes paid to local authority	**₹ 80,000 p.a.**
Expenses on repairs	₹ 1,00,000 p.a.
Interest on money borrowed (for construction of the house)	₹ 4,20,000 p.a.

Compute the income u/h house property for each co-owner.

Question 32

P & Q are the two equal co-owners of the property situated in Delhi, which has 2 units of identical size. Both the units are let out to one tenant at a combined rent of ₹ 50,000 p.m. The house remained vacant for 1 month. The municipal valuation of the house is ₹ 40,000 p.m. The other particulars of the house property are as under:

Municipal taxes paid - ₹80,000 p.a.

Insurance premium paid - ₹ 10,000 p.a.

Interest on money borrowed (for construction of the house) - ₹ 6,00,000 p.a.

Compute the income u/h house property for each co-owner.

Question 33

Raman is a co-owner of a house property along with 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 (monthly) - ₹15,000

The municipal taxes of ₹ 5,100 have been paid by the tenant. The loan for the construction of this property is jointly taken. The interest charged by the bank is ₹ 25,000 out of which ₹ 21,000 has been paid and ₹ 4,000 has not been paid. Interest paid on the unpaid interest is ₹ 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is ₹ 5,000.

Compute the income from this property chargeable in the hands of Mr Raman for AY 2026-27.

Question 34

Ms Aparna co-owns a residential house property in Calcutta along with her sister Ms Dimple, where her sister's family resides. Both of them have equal share in the property and the same is used by them for self-occupation. Interest is payable in respect of loan of ₹50,00,000 @ 10% taken on 1.4.2024 for acquisition of such property.

In addition, Ms Aparna owns a flat in Pune in which she and her parents reside. She has taken a loan of ₹ 3L @ 12% on 1.10.2024 for repairs of this flat. Compute the deduction which would be available to Ms Aparna and Ms Dimple uls 24(b) for AY 2026-27.

Question 35

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during FY 2015-16. The property consists of 8 identical units and is situated at Cochin. During FY 2025-26, each co-owner occupied one unit for residence and the balance 6 units were let out at a rent of ₹ 12,000 p.m. per unit, The municipal value of the house property is ₹ 9,00,000 and the municipal taxes are 20% of municipal value, which are paid during the year. The other expenses were as follows:

Particulars	Amount (₹)
Repairs	40,000
Insurance premium (paid)	15,000
Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year. Arun could not occupy his unit for 6 months as he was transferred to Chennai. He does not own any other house. The other incomes of Mr Arun and Mr Bimal are ₹ 2,90,000 and ₹ 1,80,000 respectively for FY 2025-26.

Compute the income u/h house property and the total income of two brothers for AY 2026-27.

Question 36

Mr X has let out one house along with generator facility and has charged a sum of ₹ 40,000 p.m. as rent, out of which ₹ 3,000 p.m. is attributable to the generator. He has paid ₹ 2,300 and the tenant has paid ₹ 900 towards municipal taxes. The interest on the capital borrowed for construction of the house is ₹ 7,000. Mr X has paid repair charges of the generator ₹ 3,400, fuel charges ₹ 5,600 and operator's salary ₹ 300 p.m. Compute the total income and tax liability of Mr X for AY 2026-27.

Question 37

Mr Z lets out his house at a rent of ₹ 16,000 p.m. (charges for facilities are paid separately). The rented unit was vacant for 1 month during the year. Compute total income of Mr Z for for PY 2025-26 if the particulars of the house property are as under:

Municipal valuation - ₹95,000 p.a.;

Fair rent - ₹ 1,44,000 p.a.;

Municipal tax paid by owner - 10% of municipal valuation:

Following charges have been recovered by the owner from the tenant for providing additional facilities:

- Electricity and water charges - ₹ 400 p.m.:
- Charges for AC facility provided - ₹ 2,500 p.m..

To provide additional facilities, the owner has incurred maintenance charges of ₹ 1,000 p.m. Such maintenance charges have not been incurred during the time of vacancy; and

Interest on borrowed capital - ₹ 80,000 p.a.

Question 38

Mr Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for 4 months during the previous year. He has incurred following expenses in respect of aforesaid property:

Municipal taxes of ₹ 4,00,000 for FY 2025-26 (10% rebate obtained for payment before due date). Arrears of municipal tax of FY 2024-25 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000.

Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which is made in cash.

Salary of ₹ 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr Ravi for AY 2026-27.

Question 39

Rajesh, a British national, is a resident and ordinarily resident in India during PY 2025-26. 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 PY 2025-26. The value of one £ in Indian rupee to be taken at ₹82.50. Compute Rajesh's taxable income for AY 2026-27.

Question 40

Mrs Rohini Ravi, a citizen of USA, is a resident and ordinarily resident in India during FY 2025-26. She owns a house property at Los Angeles, USA which is used as her residence. The annual value of the house is $20,000. The value of one USD ($) may be taken as ₹ 45.

She took ownership & possession of a flat in Chennai on 01.07.2025, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.03.2026. Whilst municipal valuation is ₹ 32,000 p.m., the fair rent is ₹ 4,20,000 p.a. She paid the following taxes to Municipal Corporation of Chennai:

Property Tax - ₹ 16,200

Sewerage Tax - ₹ 1,800

She had taken a loan from Standard Chartered Bank for purchasing this flat. Interest on loan was as under:

Period prior to 01.04.2025 - ₹49,200

Period from 01.04.2025 to 30.06.2025 - ₹50,800

Period from 01.07.2025 to 31.03.2026 - ₹ 1,31,300

She had a HP in Bangalore, which was sold in March 2025. In respect of this house, she received arrears of rent of ₹ 60,000 in March 2026. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs Rohini Ravi for AY 2026-27.

Question 41

Miss Charlie, an American national, got married to Mr Radhey of India in USA on 02.03.2025 and came to India for the first time on 16.03.2025. She left for USA on 23.09.2025. She returned to India again on 27.03.2026.

While in India, she had purchased a show room in Mumbai which was leased out to a company on a rent of ₹ 25,000 p.m. from 01.05.2025. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹ 97,500 upto 31.03.2026.

She had received the following gifts from her relatives and friends during 01.04.2025 to 30.06.2025:

S.No	Particulars	Amount (₹)
(1)	From parents of husband	51,000
(2)	From married sister of husband	11,000
(3)	From two very close friends of her husband (1,51,000 + 21,000)	1,72,000

a) Determine her residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the AY 2026-27 if she opts out of the default tax regime u/s 115BAC.

b) Would her residential status undergo any change, assuming that she is a person of Indian origin and her total income from Indian sources is ₹ 18,00,000 and she is not liable to tax in USA?

SOLUTIONS TO SUBJECTIVE QUESTIONS:

Chargeability u/s 22:

Answer 1

(i) House Property

(ii) Capital Gains

(iii) Other Sources

(iv) House Property

(v) Business/Profession

(vi) Business/Profession

(vii) Business/Profession

(viii) Other Sources

Answer 2

Computation Of GAV Of Each House Owned By Jayashree (Figures In ₹):

	Particulars	House-I	House-II	House-III	House-IV	House-V
(i)	Municipal Value	80,000	55,000	65,000	24,000	75,000
(ii)	Fair Rent	90,000	60,000	65,000	25,000	80,000
(iii)	Higher of (i) & (ii)	90,000	60,000	65,000	25,000	80,000
(iv)	Standard Rent	NA	75,000	58,000	NA	78,000
(v)	Expected Rent [Lower of (iii) & (iv)]	90,000	60,000	58,000	25,000	78,000
(vi)	Actual Rent Received/Receivable	72,000	72,000	60,000	30,000	72,000
	GAV [Higher of (v) & (vi)]	90,000	72,000	60,000	30,000	78,000

Answer 3

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value (GAV)	
• **Step 1: Compute Expected Rent ('ER'). ER = Higher of MV of ₹ 2,40,000 p.a. and FR of ₹ 1,92,000 p.a.; ER = ₹2,40,000** • **Step 2: Compute actual rent received/receivable = ₹18,000 × 12 = ₹2,16,000** • **Step 3: GAV is higher of ER and actual rent received/receivable, GAV = ₹ 2,40,000**	2,40,000
Less: Municipal taxes paid by the owner during the PY {2,000 × 12}	(24,000)
Net Annual Value (NAV)	2,16,000
Less: Deduction u/s 24(a) {30% of NAV}	(64,800)
Less: Deduction u/s 24(b) {Interest on Loan}	(80,000)
Income from House Property	71,200

Answer 4

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value (GAV) • **Step 1: Compute Expected Rent ('ER'). ER = Higher of MV of ₹ 1,20,000 p.a. and FR of ₹ 1,20,000 p.a., ER = ₹ 1,20,000** • **Step 2: Compute actual rent received/receivable = ₹15,000 × 12 = ₹1,80,000** • **Step 3: GAV is higher of ER and actual rent received/receivable. GAV = ₹1,80,000**	1,80,000
Less: Municipal taxes paid by the owner during the PY {₹15,000 × 12}	(1,80,000)
Net Annual Value (NAV)	NIL
Less: Deduction u/s 24(a) {30% of NAV}	(0)
Less: Deduction u/s 24(b) {Interest on Loan}	(60,000)
Income from House Property	(60,000)

House Property Partly Let Out & Partly Vacant - Computation of Income [Sec 23(1)(c)]

Answer 5

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Step I - Computation of Expected Rent:	
• **Municipal Valuation (₹ $18,000 \times 12$)**	2,16,000
• **Fair Rent (₹ $16,000 \times 12$)**	1,92,000
Expected Rent is higher of municipal valuation and fair rent	2,16,000
Step II - Computation of Gross Rent R/R & Effective Rent R/R: • **Gross Rent R/R: Actual Rent R/R for the whole year without vacancy (₹ $20,000 \times 12$) = ₹$2,40,000$** • **Effective Rent R/R: Actual Rent R/R after considering vacancy (₹$20,000 \times 10$) = ₹$2,00,000$** **Since Gross Rent R/R is more than expected rent, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.**	
Gross Annual Value (GAV)	2,00,000

Answer 6

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Step I - Computation of Expected Rent: **Expected Rent = Higher of Municipal Valuation (₹$45,000 \times 12M$) & Fair Rent (₹$40,000 \times 12M$)**	5,40,000
Step II - Computation of Gross Rent R/R & Effective Rent R/R: • **Gross Rent R/R: Actual Rent R/R for the whole year without vacancy (₹ $65,000 \times 12$) = ₹$7,80,000$** • **Effective Rent R/R: Actual Rent R/R after considering vacancy (₹$65,000 \times 7$) = ₹$4,55,000$** **Since Gross Rent R/R is more than expected rent, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.**	
Gross Annual Value (GAV)	4,55,000

Answer 7

Computation Of Income From House Property:

Particulars	House 1	House 2	House 3
Step I - Computation of Expected Rent			
ER is higher of MV and FRV but restricted to standard rent	1,20,000	1,80,000	2,40,000
Step II - Computation of Gross Rent R/R & Effect ive Rent R/R:			
• **Gross Rent R/R: Actual Rent R/R for the whole year without vacancy**	1,44,000	2,10,000	2,52,000

• Effective Rent R/R: Actual Rent R/R after considering vacancy	**1,44,000**	**1,92,500**	**1,26,000**
In all the cases, Gross Rent R/R is higher than Expected Rent, Therefore, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.			
GAV	1,44,000	1,92,500	1,26,000
Less: Municipal taxes paid during the year	(20,000)	(80,000)	(30,000)
Net Annual Value	1,24,000	1,12,500	96,000
Less: Deduction u/s 24(a) {30% of NAV}	(37,200)	(33,750)	(28,800)
Income u/h House Property	86,800	78,750	67,200

Answer 8

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Step I - Computation of Expected Rent: Expected Rent = FRV = ₹10,000	
Step II - Computation of Gross Rent R/R & Effective Rent R/R: • **Gross Rent R/R: Actual Rent R/R for the whole year without vacancy (₹1,000 × 12) = ₹12,000** • **Effective Rent R/R: Actual Rent R/R after considering vacancy (₹ 1,000 × 7) = ₹ 7,000** **Since Gross Rent R/R is more than expected rent, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.**	
Gross Annual Value (GAV)	7,000
Less: Municipal taxes (Not allowed to be deducted since paid by tenant)	NIL
Net Annual Value (NAV)	7,000
Less: Deduction u/s 24(a) {30% of NAV}	(2,100)
Less: Deduction u/s 24(b) {Interest on borrowed capital (₹ 5,000 + ₹ 2,000)}	(7,000)
Income from House Property	(2,100)

One House Which is Self-Occupied - Section 23(2)

Answer 9

As per Section 23(2), NAV of a self-occupied house property shall be Nil.

Answer 10

As per Section 23(2), NAV of a self-occupied house property shall be Nil.

Answer 11

As per Section 23(2), NAV of a self-occupied house property shall be Nil.

Answer 12

Particulars	Amount (₹)
Annual value of one house used for self-occupation u/s 23(2)	Nil
Less: Deduction u/s 24(b) {Interest on borrowed capital} **• Interest on loan was taken for construction of house on or after 1.4.99 and same was completed within 5 years, therefore maximum deduction permissible $u/s24$ (b) is ₹ $2,00,000$.** **• In this case, the total interest is ₹ $1,80,000$ + ₹$30,000$ (Being $1/5^{th}$ of ₹ $1,50,000$) = ₹$2,10,000$. However, the interest deduction is restricted to ₹ $2,00,000$.**	2,00,000
Loss from House Property	(2,00,000)

Answer 13

Mr Manas can claim benefit of 'Nil Annual Value' in respect of his house property at Bombay and Delhi, since no benefit is derived by him from such properties, and he cannot occupy such properties due to reason of his employment at Chandigarh, where he lives in a rented house.

Computation Of Deduction u/s 24(b) Available To Mr Manas For AY 2026-27:

➢Interest on loan taken for acquisition of residential house property at Bombay = ₹ 3L (₹ 30L x 10%). However, deduction of maximum ₹ 2,00,000 shall be available considering the fact that all the prescribed conditions have been fulfilled.

➢Interest on loan taken for repair of residential house property at Delhi = ₹55,000 (₹ 5 L × 11%). However, deduction shall be restricted to maximum ₹ 30,000 because the loan hasn't been taken for purchase/construction of the property.

➢Total Deduction u/s 24(b) = ₹ 2L for Bombay Property (+) ₹ 30,000 for Delhi Property = ₹ 2,30,000

➢Deduction u/s 24(b) in respect of both the houses has to be restricted to ₹ 2,00,000.

Answer 14

To Be Discussed In Class

One House Which Is Self-Occupied As Well As Let Out - Section 23(3)

Answer 15

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)	Amount (₹)
Step I - Computation of Expected Rent: Municipal Valuation (₹ $65,000 \times 12$)	7,80,000	
Step II - Actual Rent R/R: (₹$75,000 \times 7$)	5,25,000	
Gross Annual Value (GAV) {Higher of Expected Rent and Actual Rent Received/Receivable}		7,80,000
Less: Municipal taxes		(1,00,000)
Net Annual Value (NAV)		6,80,000
Less: Deduction u/s 24(a) {30% of NAV}		(2,04,000)
Less: Deduction u/s 24(b) {Interest on borrowed capital}		NIL
Income from House Property		4,76,000

Answer 16

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)	Amount (₹)
Step I - Computation of Expected Rent:		
Higher of Municipal Valuation of ₹3,84,000 and Fair Rent of ₹4,20,000	4,20,000	
Step II - Actual Rent R/R: (₹$75,000 \times 7$)	5,25,000	
Gross Annual Value (GAV) {Higher of Expected Rent and Actual Rent Received/Receivable}		5,25,000
Less: Municipal taxes		NIL
Net Annual Value (NAV)		5,25,000
Less: Deduction u/s 24(a) {30% of NAV}		(1,57,500)
Less: Deduction u/s 24(b) {Interest on borrowed capital}		NIL
Income from House Property		3,67,500

Answer 17

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)	Amount (₹)
Step I - Computation of Expected Rent:		

Answer 19

Particulars	Amount (₹)
DELHI HOUSE (1st SELF-OCCUPIED UNIT)	
Net Annual Value	Nil
Less: Deduction u/s 24(a) {30% of NAV}	Nil
Less: Deduction u/s 24(b) {Interest on borrowed capital} {Deduction available for ₹ 50,000 assuming that all other conditions are fulfilled}	(50,000)
Income/(Loss) From 'Delhi House'	(50,000)
BANGALORE HOUSE (2nd SELF-OCCUPIED UNIT)	
Net Annual Value	Nil
Less: Deduction u/s 24(a) {30% of NAV}	Nil
Less: Deduction u/s 24(b) {Interest on borrowed capital} {Since the loan has been taken for construction purposes in respect of both the houses, maximum deduction of ₹ 2,00,000 can be claimed u/s 24(b) for both the houses assuming that all other conditions are fulfilled}	(1,50,000)
Income/(Loss) From 'Bangalore House'	(1,50,000)
Income/(Loss) From Both Houses	(2,00,000)

Answer 20

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
RENTED UNIT (50% OF TOTAL AREA)	
Step I - Computation of Expected Rent:	
• Municipal valuation (₹ $1,90,000 \times 50\%$)	95,000
• Fair rent (₹ $1,85,000 \times 50\%$)	92,500
• Standard rent (₹ 1,62,000 $\times 50\%$)	81,000
ER is higher of municipal valuation and fair rent, but restricted to standard rent	81,000

Step II - Computation of Gross Rent R/R & Effective Rent R/R:

- **Gross Rent R/R: Actual Rent R/R for the whole year without vacancy** $(₹8,000 \times 12) = ₹96,000$
- **Effective Rent R/R: Actual Rent R/R after considering vacancy** $(₹8,000 \times 10) = ₹80,000$

Since Gross Rent R/R is more than expected rent, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.

Gross Annual Value (GAV)	80,000
Less: Municipal taxes (15% of ₹ 95,000)	(14,250)
Net Annual Value (NAV)	65,750
Less: Deduction u/s 24(a) {30% of NAV}	(19,725)
Less: Deduction u/s 24(b) {Interest on borrowed capital (₹ 750 × 12)}	(9,000)
Taxable Income From Let Out Portion	37,025
SELF-OCCUPIED UNIT (50% OF TOTAL AREA)	
Net Annual Value	Nil
Less: Deduction u/s 24(a) {30% of NAV}	Nil
Less: Deduction u/s 24(b) {Interest on borrowed capital (₹ 750 × 12)}	(9,000)
Loss From Self-Occupied Portion	(9,000)
Income FROM HOUSE PROPERTY	28,025

Note: No deduction will be allowed separately for light and water charges, lease money paid, insurance charges and repairs.

Answer 21

Computation Of Income From House Property Of Mr Vikas For AY 2026-27:

Particulars	Amount (₹)	Amount (₹)
I. Self-Occupied Portion (Two third)		
Net Annual Value	Nil	
Less: Deduction u/s 24(b) {Interest on loan (See Note below) (₹ 18,600 × 2/3)}	(12,400)	
Loss from Self-Occupied Portion		(12,400)
II. Let-Out Portion (One third)		
Gross Annual Value [Higher of (a) or (b)]	60,000	

(a) Actual rent received (₹ 5,000 x 12) = ₹ 60,000		
(b) Expected rent (₹ 1,08,000 * 1/3) = ₹ 36,000 {Expected rent is higher of municipal valuation (₹ 96,000) and fair rent (₹ 1,26,000) but restricted to standard rent (₹ 1,08,000)}		
Less; Municipal taxes (₹ 96,000 x 11% x 1/3)	(3,520)	
Net Annual Value	56,480	
Less: Deduction u/s 24(a) {30% of NAV}	(16,944)	
Less: Deduction u/s 24(b) {Interest on borrowed capital (₹ 18,600 x 1/3)}	(6,200)	
Income from Let-Out Portion		33,336
Income from House Property		20,936

Note - Interest On Loan Taken For Construction Of Building:

Interest for the year (1.4.2025 to 31.3.2026) $= 12\%$ of ₹ $1{,}00{,}000 =$ ₹$12{,}000$

Pre-construction period interest $= 12\%$ of ₹ $1{,}00{,}000$ for 33 months (from 1.07.2018 to 31.3.2021) $=$ ₹$33{,}000$. Preconstruction period interest to be allowed in 5 equal annual installments of ₹ 6,600 each from the year of completion of construction (ie from FY 2021-22 till FY 2025-26).

Therefore, total interest deduction $\mathrm{u/s}24(\mathrm{b}) =$ ₹$12{,}000 +$ ₹$6{,}600 =$ ₹$18{,}600$.

Answer 22

There are two units of the house. Unit I with $2/3^{rd}$ area is used by Prem for self-occupation throughout the year and no benefit is derived from that unit, hence it will be treated as self-occupied and its annual value will be Nil. Unit 2 with $1/3^{rd}$ area is let-out throughout the PY and its annual value has to be determined as per Section 23(1).

Computation Of Income From House Property Of Mr Prem For AY 2026-27:

Particulars	Amount (₹)	
Unit I $(2/3^{rd}$ Area-Self-Occupied):		
Net Annual Value	Nil	
Less: Deduction u/s 24(b) {$2/3^{rd}$ of ₹ $1,20,000$}	(80,000)	
Income from Unit I (Self-occupied)		(80,000)
Unit II (1/3 rd Area - Let Out):		
• Step 1: Compute Expected Rent ('ER'). ER = Higher of MV and FR, restricted to SR. However, in this case, SR of ₹ $1,10,000$ ($1/3^{rd}$ of ₹ $3,30,000$) is more than the higher of MV of ₹ $1,00,000$ ($1/3^{rd}$ of ₹ $3,00,000$) and FR of ₹ 90,000 ($1/3^{rd}$ of ₹ $2,70,000$). Hence the higher of MV and FR shall be taken as ER. Thus, ER = ₹ 1,00,000.	1,00,000	

• Step 2: Compute Actual Rent Received/Receivable {₹ 8,000 x 12 = ₹ 96,000}		
• Step 3: GAV is higher of ER and Actual Rent Received/Receivable. GAV = ₹ 1,00,000		
Less: Municipal taxes paid by the owner during the PY relating to let-out portion {1/3rd of (10% of ₹ 3,00,000) = ₹ 30,000/3 = ₹ 10,000}	(10,000)	
Net Annual Value (NAV)	90,000	
Less: Deduction u/s 24(a) {30% of NAV}	(27,000)	
Less: Deduction u/s 24(b) {Interest on borrowed capital relating to let out portion) {l/3rd of ₹ 1,20,000}	(40,000)	
Income from Unit II (Let-out)		23,000
Loss u/h head "House Property" [(₹ 80,000) + ₹ 23,000]		(57,000)

Preconstruction Period Interest

Answer 23

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value (GAV) {Actual rent assumed to be GAV in the absence of any other information}	2,40,000
Less: Municipal taxes	(30,000)
Net Annual Value (NAV)	2,10,000
Less: Deduction u/s 24(a) {30% of NAV}	(63,000)
Less: Deduction u/s 24(b) {Refer Working Note}	(2,64,000)
Income from House Property	(1,17,000)

Working Note (Interest On Borrowed Capital):

• Interest for the current year (10% of ₹ 22 lakhs)	₹ 2,20,000
• 1/5th of pre-construction interest (Interest for the period from 1.4.2020 to 31.3.2021, ie 1 year) {1/5th of (₹ 22,00,000 × 10%)}	₹ 44,000
Interest Deduction Allowable u/s 24	₹ 2,64,000

Answer 24

Interest for the year (1.4.2025 to 31.3.2026) = 10% of ₹ 5,00,000 = ₹50,000

Pre-construction interest = 10% of ₹ 5,00,000 for 6 months (from 1,10,2024 to 31,3,2025) = ₹25,000. Pre-construction interest to be allowed in 5 equal annual instalments of ₹ 5,000 each from the year of completion of construction (ie, PY 2025-26 in the present case).

Therefore, total interest deduction u/s 24(b) for PY 2025-26 = ₹(50,000 + 5,000) = ₹55,000.

Answer 25

Computation Of Income From House Property Of Mr Raphael For AY 2026-27:

Particulars	**Amount (₹)**	**Amount (₹)**
Shopping Complex: **• Income from letting out of shopping complex:**		
Gross Annual Value [₹30,000 × 12]	3,60,000	
Less: Municipal Taxes	(8,000)	
Net Annual Value (NAV)	3,52,000	
Less: Deduction u/s 24(a) {30% of NAV}	(1,05,600)	
Less: Deduction u/s 24(b) {Interest on borrowed capital} (See Working Note below)	(2,83,333)	
Loss from letting out of shopping complex		(36,933)
• Arrears of rent taxable u/s 25A after allowing deduction of 30% {₹1,20,000 *70%}		84,000
Self-Occupied Residential House:		
Net Annual value (since the house property is self-occupied)	Nil	
Less: Deduction u/s 24(b) {It is assumed that loan has been taken on or after 01.04.1999 and the house has been purchased within 5 years from the end of the year in which the loan was taken. Accordingly, the maximum amount of deduction available u/s 24(b) would be ₹ 2,00,000}	(2,00,000)	
Loss from self-occupied residential house		(2,00,000)
Loss u/h "House Property"		(1,52,933)

Working Note (Interest On Borrowed Capital):

• **Interest for the current year (10% of ₹ 25 lakhs)**	**₹ 2,50,000**
• **$1/5^{th}$ of pre-construction interest (interest for the period from 1.8.2023 to 31.3.2024 for 8 months) $\{1/5^{th}$ of (₹ $25,00,000 \times 10\% \times 8/12$)}**	₹ 33,333
Interest Deduction Allowable u/s 24	₹ 2,83,333

Note 1: It has been assumed that the loan of ₹ 25 lakhs is still outstanding and no repayment has been made till now.

Note 2: Rent received has been taken as the annual value in the absence of information relating to municipal value, fair rent and standard rent.

Treatment Of Unrealized Rent/Recovery Of Unrealized Rent

Answer 26

Computation Of Income From House Property Of Mr Anirudh For AY 2026-27:

Particulars	Amount (in ₹)
Gross Annual Value (GAV)	1,21,000
• **Step 1: Compute Expected Rent ('ER'). ER = Higher of MV of ₹ 1,30,000 p.a. and FR of ₹ 1,10,000 p.a., but restricted to SR of ₹ 1,20,000 p.a. ER = ₹1,20,000**	
• **Step 2: Compute Actual Rent Received/Receivable. Actual Rent Received/Receivable less unrealized rent as per Rule 4 = ₹1,32,000 − ₹11,000 = ₹1,21,000**	
• **Step 3: GAV is higher of Step 1 & Step 2. GAV = ₹1,21,000**	
Less: Municipal taxes paid by the owner during the PY {10% of ₹1,30,000}	(13,000)
Net Annual Value (NAV)	1,08,000
Less: Deduction u/s 24(a) {30% of NAV}	(32,400)
Less: Deduction u/s 24(b) {Interest on Loan}	(40,000)
Income from House Property	35,600

Answer 27

Computation Of Income From House Property Of Mr Ganesh For AY 2026-27:

Particulars	Amount (in ₹)
Gross Annual Value (GAV)	1,80,000
• Step 1: Compute Expected Rent ('ER'). ER = Higher of MV of ₹ 2,50,000 p.a. and FR of ₹ 2,00,000 p.a., but restricted to SR of ₹ 2,10,000 p.a. ER = ₹ 2,10,000	

• Step 2: Compute Actual Rent Received/Receivable. Actual Rent Received/Receivable less unrealized rent as per Rule 4 = ₹ 2,00,000 - ₹ 20,000 = ₹ 1,80,000	
• Step 3: Compare ER and Actual Rent Received/Receivable. The actual rent of ₹ 1,80,000 is lower than ER of ₹ 2,10,000 owing to vacancy, since, had the property not been vacant, the actual rent would have been ₹ 2,20,000 (₹ 1,80,000 + ₹ 40,000). Therefore, actual rent at Step 2 is the GAV.	
Less: Municipal taxes paid by the owner during the PY {8% of ₹ 2,50,000}	(20,000)
Net Annual Value (NAV)	1,60,000
Less: Deduction u/s 24(a) {30% of NAV}	(48,000)
Less: Deduction u/s 24(b) {Interest on Loan}	(65,000)
Income from House Property	47,000

Answer 28

Computation Of Income From House Property Of Smt Rajalakshmi For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value (GAV)	4,80,000
• Step 1: Compute Expected Rent ('ER'). ER = Higher of MV of ₹ $5,00,000$ p.a. and FR of ₹ $4,20,000$ p.a., but restricted to SR of ₹$4,80,000$ p.a. ER $= ₹4,80,000$ **• Step 2: Compute Actual Rent Received/Receivable. Actual Rent Received/Receivable for the let-out period less unrealized rent as per Rule $4 = (₹50,000 \times 9) - (₹50,000 \times 2) = ₹3,50,000$.**	
• Step 3: GAV is higher of Step 1 & Step 2. GAV $= ₹4,80,000$	
Less: Municipal taxes paid by the owner during the PY {12% of ₹ 5,00,000}	(60,000)
Net Annual Value (NAV)	4,20,000
Less: Deduction u/s 24(a) {30% of NAV}	(1,26,000)
Less: Deduction u/s 24(b) {Interest on borrowed capital without any ceiling limit}	(25,000)
Income from House Property	2,69,000

Answer 29

Computation Of Income From House Property Of Mrs Disha Khanna For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value {Refer Working Note 1}	7,20,000
Less: Municipal taxes paid during by Mrs Disha Khanna during the year (12% of ₹ 7.5L)	(90,000)
Net Annual Value (NAV)	6,30,000
Less: Deduction u/s 24(a) {Standard Deduction equivalent to 30% of NAV}	(1,89,000)
Less: Deduction u/s 24(b) {Interest on loan borrowed towards repairs of the property}	(35,000)
Income From House Property	4,06,000

Working Note 1 - Computation Of GAV:

In the present case, the house is partly self-occupied and partly let-out. GAV shall be computed as per the provisions of Section 23(3) and accordingly, higher of expected rent (full 12 months) & actual rent R/R shall be taken as GAV.

Computation of Expected Rent:

➢Step 1: Higher of Fair Rent (₹ 6,30,000) & Municipal Rent (₹ 7,50,000) = ₹7,50,000

➢Step 2: Expected Rent = Lower of Step 1(₹7,50,000) & Standard Rent (₹7,20,000) = ₹7,20,000

Computation of Actual Rent R/R: Deduction of unrealised rent would be available only when all the following four conditions given under Rule 4 of the Income Tax Rules are satisfied:

➢the tenancy is a bonafide tenancy;

➢the defaulting tenant is not in occupation of any other property of the assessee;

➢the defaulting tenant has vacated, or steps have been taken by the assessee to compel the tenant to vacate the property: and

➢the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless.

In the present case, the defaulting tenant continues to occupy another property of the assessee. Therefore, unrealised rent of 2 months cannot be deducted from the actual rent R/R. Actual Rent R/R = ₹75,000 × 9 months = ₹6,75,000

GAV = Higher of ER (₹7,20,000) and Actual Rent R/R (₹6,75,000) =₹7,20,000

Answer 30

Computation Of Taxable Income Of Mr Ramesh For AY 2026-27:

Particulars	Amount (₹)	Amount (₹)
Income From House Property:		
A. Unit-1 {50% Of Floor Area-Let Out}:		
Gross Annual Value {Higher of[1] the following two figures}	1,47,000	
• Expected Rent ₹ 1,14,000 (Higher of Municipal Value of ₹ 94,000 p.a. and Fair Rent of ₹ 1,24,000 p.a., but restricted to Standard Rent of ₹ 1,14,000 p.a.}		

• Actual rent ₹ 1,47,000 {{₹ 15,000 x 10) less unrealized rent of ₹ 3,000 since the conditions laid down under Rule 4 of Income Tax Rules, 1962, are satisfied}		
Less: Municipal taxes (50% of ₹20,000)	(10,000)	
Net Annual Value	1,37,000	
Less: Deduction u/s 24(a) {30% of Net Annual Value}	(41,100)	
Less: Deduction u/s 24(b) {Interest on loan, ie 50% of ₹ 60,000}	(30,000)	
Income From Unit 1		65,900
B. Unit-3 {25% Of Floor Area - Self Occupied}:		
Net Annual Value	-	
Less: Deduction u/s 24(b) {Interest on loan, ie 20% of ₹ 60,000}	(15,000)	
Income From Unit 3		(15,000)
Profits And Gains From Business Or Profession;		
Business Income {Before deducting expenditure on Unit-2, ie 25% floor area used for business purposes}	1,40,000	
Less: Expenditure in respect of Unit-2		
• Municipal taxes (25% of ₹ 20,000)	(5,000)	
• Repairs (25% of ₹ 5,000)	(1,250)	
• Interest on loan (25% of ₹ 60,000)	(15,000)	
• Ground rent (25% of ₹ 6,000)	(1,500)	
• Fire Insurance premium (25% of ₹ 60,000)	(15,000)	
Net PGBP Income		1,02,250
Taxable Income		1,53,150

Treatment of Income From Co-Owned Property (Multiple Owners)

Answer 31

Computation Of Income From House Property For AY 2026-27:

Particulars	**M (₹)**	**N (₹)**
Net Annual Value	Nil	Nil
Less: Deduction u/s 24(a) {30% of NAV}	Nil	Nil
Less: Deduction u/s 24(b) {Interest on loan}	(2,00,000)	(2,00,000)
Income from House Property	(2,00,000)	(2,00,000)

Answer 32

Computation Of Income From House Property For AY 2026-27:

Particulars	Amount (₹)
Step I - Computation of Expected Rent: Expected Rent = Municipal Valuation = ₹ 4,80,000	
Step II - Computation of Gross Rent R/R & Effective Rent R/R: • **Gross Rent R/R: Actual Rent R/R for the whole year without vacancy (₹ $50,000 \times 12$) = ₹$6,00,000$** • **Effective Rent R/R: Actual Rent R/R after considering vacancy (₹$50,000 \times 11$) = ₹$5,50,000$** **Since Gross Rent R/R is more than expected rent, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.**	
Gross Annual Value (GAV)	5,50,000
Less: Municipal taxes paid by the owner during the PY	(80,000)
Net Annual Value (NAV)	4,70,000
Less: Deduction u/s 24(a) {30% of NAV}	(1,41,000)
Less: Deduction u/s 24(b) {Interest on Loan}	(6,00,000)
Loss from House Property	(2,71,000)

Total loss from the house property comes out to ₹ $2,71,000$ which would be divided equally between P & Q (P's share Loss of ₹ 1,35,500; Q's share - Loss of ₹ $1,35,500$)

Answer 33

Computation Of Income From House Property Of Mr Raman For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value (GAV)	1,80,000
• Step 1: Compute Expected Rent ('ER'). ER = Higher of MV of ₹ 1,60,000 p.a. and FR of ₹ 1,50,000 p.a., but restricted to SR of ₹ 1,70,000 p.a;. ER = ₹ 1,60,000	
• Step 2: Compute Actual Rent Received/Receivable = ₹ 15,000 x 12 = ₹ 1,80,000	
• Step 3: GAV shall be higher of Step 1 & Step 2	
Less: Municipal taxes paid by tenant, hence not deductible	NIL
Net Annual Value (NAV)	1,80,000
Less: Deduction u/s 24(a) {30% of NAV}	(54,000)
Less: Deduction u/s 24(b) {Interest on loan taken from bank}	(25,000)
Less: Deduction u/s 24(b) {Interest on fresh loan to repay old loan for this property}	(5,000)
Income from House Property	96,000

Total income from the house property comes out to ₹96,000 which would be divided equally between the co-owners. Therefore, Raman's share of income is ₹ 48,000.

Answer 34

Interest on loan taken for acquisition of residential house property at Calcutta = ₹50 L × 10% = ₹5 L. In the present case, loan has been taken on or after 1st April 1999 for purchase of the property and the property has also been purchased within the stipulated time period of 5 years from the end of the year in which loan has been taken. Assuming that the requisite certificate has been obtained from the lender, each co-owner of the property is eligible for maximum deduction of ₹ 2 Lu/s24 (b) in respect of this property. Therefore, both Ms Aparna & Ms Dimple would be entitled to claim a deduction of ₹ 2 L each u/s24 (b) in respect of the interest paid on loan taken for acquisition of residential house property at Calcutta.

Computation Of Deduction u/s 24(b) Available To Ms Aparna For AY 2026-27:

➢Interest on loan taken for repair of flat at Pune = ₹36,000 (₹ 3,00,000 × 12%). However, deduction of maximum ₹ 30,000 shall be available because the loan hasn't been taken for purchase/construction of the property.

➢Total Deduction u/s 24(b) = ₹ 2L for Calcutta Property (+) ₹ 30,000 for Pune Property = ₹ 2,30,000

➢Deduction u/s 24(b) in respect of both the houses has to be restricted to ₹ 2,00,000.

Deduction of ₹ 2L available u/s 24(b) to Ms Dimple for AY 2026-27.

Answer 35

Particulars	Arun (₹)	Bimal (₹)
Loss from self-occupied portion	(37,500)	(37,500)
Income from let out portion (total income from let out portion comes out to ₹ 2,51,700 which would be equally divided between Arun & Bimal)	1,25,850	1,25,850
Income u/h House Property	88,350	88,350
Other Incomes	2,90,000	1,80,000
Total Income	3,78,350	2,68,350

WN 1 - Computation Of Income From Let-Out Portion Of House Property:

Particulars	Amount (₹)
Let-Out portion (75%): GAV {Actual Rent (₹ 12,000 p.m. × 6 units × 12M) - (₹ 12,000 × 1 unit × 4M)}	8,16,000
Less: Municipal taxes paid (75% of ₹1,80,000)	(1,35,000)
Net Annual Value (NAV)	6,81,000
Less: Deduction u/s 24(a) (30% of NAV)	(2,04,300)
Less: Interest on loan taken for the house (75% of ₹ 3,00,000)	(2,25,000)
Income from Let Out Portion	2,51,700

Treatment Of Composite Rent

Answer 36

Computation Of Income From House Property Of Mr X For AY 2026-27:

Particulars	Amount (₹)
Gross Annual Value (₹$37,000 \times 12$ months)	4,44,000
Less: Municipal taxes	(2,300)
Net Annual Value (NAV)	4,41,700
Less: Deduction u/s 24(a) {30% of NAV}	(1,32,510)
Less: Deduction u/s 24(b) {Interest on Borrowed Capital}	(7,000)
Income u/h House Property	3,02,190
Income u/h Other Sources:	
[Receipts of ₹ 36,000 (₹ $3,000 \times 12$ months) - Expenses of 12,600 {Generator repair charges - ₹ 3,400 p.a.; Fuel charges - ₹ 5,600 p.a.; Operator's salary - ₹ 3,600 p.a.}]	23,400
Total Income	3,25,590
Computation Of Tax Liability	
Tax on normal income of ₹ $3,25,590$ at slab rates	3,779.50
Less: Rebate u/s 87 A	(3,779.50)
Tax Liability	Nil

Answer 37

Computation Of Total Income Of Mr Z For AY 2026-27:

Particulars	Amount (₹)
Step I - Computation of Expected Rent: **Expected Rent = Higher of MV of ₹ 95,000 p.a. and FR of ₹ $1,44,000$ p.a. = ₹$1,44,000$**	
Step II - Computation of Gross Rent R/R & Effective Rent R/R: **• Gross Rent R/R: Actual Rent R/R for the whole year without vacancy (₹ $16,000 \times 12$) = ₹$1,92,000$** **• Effective Rent R/R: Actual Rent R/R after considering vacancy (₹$16,000 \times 11$) = ₹$1,76,000$** **Since Gross Rent R/R is more than expected rent, the assessee will be allowed the benefit of vacancy and Effective Rent R/R shall be taken as GAV.**	

Gross Annual Value (GAV)	**1,76,000**
Less: Municipal taxes	(9,500)
Net Annual Value (NAV)	1,66,500
Less: Deduction u/s 24(a) {30% of NAV}	(49,950)
Less: Deduction u/s 24(b) {Interest on loan}	(80,000)
Income u/h House Property	36,550
Income u/h Other Sources: Net income from facilities $\{(400 + 2500 - 1000) \times 11$ **months}**	20,900
Total Income	57,450

Answer 38

Computation Of Total Income Of Mr Ravi For AY 2026-27:

Particulars	**Amount (₹)**	**Amount (₹)**
Income From House Property:		
Gross Annual Value	29,40,000	
• Expected Rent ₹ 29,80,000 {Higher of Municipal Value of ₹ $27,00,000$ **p.a. and Fair Rent of**		
₹ 30,00,000 p.a., but restricted to Standard Rent of ₹ 29,80,000 p.a.}		
• Gross Rent R/R ₹ 30,00,000		
• Effective Rent R/R ₹ 29,40,000 {₹ 30,00,000, being annual rent for house property less rent of ₹ 60,000 (₹ 2,40,000 x 4/12 x 3/4) due to vacancy]		
In this case, the actual rent is lower than the expected rent due to vacancy. Otherwise, the actual rent of ₹ 30,00,000 would have been higher than the expected rent. In such a case, the actual rent would be the gross annual value, even if it is lower than the expected rent.		
Less: Municipal taxes actually paid during the year {₹ 3,60,000 (4,00,000 - rebate of 40,000) (+) ₹ 1,15,000 (1,40,000 arrears - 25,000 interest)}	(4,75,000)	
Net Annual Value	24,65,000	
Less: Deduction u/s 24(a) {30% of Net Annual Value)	(7,39,500)	
Less: Deduction u/s 24(b)	Nil	
Income From House Property		17,25,500

Income From Other Sources/Prof its And Gain From Business Or Profession:		
Rent for amenities	10,00,000	
Less: Loss due to vacancy (₹ 2,40,000 x 4/12 x ¼)	(20,000)	
Actual Rent Received For Amenities	9.80,000	
Less: Lift maintenance expenses excluding cash payment of ₹ 30,000 (₹ 2,40,000 - ₹ 30,000)	(2,10,000)	
Less: Salary to staff (₹ 88,000 x 1/4, being the proportion pertaining to amenities)	(22,000)	
Net Income		7,48,000
Total Income		24,73,500

Treatment of House Property Located Outside India/Non-Resident Cases

Answer 39

For PY 2025-26, Mr Rajesh, a British national, is resident and ordinarily resident in India. Therefore, income received by him by way of rent of the house property located in London is to be included in the total income in India. Municipal taxes paid in London are allowed as deduction from the gross annual value.

Computation Of Income From House Property Of Mr Rajesh For AY 2026-27:

Particulars	Amount (in ₹)
Gross Annual Value (£10,000 × 12 months × ₹82.50)	99,00,000
Less: Municipal taxes paid (£8,000 × ₹82.50)	(6,60,000)
Net Annual Value (NAV)	92,40,000
Less: Deduction u/s 24(a) {30% of NAV = 30% of ₹ 92,40,000}	(27,72,000)
Income from House Property	64,68,000

Answer 40

Since the assessee is a resident and ordinarily resident in India, her global income would form part of her total income, ie income earned in India as well as outside India will form part of her total income.

She possesses a self-occupied house at Los Angeles as well as at Chennai. The benefit of self-occupation (ie, benefit of "Nil" Annual Value) is available in respect of both the house properties. However, the aggregate deduction u/s 24(b) in respect of interest on borrowed capital for both the houses should remain within the applicable limit of ₹ 30,000 / ₹ 2,00,000.

As regards the Bangalore house, arrears of rent will be chargeable to tax as income from house property in the year of receipt as per Section 25A. It is not essential that the assessee should continue to be the owner. Further, 30% of the arrears of rent shall be allowed as deduction.

Accordingly, the income from house property of Mrs Rohini Ravi will be calculated as under:

Particulars	Amount (₹)	Amount (₹)
1. Self-Occupied House At Los Angeles:		
Net Annual Value ('NAV')	Nil	
Less: Deduction u/s 24(a)/24(b)	Nil	
Chargeable Income from this House Property		Nil
2. Self-Occupied House At Chennai:		
Net Annual Value (NAV)	Nil	
Less: Deduction u/s 24(a) {30% of NAV)	Nil	
Less: Deduction u/s 24(b) {Interest on borrowed capital (See Note below)}	(1,91,940)	
Loss from this House Property		(1,91.940)
3. Arrears In Respect Of Bangalore Property Taxable As Per Section 25a After Deduction Of 30% {₹ 60,000 * 70%}		42,000
Net Income/(Loss) chargeable u/h " House Property"		(1,49,940)

Working Note (Interest On Borrowed Capital):

• **Interest for the current year** $(₹50,800 + ₹1,31,300)$	**$₹1,82,100$**
• **$1/5^{th}$ of pre-construction interest** $(₹49,200 \times 1/5)$	₹9,840
Interest Deduction Allowable u/s 24(b)	₹1,91,940

Answer 41

Part (a):

Under Section 6(1), an individual is said to be resident in India if he satisfies any one of the following conditions:

(i) He has been in India during the PY for a total period of 182 days or more; or

(ii) He has been in India during the 4 years immediately preceding the PY for a total period of 365 days or more and has been in India for at least 60 days in the PY.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

Therefore, the residential status of Miss Charlie, an American National, for PY 2025-26 has to be determined on the basis of her stay in India during PY 2025-26 and in the preceding four PYs. Her stay in India during PY 2025-26 and in the preceding four years is as under:

PY 2025-26	
➢ **01.04.2025 to 23.09.2025**	176 days
➢ **27.03.2026 to 31.03.2026**	5 days
Total	181 days
Four Preceding Previous Years {PY 2021-22 To PY 2024-25}	
➢ **PY 2024-25 [1.4.2024 to 31.3.2025]**	16 days
➢ **PY 2023-24 [1.4.2023 to 31.3.2024]**	Nil
➢ **PY 2022-23 [1.4.2022 to 31.3.2023]**	Nil
➢ **PY 2021-22 [1.4.2021 to 31.3.2022]**	Nil
Total	16 days

The total stay of the assessee during the PY in India was less than 182 days and during the past four years was 16 days. Therefore, due to non-fulfillment of any of the two conditions, she would be treated as a non-resident for AY 2026-27.

Computation Of Total Income Of Miss Charlie For AY 2026-27:

Particulars	**Amount (₹)**	**Amount (₹)**
Income From House Property:		
{Show room located in Mumbai remained on rent from 01.05.2025 to 31.03.2026 @ ₹ 25,000 per month. Since the values of SR, FR & MV are not given, actual rent is taken as GAV}		
Gross Annual Value [25,000 × 11]	2,75,000	
Less: Municipal taxes	Nil	
Net Annual Value (NAV)	2,75,000	
Less: Deduction u/s 24(a) {30% of NAV}	(82,500)	
Less: Deduction u/s 24(b) {Interest on loan}	(97,500)	
Total Income u/h House Property		95,000
Income From other sources:		
• ₹ 50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relatives and gifts from a relative are not chargeable to tax.	Nil	