INCOME FROM HOUSE PROPERTY

❖ Section 22 : Basis of charge

- The ***Net Annual Value*** of property consisting of
- any ***building or land appurtenant thereto***
- of which the assessee is the ***owner*** shall be subject to income-tax under the head 'Income from House Property'
- after claiming ***deduction u/s 24***
- provided such property is ***not used by the assessee for the purposes of any business or profession***, carried on by him the profits of which are chargeable to income tax.

Net Annual Value (NAV)

This is the inherent capacity of the property to earn income. In other words, NAV is the amount for which the property might reasonably be expected to let from year to year.

(i) Computation of NAV

Gross Annual Value (GAV)	* * * * * * *
Less : Municipal Tax ***paid*** by the ***owner*** during the P.Y.	* * * * * * *
Net Annual Value (NAV)	* * * * * * *

Notes :

1. NAV can be negative only when the municipal taxes paid by the owner are more than the GAV.
2. NAV in case of ***one*** H.P., which is Self-occupied for residential purposes or could not actually be self-occupied owing to employment, business or profession at any other place, shall be NIL.
3. Where assessee has ***more than one*** H.P. house which is Self-occupied for residential purposes or could not be actually self-occupied owing to employment at any other place, NAV of only one residential house shall be taken as NIL and NAV of remaining H.P. will be calculated as if these were let out by the assessee (i.e. remaining H.Ps will be deemed to be let-out).

(ii) Gross Annual Value

In determining GAV there are four factors that are normally taken into consideration. These are :

Actual Rent received / receivable :

This is also called ***De facto rent***.

Note :

Any deposit received from the tenant is a capital receipt and thus, it cannot be treated as income. Further while determining the actual rent, no notional interest on such deposit shall be treated as income.

1. **Unrealized rent [Explanation to Section 23 (1)] :**

According to the Explanation to Section 23 (1), the Actual rent received/receivable shall not include the amount of rent which the owner cannot realize subject to the following conditions :

- The tenency is bonafide;
- The defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;
- The defaulting tenant is not in occupation of any other property of the assessee;
- The assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the A.O. that legal proceeding would be useless.

Municipal value :

This is the value as determined by the municipal authorities for levying municipal tax on the house property.

Fair rent :

It is the rent, which a similar property can fetch in the same or similar locality, if it is let for a year.

Standard rent :

This rent is fixed under the Rent Control Act. If the standard rent has been fixed for any property, the owner cannot expect to get a rent higher than the standard rent.

Computation of GAV :

Step I :

Take higher of the following :

1. Municipal value
2. Fair Rent.

Step II :

Calculate ***Expected rent***.

Expected rent shall be computed as follows :

- Compare rent computed in Step I above with standard rent.
- If rent computed in Step I is higher than the Standard rent then take Standard rent as expected rent.
- If rent computed in Step I is lower than the Standard rent then take rent computed in Step I as expected rent.

Step III :

GAV will be Higher of the following :

1. Amount calculated in Step II above (i.e. expected rent)
2. Actual Rent received / receivable.

Illustration :

Particulars	**Situations**					
	I	**II**	**III**	**IV**	**V**	**VI**
M. V.	12,000	10,000	18,000	21,000	22,000	24,500
F. R.	12,000	12,000	20,000	21,000	25,000	25,000
S. R.	12,000	N. A.	25,000	15,000	24,000	N. A.
A. R.	18,000	9,000	24,000	18,000	21,000	27,000
GAV	18,000	12,000	24,000	18,000	24,000	27,000

Notes :

1. If ***annual rent*** is given then Actual Rent Received/Receivable shall be calculated as under :

Annual Rent	********
Less : Unrealized Rent	********
Loss due to vacancy (Annual Rent x Vacancy Period/12)	********

Actual Rent Received/Receivable	********
	=======

2. **As per Section 23 (3) (a) Where a house property is let out for a part of the P.Y. and self-occupied during the rest period of the P.Y., the period of occupation of property for own residence shall be irrelevant and the net annual value of such house property shall be determined as if it is let throughout the P.Y. hence Expected Rent shall be taken for the full year but Actual Rent Received/Receivable shall be taken only for the period for which property is let out. [Refer Questions No. 9 & 10].**

☙ Building or land appurtenant thereto

For taxing income under the head IHP, there must be a house property which must consist of ***"building or land appurtenant thereto"***. Any income derived from ***vacant land*** (not appurtenant to building) cannot be taken under the head IHP but will be taxed under the head IOS or PGBP depending upon facts of the case.

(i) Building

The word "building" is neither defined in the Income Tax Act nor in the Income Tax Rules.

Building means a relatively permanent, essentially box-like construction having a ***roof***, within its wall space, usually on more than one level and used for any of a wide variety of activities as living, entertaining, manufacturing etc. – ***Webster's New International Dictionary***

From the above definition it does not appear that the existence of roof is always necessary for a structure to be regarded as a building. A large stadium or an open-air swimming pool constructed at a considerable expense would be a building as it is a permanent structure and designed for a useful purpose.

(ii) Land appurtenant thereto

The appurtenant land in respect of residential building may be in the form of approach roads to and from the public streets, compounds, courtyards, backyards, playgrounds, motor garage, garden, cattle-shed etc. attached to and forming part of the building.

The appurtenant land in respect of non-residential building may be in the form of car-parking spaces, roads, playgrounds for the benefit of employees, etc.

Independent and commercial income of land appurtenant the building **:**

Although, the house property includes building and land appurtenant thereto, but if the land appurtenant thereto yields any independent and commercial income, such income shall not be taxable under the head IHP, it will be taxable under the head PGBP or IOS depending upon the circumstances.

In case of ***M. Ramalakshmi Vs. CIT***, it was held that where the assessee has a well in the compound of her dwelling house from which she supplies water to outsiders on payment basis, the assessee's claim that the well is *"land appurtenant to building"* and as such income therefrom is taxable under the head IHP cannot be accepted.

Ownership of house property

X $\xrightarrow[\text{Lets}]{\text{IHP}}$ Y $\xrightarrow[\text{Sub-lets}]{\text{IOS or PGBP}}$ Z

- Owner includes a legal owner such as trustee, an executor and an official receiver / assignee. Hence "owner" is a person who is entitled to receive income from the house property in his own right. The requirement of registration of sale deed is not necessary.

- Owner ship includes both freehold and leasehold rights and also includes deemed ownership.

Deemed ownership (Section 27)

Following persons though not the legal owners of a house property are deemed to be the owners for the purposes of Section 22 to 26 :

- **Transfer to a spouse [Section 27 (i)] :**

Individual (Deemed owner) $\xrightarrow{\text{Transfers for inadequate consideration except an agreement to live apart}}$ Spouse

- **Transfer to a child [Section 27 (i)] :**

Individual (Deemed owner) $\xrightarrow{\text{Transfers for inadequate consideration}}$ Minor child except minor married daughter

Note :

Where the individual transfers cash to his/her spouse or minor child and the transferee acquires a H.P. out of such cash, the transferor shall not be treated as deemed owner of the H.P. Such transaction will however, attract clubbing provisions.

➢ **Holder of an impartible estate [Section 27 (ii)] :**

The holder of an impartible estate shall be deemed to be the owner of all properties comprised in the estate. A property which is not legally divisible is called an impartible estate.

➢ **Member of a co-operative society, etc. [Section 27 (iii)] :**

A member of a co-operative society, company or other association of person to whom a building or part thereof is allotted or leased under a House Building Scheme of society / company / association, shall be deemed to be owner of that building or part thereof allotted to him although the society / company / association is the legal owner of that building.

➢ **Person in possession of a property [Section 27 (iiia)] :**

A person who is allowed to take or retain the possession of any building or part thereof in part performance of a contract of the nature referred to in Section 53A of the Transfer of Property Act shall be deemed to be the owner of that H.P.

➢ **Person having right in a property for a period not less than 12 years [Section 27 (iiib)] :**

A person who acquires any building or part thereof by way of lease for 12 years or more (whether fixed originally or there is a provision of extension of period and the aggregate period is not less than 12 years) shall be deemed to be owner of that building or part thereof. Person will, however, not be treated as deemed owner where any right by way of lease is acquired from month to month basis or for a period not exceeding one year.

Deductions from NAV (Section 24)

1) **Statutory deduction [Section 24(a)] :**

From the NAV, a sum equal to 30% of the NAV shall be deducted to compute IHP.

2) **Interest on borrowed capital [Section 24(b)] :**

Interest on any amount borrowed for the acquisition, construction, repair, renovation or reconstruction of a H.P. shall be deducted to compute IHP. Interest shall be allowed to be deducted on ***accrual*** basis.

Notes :

(a) **Interest of pre-construction period :** If money is borrowed earlier and acquisition or completion of construction takes place in any subsequent year then interest paid or payable from the date of borrowing to the end of the P.Y. immediately preceding the P.Y. in which the property is acquired or constructed will be aggregated and allowed in five successive P.Y. starting from the P.Y. in which acquisition/construction was completed.

(b) Where a fresh loan has been raised to repay the original loan, the interest paid or payable on fresh loan shall also be allowed as a deduction.

(c) Interest on interest is not deductible.

(d) Any amount paid for brokerage or commission for arrangement of the loan will not be allowed as deduction.

(e) According to Section 25, interest payable outside India shall be allowed as deduction only if tax on the same has been paid or deducted at source.

(f) In case of ***one*** self-occupied house where NAV is NIL, assessee will be allowed deduction on account of interest on borrowed capital (including 1/5th of the accumulated interest of the pre-construction period) as under :

Where the property has been ***acquired, constructed, repaired, renewed or reconstructed*** with borrowed capital upto 31-03-1999	⌖	Actual interest payable subject to maximum of Rs. 30,000/-.
Where the property has been ***acquired or constructed*** with borrowed capital after 31-03-1999 and such acquisition or construction is completed within 3 years from the end of the P.Y. in which capital was borrowed.	⌖	Actual interest payable subject to maximum of Rs. 1,50,000/- if certificate specifying the amount of interest payable by the assessee is obtained from the person to whom such interest is payable.
Where the property has been ***repaired or renewed*** with borrowed capital after 31-03-1999	⌖	Actual interest payable subject to maximum of Rs. 30,000/-.

Except abovementioned two deductions u/s 24(a) and 24(b), the assessee shall not be allowed any other deduction on account of any expenses incurred in relation to H.P.

❖ Other issues relevant for computation of IHP

⊠ Composite Rent

When the owner of house charges rent from the tenant not only on account of rent for the house property but also on account of service charges for the various facilities provided with the house, rent so charged is known as Composite rent. There are two types of Composite Rent:

1. **Composite rent on account of rent for the house and service charges for various facilities provided alongwith the house like lift, gas, water, electricity, watch and ward, air conditioning etc. :**

   Such composite rent shall be split up and :

   ➢ the portion relating to the letting of the premises shall be assessable as IHP.

   ➢ remaining portion shall be assessable as PGBP or IOS depending on the facts of each case.

2. **Composite rent on account of rent for the house and the hire charges of machinery, plant or furniture belonging to the owner :**

   ❖ **If composite rent can be divided among the house and other assets (i.e letting out of house and letting out of other assets is separable) then :**

   ➢ the portion relating to the letting of the premises shall be assessable as IHP.

   ➢ remaining portion shall be assessable as PGBP or IOS depending on the facts of each case.

   ❖ **If composite rent can not be divided among the house and other assets (i.e letting out of house and letting out of other assets is not separable) then :**

   ➢ entire income shall be assessable as PGBP or IOS depending on the facts of each case. This rule is applicable even if sum receivable for two lettings is fixed separately.

Illustrations :

1. X owns an air-conditioned furnished lecture hall. It is let out, annual rent being Rs. 5,00,000 (it includes rent of building and rent of air conditioner and furniture). In this case letting out of lecture hall is not separable from the letting of air-conditioner/furniture (because letting of one is not acceptable to the other party without letting of the other). This income (after excluding expenditure) is taxable as PGBP or IOS depending on the facts.

2. X owns an air-conditioned furnished lecture hall. It is let out, annual rent being Rs. 3,00,000 for building and Rs. 2,00,000 as rent of air-conditioner and furniture. In this case letting out of lecture hall is not separable from the letting of air-conditioner/furniture. This income (after excluding expenditure) is taxable as PGBP or IOS depending on the facts. This rule is applicable even if one can find out rent of building and rent of air-conditioner/furniture separately.

☒ Recovery of unrealized rent [Section 25A & 25AA]

Where the assessee can not realize rent from a H.P. let to a tenant and subsequently the assessee has realized any amount in respect of such rent, the amount so realized shall be deemed to be income chargeable under the head IHP and accordingly charged to income-tax as income of the P.Y. in which such rent is realized whether or not the assessee is owner of that property in that P.Y.

☒ Arrears of rent received i.e. outstanding rent received [Section 25B]

Any outstanding rent received (if not charged to income-tax in any P.Y.) shall, ***after deducting a sum equal to 30% of such amount***, shall be deemed to be income chargeable under the head IHP and accordingly charged to income-tax as income of the P.Y. in which such rent is received whether or not the assessee is owner of that property in that P.Y.

☒ Property owned by Co-owners [Section 26]

1. If the respective shares of co-owners are not ascertainable :

Such persons shall be assessed as an AOP in respect of such property.

2. If the respective shares of co-owners are ascertainable :

(a) Where the H.P. is self-occupied by each of the co-owner :

The NAV for each of the co-owner shall be Nil and ***each*** of the co-owner shall be entitled to the deduction of Rs. 30,000/Rs. 1,50,000 u/s 24(b).

(b) Where entire or part of the H.P. is let out :

The income from such property or part thereof shall be first computed ***as if this property or part thereof is owned by one owner*** and thereafter the income so computed shall be apportioned amongst each co-owner as per their definite share.

☒ Property owned by partners of the firm

When property owned by partners is included in the assets of the firm, the income from such property shall be assessed ***in the hands of the firm*** because according to law the joint effects of a partnership firm belong to the firm and a partner has no individual right in any specific asset of the firm and he has no exclusive right to possesses or use the partnership property. Hence in case of partnership it is not open to any partner to seek to be assessed as an individual in respect of his fractional share in the firm.

☒ Property held as stock-in-trade

As a specific head of charge is provided for income from house property, annual value of house property cannot be brought to tax under any other head of income. It will remain so even if house property is held by the assessee as stock-in-trade of a business, or if the assessee is engaged in the business of letting out of property on rent.

☒ Net Municipal Value / Net Ratable Value / Net Letable Value

In some big cities (like Delhi, Kolkata, Mumbai and Chennai) Municipal authorities determine Net Municipal Value (or Net Ratable Value or Net Letable Value) after deducting ***10% of the Gross Municipal Value, on account of repairs*** and an allowance for service taxes (e.g. Sewerage tax, water tax, etc.). In such a case :

a) ***Gross Municipal Value*** is taken for the purpose of computing ***GAV***

b) ***Municipal tax and other taxes*** are levied on ***Net Municipal Value***.

Calculation of Net Municipal Value from Gross Municipal Value

		Rs.
Gross Municipal Value		24,000
Less : Deduction for repairs (10% of Gross Municipal Value)		2,400
		21,600
Less : Water & Sewerage Tax		1,600
Net Municipal Value		20,000

Calculation of Gross Municipal Value from Net Municipal Value

		Rs.
Net Municipal Value		20,000
Add : Water & Sewerage Tax		1,600
	"T"	21,600
Add : Deduction for repairs (1/9th of **"T"**)		2,400
Gross Municipal Value		24,000

Note :

If in a question "Municipal Value" is given and municipal tax is required to be calculated on a fixed % of Municipal Value, then municipal tax shall be calculated by applying the given % directly on Municipal Value. However, if "Gross Municipal Value" is given then municipal tax shall be calculated by applying the given % on "Net Municipal Value".

COMPUTATION OF INCOME FROM HOUSE PROPERTY

Name of the assessee : …………….
Previous Year : ……………………
Assessment Year : …………………

	Rs.
(a) Municipal Value	******** =======
(b) Fair Rent	******** =======
(c) Standard Rent	******** =======
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	********
Less : Loss due to vacancy (Annual Rent x Vacancy Period/12)	******** -----------
	******** =======
(e) Actual Rent Received/Receivable :	
Annual Rent	********
Less : Unrealized Rent	******** -----------
	********
Less : Loss due to vacancy (Annual Rent x Vacancy Period/12)	******** -----------
	******** =======
Gross Annual Value [(d) or (e), whichever is higher]	********
Less: Municipal Tax ***paid*** by the ***owner*** during the P.Y.	******** -----------
Net Annual Value	********
Less : Deductions u/s 24 :	
Statutory Deduction u/s 24(a) [30% of Net Annual Value]	********
Interest on borrowed capital u/s 24(b)	******** -----------
	********
Add : Recovery of unrealised rent	********
Add : Arrears of rent received (***after deducting a sum equal to 30% of such amount***)	******** -----------
Income from house property	******** ========

INCOME FROM HOUSE PROPERTY

PRACTICAL PROBLEMS

Question No. 1 :

Find out the GAV in respect of the following properties for the A.Y. 2011-12 :

(Rs. in thousands)

Particulars	A	B	C	D	E
Municipal Value	140	180	180	140	231
Fair Rent	145	185	185	145	262
Standard Rent	142	175	175	142	241
Annual Rent	168	168	168	168	252
Unrealized Rent for the P.Y. 2010-11	14	42	1	70	42
Vacancy Period (in no. of months)	½	1	1	3	5

Question No. 2 :

R furnishes the following particulars in respect of a H.P. owned by him in Delhi :

Particulars	Rs.
Municipal value	2,00,000
Fair rent	2,40,000
Actual rent (per month)	21,000
Municipal tax paid during the year	20,000

The tenant vacated the property on 31-10-2010 and thereafter the property was let out for Rs. 25,000 p.m. R could not realise the rent for the months of September and October, 2010 due to the death of the earlier tenant.

a) Compute the annual value of the property for the A.Y. 2011-12.

b) What will be your answer if the unrealised rent is for one month instead of two months?

Question No. 3 :

R owns a H.P. in Delhi. From the particulars given below compute the IHP for the A.Y. 2011-12 :

Particulars	Rs.
Municipal value	2,00,000
Fair rent	2,52,000
Standard rent	2,40,000
Actual rent (per month)	23,000
Municipal taxes	20% of municipal value
Municipal taxes paid during the year	50% of tax levied
Expenses on repairs	20,000
Insurance premium	5,000

R has borrowed a sum of Rs. 10,00,000 @ 12% p.a. on 1-7-2008 and construction of the property was completed on 28-2-2010.

Question No. 4 :

a) Assessee has one H.P. at Vasant Kunj in Delhi. He stays with his family in this house. The rent of the similar property in the neighbourhood is Rs. 56,000 per annum. The municipal valuation is Rs. 28,000. Municipal taxes paid in respect of the property are Rs. 5,000 (including Rs. 1,000 for an earlier year).

The house was constructed in 1998 with a loan of Rs. 12,00,000 taken from HDFC. During the previous year 2010-11, the assessee refunded Rs. 2,30,000, which includes Rs. 1,68,000 as interest. Compute the income from house property for A.Y. 2011-12.

b) What would be the deduction on account of interest if the loan was taken on or after 1-4-1999 and the property was completed in December, 2002?

Question No. 5 :

a) X has two houses, both of which are self-occupied. The particulars of the houses are as under :

Particulars	Ist House (Rs.)	IInd House (Rs.)
Municipal Value	60,000	90,000
Fair Rental Value	72,000	1,20,000
Standard rent	-------	1,00,000.00
Date of completion	1-1-1996	1-10-1996
Municipal taxes	6,000 (Paid during the year)	9,000 (Paid during the year)

Suggest which house should be opted by X to be assessed as self-occupied so that his tax liability is minimum.

b) What will be your answer if in case of house II, the interest on money borrowed for repair of the property during the current year is Rs. 50,000 ?

Question No. 6 :

From the information given below, find out the income under the head "IHP" for the A.Y. 2011-12 and 2012-13 :

Particulars	House I (Rs.)	House II (Rs.)
Municipal Valuation	1,90,000	1,90,000
Fair Rent	1,85,000	1,95,000
Standard Rent	1,70,000	1,70,000
Annual rent	2,16,000	1,75,000
Unrealised Rent during the P.Y. 2010-11	30,000	30,000
Unrealised Rent during the P.Y. 2011-12	Nil	Nil
Unrealised rent of P.Y. 2010-11 realised during the P.Y. 2011-12	28,000	28,000
Interest on borrowed capital (per annum)	36,000	36,000

The above stated properties are let out throughout the P.Ys. 2010-11 and 2011-12. Municipal tax is at the rate of 20%.

Question No. 7 :

X owns a property. It is given on rent (rent being Rs. 11,000 per month) to a bank. Municipal value of the property is Rs. 1,30,000, fair rent is Rs. 1,40,000 and standard rent is Rs. 1,34,000. Municipal tax paid by X is as follows – Rs. 26,000 on March 3, 2011 and Rs. 30,000 on May 10, 2011.

On May 1, 2011, rent is increased from Rs. 11,000 per month to Rs. 14,000 per month with retrospective effect from April 1, 2010. Arrears of rent for 2010-11 are paid on May 1, 2011.

Find out the income chargeable to tax for the A.Ys. 2011-12 and 2012-13.

Question No. 8 :

X has the following properties :

1. Flat in Bombay purchased on June 1, 2010 which is let out on a monthly rent of Rs. 2,000. The building in which the flat is located was completed on May 1, 2010. The flat was let out from August 1, 2010.
2. Flat in Delhi (construction completed on May 10, 2006), which is self-occupied.
3. Godown in Calcutta constructed in 2006, which is let out on monthly rent of Rs. 8,000 (it remains vacant for ½ month).

The expenses actually incurred during the year against rental income are :

Particulars	Bombay Rs.	Delhi Rs.	Calcutta Rs.
a) Municipal taxes actually paid during the P.Y. ending 31-03-2011	7,000	2,400	11,000
b) Building co-operative maintenance charges	2,000	900	-------
c) Electricity charges	-------	4,200	6,800
d) Fire insurance premium	-------	-------	2,600
e) Collection charges	750	-------	1,400
f) Repairs	320	1900	14,000

The following further information are given :

1. The flat in Delhi, if let out, would fetch a monthly rent of Rs. 7,000; however, standard rent of the house according to the Delhi Rent Control Act is Rs. 6,000 per month.
2. Other data regarding flat in Bombay and godown in Calcutta is as follows :

Particulars	Bombay flat Rs.	Calcutta godown Rs.
Municipal valuation (annual)	21,600	70,000
Fair rent (annual)	22,000	75,000
Standard rent (annual)	22,500	74,000
Unrealised rent	200	4,000

X took a loan of Rs. 1,80,000 on April 1, 1998 from a bank at 20 percent per annum to construct the house in Delhi. However, on May 15, 2006 it is repaid alongwith interest. Compute IHP of X.

Question No. 9 :

X owns two houses – House I and House II. While House I is let out throughout the P.Y., House II is used by him for the residential purposes for the first 8 months (i.e. from April 1, 2010 to November 30, 2010) and let out on monthly rent of Rs. 35,000 for remaining part of the year.

Determine the IHP of X for the A.Y. 2011-12 on the basis of following information :

Particulars	House I Rs.	House II Rs.
Municipal valuation	2,42,000	4,10,000
Fair rent	2,51,000	4,00,000
Standard rent	N. A.	N. A.
Composite rent payable by the tenants for house and amenities	3,20,000	-------
Municipal taxes:		
Paid by X	-------	65,000
Due but not paid	47,000	-------
Repairs met by the tenant	18,000	-------
Insurance	14,700	16,000
Collection charges	6,300	-------
Unadjusted unrealised rent of P.Y. 2004-05 & 2005-06	2,90,000	-------

The composite rent of Rs. 3,20,000 has been fixed on the basis of computation given below :

Particulars	Rs.
Rent of the building	2,60,000
Electricity charges	12,000
Water charges	8,000
Lift charges	16,000
Guard and security charges	24,000
Total	3,20,000

For providing the aforesaid services to the tenants of House I, the following expenses are incurred by X:

Particulars	Rs.
Electricity bills	10,870
Water bills	9,100
Lift maintenance (including salary paid to lift operator)	12,740
Depreciation on lift	9,000
Salary of guard	8,000
Expenses on providing security	4,570

Question No. 10 :

R has 3 house properties situated at Delhi.

Property A is let out for business

Property B is let out for residential purposes

Property C has four identical units :

Unit P – Let out for residential purposes throughout the P.Y.

Unit Q – Used for own business

Unit R – Used for own residence

Unit S – Let out for residential purposes; but w.e.f. 1-1-2011 was also used for own residence.

The particulars of property A and B are as under :

Particulars	Property A Rs.	Property B Rs.
Municipal valuation	50,000	60,000
Actual rent	5,000 p.m.	6,000 p.m.
Fair rent	70,000	75,000
Standard rent	54,000	84,000
Date of completion of construction	1-3-2000	1-3-1992
Municipal tax paid	10,000	20,000
Repairs	5,000	-------
Collection charges	4,800	4,800
Insurance premium paid	2,000	2,000
Interest on money borrowed for construction	30,000	11,000

R has borrowed a sum of Rs. 2,50,000 @ 12% per annum on 1-1-1997 for construction of Property A. The entire loan is still outstanding though interest is being paid every year.

Particulars of Property C are as under :

Particulars	Rs.
Date of purchase by R	1.5.1994
Date of completion of construction	1.3.1993
Municipal value	1,60,000
Rent of Unit – P (per month)	3,000
Rent of Unit – S (per month)	3,000
Municipal tax paid	20,000
Other expenses :	
Repair of Unit – P	5,000
Repair of Unit – Q	10,000
Collection charges of Unit – P	3,000
Collection charges of Unit – S	2,400
Insurance premium of house property	3,000
Interest on money borrowed for purchase of house	40,000
Lease rent of house property	5,000

Compute the income of R under the head 'Income from house property' for the assessment year 2011-12.

Question No. 11 :

X owns a big house (erection completed on September 14, 1996) which is partly self-occupied and partly let out.

Unit 1 (50 percent of the floor area) is let out for commercial purposes on a monthly rent of Rs. 6,000 (rent of 2 months could not be realised).

Unit 2 (25 percent of the floor area) is used by X for the purpose of his profession.

Unit 3 (the remaining 25 percent) is utilized for the purpose of his residence.

Other particulars of house are as follows :

Municipal valuation : Rs. 80,000

Standard rent under the Delhi Rent Control Act : Rs.1,40,000

Municipal tax : Rs. 10,812 (levied during the year), Rs. 10,000 (actually paid during the year 2010-11, Rs. 812 is, however, paid on April 30, 2011)

Repairs : Rs. 8,000

Ground rent : Rs. 16,800

Annual charge created by will by father in favour of ***Mrs.*** X : Rs. 14,000 and

Insurance premium : Rs. 12,000

For financing the construction of the house property he has borrowed Rs. 2,00,000 @ 6 percent from ABC Ltd.

Determine the IHP X for the assessment year 2011-12.

Question No. 12 :

Three brothers 'A', 'B' and 'C' having equal shares are co-owners of a house property consisting of six identical units. The property was constructed on 31st May, 1994. Each of them occupies one unit for his residence and the other three units are let out at a rent of Rs. 5,000 per month each.

The Municipal value of the house property is Rs. 3,00,000 and the Municipal taxes are 40% of Municipal value, which were paid during the year. The other expenses were as follows :

Particulars	Rs.
Repairs	20,000
Collection charges	5,000
Insurance premium paid	11,000
Interest payable on loan taken for construction of house	1,20,000

One of the let out units remained vacant for three months during the year. 'A' could not occupy his unit for six months as he was transferred to Mumbai. He does not own any other house.

Compute IHP of three brothers for A.Y. 2011-12.

Question No. 13 :

Mr. Akhil has two houses, the particulars for which for the year ended 31-03-2011, are given below :

Particulars	Kolkata House	Mumbai House
Date of completion	31.8.1994	31.8.1996
How used	Let out	Own residence
Actual Rent	Rs. 1,600 per month	-------
Net Municipal Value	Rs. 17,000	Rs. 18,000
Municipal tax paid	10%	12%
Sewerage and water tax paid	Rs. 500	Rs. 700
Repair expenses	Rs. 2,000	Rs. 1,200
Vacancy	1 month	1 month
Rent collection charges	Rs. 1,000	-------
Fire insurance premium	Rs. 600	Rs. 400

Mr. Akhil could not occupy the house in Mumbai for a month as he went out on pilgrimage with family to Benaras. Compute income from house property of Mr. Akhil for the A.Y. 2011-12.

Question No. 14 :

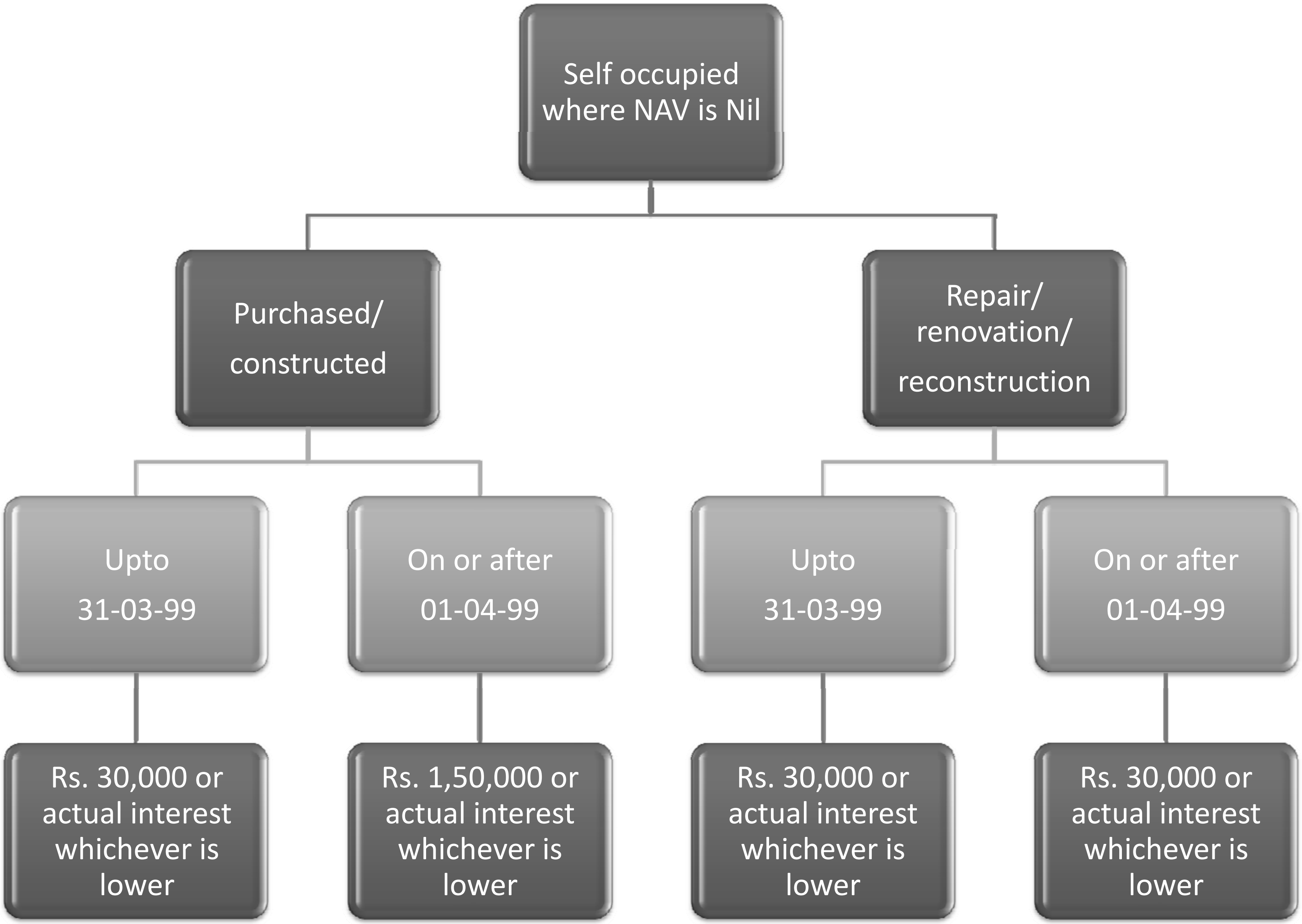
State whether lessee can be treated as deemed owner under the following circumstances :

(a) A owns a house property. It is given on lease for a period of 12 years to X, lease rent being Rs. 40,000 per month.

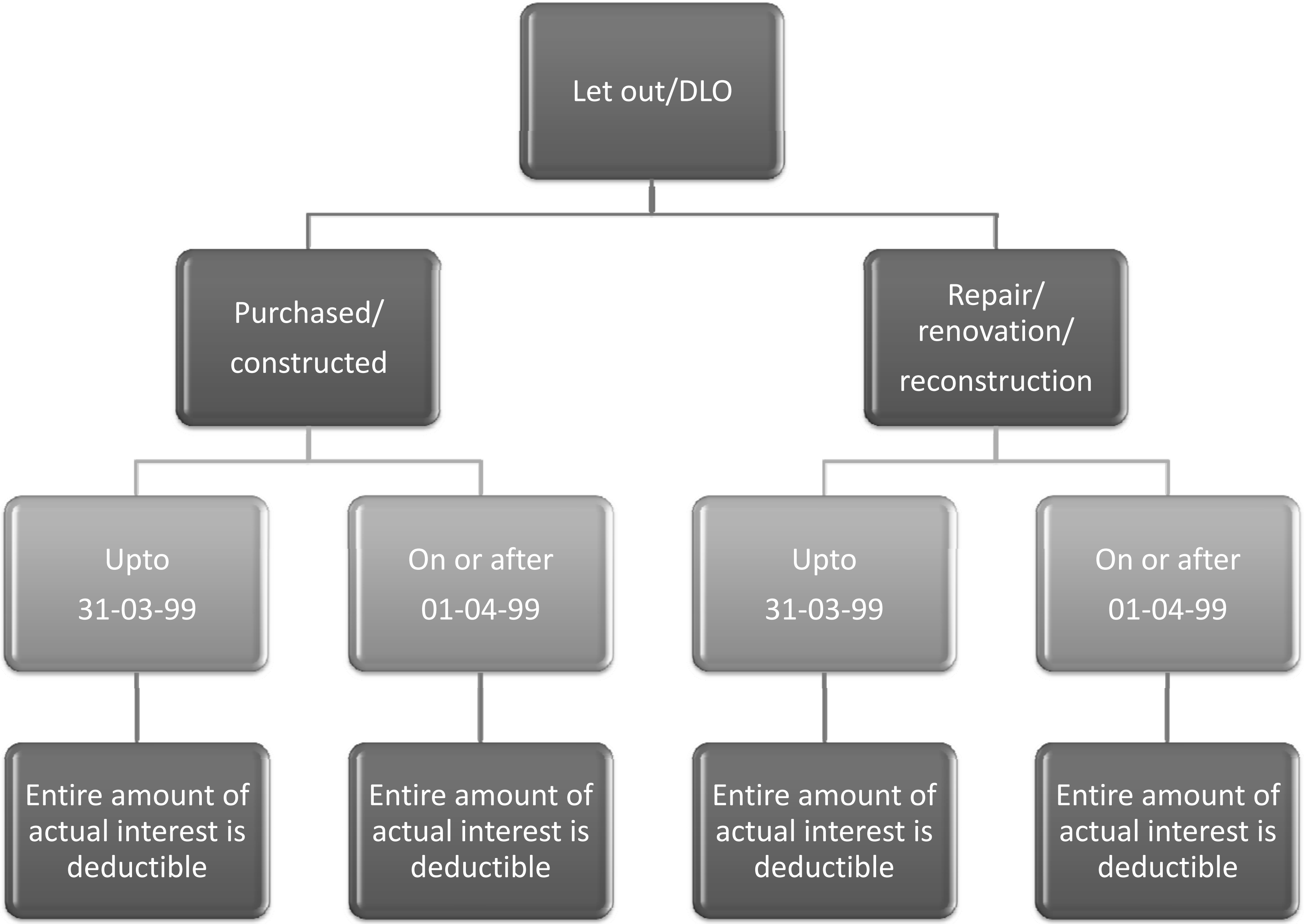
(b) B owns a house property. It is given on lease for a period of 6 years to Y, lease rent being Rs. 20,000 per month. Y has a right to get renewal of lease for further period of 6 years after the expiry of lease.

(c) C owns a house property. It is given on lease to Z for a period of one month, lease rent being Rs. 10,000 per month. Z has a right to get renewal of lease subject to the condition that every time it will be renewed only for a period of one month and such renewal is possible till 2050.

Interest on borrowed capital



Interest on borrowed capital



INCOME FROM HOUSE PROPERTY

Solution to Question No. 1 :

Computation of GAV

Name of Assessee : …….
P.Y. : 2010-11
A.Y. : 2011-12 (Rs. in thousands)

Particulars	A	B	C	D	E
(a) Municipal Value	140	180	180	140	231
(b) Fair Rent	145	185	185	145	262
(c) Standard Rent	142	175	175	142	241
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	142	175	175	142	241
Less : Loss due to vacancy (Annual Rent x Vacancy Period/12)	7	14	14	42	105
	135	161	161	100	136
(e) Actual Rent Received/Receivable :					
Annual Rent	168	168	168	168	252
Less : Unrealized Rent	14	42	1	70	42
	154	126	167	98	210
Less : Loss due to vacancy (Annual Rent x Vacancy period/12)	7	14	14	42	105
	147	112	153	56	105
Gross Annual Value [(d) or (e), whichever is higher]	147	161	161	100	136

Solution to Question No. 2 (a) :

Computation of NAV

Name of Assessee : Mr. R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Rs.
(a) Municipal Value	2,00,000
(b) Fair Rent	2,40,000
(c) Standard Rent	-----------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	2,40,000
(e) Actual Rent Received/Receivable :	
Annual Rent (21,000 x 7 + 25,000 x 5)	2,72,000
Less : Unrealised Rent (21,000 x 2)	42,000
	2,30,000
GAV [(d) or (e), whichever is higher]	2,40,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	20,000
NAV	2,20,000

Solution to Question No. 2 (b) :

Computation of NAV

Name of Assessee : Mr. R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Rs.
(a) Municipal Value	2,00,000
(b) Fair Rent	2,40,000
(c) Standard Rent	-----------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	2,40,000
(e) Actual Rent Received/Receivable :	
Annual Rent (21,000 x 7 + 25,000 x 5)	2,72,000
Less : Unrealised Rent (21,000 x 1)	21,000
	2,51,000
GAV [(d) or (e), whichever is higher]	2,51,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	20,000
NAV	2,31,000

Solution to Question No. 3 :

Computation of income from house property

Name of Assessee : Mr. R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Rs.
(a) Municipal Value	2,00,000
(b) Fair Rent	2,52,000
(c) Standard Rent	2,40,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	2,40,000
(e) Actual Rent Received/Receivable (23,000 x 12)	2,76,000
Gross Annual Value [(d) or (e), whichever is higher]	2,76,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y. [50% of (2,00,000 x 20%)]	20,000
Net Annual Value	2,56,000
Less : Deduction u/s 24 :	
Statutory Deduction u/s 24(a) @ 30% of Net Annual Value	76,800
Interest on borrowed Capital u/s 24(b) ***[Refer Note]***	1,38,000
Income from house property	41,200

Note :

Interest on borrowed Capital u/s 24(b) :

(a) Interest for pre-construction period :

Pre-construction period = 1-7-2008 to 31-3-2009 = 9 months
Interest for 9 months = Rs. 10,00,000 x 12% x 9/12 = Rs. 90,000
Interest allowable in P.Y. 2010-11 (1/5th of Rs. 90,000) 18,000

(b) Interest for P.Y. 2010-11 (12% of Rs. 10,00,000) 1,20,000

1,38,000

Solution to Question No. 4 (a) :

Computation of income from house property

Name of Assessee : ……..
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Rs.
Net Annual Value	Nil
Less : Deduction u/s 24 :	
Interest on borrowed Capital u/s 24(b)	30,000
Income from house property	(30,000)

Solution to Question No. 4 (b) :

Computation of income from house property

Name of Assessee : ……..
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Rs.
Net Annual Value	Nil
Less : Deduction u/s 24 :	
Interest on borrowed Capital u/s 24(b)	1,50,000
Income from house property	(1,50,000)

Solution to Question No. 5 (a) :

Computation of income from house property

Name of Assessee : Mr. X
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Option 1		Option 2	
	House I (S/O)	House II (DLO)	House I (DLO)	House II (S/O)
(a) Municipal Value		90,000	60,000	
(b) Fair Rent		1,20,000	72,000	
(c) Standard Rent		1,00,000	--------	
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]		1,00,000	72,000	
Gross Annual Value *(Note 1)*		1,00,000	72,000	
Less : M. Taxes ***paid*** by the ***owner*** during the P.Y.		9,000	6,000	
NAV	Nil	91,000	66,000	Nil
Less : Deduction u/s 24 :				
Statutory Deduction u/s 24(a) @ 30% of NAV		27,300	19,800	
Interest on borrowed capital	Nil	Nil	Nil	Nil
Income from house property	Nil	63,700	46,200	Nil
Income from house property (Total)	63,700		46,200	

Therefore Mr. X should choose Option II because under this Option his IHP is lower.

Note : Since both houses are self-occupied, data relating to actual rent is not given. Hence Expected rent is taken as GAV.

Solution to Question No. 5 (b) :

Computation of income from house property

Name of Assessee : Mr. X
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Option 1		Option 2	
	House I (S/O)	House II (DLO)	House I (DLO)	House II (S/O)
(a) Municipal Value		90,000	60,000	
(b) Fair Rent		1,20,000	72,000	
(c) Standard Rent		1,00,000	--------	
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]		1,00,000	72,000	
Gross Annual Value *(Note 1)*		1,00,000	72,000	
Less : M. Taxes ***paid*** by the ***owner*** during the P.Y.		9,000	6,000	
NAV	Nil	91,000	66,000	Nil
Less : Deduction u/s 24 :				
Statutory Deduction u/s 24(a) @ 30% of NAV		27,300	19,800	
Interest on borrowed capital	Nil	50,000	Nil	30,000
Income from house property	Nil	13,700	46,200	(30,000)
Income from house property (Total)	13,700		16,200	

Therefore Mr. X should choose Option I because under this Option his IHP is lower.

Note : Since both houses are self-occupied, data relating to actual rent is not given. Hence Expected rent is taken as GAV.

Solution to Question No. 6 :

Computation of income from house property

Particulars	Assessment Year 2011-12		Assessment Year 2012-13	
	House I	House II	House I	House II
(a) Municipal Value	1,90,000	1,90,000	1,90,000	1,90,000
(b) Fair Rent	1,85,000	1,95,000	1,85,000	1,95,000
(c) Standard Rent	1,70,000	1,70,000	1,70,000	1,70,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	1,70,000	1,70,000	1,70,000	1,70,000
(e) Actual Rent Received/Receivable :				
Annual Rent	2,16,000	1,75,000	2,16,000	1,75,000
Less : Unrealised Rent	30,000	30,000	Nil	Nil
	1,86,000	1,45,000	2,16,000	1,75,000
Gross Annual Value [(d) or (e), whichever is higher]	1,86,000	1,70,000	2,16,000	1,75,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	38,000	38,000	38,000	38,000
Net Annual Value	1,48,000	1,32,000	1,78,000	1,37,000
Less : Deduction u/s 24 :				
Statutory Deduction u/s 24(a) [@ 30% of NAV]	44,400	39,600	53,400	41,100
Interest on borrowed capital	36,000	36,000	36,000	36,000
	67,600	56,400	88,600	59,900
Add : Recovery of unrealised rent			28,000	28,000
Income from house property	67,600	56,400	1,16,600	87,900

Solution to Question No. 7 :

Computation of income from house property

Particulars	A. Y. 2011-12	A. Y. 2012-13
(a) Municipal Value	1,30,000	1,30,000
(b) Fair Rent	1,40,000	1,40,000
(c) Standard Rent	1,34,000	1,34,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	1,34,000	1,34,000
(e) Actual Rent Received/Receivable	1,32,000	1,68,000
Gross Annual Value [(d) or (e), whichever is higher]	1,34,000	1,68,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	26,000	30,000
Net Annual Value	1,08,000	1,38,000
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	32,400	41,400
	75,600	96,600
Add : Arrears of rent received (Rs. 36,000 – 30% of Rs. 36,000)		25,200
Income from house property	75,600	1,21,800

Solution to Question No. 8 :

Computation of income from house property

Name of Assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Bombay Flat
(a) Municipal Value (From June 1, 2010 to March 31, 2011 i.e. 21,600 x 10/12)	18,000
(b) Fair Rent (From June 1, 2010 to March 31, 2011 i.e. 22,000 x 10/12)	18,333
(c) Standard Rent (From June 1, 2010 to March 31, 2011 i.e. 22,500 x 10/12)	18,750
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	18,333
Less : Loss due to vacancy (Rs. 2,000 x 2)	4,000
	14,333
(e) Actual Rent Received/Receivable :	
Rent from June 1, 2010 to March 31, 2011 (2,000 x 10)	20,000
Less : Unrealised rent	200
Less : Loss due to vacancy (Rs. 2,000 x 2)	4,000
	15,800
Gross Annual Value [(d) or (e), whichever is higher]	15,800
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	7,000
Net Annual Value	8,800
Less : Deduction u/s 24 :	
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	2,640
Income from Bombay Flat	6,160

Particulars	Calcutta godown
(a) Municipal Value	70,000
(b) Fair Rent	75,000
(c) Standard Rent	74,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	74,000
Less : Loss due to vacancy (Annual Rent x Vacancy Period/12)	4,000
	70,000
(e) Actual Rent Received/Receivable :	
Annual Rent	96,000
Less : Unrealised rent	4,000
Less : Loss due to vacancy (Annual Rent x Vacancy period/12)	4,000
	88,000
Gross Annual Value [(d) or (e), whichever is higher]	88,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	11,000
Net Annual Value	77,000
Less : Deduction u/s 24 :	
Statutory Deduction u/s 24(a) @ 30% of Net Annual Value	23,100
Income from Calcutta Godown	53,900

Particulars	Delhi Flat
Net Annual Value	Nil
Less : Deduction u/s 24:	
Interest on borrowed Capital u/s 24(b) ***(Note 1)***	30,000
Income from Delhi Flat	(30,000)

Particulars	Rs.
Income from Bombay Flat	6,160
Income from Calcutta Godown	53,900
Income from Delhi Flat	(30,000)
Income from house property	30,060

Note 1 :

Interest on borrowed Capital u/s 24(b) :

Interest for pre-construction period :

Pre-construction period = 1-4-1998 to 31-3-2006 = 8 years

Interest for 8 Years = Rs. 1,80,000 x 20% x 8 = Rs. 2,88,000 [Allowable in 5 equal instalments from P.Y. 2006-07 to P.Y. 2010-11]

Interest for P.Y. 2010-11 (1/5th of Rs. 2,88,000) 57,600

======

Since loan was taken for the construction before 1-4-1999, allowable interest will be restricted to Rs. 30,000 because Delhi Flat is self-occupied property.

Solution to Question No. 9 :

Computation of income from house property

Name of Assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	House I (Rs.)	House II (Rs.)
(a) Municipal Value	2,42,000	4,10,000
(b) Fair Rent	2,51,000	4,00,000
(c) Standard Rent	N. A.	N. A.
(d) Expected Rent [(a) or (b), whichever is higher, but subject to max. of (c)]	2,51,000	4,10,000
(e) Actual Rent Received/Receivable	2,60,000	1,40,000
Gross Annual Value [(d) or (e), whichever is higher]	2,60,000	4,10,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	----------	65,000
Net Annual Value	2,60,000	3,45,000
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	78,000	1,03,500
Income from house property	1,82,000	2,41,500

	Rs.	Rs.
Income from house property :	1,82,000	
House I	2,41,500	4,23,500
House II		
Income from other sources :		
Amount collected from tenant of House I for providing different amenities (12,000+8,000+16,000+24,000)	60,000	
Less : Expenses incurred (10,870+9,100+12,740+9,000+8,000+4,570)	54,280	5,720
Gross Total Income		4,29,220

Solution to Question No. 10 :

Computation of income from house property

Name of Assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	House A	House B	House C		
			Unit P	Unit R	Unit S
(a) Municipal Value ***(Note 1)***	50,000	60,000	40,000		40,000
(b) Fair Rent	70,000	75,000	--------		--------
(c) Standard Rent	54,000	84,000	--------		--------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	54,000	75,000	40,000		40,000
(e) Actual Rent Received/Receivable	60,000	72,000	36,000		27,000
GAV [(d) or (e), whichever is higher]	60,000	75,000	40,000		40,000
Less : Municipal taxes ***paid*** by the ***owner*** during the P.Y. ***(Note 2)***	10,000	20,000	5,000		5,000
NAV	50,000	55,000	35,000	NIL	35,000
Less : Deduction u/s 24 :					
Statutory Deduction u/s 24(a) [@ 30% of NAV]	15,000	16,500	10,500	--------	10,500
Interest on borrowed capital u/s 24(b) ***(Note 3)***	30,000	11,000	10,000	10,000	10,000
Income from house property	5,000	27,500	14,500	(10,000)	14,500

	Rs.	Rs.
House A		5,000
House B		27,500
House C : Unit P	14,500	
Unit R	(10,000)	
Unit S	14,500	19,000
Income from House Property		51,500

Note 1 :

Since House C has four identical units, municipal valuation of each unit = Rs. 1,60,000/4 = Rs. 40,000/-

Note 2 :

Since House C has four identical units, municipal tax paid for each unit = Rs. 20,000/4 = Rs. 5,000/-

Note 3 :

- Interest on borrowed capital u/s 24(b) in case of House A = 2,50,000 x 12% = Rs. 30,000/-
  Pre-Construction period's interest will be Nil in case of House A as five years are over.
- Interest on borrowed capital u/s 24(b) in case of House B = Rs. 11,000
- Since House C has four identical units Interest on borrowed capital u/s 24(b) in case of each unit of House C = Rs. 40,000/4 = Rs. 10,000/-

Note 4 :

Since Unit Q of House C is used for own business, NAV of this unit is not chargeable to tax under the head IHP according to Section 22.

Solution to Question No. 11 :

Computation of income from Unit 1

Name of Assessee : ....
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Unit 1 (Rs.)
(a) Municipal Value (80,000 x 50%)	40,000
(b) Fair Rent	----------
(c) Standard Rent (1,40,000 x 50%)	70,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	40,000
(e) Actual Rent Received/Receivable :	
Annual Rent (6,000 x 12)	72,000
Less : Unrealised Rent (6,000 x 2)	12,000
	60,000
Gross Annual Value [(d) or (e), whichever is higher]	60,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y. (10,000 x 50%)	5,000
Net Annual Value	55,000
Less : Deduction u/s 24 :	
Statutory Deduction u/s 24(a) @ 30% of Net Annual Value	16,500
Interest on borrowed capital (2,00,000 x 6% x 50%)	6,000
Income from house property	32,500

Note :

Since Unit 2 is used for own profession, NAV of this unit is not chargeable to tax under the head IHP according to Section 22.

Computation of income from Unit 3

Particulars	Unit 3 (Rs.)
Net Annual Value	NIL
Less : Deduction u/s 24 :	
Interest on borrowed capital (2,00,000 x 6% x 25%)	3,000
Income from house property	(3,000)

Income from HP = Rs. 32,500 + (3,000) = Rs. Rs. 29,500/-

Solution to Question No. 12 :

Name of Assessee : …………
P.Y. : 2010-11
A.Y. : 2011-12

Computation of income from let-out portion (3 units i.e. 50%)

Particulars	Rs.
(a) Municipal Value (3,00,000 x 50%)	1,50,000
(b) Fair Rent	----------
(c) Standard Rent	----------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	1,50,000
Less : Loss due to vacancy (Annual Rent x Vacancy Period/12 i.e. 60,000 x 3/12)	15,000
	1,35,000
(e) Actual Rent Received/Receivable :	
Annual Rent (5,000 x 12 x 3)	1,80,000
Less : Loss due to vacancy (Annual Rent x Vacancy Period/12 i.e. 60,000 x 3/12)	15,000
	1,65,000
Gross Annual Value [(d) or (e), whichever is higher]	1,65,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y. (1,50,000 x 40%)	60,000
Net Annual Value	1,05,000
Less : Deduction u/s 24 :	
Statutory Deduction u/s 24(a) @ 30% of Net Annual Value	31,500
Interest on borrowed capital u/s 24(b) [1,20,000 x 50%]	60,000
Income from let out portion	13,500
Share of each co-owner (13,500/3)	4,500

Computation of income from self-occupied portion (50%)

Particulars	A	B	C
NAV	NIL	NIL	NIL
Less : Interest on borrowed capital (Rs. 1,20,000 x 50% x 1/3)	20,000	20,000	20,000
Income from self occupied portion	(20,000)	(20,000)	(20,000)

Computation of income from house property of three brothers

Particulars	A	B	C
Income from let out portion	4,500	4,500	4,500
Income from self occupied portion	(20,000)	(20,000)	(20,000)
Income from H.P.	(15,500)	(15,500)	(15,500)

Solution to Question No. 13 :

Computation of income from house property

Name of Assessee : Mr. Akhil
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Kolkata House
(a) Gross Municipal Value ***(Note 1)***	19,444
(b) Fair Rent	--------
(c) Standard Rent	--------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	19,444
Less : Loss due to vacancy (1,600 x 1)	1,600
	17,844
(e) Actual Rent Received/Receivable :	
Annual Rent (1,600 x 12)	19,200
Less : Loss due to vacancy (1,600 x 1)	1,600
	17,600
GAV [(d) or (e), whichever is higher]	17,844
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y. ***(Note 2)***	2,200
NAV	15,644
Less : Standard Deduction u/s 24(a) [@ 30% of NAV]	4,693
Income from house property	10,951

Particulars	Mumbai House
Net Annual Value	Nil
Less : Deduction u/s 24	Nil
Income from house property	Nil

Income from house property of Mr. Akhil for the A.Y. 2011-12 = Rs. 10,951 + Nil = Rs. 10,951.

Note 1 :

	Rs.
Net Municipal Value	17,000
Add : Water and Sewerage taxes	500
	17,500
Add : Deduction for repairs (1/9th of Rs. 17,500)	1,944
Gross Municipal Value	19,444

Note 2 :

Particulars	Rs.
Municipal Tax (10% of 17,000)	1,700
Sewerage and water tax	500
Municipal Taxes paid by the owner during the P.Y. 2009-10	2,200

Solution to Question No. 14 :

(a) As the period of lease is not less than 12 years, X becomes deemed owner of the property.

(b) In this case, the aggregate period of lease is not less than 12 years. Therefore Y becomes deemed owner of the property.

(c) In this case, the aggregate period of lease is more than twelve years, but Z will not become deemed owner of the property because the property is given on lease from month to month basis.

HOUSE PROPERTY

Do yourself

PRACTICAL PROBLEMS

Problem No. 1 :

X takes a loan of Rs. 40,000 @ 15% per annum for constructing a house on June 10, 2005. Construction of the house is completed on January 20, 2011. Date of repayment of loan is :

(a) January 16, 2016;

(b) June 30, 2012;

(c) October 31, 2008.

You are required to calculate interest deductible from P.Y. 2010-11 onwards.

Problem No. 2 :

X owns a house property which is given on rent. For the previous year 2003-04, he claims a deduction of Rs. 78,000 on account of unrealised rent, out of which the assessing officer allows only Rs. 62,000 as deduction. What are the tax consequences if X recovers on June 19, 2010 from the defaulting tenant :

(a) Rs. 10,000

(b) Rs. 16,000

(c) Rs. 35,000

as full and final payment?

Problem No. 3 :

R owns two identical houses in Delhi, both of which are self-occupied. From the particulars given below, suggest which house be treated as self-occupied :

	House I Rs.	House II Rs.
Standard rent under Delhi rent control Act	33,000	33,000
Municipal value	30,000	30,000
Fair rent	36,000	36,000
Municipal taxes (paid)	3,000	1,000
Insurance premium (paid)	2,000	Nil

Construction of both the houses was completed in September, 2007. X had borrowed Rs. 75,000 @ 8% p.a. for construction of House II (date of borrowing 1-6-2006). Date of repayment of loan 30-6-2010.

Problem No. 4 :

Gopal is the owner of three houses in Bangalore, particulars of which of the year ended 31-3-2011 are as follows :

	House I	House II	House III
Construction started on	01-04-88	01-08-89	01-07-76
Construction completed on	31-12-91	31-01-91	31-12-76
Vacancy/Unoccupied period	-	-	3 Months*
Cost of repairs borne by	Owner	Owner	Owner
Actual rent received (let out for residential purposes)	Rs. 40,000	Rs. 9,000	Own residence
Fair rent	45,000	9,000	17,800
Total municipal tax	4,200	900	1,600

Municipal tax paid by Gopal	4,200	450	1,600
Municipal tax paid by tenant	-	450	-
Collection charges	500	300	-
Insurance premium	1,000	100	260
Interest on loan taken for house construction	15,000	3,000	16,000
Unrealised rent allowed in past recovered during the year	20,000	-	-

*Gopal resided in Mysore for 3 months during the previous year in connection with his business and during this period his dwelling house at Bangalore remained vacant. During his stay at Mysore he paid a rent of Rs. 300 per month for a house.

Compute Gopal's income from house property for the assessment year 2011-12.

Problem No. 5 :

X, a chartered accountant, has a house property situated at Delhi, which has 4 identical units. Unit 1 was used by him for professional purposes, Unit 2 was let out for residential purpose at Rs. 5,000 p.m. Unit 3 and Unit 4 was self-occupied.

Other particulars of the property are as follows :

Date of completion	31-01-1992
Municipal Taxes paid	20,000
Interest on money borrowed for construction of house property	60,000

Compute his income under the head house property for the assessment year 2011-12.

Problem No. 6 :

R is a Cost accountant in HI-FI Ltd., Mumbai and he gets Rs. 18,000 per month as salary. He owns two houses, one of which has been let out to the employer company which in turn was provided to him as rent-free accommodation.

Determine the taxable income of R for the assessment year 2011-12 after taking into account the following information relating to property income :

	House 1	House 2
Fair rent (Rent Control Act is not applicable)	60,000	1,82,000
Actual rent	63,000	1,84,000
Municipal valuation – Annual Value	61,000	1,85,000
Municipal taxes paid	14,000	40,000
Repairs	3,500	7,700
Insurance premium on building	3,000	33,000
Land revenue	7,500	24,000
Ground rent	4,000	7,800
Interest on borrowed capital by mortgaging House 1 (funds are used for construction of House 2)	18,000	-
Nature of occupation	Let out to HIFI Ltd.	Let out to G for business
Date of completion of construction	March, 1994	April, 1996.

Problem No. 7 :

Mrs. R is the owner of a two-storied house in Madras. She gets a monthly rent Rs. 7,000 from her tenant in the ground floor. The first floor, identical in all respect with the ground used to be occupied by a friend of Mrs. R from whom she charged a rent of Rs. 5,000 per month. During the year ended 31-3-2011 the friend stayed in Mrs. R's house upto 31-12-2010. On 1-1-2011 it was again let out to tenant at a rent of Rs. 7,000 per month. Details of expenses incurred by Mrs. R during the year ending 31-3-2011 in respect of the house were as under :

Cost of repairing ground floor	7,500
Cost of repairing first floor	50,000
Interest on loan taken for construction of first floor	20,000
Municipal taxes paid by the owner	6,000
Monthly salary of an employee for collecting rent	1,000

Compute Mrs. R's income from house property for the assessment year 2011-12 on the basis of the above noted data.

<u>Problem No. 8</u> :

R is the owner of a residential house whose construction was completed on 31-8-2005. It has been let out from 1-1-2006 for residential purposes. Its particulars for the financial year 2010-11 are given below :

Municipal valuation	65,000
Expected fair rent (p.a.)	72,000
Standard rent under the Rent Control Act (p.m.)	7,000
Actual rent (p.m.)	7,000
Municipal taxes paid (including Rs. 5,000 paid by tenant)	20,000
Water/sewerage benefit tax, levied by ***<u>State Government</u>*** paid under protest	5,000
Interest on loan taken for the construction of the house. The interest has been paid outside India to a non-resident without deduction of tax at source (Non-Resident had agreed to pay income-tax on such interest direct to the Government)	15,000
Legal charges for the recovery of rent	4,000
Stamp duty and registration charges in respect of the lease agreement of the house	2,000

The unrealised rent for the previous year 2007-08 amount to Rs. 40,000 but a deduction has been claimed so far only for Rs. 30,000. There is recovery of Rs. 20,000 from the defaulting tenants.

Compute income from house property for the assessment year 2011-12.

<u>Problem No. 9</u> :

R is a Sales-tax officer at Jaipur. He owns two residential houses. The first is in Delhi and was constructed on 31-12-1992. This has been let out on a rent of Rs. 3,000 p.m. to a company for its office. The second house is in Jaipur which was constructed on 1-3-2009 and has been occupied by him for his own residence since then. He took a loan of Rs. 90,000 on 1-8-2007 @ 8% per annum interest for the purpose of construction of this house. The entire loan is still outstanding. Other relevant particulars in respect of these houses are given below :

	Delhi's House	Jaipur's House
Municipal valuation	24,000	18,000
Municipal tax	10% of municipal value	8% of municipal value
Expenses on repairs	2,000	6,000
Fire insurance premium	200	----
Ground rent	175	130
Land revenue	1,000	650
Interest on loan	----	7,200

The ground rent of the Delhi house and the municipal tax and land revenue of the Jaipur house are unpaid. R was transferred to Mumbai on 1-12-2010 where he resides in a house at a monthly rent of Rs. 4,000 and his house at Jaipur was let out the same day on a rent of Rs. 2,000 per month.

Compute the "income from house property" in respect of Mr. R for the assessment year 2011-12.

Problem No. 10 :

Mr. X owns a house in Delhi. During the previous year 2010-11 3/4th portion of the house was self-occupied for full year and 1/4th portion was let out for residential purpose from 1-4-2010 to 31-12-2010 on a rent of Rs. 700 p.m. From 1-1-2011 this portion was also used for own residence. Municipal valuation of the house is Rs. 20,000.

He incurred the following expenditure in respect of the house property :

Municipal taxes due : Rs. 6,000;

Repairs : Rs. 2,000;

Fire insurance premium : Rs. 3,500;

Land revenue : Rs. 4,000;

Ground rent : Rs. 20 (paid during the year).

A loan of Rs. 1,00,000 was taken on 1-4-2006 @ 9% p.a. for the construction of the house which was completed on 28-3-2007. Nothing was repaid on loan account so far.

Find out his income from house property for the Assessment Year 2011-12.

HOUSE PROPERTY

Do yourself

SOLUTIONS

Solution to Problem No. 1 :

When Date of repayment of loan is January 16, 2016 / June 30, 2012 :

Pre-construction period = 10-06-2005 to 31-3-2010 = 1756 days [(21 + 31 + 31 + 30 + 31 + 30 + 31 + 31 + 28 + 31) + (365 +366 + 365 + 365)]

Interest for 1756 days = Rs. 40,000 x 15% x 1756/365 = Rs. 28,866 [Allowable in 5 equal instalments of Rs. 5,773 each (i.e. Rs. 28,886/5) from P.Y. 2010-11 to P.Y. 2014-15]

When Date of repayment of loan is October 31, 2008 :

Pre-construction period = 10-06-2005 to 30-10-2008 = 1239 days [(21 + 31 + 31 + 30 + 31 + 30 + 31 + 31 + 28 + 31) + (365 + 366) + (30 + 31 + 30 + 31 + 31 + 30 + 30)]

Interest for 1239 days = Rs. 40,000 x 15% x 1239/365 = Rs. 20,367 [Allowable in 5 equal instalments of Rs. 4,073 each (i.e. Rs. 20,367/5) from P.Y. 2010-11 to P.Y. 2014-15]

The table given below highlights the interest deductible in different previous years :

	Previous year						
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
If date of repayment of loan is January 16, 2016 :							
Current year's interest	6,000	6,000	6,000	6,000	6,000	4,767	Nil
Pre-construction period's interest	5,773	5,773	5,773	5,773	5,773	Nil	Nil
Total deduction available u/s 24 (b)	11,773	11,773	11,773	11,773	11,773	4,767	Nil
If date of repayment of loan is June 30, 2012 :							
Current year's interest	6,000	6,000	1,479	Nil	Nil	Nil	Nil
Pre-construction period's interest	5,773	5,773	5,773	5,773	5,773	Nil	Nil
Total deduction available u/s 24 (b)	11,773	11,773	7,252	5,773	5,773	Nil	Nil
If date of repayment of loan is October 31, 2008 :							
Current year's interest	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Pre-construction period's interest	4,073	4,073	4,073	4,073	4,073	Nil	Nil
Total deduction available u/s 24 (b)	4,073	4,073	4,073	4,073	4,073	Nil	Nil

Note : Interest is calculated on the basis of number of days. While the day of borrowing is included, the day of repayment of loan is excluded.

Solution to Problem No. 2 :

Amount recovered during P.Y. 2010-11 Rs.	Amount of bad debt (Rs. 78,000 – Amount recovered) Rs.	Deduction allowed in P.Y 2003-04 Rs.	Balance Rs.
(a) 10,000	68,000	62,000	6,000 (Loss)
(b) 16,000	62,000	62,000	Nil
(c) 35,000	43,000	62,000	19,000 (Income)

In Situation (a), X ***can't*** claim deduction of Rs. 6,000 in the year of recovery i.e. P.Y. 2010-11.

In Situation (c), the excess recovery of Rs. 19,000 is taxable under the head "IHP".

Solution to Problem No. 3 :

Assuming both houses to be let out :

Computation of income from House Property

Name of Assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	House I (Deemed to be let out) (Rs.)	House II (Deemed to be let out) (Rs.)
(a) Municipal Value	30,000	30,000
(b) Fair Rent	36,000	36,000
(c) Standard Rent	33,000	33,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	33,000	33,000
Gross Annual Value ***(Note 1)***	33,000	33,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	3,000	1,000
Net Annual Value	30,000	32,000
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	9,000	9,600
Interest on borrowed capital u/s 24(b) ***(Note 2)***	------	2,500
Income from house property	21,000	19,900

If House I is opted to be self-occupied the income from HP shall be :

House I	NIL
House II	19,900

	19,900
	=====

If House II is opted to be self-occupied the income from HP shall be :

House I	21,000
House II	(2,500) [i.e. NAV = Nil minus Interest = Rs. 2,500)

	18,500
	=====

Therefore Mr. X should opt for House II to be self-occupied.

Note 1 :

Since both houses are self-occupied, data relating to actual rent is not given. Hence Expected rent is taken as GAV.

Note 2 :

Pre-construction period = 1-06-2006 to 31-03-2007 = 10 Month

Interest for 10 Months = Rs. 75,000 x 8% x 10/12 = Rs. 5,000 [Allowable in 5 equal instalments of Rs. 1,000 each (i.e. Rs. 5,000/5) from P.Y. 2007-08 to P.Y. 2011-12].

Interest of P.Y. 2010-11 (i.e. current year's interest) = 75,000 x 8% x 3/12 = Rs. 1,500

Total interest deductible u/s 24(b) = Rs. 1,000 + Rs. 1,500 = Rs. 2,500/-

Solution to Problem No. 4 :

Computation of income from House Property

Name of Assessee : Mr. Gopal
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	House I	House II	House III
(a) Municipal Value	------	------	
(b) Fair Rent	45,000	9,000	
(c) Standard Rent	------	------	
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	45,000	9,000	
(e) Actual Rent Received/Receivable	40,000	9,000	
Gross Annual Value [(d) or (e), whichever is higher]	45,000	9,000	
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	4,200	450	
Net Annual Value	40,800	8,550	Nil
Less : Deduction u/s 24 :			
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	12,240	2,565	------
Interest on borrowed capital u/s 24(b)	15,000	3,000	16,000
	13,560	2,985	(16,000)
Add : Recovery of unrealized rent	20,000	------	------
	33,560	2,985	(16,000)

IHP = Rs. 33,560 + Rs. 2,985 + Rs. (16,000) = Rs. 20,545/-.

Solution to Problem No. 5 :

Computation of income from House Property

Name of Assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Unit 2 (Rs.)	Unit 3+Unit 4 (Rs.)
(a) Municipal Value	------	
(b) Fair Rent	------	
(c) Standard Rent	------	
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	------	
(e) Actual Rent Received/Receivable	60,000	
Gross Annual Value [(d) or (e), whichever is higher]	60,000	
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	5,000	
Net Annual Value	55,000	Nil
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	16,500	------
Interest on borrowed capital u/s 24(b)	15,000	30,000
Income from house property	23,500	(30,000)

IHP = Rs. 23,500 + Rs. (30,000) = Rs. (6,500).

Note : Since Unit 1 of House is used for own professional purpose, NAV of this unit is not chargeable to tax under the head IHP according to Section 22.

Solution to Problem No. 6 :

Computation of income from House Property

Name of Assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	House 1	House 2
(a) Municipal Value	61,000	1,85,000
(b) Fair Rent	60,000	1,82,000
(c) Standard Rent	------	------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	61,000	1,85,000
(e) Actual Rent Received/Receivable	63,000	1,84,000
Gross Annual Value [(d) or (e), whichever is higher]	63,000	1,85,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	14,000	40,000
Net Annual Value	49,000	1,45,000
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	14,700	43,500
Interest on borrowed capital u/s 24(b)	------	18,000
Income from house property	34,300	83,500

IHP = Rs. 34,300 + Rs. 83,500 = Rs. 1,17,800/-.

Computation of taxable income

		(Rs.)
Income from Salaries :		
Basic salary (Rs. 18,000 x 12)	2,16,000	
Rent-free accommodation ***(Note 1)***	32,400	2,48,400
Income from house property :		
Income from house property		1,17,800
Taxable Income		3,66,200

Note 1 :

R has let-out House 1 to his employer company HI-FI Limited which provides the same to him as rent-free accommodation. Rental income received by R as owner will be taxable as "IHP".

As he uses the house only as an employee of the tenant, value of perquisite for rent-free accommodation is taxable under the head "Salaries".

Value of perquisite in respect of rent-free accommodation will be least of the following :

i) Lease rent ***paid / payable*** = Rs. 63,000

ii) 15% of ***Salary*** = Rs. 2,16,000 x 15% = Rs. 32,400

Solution to Problem No. 7 :

Computation of income from House Property

Name of Assessee : Mrs. R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Gr. Floor	1st Floor
(a) Municipal Value	------	------
(b) Fair Rent ***(Note 1)***	------	84,000
(c) Standard Rent	------	------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	------	84,000
(e) Actual Rent Received/Receivable	84,000	66,000
Gross Annual Value [(d) or (e), whichever is higher]	84,000	84,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	3,000	3,000
Net Annual Value	81,000	81,000
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	24,300	24,300
Interest on borrowed capital u/s 24(b)	------	20,000
Income from house property	56,700	36,700

IHP = Rs. 56,700 + Rs. 36,700 = Rs. 93,400/-.

Note 1 : Since first floor is identical in all respect with that of ground floor, actual rent of ground floor is taken as fair rent of first floor.

Solution to Problem No. 8 :

Computation of income from House Property

Name of Assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Rs.
(a) Municipal Value	65,000
(b) Fair Rent	72,000
(c) Standard Rent (Rs. 7,000 x 12)	84,000
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	72,000
(e) Actual Rent Received/Receivable (Rs. 7,000 x 12)	84,000
Gross Annual Value [(d) or (e), whichever is higher]	84,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y. (Rs. 2,000 – Rs. 5,000)	15,000
Net Annual Value	69,000
Less : Deduction u/s 24 :	
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	20,700
Interest on borrowed capital u/s 24(b) ***(Note 1)***	-------
	48,300
Add : Recovery of unrealised rent [(Rs. 40,000 – Rs. 20,000) – Rs. 30,000]	10,000
Income from house property	58,300

Note 1 : Since interest has been paid outside India to a non-resident without TDS, interest is not deductible u/s 24(b).

Solution to Problem No. 9 :

Computation of income from House Property

Name of Assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	Delhi's House (Rs.)	Jaipur's House (Rs.)
(a) Municipal Value	24,000	18,000
(b) Fair Rent ***(Note 1)***	--------	24,000
(c) Standard Rent	--------	--------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]	24,000	24,000
(e) Actual Rent Received/Receivable ***(Note 2)***	36,000	8,000
Gross Annual Value [(d) or (e), whichever is higher]	36,000	24,000
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.	2,400	------
Net Annual Value	33,600	24,000
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) [@ 30% of Net Annual Value]	10,080	7,200
Interest on borrowed capital u/s 24(b) ***(Note 3)***	-------	8,160
Income from house property	23,520	8,640

Income from house property = Rs. 23,520 + Rs. 8,640 = Rs. 32,160/-

Note 1 :

Since house was let out at a rent of Rs. 2,000 per month, fair rent for the house may be taken as Rs. 24,000 (Rs. 2,000 x 12).

Note 2 :

As per Section 23(3)(a) Where a house property is let out for a part of the P.Y. and self-occupied during the rest period of the P.Y., the period of occupation of property for own residence shall be irrelevant and the net annual value of such house property shall be determined as if it is let throughout the P.Y. Hence Expected Rent shall be taken for the full year but Actual Rent Received/Receivable shall be taken only for the period for which property is let out.

Note 3 :

Interest on borrowed capital u/s 24(b) of Jaipur House :

Interest for pre-construction period :

Pre-construction period = 1-8-2007 to 31-3-2008 = 8 months

Interest for 8 months = Rs. 90,000 x 8% x 8/12 = Rs. 4,800 (Allowable from P.Y. 2008-09 to P.Y. 2012-13)

Pre-construction period's interest allowable in P.Y. 2010-11 ($1/5^{th}$ of Rs. 4,800)	960
Interest for P.Y. 2010-11 (8% of Rs. 90,000)	7,200

	8,160
	=====

Solution to Problem No. 10 :

Computation of income from House Property

Name of Assessee : Mr. X
P.Y. : 2010-11
A.Y. : 2011-12

Particulars	3/4th Portion (Rs.)	1/4th Portion (Rs.)
(a) Municipal Value		5,000
(b) Fair Rent ***(Note 1)***		8,400
(c) Standard Rent		------
(d) Expected Rent [(a) or (b), whichever is higher, but subject to maximum of (c)]		8,400
(e) Actual Rent Received/Receivable (Rs. 700 x 9) ***(Note 2)***		6,300
Gross Annual Value [(d) or (e), whichever is higher]		8,400
Less : Municipal Taxes ***paid*** by the ***owner*** during the P.Y.		------
Net Annual Value	Nil	8,400
Less : Deduction u/s 24 :		
Statutory Deduction u/s 24(a) @ 30% of Net Annual Value	------	2,520
Interest on borrowed capital u/s 24(b) ***(Note 3)***	6,750	2,250
Income from house property	(6,750)	3,630

IHP = Rs. (6,750) + Rs. 3,630 = Rs. (3,120).

Note 1 :

Since house was let out at a rent of Rs. 700 per month, fair rent for the house may be taken as Rs. 8,400 (Rs. 700 x 12).

Note 2 :

As per Section 23(3)(a) Where a house property is let out for a part of the P.Y. and self-occupied during the rest period of the P.Y., the period of occupation of property for own residence shall be irrelevant and the net annual value of such house property shall be determined as if it is let throughout the P.Y. Hence Expected Rent shall be taken for the full year but Actual Rent Received/Receivable shall be taken only for the period for which property is let out.

Note 3 :

No interest for pre-construction period is allowed, as the loan was taken in the previous year 2006-07 and property was also completed in the same previous year. The entire interest of previous year 2006-07 must have been allowed, as current interest in the previous year 2006-07 itself.