Income From House Property

Sec 22: Chargeability

Property

⇩

Building or Land Appurtenant

⇩

Owner/Deemed Owner

⇩

Not Used For Business & Profession

Computaion

Gross Annual Value (GAV)		**xxx**
Less : Unrealized Rent	xxx	
Municipal tax **paid**	xxx	xxx
Net Annual value (NAV)		**xxx**
Less : Deductions		
24a *30% of NAV*	*xxx*	
24b *Interest on borrowed capital*	*xxx*	(xxx)
		xxx
Add: u/s 25AA Unrealized Rent		xxx
Add: u/25B Arrears of Rent (after 30% standard deduction)		xxx
Income fron house property		**xxxx**

Sec 23(1) : Gross Annual Value of Property

1. Fair Value
2.Municipal Value
} **Higher**

Higher
3.Standard Rent
} **Lower = Expected Rent**

Lower = Expected Rent
4.Actual Rent Received/Receivable
} **Higher =GAV**

***Fair Value:** Market value of rent of same property in same locality
***Municipal Value:** The value of property considered by municipal authority
***Standard Rent :** Rent which is fixed under prevailing Rent Control Act
***Actual Rent Received/Receivable** : Actual Rent Paid/Payable by tenant.

The Annual value has to be determined for different categories of properties

A. **House property which is let throughout the previous year**
Actual Rent Received/Receivable ***= 12months & compare with expected rent (Higher=GAV)***

B. **House property which is let & Vacant during whole or any part of previous year**
Actual Rent Received/Receivable ***= for let out period =GAV***
(no need to compare with expected rent)

C. **House property which is part of the year let & part of the year self-occupied**
Actual Rent Received/Receivable ***= for let out period & compare with expected rent***
(Higher=GAV)

Situations can be:

Situations	GAV
1. One self-occupied Property	**Nil**
2. One self-occupied property, but cannot be occupied by the reason being of employment on at any other place ***(but there should not any income from such property)***	**Nil**
3. Where Assessee has more than one property for self occupation:- Option to treat **One:** self-occupied **GAV=Nil** **Others**: will be deemed to be let out	***{Assessee should exercise his option in such a manner that his taxable income will minimised}***
4. House property which is partly let out and partly self-occupied :-**Separate calculations** **One Part :** Self-occupied **GAV =Nil** **Other part** : let out	***{Municipal Value/Fair Rent if not given separately, apportionment between on built up area basis}***
5. Property owned by **co-owners*** **Case 1. Self-occupied:** **Case 2. Let out:**	**Nil** **Compute as if the property/part is owned by one owner and thereafter the income so computed apportioned amongst each co-owners**

{each co-owners shall be entitled to the max deduction of Rs.30,000/2,00,000 u/s 24b}

Deductions from income from house property

1) **U/S 24a Standard Deduction:** 30% of Net Annual Value (NAV)
2) **U/S 24b Interest on borrowed capital :** Where the property was acquired, constructed, repaired, renewed or reconstructed with borrowed capital

   {The amount of interest payable/paid claimed as a deduction every year whether interest have been ***actually paid or not paid*** *during the year}*

Let out	Self occupied
Any amount of interest payable/paid on such borrowed capital	**1)** Property is acquired or constructed with capital borrowed on or after 1.04.1999 **such acquisition/construction is completed within 3 years of the end of FY in which capital was borrowed* **Deduction: maximum of Rs.2,00,000/-*(up to AY 2014-15 max deduction Rs.150,000/-)*** **2)** In any other case **: maximum of Rs. 30,000/-**

- **Pre Construction Period Interest**: It is an interest paid/payable for the period prior to the P.Y. in which the property is acquired/constructed will be aggregated and ***allowed in 5 successive F.Y***. starting from the year in which the acquisition/construction was completed.

Period: From the date of borrowing till the end of the previous year prior to the previous year in which the house is completed and not ***till the date of completion of construction/acquisition***

Example: Loan taken as on 01.10.2008, construction/house is completed as on 31.06.2010
Period = 01.10.2008 to 31.03.2010 i.e., 18months

Others important points to consider

U/S 25AA** : **Unrealised Rent :** Unrealized rent received subsequently **chargeable** under the head of ***"Income From House Property" of that previous year in which such rent is realized whether or not the assessee is the owner of that property in that previous year.

***U/S 25B : Special provisions for arrears of rent received :** Where the assesse has received any amount by way of arrears of rent from such property, not charged to income tax for any previous year

The Amount so received, ***after deducting a sum equal to 30% of such amount***, shall be deemed to be the income chargeable under the head income from house property, whether the assesse is the owner of that property in that year or not.

Example: Mr. X has received rent of Rs.20,000/-pm from 01.07.2014 to 31.03.2015 before 01.04.2014 property was self-occupied by him .Municipal Tax paid by Mr. X of Rs.15,000/- and Rs.5,000/- paid by tenant. The other information is as follows :

Fair Rent : Rs. 22,000/-pm **Municipal Value : Rs. 18,000/-pm**
Standard Rent(Under Rent Control Act): Rs. 21,000/-pm
Mr. X has paid of Rs. 1,00,000/- as interest toward the loan taken for such property.
Compute Income Under the head house property for A.Y. 2015-16.

Solution :

1.Fair Rent : Rs. 2,64,000/-(22,000x12m)-***Higher*** ⇦ Rs.2,64,000/-
2. Municipal Value : Rs. 216,000/-(18,000x12m) 3.Standard Rent: Rs. 2,52,000/- ***Lower*** ⇦
Now,
Expected Rent : Rs. 2,52,000/--***Higher*** ⇦
4.Rent Received/Receivable(9M) : Rs. 1,80,000/- **GAV = Rs,252,000/-**

PARTICULARS		**AMONUNT**
Gross Annual Value(GAV)		2,52,000
Less: Municipal Tax paid		15,000
Net Annual Value(NAV)		2,37,000
Less: Deductions		
24a Standard Deduction(30% of NAV)	71,100	
24b Interest on borrowed capital	1,00,000	1,71,100
Income From House property		**65,900**

***Only municipal tax paid by owner is allowed to deduct from GAV**

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