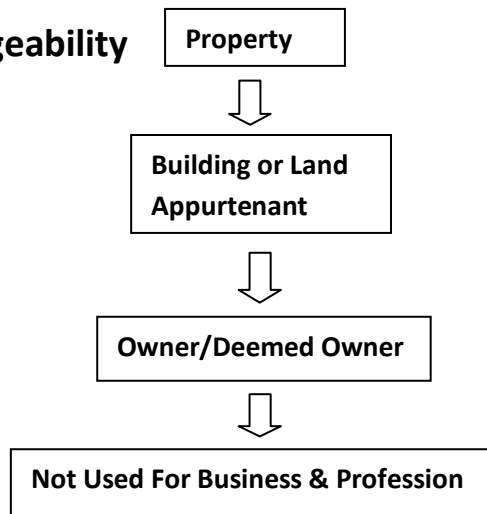


Income From House Property

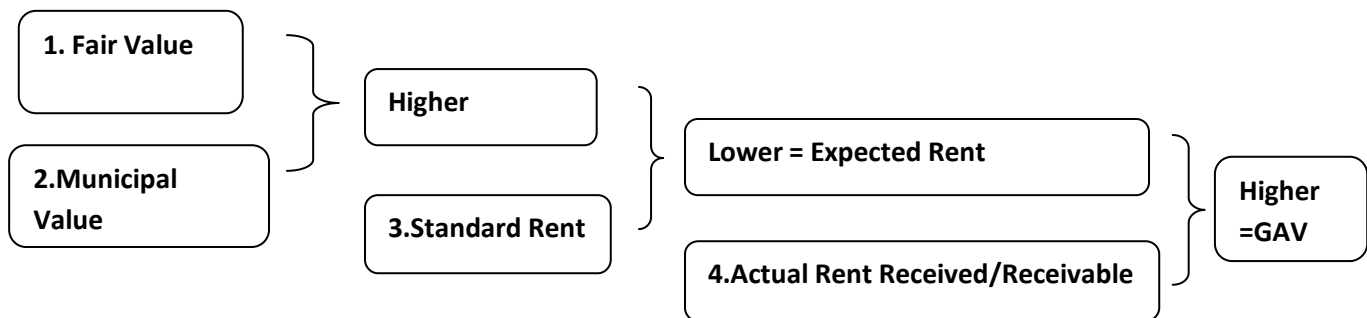
Sec 22: Chargeability



Computation

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 from house property		xxxx

Sec 23(1) : Gross Annual Value of Property



***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 <i>(but there should not any income from such property)</i>	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	<i>{Assessee should exercise his option in such a manner that his taxable income will minimised}</i>
4. House property which is partly let out and partly self-occupied :- Separate calculations One Part : Self-occupied GAV =Nil Other part : let out	<i>{Municipal Value/Fair Rent if not given separately, apportionment between on built up area basis}</i>
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 <i>*such acquisition/construction is completed within 3 years of the end of FY in which capital was borrowed</i> 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 assessee 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 assessee 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	AMOUNT
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	<u>1,00,000</u>
Income From House property	65,900

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

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