INCOME FROM HOUSE HOLD PROERTY
(SECTION 22-27.)
SEC. 22:- Charging Section.

The annual value as reduced by deduction u/s 24 of a house property, owned by the assessee is chargeable under this head, If the property is not occupied by the assessee for the purpose of his business or profession.

ANALYSIS :- If the following conditions are satisfied the annual value deduction u/s 24 shall be charged under this act, the conditions are:-

i) There must be house property only.
ii) The assessee must be owner of the house.
iii) The H.P. shall not occupy for self business, profession or vocation.

Analysis of 1st condition:- H.P.. means a building or building + land attached to the building.

Analysis of 2nd condition:- there can be 3 situations of ownership:-

i) Undisputed ownership
ii) Disputed ownership:- if the property is not let out. The person who is having pocession of the property shall be considered as owner and if the property is let out than the receiver of the rent shall be considered as owner.
iii) Deemed ownership:- u/s 27 (discussed later on)

Computation of taxable income of house property (H.P..)

	Gross annual value	xxxx
Less:-	Municipal tax	(xxx)
	Net annual value	xxxx
Less:- Deductions u/s :		
	24 a:- Standard deduction	(xxx)
	24 b:- Interest on loan borrowed	(xxx)
	Taxable income	xxxx

Computation of annual value u/s 23

Sec.23(1)- The annual value of a H.P. shall be:-

(a) The amt. for which the property can be reasonably letout from year to year (reasonable rent) (RR).
(b) If the property is letout and actual rent exceeds RR then, the actual rent (AR) {received / receivable} {RR or AR whichever is higher}.
(c) If the property is letout and vacant also in a year and the AR {received / receivable} is less than RR due to the **vacancy only**, then the annual value shall be AR and if the AR is less than RR but not due to the **vacancy** then GAV= RR.

Notes:- 1) how to calculate RR.

Step-1 Take municipal value or fair rent whichever is higher (call it ‘z’ amt.) now, compare ‘z’ amt. with standard rent. Here arises 3 situations.

1) ‘z’=SR then in case RR can be any one from ‘z’ or SR.
2) ‘z’ is smaller than SR then in case RR = ‘z’.
3) ‘z’ is higher than SR then in case RR = SR.

remarks:- If the fair rent is not given in the ques. than AR (per annum) = Fair value.

And if SR is not given in ques. than we consider it has N I L.
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2) Treatment of Municipal Tax. While, computing annual value the municipal tax actually paid during the prev. year and borne by the assessee(land lord) shall be deducted.

The municipal tax will not be deducted in case of SOP or NOP.

3) Treatment of unrealized rent. For the purpose of clause no.(b) and (c) in Sec.23(1), the actual rent shall not include unrealized rent if the following conditions are satisfied:-

1) The tenant has vacated the property or the steps have been taken (effective steps) for vacation of property.
2) All reasonable steps have been taken for recovery of rent & further steps shall be useless.
3) No other property belonging to the assessee is occupied by the tenant.

Unrealized rent of some other year received in prev. year and already allowed as deductions then, add in total income and if partly allowed then add the allowed portion.

If rent is unrealized in the prev. year then less it from GAV.

SEC. 23(2) The annual value of a H.P. shall be nil in following conditions:-

(A) If the property is occupied by the assessee or his residence. {Self occupied Property(sop)} or,

(B) If the assessee could not occupy property due to his business, profession or employment at some other place. (Not Occupied Property {NOP}).

Sec. 23(3) The provision of sec. 23(2) will not apply, If the property is letout at any time during the prev. year.

Sec. 23(4) If more than 1 properties are covered u/s 23(2):- Only 1 property as per choice of assessee shall be expected u/s 23(2) and all other properties shall be deemed to be u/s 23(1).

DEDUCTIONS u/s 24.

1) Sec. 24(a):- Standard Deductions = 30% of N AV. (note:- no deduction is provided if NAV is NIL or having (-)ve balance).
2) Sec. 24(b):- Deduction of Interest. (based on following conditions:-)
   a) The assessee must have borrowed money.
   b) The borrowed money must be utilized for purchase, construction, repair or renovation of a house property.
   c) The borrowel must be interest bearing.
   d) No deduction on interest is provided on H.P. used for self business, profession & vocation.

   Additional points-

1) Is there any condition regarding source of loan ? Ans. NO
2) Is there any condition regarding amt. of loan ? Ans. NO
3) Is there any condition regarding interest rate ? Ans. NO
4) Is there any condition regarding maximum amt. of deduction? Ans. YES.

THE CONDITIONS ARE:-

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PROPERTY COVERED U/S 23(1) **PROPERTY COVERED U/S 23(2)**

-NO LIMIT- **1) LOAN TAKEN FOR PURCAHSE & CONSTRUCTION.**

i) Old Loan (upto 30/03/99) upto Rs. 30,000/-
ii) New Loan (after 01/04/99) upto RS 1,50,000

2) LOAN TAKEN FOR REPAIR & RENOVATION

Upto Rs. 30,000/-.

5) Deduction in which year ?

PROVISION	PRE CONSTRUCTION PD.	POST CONSTRUCTION PD.
Meaning	It means int. for the period from the date of taking loan to the 31st march of preceding the date of completion of construction.	It means int. of amt. of loan after the period of construction.
Deduction in which year/how to claim ded.	Step-1) Calculate total int. of pre construction pd. Step-2) Divide into 5 equal installments and claim deductions for 5 yrs. Starting from the year in which construction is completed.	Int. in the respective years.

Recovery of unrealized rent & arrears of rent u/s 25A, 25AA, 25B.

PROVISION	25A	25AA	25B

Applicability	The assessee claim ded. of unrealized rent in A.Y 2001-02 or any earlier yr. and in current yr. there is some recovery.	The assessee claim ded. of unrealized rent in A.Y 2002-03 or any subsequent yr. and in current yr. there is some recovery	The assessee recovers arrears/difference of rent.
Taxable in which year.	The yr. of recovery.	Recovery year.	Recovery year.
Any ded. is allowed or not	-NO-	-NO-	YES (upto 30%)

Sec. 25:- If the int. on loan is payable/paid to non resident outside India, deduction u/s 24 shall be allowed only if:-

1) The assessee deducts tax at source (T.D.S)
2) There is an agent of non-resident in India.

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Sec. 26:- Co-Ownership (Joint Ownership)

There can be 2(two) situations:-

1) Income sharing ratio is not decided/agreed:-
   Step1) Calculate taxable income of property as per normal scheme/system of H.P. head.
   Step2) The income shall be taxable in the status of AOP (Association Of Person).
2) Income sharing ratio is decided:-
   Step1) Calculate taxable income of property as per normal scheme/system of H.P. head.
   Step2) Allocation of income to the co-owners according to the ratio.

Note:- If the property is covered u/s 23(2), then the limit of Rs.30,000/- or Rs.1,50,000/- shall be allowed separately to each owners.

Sec. 27:- Deemed ownership.

SITUATION	WHO SHALL BE DEEMED OWNER

1) A person transfers H.P. to his spouse without consideration or for inadequate consideration.(**Exception-** if the transfer is made under an agreement to live apart)	Transferor (The person who transfers the H.P.)
2) The person transfers his H.P. to his minor child without consideration or for inadequate consideration.(**Exception-** if the minor child is a married daughter).	Transferor (The person who transfers the H.P.)
3)Allotment of H.P. by any society, AOP, Housing Board etc., to any persons	Allot tee (The person to whom H.P. is allotted)
4)Importable Estate	Holder.
5)Long term lease (i.e., lease for 12 yrs. Or more.)	Lessee.
6) unregistered sale of immovable property (building) in 3 conditions:- a) Buyer has taken possession. b) Buyer has paid consideration. c) Agreement in writing but, here, unregistered sale means:- unregistered sale u/s 53A of Transfer Of Property Act.	Buyer

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