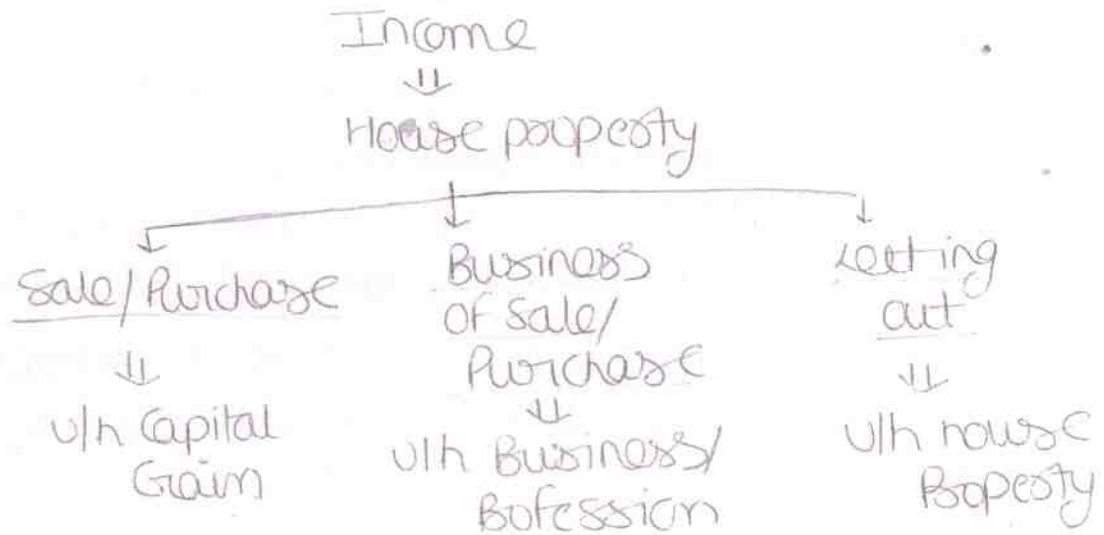


Income under the head House Property

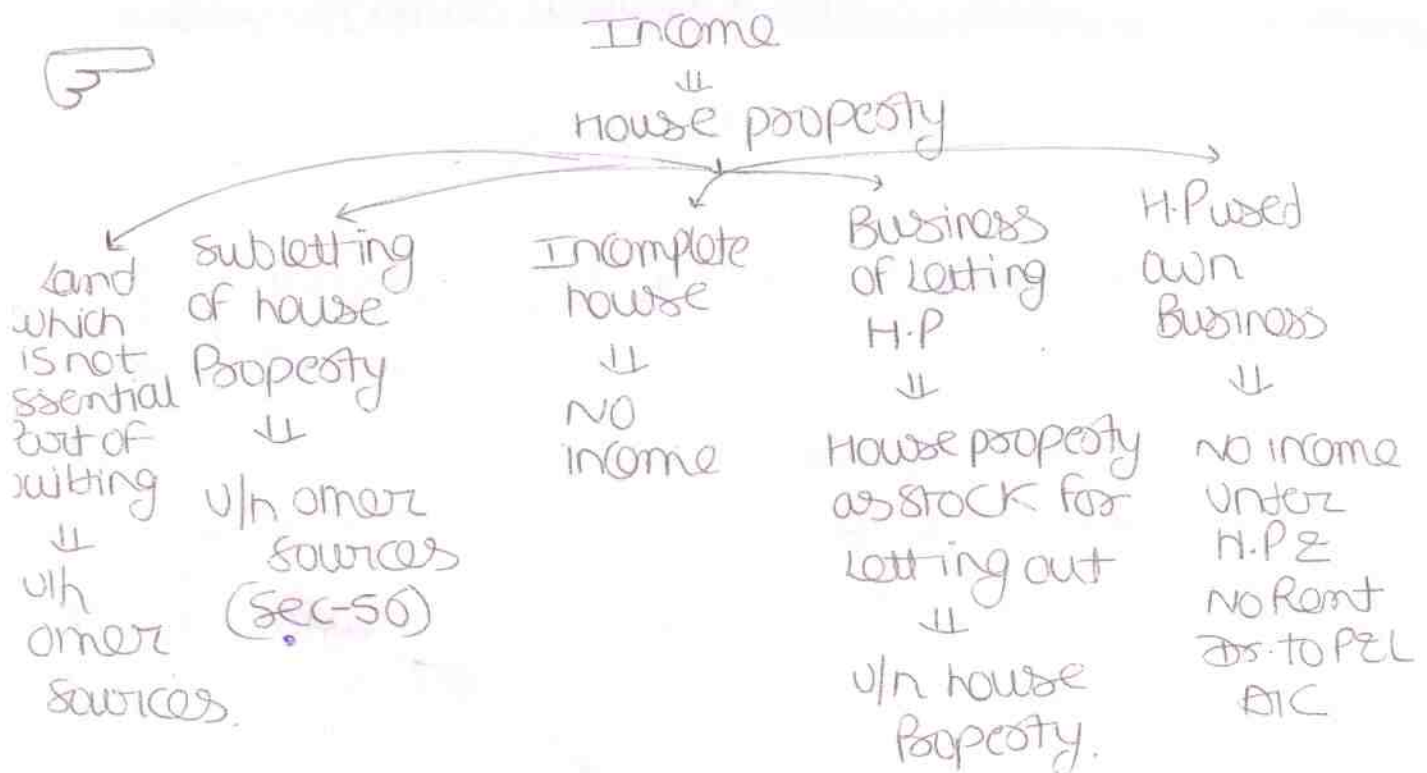
①



Hand-drawn arrow pointing right

House property includes :-

House property includes vast open area within its boundaries, residential house, shops, godowns, hotel building etc.



Computation of Income w/h house property:

Gross Annual Value (GAV)

(Fair Rent or m.v whichever is higher but it cannot exceed S.R and the rent so computed is called Expected Rent)

(Expected Rent shall be compared with rent recd. or receivable and higher of the two shall be GAV)

Less: Municipal taxes Paid by OWNER

Net Annual Value (NAV)

Less: Statutory deduction @ 30% of NAV
[Sec-24(a)]

Less: Int on borrowed Capital [Sec-24(b)]

Income w/h house Property xxx

* GAV = means rental of a house (reasonable)

* FR = Rent of similar types of building in the same locality

* m.v = rental value determined by the municipality for the purpose of charging municipal tax.

* S.R = highest possible Rent as per Rent Control Act

☞ Deductibility of Municipal Taxes :-

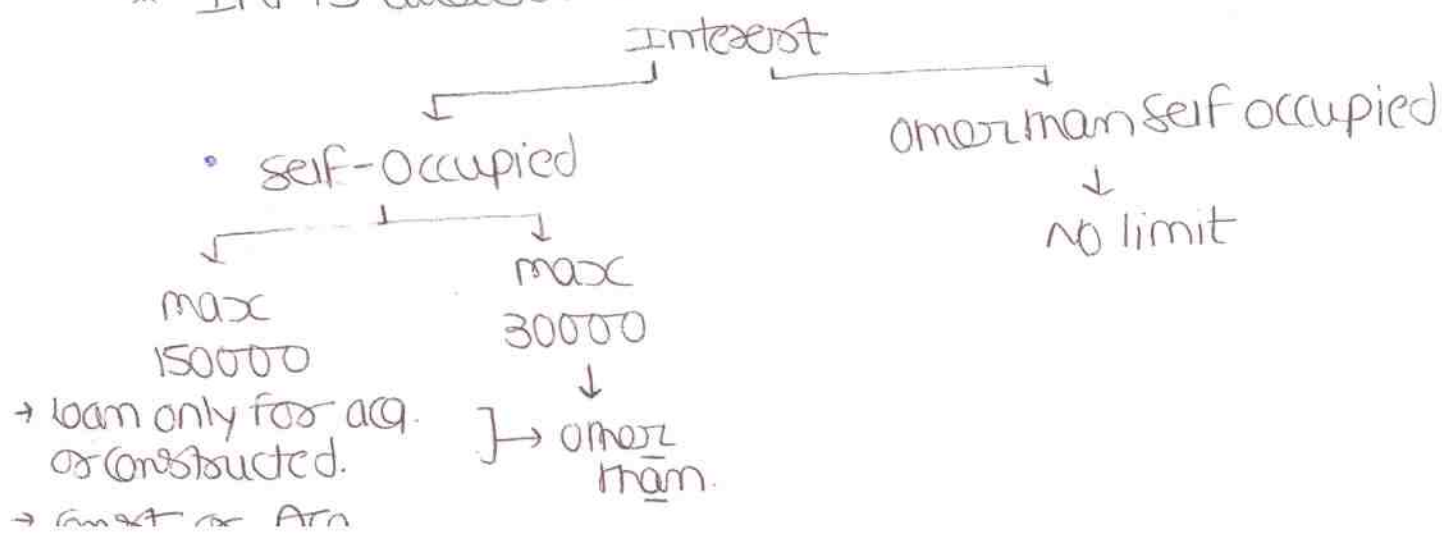
- * If the municipal tax is due but not paid, in that case deduction is not allowed.
- * If the municipal tax has been paid by the tenant, it will not be allowed to be deducted.
- * If tax paid for earlier year or subsequent year in the current year, it will be allowed to be deducted.
- * Municipal tax includes -
House tax / water tax / fire tax / General tax / Sewerage tax etc.

☞ Statutory Deduction [U/S-24(a)] :-

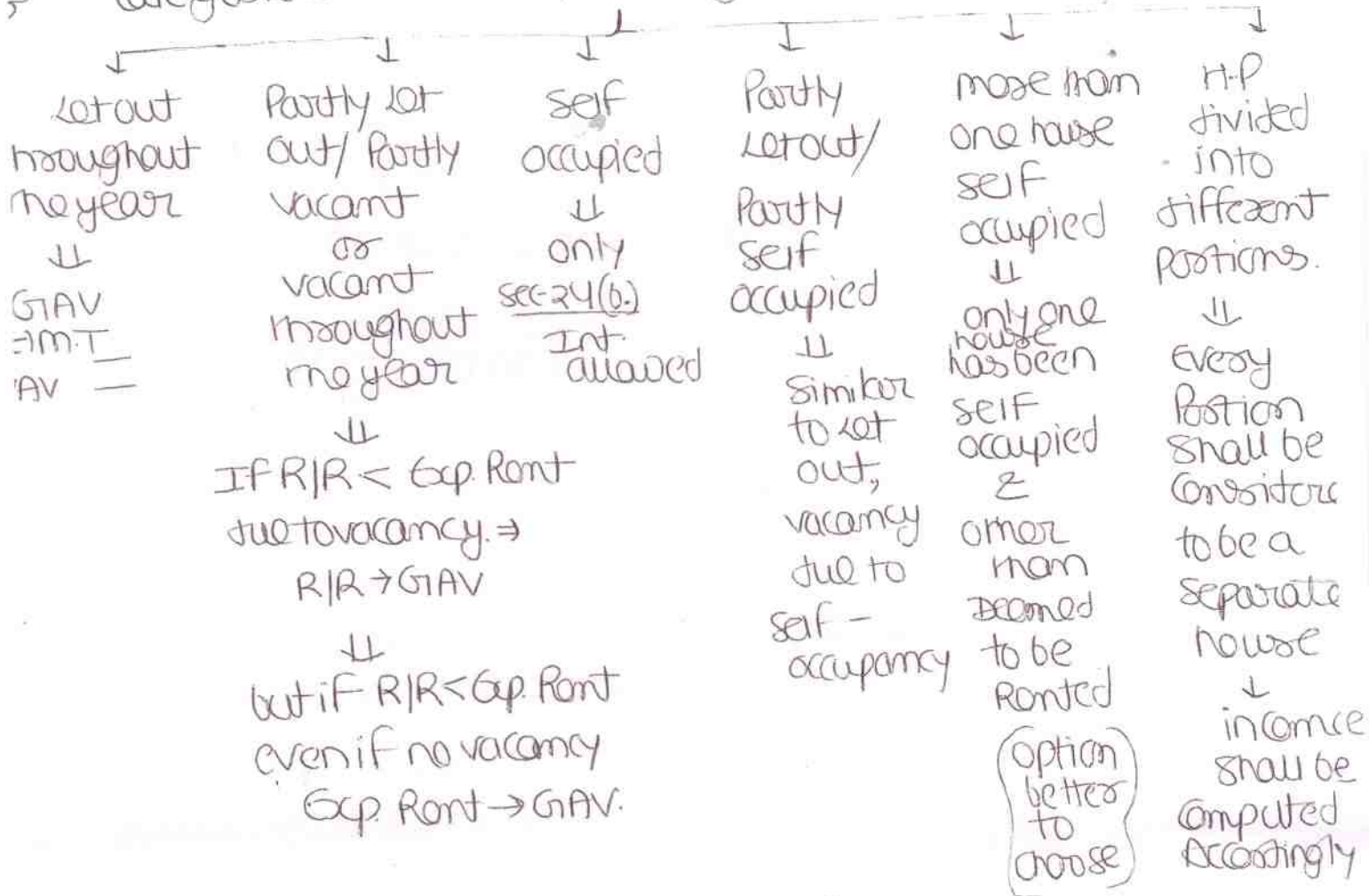
- * Deduction allowed = 30% of NAV
- * Actual Exp. incurred by the assessee shall not be taken into consideration.

☞ Deduction for Int. on the Capital borrowed [U/S-24(b)]

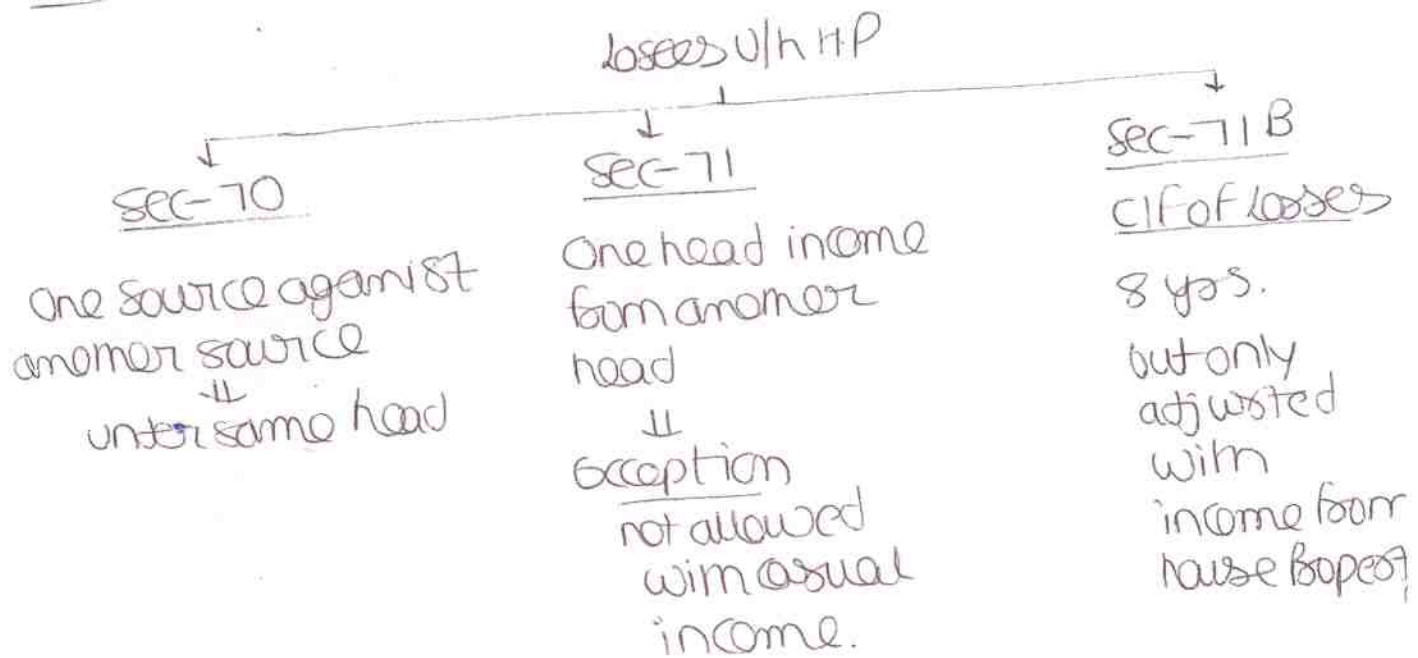
- * Only Simple Int. is allowed (not Compounded).
- * Int. is allowed on due basis (whether paid or not)



Categories of house property :-

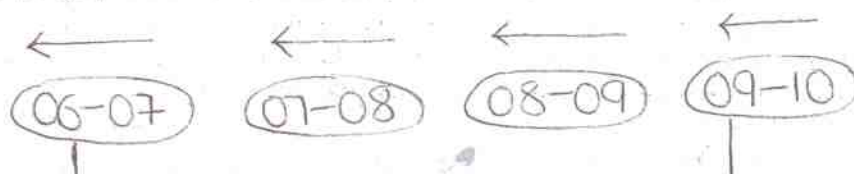


Set off & C/f of losses w/h House Prop. :-



(5)

* Int on Pre-construction Period ÷



Pre-construction Period

$$\left[\frac{\text{Total Int.}}{5} \right]$$

2010-11

(Int. of 10-11)
100% Allowed

$$+ \left[\frac{\text{Total Int.}}{5} \right]$$

* NO deduction is allowed for any brokerage or commission for arranging loan.

* Int on fresh loan taken to repay the original loan is allowed as deduction.

* Int on borrowed capital, payable outside India - tax on the same has been paid and deducted at source.

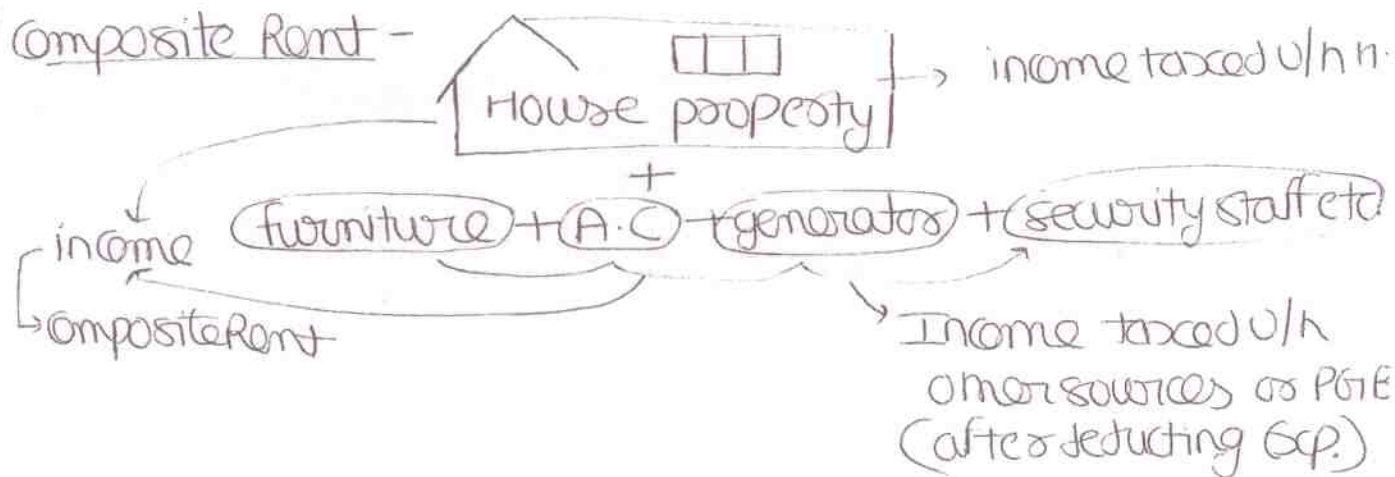
☞ Repayment of a housing loan -

* Deduction is allowed for Repayment of loan (Principal) U/s 80C & loan is taken for construction or purchase (not for repairs) from a notified institution.

Advance Rent -

- * No tax treatment suggested under I.T Act.
- * Advance Rent will not be taxed in the year - received it will be taxed in the year the rent relates.

Composite Rent -



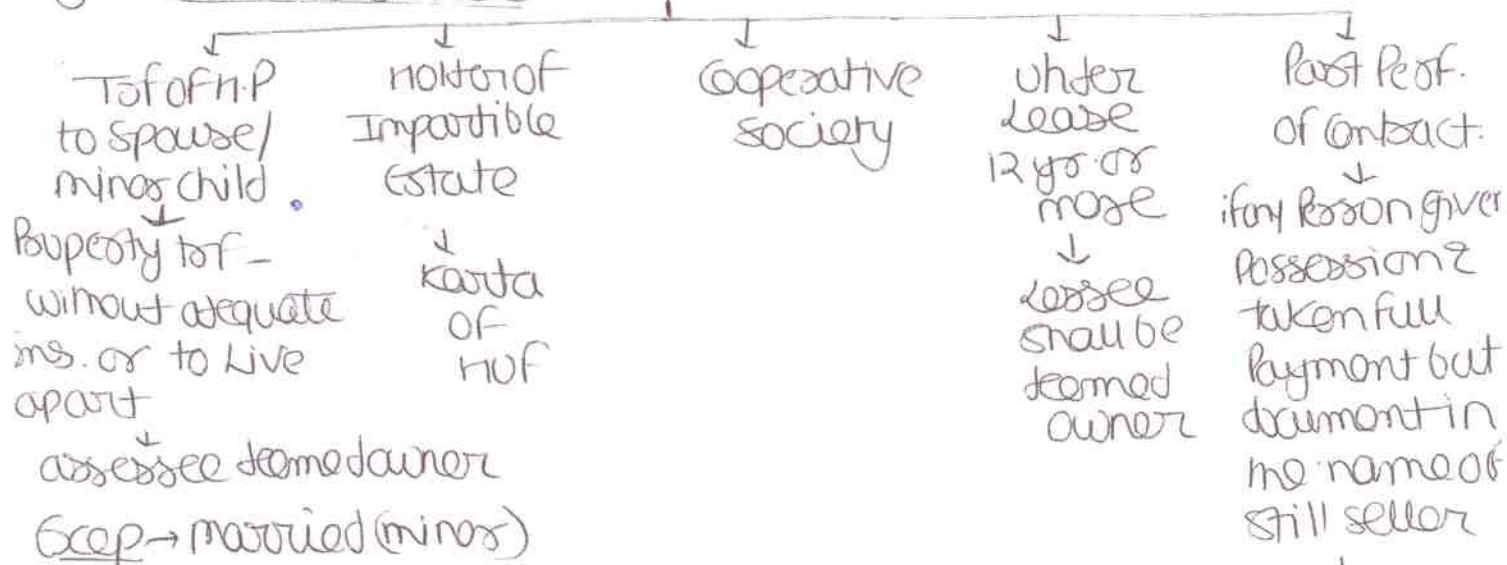
Assesses of Rent -

Sometimes Rent increased with some back date in case when an assessee receive arrears of Rent it will be taxable u/h n.p (after deducting 30%).

Subletting of n.p.

(Income - Expenses) $\Rightarrow$ taxed u/h other sources.

Deemed Owner -



☞ Unrealised Rent - (*No deduction is allowed)

while computing GAV, - Rent Recd./or Rec.

☞ Unrealised Rent.

* Rule-4 Conditions

only if Rule 4 conditions fulfilled

- (i) tenancy is bonafide
- (ii) defaulting tenant was vacant.
- (iii) defaulting tenant is not occupied of any other property of ass.
- (iv) Assessee has taken reasonable step for recovery.

☞ Income v/h H.P without having any H.P.

(i) Unrealised Rent

taxable in the year in which it received v/h H.P. (No Exp. allowed)

(ii) Postcard of Rent

after deducting 30% → it is taxable.

(iii) Deemed ownership

w/o adequate consideration } minor child not being a married daughter
agreement to live apart } or spouse.

☞ Co-ownership -

Property owned two or more persons.
Each share of each → included in his income.
if share of each member is given - income computed separately.

☞ House property outside India -

Taxable only in case of resident assessee, same manner as in case of H.P in India.