

INCOME FROM HOUSE PROPERTY [22 – 27]



I have many houses used for different purposes



This is **Mannat** my home in Mumbai, I live in this

This house is put up on rent and I receive rent on this house

This house is in Himachal and I live here for 2 months and rest 10 months I receive rent on this

This house is given by me to production unit for shooting purpose



I am confused that under which head of income tax I will have to assess my income from above houses???

DO I NEED TO COMPUTE INCOME OF Mannat also? What about my house in Himachal??

DO I need to consider actual rent only as my income?

Is this income taxable under more than 1 head?

All the aspects regarding taxability of RENTAL INCOME is covered under **section 22 to 27** (Income from house property)



Index of income from house property (hum house property kaisay padhengay)

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WHAT IS INCOME FROM HOUSE PROPERTY? CHARGEABILITY [SECTION 22]

- Any building and land appurtenant thereto is known as house property u/s 22
- Annual value of such house property is taxed u/s 22 as income from house property
- provided such property, or part of such property is not used by the assessee for business or profession purpose

EXTRA POINTS-

- Land appurtenant means land connected with the building like garden, garage etc.
- Temporary structures shall not be considered as buildings for the purpose of Income from House property. Eg. Circus tents, exhibition structures, etc.
- Buildings do not include incomplete units or which are in not in a condition to use.
- Income from letting out of vacant land is, however, taxable under the head "Income from other sources"
- Ownership includes deemed ownership
- The person who owns the building need not also be the owner of the land upon which it stands.
- Income from subletting is not taxable as income from house property [It will be taxable in IOS]

TYPES OF HOUSE PROPERTIES

SELF- OCCUPIED (like Mannat) –

- Under IFHP **Maximum 2 HP** are allowed as S/O and others will be treated as Deemed Let out
- Annual value of such properties is taken as **NIL**

LET-OUT –

- There is **no limit** for number of L/O HP
- Annual value of such properties is computed as per **section 23**

COMPUTATION OF GAV & NAV [SECTION 23]

Steps to compute GAV [Gross annual value]-

MUNICIPAL VALUE
OR
FAIR RENT

HIGHER

HIGHER
OR
STANDARD RENT

LOWER

ER [Expected Rent]
OR
ACTUAL RENT

HIGHER

NAV [Net annual value] = GAV less municipal taxes [MT]

THIS HIGHER AMOUNT IS **GAV**

COMPUTATION OF IFHP-

NAV	XXX
Less: Deduction u/s 24	XXX
24(a) Standard deduction	
24(b) Interest on loan	

INCOME FROM HOUSE PROPERTY	XXX
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DIFFERENT SITUATIONS OF GAV

- 1. When some part of rent is un-realised
- 2. Where Let Out Property is vacant for part of the year
- 3. In case of Self-Occupied Property or Unoccupied Property
- 4. Where a house property is Let-out for Part of the year and Self-occupied for part of the year
- 5. In case of a house property, a portion let out and a portion self-occupied
- 6. In case of Deemed to be Let Out Property

MANNER OF COMPUTATION IN ALL ABOVE CASES

- 1. When some part of rent is un-realised
 - Actual rent will be less unrealised rent i.e. **AR-UR**
- 2. Where Let Out Property is vacant for part of the year
 - If ER is more than AR+VR then **GAV= ER**
 - If ER is less than or equal to AR+VR then **GAV=AR**
- 3. In case of Self-Occupied Property or Unoccupied Property
 - **GAV & NAV = NIL**
- 4. Where a house property is Let-out for Part of the year and Self-occupied for part of the year
 - **ER will be computed as usual** for whole year and AR will be computed for let out period only
- 5. In case of a house property, a portion let out and a portion self-occupied
 - Computation will be done proportionately on basis of area under let out and self-occupied
- 6. In case of Deemed to be Let Out Property
 - Assessee can opt **maximum 2 HP are S/O** and remaining are to be treated as Deemed let out at the option of assessee (HP having least income will be treated as Deemed L/O)
 - **GAV= ER**

PROPERTY TAXES [MUNICIPAL TAXES]

1. Property taxes are allowable as deduction if-
 - Borne by the assessee (owner)
 - Actually paid during the previous year
2. Municipal Tax includes services related tax like Water Tax and Sewerage Tax levied by any Local Authority.
3. Municipal Tax can be claimed as a deduction only in respect of let-out or deemed to be let-out properties

DEDUCTIONS FROM ANNUAL VALUE [SECTION 24]

Section 24(a)

30% of NAV is allowed as deduction under

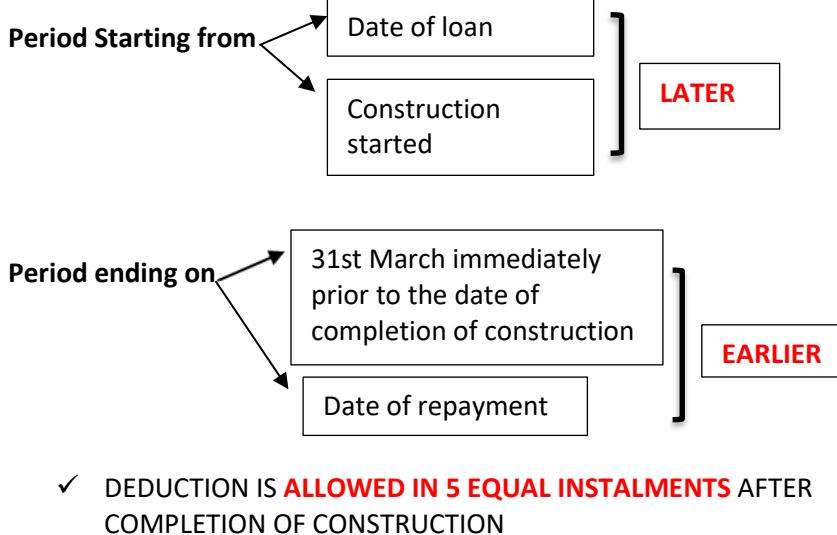
- ✓ In case of self-occupied property assessee will not be entitled to deduction of 30%

Section 24(b)

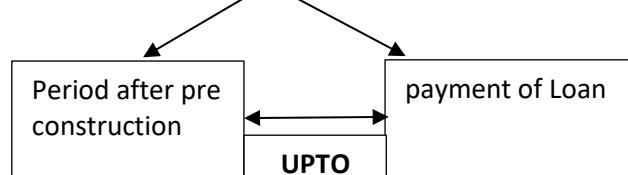
Interest on borrowed capital is allowed as deduction for the purpose of **Acquisition, Construction, Repairs, Renewal or Reconstruction**

Interest on borrowed capital is allowed as deduction under section 24(b)

Pre-acquisition/pre-construction period-



Post-acquisition/Post-construction period-



Maximum Limit of deduction

IN CASE OF SELF OCCUPIED-

LIMIT IS **2,00,000** IF-

1. Property is acquired/constructed on or after 1.4.1999
2. Construction is completed within 5 years

In other cases limit is **30,000**

IN CASE OF LET OUT –

NO LIMIT

OTHER POINTS REGARDING INTEREST ON LOAN-

1. Interest payable on a fresh loan taken to repay the original loan raised earlier for the aforesaid purposes is also admissible as a deduction
2. Deduction for interest is available on accrual basis
3. Interest on unpaid interest is not deductible.
4. No deduction is allowed for any brokerage or commission for arranging loan
5. Interest chargeable under this Act which is payable outside India shall not be deducted if tax has not been paid or deducted from such interest

TAXABILITY OF UN-REALISED & ARREAR OF RENT [SECTION 25A]

UN-REALISED RENT & ARREAR OF RENT ARE TREATED IN SAME WAY-

- ✓ 70% Amount is taxable in year of year of receipt
- ✓ 30% Amount is deductible

NOTE-

To avail deduction of unrealised rent from GAV rule 4 must be followed, conditions of rule 4 are-

1. The tenancy is bona fide
2. The defaulting tenant has vacated, or steps have been taken to compel him to vacate the property
3. The defaulting tenant is not in occupation of any other property of the assessee
4. The assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless.

TREATMENT OF INCOME FROM CO-OWNED PROPERTY [SECTION 26]

1. Where the house property owned by co-owners is self-occupied by each of the co-owners, the annual value of the property of each co-owner will be NIL and each co-owner shall be entitled to a deduction of ₹ 30,000 or ₹ 2,00,000, as the case may be.
2. Where the house property owned by co-owners is let out, the income from such property shall be computed as if the property is owned by one owner and thereafter the income so computed shall be apportioned amongst each co-owner as per their specific share.

COMPOSITE RENT (When rent is received for building & services provided in building)

→ If letting out is inseparable - Building rent will be taxed u/h IFHP & other rent u/h PGBP or IFOS

→ If letting out is separable – Entire rent will be taxed u/h PGBP or IFOS

DEEMED OWNERSHIP [SECTION 27]

- TRANSFER TO A SPOUSE
- TRANSFER TO A MINOR CHILD
- HOLDER OF AN IMPARTIBLE ESTATE
- Member of a co-operative society etc.
- Person in possession of a property in part performance of a contract
- Person having right in a property for a period not less than 12 years
- DISPUTED OWNERSHIP

PRACTICE QUESTIONS:-

QUES-1) Ganesh has a property whose municipal valuation is ₹ 2,50,000 p.a. The fair rent is ₹ 2,00,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 2,10,000 p.a.

The property was let out for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.2024. Unrealised rent was ₹ 20,000 and all conditions prescribed by Rule 4 are satisfied.

He paid municipal taxes @8% of municipal valuation. Interest on borrowed capital was ₹ 65,000 for the year. Compute the income from house property of Ganesh for A.Y. 2024-25.

QUES-2) Mr. Vikas owns a house property whose Municipal Value, Fair Rent and Standard Rent are ₹ 96,000, ₹ 1,26,000 and ₹ 1,08,000 (per annum), respectively.

During the Financial Year 2023-24, one-third of the portion of the house was let out for residential purpose at a monthly rent of ₹ 5,000.

The remaining two-third portion was self-occupied by him. Municipal tax @ 11 % of municipal value was paid during the year. The construction of the house began in June, 2016 and was completed on 31-5-2019.

Vikas took a loan of ₹ 1,00,000 on 1-7-2016 for the construction of building. He paid interest on loan @ 12% per annum and every month such interest was paid.

Compute income from house property of Mr. Vikas for the Assessment Year 2024-25

QUES-3) Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 23-24 are as under-

Particulars	House I	House II	House III
Municipal valuation p.a.	3,00,000	3,60,000	3,30,000
Fair rent p.a.	3,75,000	2,75,000	3,80,000
Standard rent p.a.	3,50,000	3,70,000	3,75,000
Date of completion/purchase	31.3.1999	31.3.2002	1.4.2015
Municipal taxes paid during the year	12%	8%	6%
Interest on money borrowed for repair of property during the current year	---	55,000	---
Interest for current year on money borrowed in April, 2016 for purchase of property	---	---	1,75,000

Compute Ganesh's income from house property for AY 2024-25