INCOME FROM HOUSE PROPERTY
(Sections 22 to 27)

INTRODUCTION

As you know, there are five heads of income under which income is chargeable under The Income Tax Act, 1961. The rental income from properties earned by an assessee is chargeable to tax under the head House Property. The provisions of this chapter and **taxation of rental income** is discussed hereunder:

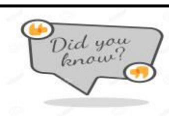
The Chargeability [Section 22]

The following conditions must be satisfied in order to charge any income under the head Income from House Property :

1. There must be a building.
2. The assessee must be the owner of the property and
3. The assessee must not use the property for the purpose of business carried on by him.

Question 1: The Chargeability explained

Particulars	Treatment
(i) Sri Ganesh has let out his vacant Land to Sri Kartik for ₹15,000 p.m. He has also let out his Plant and machinery and furniture for ₹20,000 p.m.	
(ii) Sri Ram owns a building at Kolkata. This has been let out him to Sri Bharat for ₹ 25,000 p.m. Sri Bharat also lets out the same property to Sri Laxman for ₹30,000 p.m.	
(iii) Kuber Ltd. lets out its property to various Banks, Insurance Companies and Govt. Agencies to improve its business infrastructure.	
(iv) State Bank of India lets out the properties to its employees to ensure smooth conduct of business.	
(v) A training institute has set up a hostel for students for the benefits of its business	

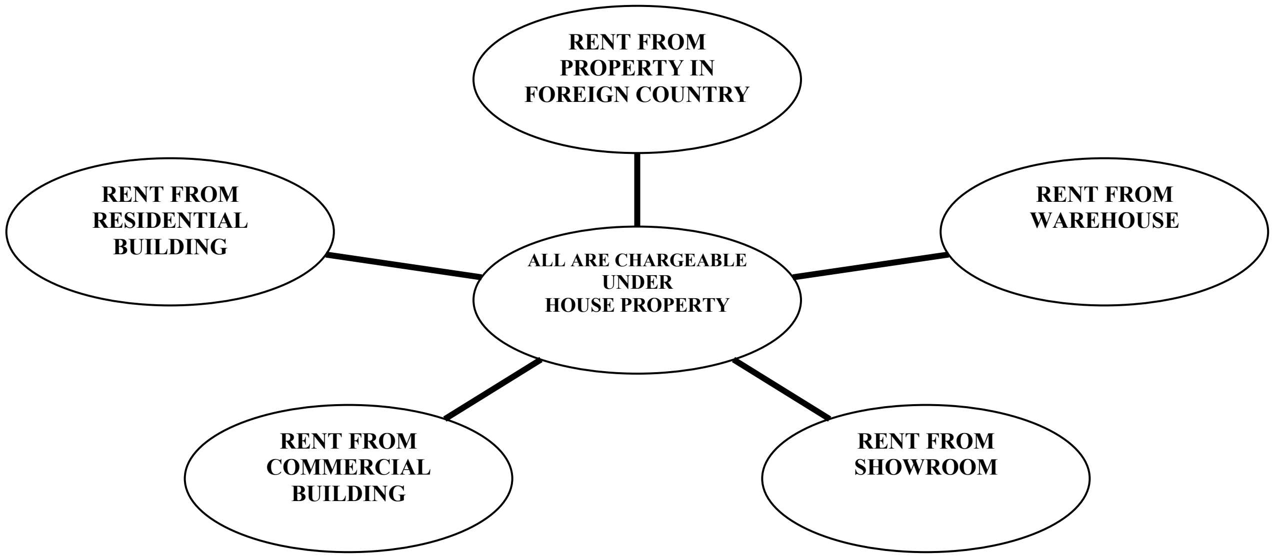


(i) Rental Income taxable as business income where the main objective as per MOA of the company is to let out those properties; and its substantial part of revenue is from rental income. ***[Chennai Properties & Investment Ltd. (2015) (SC)]***

(ii) on similar line, income from letting out godowns along with various services for warehousing of goods are taxable under the head "profits and gains of business or profession" and not under "Income from house property ***[NDR Warehousing P Ltd (2015)(Mad –HC)]***

Meaning of the term House Property

The term House Property does not mean that the property must be let out for residential purpose only. Commercial buildings, Office Buildings, warehouse are also covered therein. Property in foreign country is also taxed under the head Income from House Property.



Conclusion:

Property ☞ owner ☞ rental income from any purpose ☞ not for own business ☞ House Property

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Method of Accounting

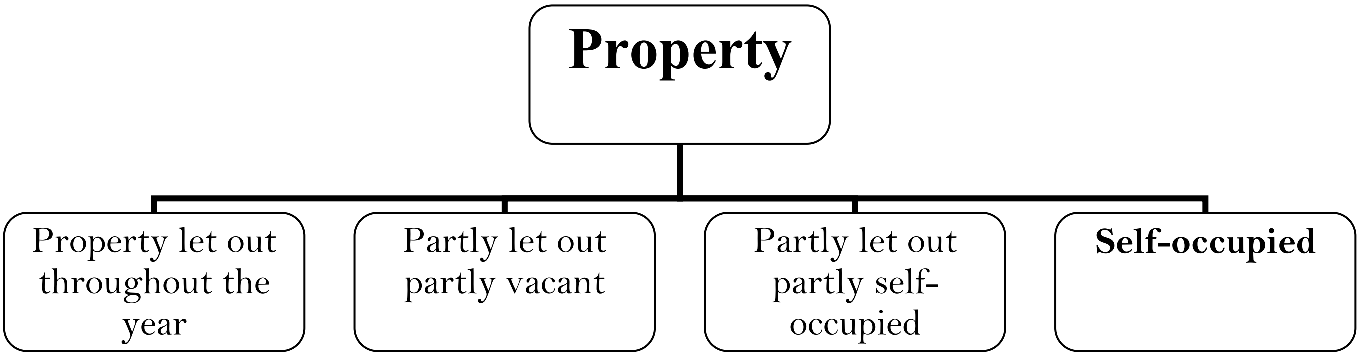
Under the head Income from House Property, Accrual basis of Accounting is followed.

The Computation of Income from House Property

Particulars	Amount (₹)	Amount (₹)
Gross Annual Value		
<u>Less</u>: Municipal Taxes paid		
Net Annual Value		
<u>Less</u>: Deduction U/s 24		
(1) Standard Deduction U/s 24(a) – 30% of Net Annual Value		
(2) Interest on Loan U/s 24(b)		
Income from House Property →		

From the above mode of Computation it is clear that determination of Gross Annual Value is the most important element. For the purpose of determination of Gross Annual Value we classify house property into following categories :

1. Property let out throughout the year
2. Partly let out partly vacant.
3. Partly let out partly self-occupied
4. Self occupied



Calculation of Gross Annual Value [Section 23(1)]

Category 1: The Property which is let out throughout the year

Where the property is let out for entire year, the Gross Annual Value is the higher of

(a) Expected Rent or,

(b) Actual Rent received or receivable

Expected Rent

Expected Rent is computed at the higher of

➔Gross Municipal Value or

➔Fair Rent, but not exceeding

➔the Standard Rent
[As per *Shiela Kaushish Vs. CIT 1981 131 ITR 435 (SC)*] ,

This means that expected rent will be at first taken at higher of Gross Municipal Value and Fair Rent. Thereafter, we shall take the lower of (a) resulting figure or (b) Standard rent.

Example: Explaining the Computation of Expected Rent

Municipal Value	50	60	70
Fair Rent	55	58	80
Standard Rent	54	75	50
Expected Rent	54	60	50

Question 2: Compute Gross Annual Value in the following cases:

Gross Municipal Value	50	55	60	75	70	80
Fair Rent	52	57	68	80	65	78
Standard Rent	58	54	50	65	63	95
Actual Rent	60	56	45	68	80	68
Expected Rent	52	54	50			
Actual Rent	60	56	45			
Gross Annual Value	60	56	50			

DEDUCTIONS IN COMPUTING INCOME FROM HOUSE PROPERTY

(1) MUNICIPAL TAX PAID

(a)From the Gross Annual Value at first ***Municipal Tax paid*** is deducted to arrive at the Net Annual Value.

(b) Further, Municipal tax will be allowed as deduction only if the same is paid by the owner. No deduction will be allowed towards Municipal Tax if it is paid by tenant.

(c) Municipal Tax is deducted on payment basis. It is to be noted only municipal tax which is actually paid is allowed as deduction irrespective of the year to which it relates. Unpaid Municipal Taxes is not allowed as deduction.

(d)It is not only the Municipal Tax which is allowed as deduction. In fact, all taxes levied by local authority are allowed as deduction. However taxes levied by State Government are not allowed as deduction.

(e) Interest and penalty on Municipal Taxes are not deductible.

Payment basis
+
Must be paid by the owner
+
All taxes levied by local authority are allowed
+
Any interest or penalty on tax is not allowed

<u>Question 3</u>: Discuss the following:

1. Total municipal taxes for the P.Y. 2019-20 comes to ₹ 10,000 out of which the assessee paid ₹ 6,000 and ₹ 4,000 is outstanding.

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2. During the P.Y. 2019-20 Mr. X paid municipal taxes as under:
₹ 10,000 FOR P.Y. 2018-19
₹ 20,000 FOR P.Y. 2019-20
₹ 5,000 FOR P.Y. 2020-21

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3. From The following compute deduction allowable:

Particulars	**Amount (₹)**	**Deduction Allowed**
Municipal Taxes: Paid Outstanding	 30,000 20,000	
Water taxes paid to KMC	5,000	
Sewerage taxes to WB State Govt.	12,000	
Electricity Charges to CESC	2,000	
Interest and Fine for Delayed Payment	1,500	

(2) **STANDARD DEDUCTION [Section 24(a)]**

(a)From the net annual value computed the assessee is entitled to a deduction of 30%of the net annual value.

(b)Since Standard Deduction is being provided, no deduction shall be provided in respect of actual expenses towards repairs, insurance premium, depreciation and any other expense.

(c) In case NAV is negative no standard deduction shall be allowed.

ILLUSTRATION:

NAV = ₹10,00,000 Expenses incurred: Repairs: ₹ 1,00,000 Maintenance: ₹ 2,00,000 Depreciation: ₹ 50,000 Insurance: ₹ 30,000	➔We will not get any deduction for the expenses incurred. ➔What we will get is a 30% standard deduction on NAV = ₹3,00,000

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3. INTEREST ON BORROWED CAPITAL [Section 24(b)]

Deduction on accrual basis

1. Interest on Loan shall be allowed as deduction on accrual basis.

2.Interest on Loan shall be allowed only if loan has been taken and utilized for purchase, construction, repair or renewal of the house.

Discussions & Explanations

(1) If house 1 is Mortgaged but loan is utilized against house 2, the interest would be allowed as deduction against house 2.

(2) If Loan has been utilized for payment of Municipal tax then interest will not be deductible because it is not utilized against purchase, construction , repair or renewal of the house.

(3) Interest on Interest will not be allowed as deduction.

(4) If original loan is meant for say repair and a second loan is taken to repay the first loan then interest on second loan would also be allowed as deduction.

Question 4A: Discuss the following:

Example 1: Loan ₹10,00,000

Interest on loan ₹ 1,00,000

Interest on interest ₹ 6,000

Example 2: Loan 1 is taken from HSBC ₹ 10,00,000 @ 18 % p.a. on 1/4/2019 for repair of the house.

On 1/10/2019, loan 2 is taken from SBI @12% p. a. and loan 1 is repaid.

Question 4B: From the following Compute Income from House Property of the House, if the house is situated at Bangalore:

Municipal Value	₹ 72,000
Fair Rent	₹ 78,000
Standard Rent	₹ 95,000
Annual Rent	₹ 1,00,000
Unrealised Rent	₹ 10,000
Municipal Tax	15%
Repairs	₹ 12,000
Interest on Loan	₹ 10,000

UNREALISED RENT

Treatment: Unrealized rent is deducted from actual rent (Annual rent) to get the net actual rent.

Conditions

But the following conditions must be satisfied before the assessee can claim any amount as unrealized rent (Rule 4 of the Income Tax Rules):

(a) The tenancy is bonafide ;

(b) the defaulting tenant has vacated, or steps have been taken to compel him to vacate the property ;

(c) the defaulting tenant is not in occupation of any other property of the assessee;

(d) the assessee has taken reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer(Income Tax Officer) that legal proceedings would be useless.

Category 2: Property Partly Let Out and Partly Vacant

Section 23 states that for the purposes of section 22, the Gross annual value of any property shall be deemed to be—

(a) Expected Rent, or

(b) where the property is let out and was vacant during the whole or any part of the previous year **and owing to such vacancy** the actual rent is less than Expected Rent, then such Actual Rent shall be the Gross Annual value.

✍ **Alternative treatment of Vacancy: As per this, Vacancy shall be deducted from Annual Rent or Expected Rent, whichever is higher.**

Discussions & Explanations

Example 1 :

Expected Rent		100
Annual Rent	108	
Vacancy	9	99
GAV →		___

Example 2 :

Expected Rent		100
Annual Rent	48	
Vacancy	4	44
GAV →		___

Example 3:- Expected Rent 100

Example 4:- Expected Rent 120

Annual Rent	120		Annual Rent	120	
Vacancy	10	110	Vacancy	10	110
GAV →		___	GAV →		___

Question 4C Compute the Gross Annual Value in the following cases :

	I	II	III	IV
Municipal Value	60	68	70	75
Fair Rent	65	60	64	70
Standard Rent	63	70	45	72
Actual Rent (12 months)	72	48	60	66
Vacancy 2 months				

Solution:

		I		II		III		IV
Expected Rent								
Actual Rent for 12 months								
Loss due to vacancy								
Actual Rent								
Gross Annual Value								

Answer: 60,68,50,72

Question 5: From the following information, you are required to ascertain Income From House Property of Mr. X:

	Amount(₹)
Municipal Value of the property	6,00,000
Fair Rental Value of the property	5,00,000
Standard Rent of the property	4,00,000
Actual Rent received	3,60,000
Vacancy	3 Months

Other expenses:
Repairs and maintenance expenses ₹ 60,000
Municipal Taxes paid during the year amounted to ₹ 50,000.
He had Taken a loan of ₹ 10,00,000 @ 12%p.a. interest to acquire the property.

PARTLY LET OUT AND PARTLY VACANT WITH UNREALISED RENT

1. In such cases, unrealized rent shall be deducted first and thereafter vacancy.
2. If (Annual Rent – Unrealised rent) is greater than Expected Rent and after vacancy the net actual rent is lower than Expected rent then Actual rent is taken as Gross Annual Value.
3. If (Annual rent – Unrealised rent) is lower than Expected Rent, then Expected Rent is taken as GAV.

Discussions & Explanations

Ex-5:-

Expected Rent		100
Annual Rent	108	
(-)Unrealised Rent	10	
	98	
(-)Vacancy	9	89
GAV →		

Ex.6:-

Expected Rent		100
Annual Rent	108	
Unrealised Rent	4	
	104	
Vacancy	9	95
GAV →		

Question 6: Partly let out partly vacant with unrealised rent.

Compute the Gross Annual Value in the following cases :

	I	II	III	IV
Municipal Value	60	68	70	75
Fair Rent	65	60	64	70
Standard Rent	63	70	45	72
Annual Rent (12 months)	72	84	60	66
Unrealised Rent	10	12	14	16
Vacancy 2 months				

Solution:

		I		II		III		IV
Expected Rent								
Annual Rent Less: unrealised rent Actual Rent (before vacancy)								
Loss due to vacancy								
Actual Rent								
Gross Annual Value								

Answer: 63,58,36,72

<table>
<tr><td colspan="2">Category 3: Property Partly Let Out and Partly Self Occupied</td></tr>
<tr><td>Period Wise Let Out and Self occupied</td><td>Area wise Let Out and Self Occupied</td></tr>
<tr><td>⇨ Treated as if Let Out throughout the year</td><td>⇨ Treated as if there are two properties : One is Let Out and 2nd is self occupied</td></tr>
<tr><td><u>Question 7</u>: Rohit is the owner of a house at Bangalore. The said property is let out for 6 months and self occupied for 6 months.
<u>Additional details</u>:
Municipal Value : ₹1,00,000 p.a.
Fair Rent : ₹80,000 p.a.
Standard Rent : 1,20,000 p.a.
Actual rent : ₹5,000 p.m.
Municipal Taxes : ₹20,000
Interest on Loan : ₹ 25,000</td><td><u>Question 8</u>: Rahul is the owner of a house at Bikaner. The said property consists of 2 units –
Unit 1 is let out
Unit 2 : is self occupied
<u>Additional details</u>:
Municipal Value : ₹1,00,000 p.a.
Fair Rent : ₹80,000 p.a.
Standard Rent : 1,20,000 p.a.
Actual rent : ₹5,000 p.m. for Unit 1
Municipal Taxes : ₹20,000
Interest on Loan : ₹ 25,000</td></tr>
<tr><td><u>Solution</u>:</td><td><u>Solution</u>:</td></tr>
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INTEREST

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CURRENT YEAR INTEREST + **1/5TH OF PRE CONSTRUCTION/ ACQUISITION INTEREST**

The Layman's Language: For your understanding only

➔The interest for current year is fully allowed as deduction

➔However, we treat pre construction interest as a deferred revenue expenditure and spread it over 5 years.

Pre Construction/Acquisition Interest

Where loan is taken for construction or purchase of the property then interest from the date when loan is taken till the year preceding the year in which construction is completed is totaled and allowed as deduction $1/5^{th}$ over 5 successive years starting from the year in which construction is completed.

Question 9: Loan taken on 1.7.2016 for construction of the property ₹ 10,00,000 @12% p.a. Construction of house is completed on 1.7.2019. Loan is still unpaid. What is the interest allowable ?

First year of Computation

Consider a situation: The construction of a property is completed on 1/3/2020 and it is let out the same day. In this case P.Y. 2019-20 is the first year of computation.

➔The assessee is the owner of the property from 1/3/2020.

➔Expected Rent shall be taken for period of ownership and actual rent for period of let out.

➔It is obvious that Expected Rent should be taken for one month. Since the assessee is the owner only for 1 month he cannot expect rent for the entire year.

Question 10: Suppose construction of a house is completed on 1/7/2019. The house is let out from 1/7/2019 to 31/12/2019 and self-occupied thereafter. Discuss the treatment

Category 4: Self Occupied or Non Occupied due to employment elsewhere

(1) The Annual Value of Self Occupied Property or Property non occupied due to employment elsewhere is taken at **NIL.**

(2) No deduction is allowed for Municipal Taxes. No Standard Deduction is allowed.

(3) Interest on loan is however allowed as deduction. This is subject to monetary limits as explained hereunder:

- Benefit of Self occupied property can be availed by only Individual and HUF. [**Hariprasad Bhojnagarwala (2012) (Guj.)**]

Interest on Loan if Loan taken

↓ For Repair & Renewal
Max ₹ 30,000

↓ For construction or Acquisition

↓ If taken before 1/4/99
Max: ₹ 30,000

↓ on or after 1/4/99
Max: ₹ 2,00,000

The aggregate of the amount of deduction under all the above categories shall not exceed ₹ 2 lakh.

Points to be Noted:

1) The above Limit is for Self-occupied property. In case of let out properties there is no Limit for interest.

2) The above Limit is for current year interest + $1/5^{th}$ of preconstruction interest.

3) The interest of max ₹ 2,00,000 is subject to the condition that the construction must be completed **within 5 years** from the end of financial year in which loan is taken. Otherwise, restricted to ₹ 30000.

Example: Suppose Mr. Raja starts construction of a house on 10/12/2019. Now he must complete construction within 5 years from 31/3/2020 i.e. by 31/3/2025. If he completes construction by 31/3/2025 then interest is maximum allowable at ₹ 2,00,000. But if he completes construction after 31/3/2025 then maximum interest allowable shall be ₹30,000.

Question 11A: Mr. X has purchased a residential house for his own residence on 1.7.2019 by taking a loan of ₹ 60 lakhs. The other details are as under –

(a) Municipal value of the property 20,00,000
(b) Municipal tax paid ₹ 2,00,000
(c) Repair expenses incurred ₹ 5,00,000
(d) Interest on loan @ 10% p.a
(e) The loan is still unpaid.

Compute income from house property.

<u>Question 11B</u>: Consider a Self-occupied property. The following are the additional details:

<u>Loan 1 taken for construction of the property</u>	**(₹)**
Current year Interest	1,80,000
Total pre construction Interest	2,50,000
<u>Loan 2 is taken for repair.</u>	
Interest on loan for repairs	45,000

✍

MORE THAN TWO SELF OCCUPIED HOUSES

1. In such cases **two house** is treated as self occupied and all the other house as deemed to be let out.

DEEMED OWNERSHIP (SECTION 27)

Section 27 enumerates certain cases where a person shall be deemed to be the owner of the House Property, even though the legal owner is some other person. Accordingly, the Income from House Property shall be chargeable to tax in the hands of the deemed owner:

1. <u>Transfer of house property to spouse/minor child without adequate consideration:</u>
Where an individual transfers without adequate consideration any house property to his or her spouse or minor child then the transferor shall be regarded as the owner of the property. However, this provision shall not be applicable where the transfer is made in connection with an agreement to live apart or to a married minor daughter.

2. The holder of an impartible estate shall be deemed to be the individual owner of all the properties comprised in the estate.

3. A member of a co-operative society, company or other association of persons to whom a building or part thereof is allotted shall be deemed to be the owner of that building or part thereof ;

4. A person who is allowed to take or retain possession of any building or part thereof in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, shall be deemed to be the owner of that building or part thereof ;

5. If lease is for 12 years or more then the lessee shall be deemed to be the owner of the property.

Question 12:

PARTICULARS	Who is regarded as owner for the purpose of house property
1) Mr. X $\xrightarrow[\textbf{Gift}]{\textbf{Property}}$ **Mrs. X**	
2) Mr. X $\xrightarrow[\text{Transfer (due to divorce)}]{\text{Property}}$ Mrs. X	
3) Mr. X $\xrightarrow[\text{Gift}]{\text{Property}}$ Minor children (unmarried)	
4) Mr. X $\xrightarrow[\text{Gift}]{\text{Property}}$ married minor son 'Y'	
5) Mr. X $\xrightarrow[\text{Gift}]{\text{Property}}$ married minor daughter 'Y'	
6) Mr. X $\xrightarrow[\text{Gift}]{\text{Property}}$ 1) major children(son /daughter) 2) parents 3) brother/sister/friend $\downarrow$ Z	
7) by way of a will Mr X. transferred his property to four sons Mr. A; Mr. B; Mr. C and Mr. D. As per the will this property cannot be partitioned amongst the four brothers. However, Mr. A shall have controlling power or rights.	
8) 10 persons together contribute ₹ 10 crores (₹ 1 crore each) for construction of a building into a co-operative society. The co-operative society constructs a building and allots one flat to each member.	
9) Mr. X enters in to a contract with Mr. Y for purchase of building for ₹50 lacs. Accordingly, Mr. X pays ₹40 lacs to Mr. Y and takes the possession of the building. In this case Mr. X is willing to pay the balance amount.	
10) X has leased out his property to Y for 8 years and Y has leased to Z.	
11) X has leased out his property to Y for 15 years and y has leased out to Z	

Other Issues

(I)When Property Income is chargeable under Other heads

1. If the assessee has let out his property for business benefits then his income is chargeable under the head Business Profession. Similarly, if assessee is not the owner of the property then his income is chargeable under other Sources.

2. In such cases Actual rent is chargeable to tax. Expected Rent is ignored.

3. All the actual expenses including taxes levied by local authority and also State Government; interest on loan is allowed as deduction. But no standard deduction is allowed.

(II) Composite Rent

Composite Rent means that the rent consists of not only rent for the building but also service charges or Asset hire charges. The treatment is explained hereunder:

When Composite Rent is Rent plus Service Charges	When Composite Rent is Rent Plus Asset Hire Charges
➔Service Income consists of Lift maintenance, Water Supply, Car Parking, Security Services. ➔Rental Income of the building is chargeable under House Property ➔Service Income is chargeable under the head Business/Profession or as Income from Other Sources , depending on facts of the case.	➔If Composite Rent can segregated into rent for the building <u>and</u> Asset Hire Charges then rent for the building is chargeable under House Property and Asset hire charges under Other Sources. ➔ If segregation cannot be done entire income is chargeable under the head Business/Profession or Other Sources, as the case may be.

(III) Co-ownership (Section 26)

Co- ownership means that one property is owned by two or more persons. If the property is the let out then income should be calculated and apportioned amongst the co- owners. If the property is self- occupied then maximum interest on loan of ₹ 30000 or ₹ 2,00,000 will be allowed per person.

(IV)Tax deduction at Source on payment of interest to Non Resident [Sec 25]

Interest on borrowed money payable outside India shall not be allowed as deduction if tax has not been deducted or paid. If however the nonresident is having an agent in India then interest is allowed as deduction even if tax is not deducted at source. (Section 25)

WHEN LOAN IS TAKEN FROM OUTSIDE INDIA

MR. X INDIA ← takes loan — MR. Y USA

MR. X INDIA → Interest on loan payable ₹ 2,00,000 → MR. Y USA

MR. X ↓ 20,000 cheque (Government of India)

MR. Y ↓ 180000 Cheque [Tax deduction at source (TDS)]

A. In the above case if Mr. X pays ₹ 180000 to Y and deposits ₹ 20000 tax with Govt. Of India only then he will get deduction for interest of entire amount of ₹ 2 lakhs. However, if this condition is not satisfied then X will not get any deduction for interest.

B. However, if Y is having an agent in India then X shall get deduction of interest - whether tax is deducted at source or not.

(V) Arrears of Rent received and Recovery of Unrealised Rent [Sec 25A]

(*1*) The amount of arrears of rent received from a tenant or the unrealized rent realized subsequently from a tenant, as the case may be, by an assessee shall be deemed to be the income from house property in respect of the financial year in which such rent is received or realized, and shall be included in the total income of the assessee under the head "Income from house property", whether the assessee is the owner of the property or not in that financial year.

(*2*) A sum equal to 30% of the arrears of rent or the unrealized rent referred to in sub-section (*1*) shall be allowed as deduction.'

Question 13: Property purchased on 1.7.2019 for self-use. The municipal valuation is ₹ 3,00,000 p.a and the fair rent is ₹ 4,20,000 p.a. Property Tax paid ₹ 15,000 and Sewerage Tax paid ₹ 3,000 to local authority. Interest on loan paid -

Period prior to 1.4.2019	50,000
1.4.2019 to 30.6.2019	40,000
1.7.2019 to 31.3.2020	80,000

Arrears of rent of ₹ 250,000 received in March, 2020 with respect to a house which was already sold in March 2016, also recovered ₹ 10,000, against unrealized rent allowed as deduction in respect to same house. Compute income from house property.

Solution : Compute income from house property.

Particulars	₹	₹
Self -occupied property Annual Value Less: Interest on loan ₹ (1/5th of ₹ 50000+40000+80000)		 NIL 1,30,000
House Property (A)		**(1,30,000)**
Arrears of rent received Less: Standard Deduction u/s. 25A (30% of ₹ 2,50,000)	2,50,000 75,000	 **1,75,000**
Recovery of Unrealised rent Less: Standard Deduction u/s. 25A	10,000 3,000	 **7,000**
Income from House property		**52,000**

(VI) Treatment of Property held as Stock in Trade [Section 23(5)]

Where the property consisting of any building or land appurtenant thereto is held as stock-in-trade and the property or any part of the property is not let during the whole or any part of the previous year, the annual value of such property or part of the property, for the period up to one year from the end of the financial year in which the certificate of completion of construction of the property is obtained from the competent authority, shall be taken to be *nil*.".

Example: M/s Kunj Niwas Developers completes construction of 6 flats on 1/4/2019, obtains certificate of completion from competent authority and the flats remain unsold, then tax treatment would be as under:

F.Y.2019-20	F.Y.2020-21	F.Y.2021-22
No tax on notional income.	No tax on notional income.	Tax on Expected rent.

(VII) Miscellaneous Issues

1. State the head of income in which income from hoardings on roof of the building shall be taxable.

Answer: This shall be taxable under the head Other Sources.

2.What is meant by the term "Land appurtenant to building"

Answer: It means Land attached to building or Land which is integral part of the building.

3. Consider the following data for 2015-16:

	₹	₹
Expected Rent		1,00,000
Annual Rent	1,20,000	
Less: Unrealised Rent	30,000	90,000
Gross Annual Value ➔		**1,00,000**

In 2019-20, there is recovery of unrealized rent ₹ 30,000. How much is taxable ?

4. State whether registration of the house is mandatory to charge income under House Property?

THE QUESTION BANK

Question 14: Mr. A is the owner of a House at Bangalore. He furnishes you the following information for computation of Income from House Property:
Gross Municipal Value: ₹40,000 (Municipal Tax 20%)
Fair Rent ₹50,000
Standard Rent ₹80,000
Actual Rent ₹5,000 p.m.

Mr. A could not realise ₹5,000 towards rent. The amount is now considered as irrecoverable. Mr. A has satisfied all the conditions of Rule 4. During the year Mr. A paid Municipal Tax of 2 years including the current previous year. He had also taken loan for the repair of the house. The interest on loan amounted to ₹5,000 out of which only ₹3,000 was paid. He incurred ₹52,000 towards repairs of the house and paid ₹1,000 towards fire insurance premium.

Answer: 22,300

Question 15: Mr. Lamba owns 2 House properties at Hyderabad. The details are given hereunder:

Property 1: The Municipal Value of this property is ₹ 10,00,000. This property was let out at a rent of ₹ 1,00,000 p.m. from April 2019 to Dec 2019 and was vacant for 3 months. Ground rent paid ₹ 10,000 p.a. Repairs and insurance ₹ 25,000 p.a.

Property 2: This property is self occupied (50% area). The balance 50% area is used for business purpose. The Municipal Value of the property is ₹12,00,000. Repairs and insurance amounted to ₹ 75,000. Interest on loan ₹ 25,000.

Question 16: Compute Income from House Property from the following information:
Mr. X is the owner of House at Kolkata. During the year he let out the house from 1/4/2019 to 30/9/2019 at a rent of 5000 p.m. From 1/10/2019 he started living in the house. The Expected Rent of the house is ₹1,00,000. The Municipal Taxes paid amounted to ₹8,000 and Interest on Loan was ₹12,000.
Answer: **52,400**

Question 17: Compute Income from House Property from the following information:
Mr. X is the owner of House at Kolkata. During the year he let out 50% portion of the house at a rent of 5000 p.m. and lived himself in the other 50% portion. The Expected Rent of the house is ₹1,00,000. The Municipal Taxes paid amounted to ₹8,000 and Interest on Loan was ₹12,000.
Answer: 33200 – 6000 = 27,200

Question 18: A has a house situated in Bangalore and consists of 2 units. While the ground floor is occupied by Mr. A, the first floor was let out by him till 1/12/2019 at a rent of ₹25,000 p.m., on which day the tenant left and he occupied the property for own residence.
Other information
(a) Annual Municipal Value of the Property ₹6,00,000
(b) Municipal Taxes paid ₹60,000
(c) Interest on loan ₹80,000.
Answer: ₹ 1,09,000

Question 19: Mr. X started construction of a property on 1/5/2016 by taking a loan of ₹2,00,000 @ 12% p.a.. The construction of the house was completed on 1/7/2018.

Annual Municipal Value of the property ₹4,00,000