Taxation

Income from House Property

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Income from House Property

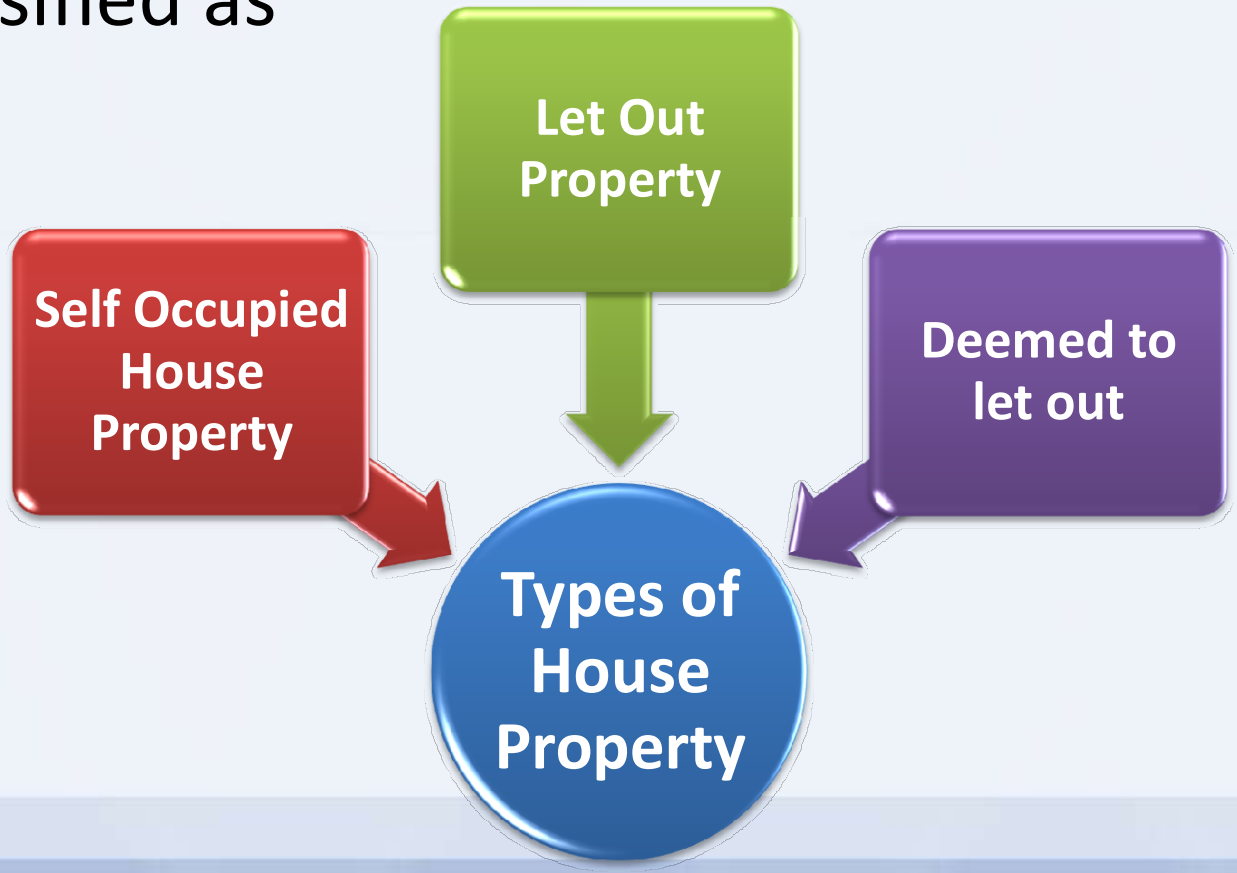
- Computation of income under the head of income from house property is based on annual value of the property. Property comprises building, apartment or land attached to building and home etc. All type of property are taxed under the head of income from house property by income tax.

Consideration for taxability

- Property should consist of any building or land appurtenant thereto
- Assesse must be owner of the property.
- The property must be used for any business or profession
- Owner should not use property for his own business of profession and his profit from business will be taxable.

Types of House Property

- For taxability purpose house property are classified as



Format of Income from House Property

(Let out Property)

Particular	Amount
Gross Annual Value **Less: Muncipal Tax paid by Owner**	**XXX** **XXX**
Net Annual Value	**XXX**
Less: Deduction under section 24 **i) Standard deduction (30% of NAV)** **II) Interest on Loan**	 **XXX** **XXX**
Income from House Property	

Calculation of Gross Annual Value

Particular		Amount
i) Muncipal Value(a)	XXX	
Fair Rent (b)	XXX	
Standard Rent (C)	XXX	
Higher of (a) or (b) subject to (C) Reasonable Expected Rent		XXX
ii) Annual Rent/ Actual Rent Received		XXX
Higher of RER and ARR **Gross Annual Value**		XXX

Calculation of Gross Annual Value

- When there is unrealised rent.

Particular		Amount
i) Muncipal Value(a)	XXX	
Fair Rent (b)	XXX	
Standard Rent (C)	XXX	
Higher of (a) or (b) subject to (C) Reasonable Expected Rent		XXX
ii) Actual Rent Received **(Annual Rent – Unrealised Rent)**		XXX
Higher of RER and ARR **Gross Annual Value**		XXX

Calculation of Gross annual value (in case of unrealised rent)

- Mr. Gopal owns two houses. He resides in house A and house B is for let out purpose at Rs. 22,000 p.m. . He furnished the following information.
- House A: Muncipal Value 4,00,000 , Fair rent 3,80,000 and Standard rent Rs. 4,60,000
- House B: Muncipal Value 3,00,000 , Fair rent 3,20,000 and Standard rent Rs. 3,10,000. during the year he could not recover rent 22,000. Calculate Gross Annual Value.

Particular	Amount	Amount
i) Muncipal Value(a)	-	3,00,000
Fair Rent (b)	-	3,20,000
Standard Rent (C)	-	3,10,000
Higher of (a) or (b) subject to (C) Reasonable Expected Rent	-	3,10,000
ii) Actual Rent Received **(Annual Rent – Unrealised Rent)**		
House B (2,64,000- 22,000)	-	2,44,000
Higher of RER and ARR **Gross Annual Value**	NIL	3,10,000

Calculation of Gross Annual Value

- When property is vacant for some period

Particular		Amount
i) Muncipal Value(a)	XXX	
Fair Rent (b)	XXX	
Standard Rent (C)	XXX	
Higher of (a) or (b) subject to (C) Reasonable Expected Rent		XXX
ii) Annual Rent / Actual Rent Received		XXX
Higher of RER and ARR		XXX
Less : Loss due to vacancy		XXX
Gross Annual Value		XXX

Calculation of Gross annual value (in case of Vacancy Period)

- Mr. Shinde owns two houses. He furnished the following information.
- 1st House- (for residence purpose) Municipal Value 2,80,000 , Fair rent 3,00,000 and Standard rent Rs. 3,20,000
- 2nd House- (for let out) Municipal Value 2,20,000 , Fair rent 2,50,000 ,Standard rent Rs. 2,60,000 and annual rent 2,40,000. House was vacant for two month during the previous year Calculate Gross Annual Value.

Particular	Amount	Amount
i) Muncipal Value(a)	-	2,20,000
Fair Rent (b)	-	2,50,000
Standard Rent (C)	-	2,60,000
Higher of (a) or (b) subject to (C) Reasonable Expected Rent	-	2,50,000
ii) Annual rent		2,40,000
Higher of RER and ARR	NIL	2,50,000
Less : Loss due to vacancy (240000- 40000) (20000X 2 months)		40,000
Gross Annual Value		2,10,000

Calculation of Gross Annual Value

- **When there is unrealised rent and property also remain vacant for some period**

Particular		Amount
i) Muncipal Value(a)	XXX	
Fair Rent (b)	XXX	
Standard Rent (C)	XXX	
Higher of (a) or (b) subject to (C) Reasonable Expected Rent		XXX
ii) Actual Rent Received (Annual Rent -Unrealised Rent)		XXX
Higher of RER and ARR		XXX
Less : Loss due to vacancy		XXX
Gross Annual Value		XXX

Calculation of Gross annual value (in case of unrealised rent and Vacancy Period)

- Mrs. Anita acquire a house on 1st March 2019 for let out purpose of which municipal value is Rs.200000, Fair Rent Rs. 210000 and annual rent Rs.240000. The house was remain vacant for two month and she could not recover Rs.20,000 rent. Calculate Gross Annual Value .

Particular	Amount
i) Muncipal Value(a) Fair Rent (b) Standard Rent (C)	2,00,000 2,10,000 -
Higher of (a) or (b) subject to (C) Reasonable Expected Rent **ii) Actual rent received (2,40,000- 20,000)**	2,10,000 2,20,000
Higher of RER and ARR	2,20,000
Less : Loss due to vacancy (220000- 40000) (20000X 2 months)	40,000
Gross Annual Value	1,80,000

Deduction under section 24

i. Standard deduction u/s 24(a) : This is flat 30% on Net annual value. The assesse will not be entitled to get this deduction in following Cases

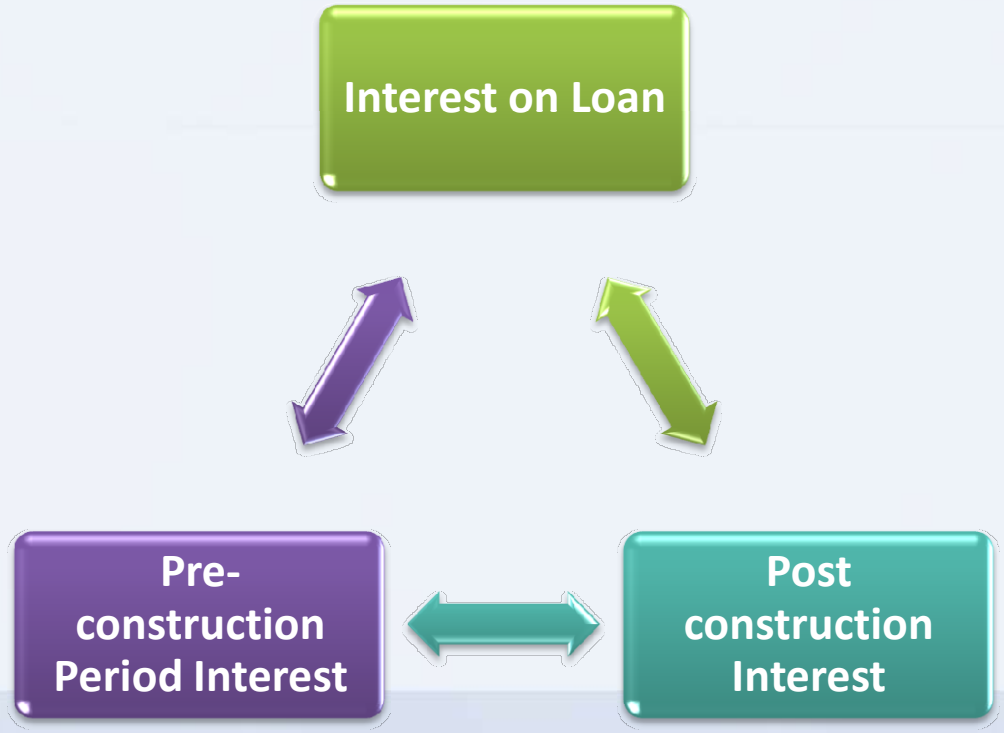
   a) in case of self occupied property

   b) in case of property held as stock in trade.

ii. Interest on borrowed capital is allowable u/s 24 (b)

Deduction under section 24

- For the purpose of getting deduction u/s 24(b) interest on borrowed loan is classified as



Deduction under section 24

- Pre-construction Interest: Pre-construction period is period prior to previous year in which property is acquired or construction is completed. It is the period which from the date of loan taken ends with 31st March of preceding year of the construction completed.
- **The assessee is entitled to get deduction of this preconstruction period interest in five equal instalment in next five year after construction completion year.**

Pre-Construction period Interest

- e.g. Mr. A started construction of a house on 25th June 2018. He got loan form bank on 5th August 2018 and construction was completed on the date 10th May 2019.

Date of Construction Started : 25/06/2018

Date of Loan Granted : 5/08/2018

Date of Construction completed : 10/05/2019

Hence, Pre-construction period is = 5/08/2018 to 31/03/2019

Deduction Criteria

- In case of Self Occupied property where annual value should be taken as nil.

i) If loan borrowed before 1/04/1999 for renewal, construction, acquisition and repairs amount shall be deductible up to Rs. 30,000.

ii) If the property is acquired or constructed and loan taken on or after 1/04/1999 and such construction completed within five years from loan taken, then amount of deduction shall be eligible up to Rs.2,00,000

iii) Where the property is renewed, repaired or reconstructed and capital borrowed on or after 1/04/1999 amount shall be deductible up to Rs. 30,000

Above deduction shall not eligible for let out property and deemed to be let out property.

THANKING YOU