Income from House Property	Build Your Confidence (BYC)

BASIS OF CHARGE & COMPUTATION

B1. GAV: LOP + UNREALIZED RENT – Compute the GAV of each house from the information given below ………………..

Particulars	I	II	III	IV	V
Municipal value (MV)	3,00,000	3,20,000	3,20,000	3,20,000	3,20,000
Fair rent (FR)	3,20,000	3,00,000	3,00,000	3,00,000	3,00,000
Higher of FR or MV	3,20,000	3,20,000	3,20,000	3,20,000	3,20,000
Standard rent (SR)	-	3,50,000	2,80,000	3,10,000	2,80,000
Expected rent (ER) (restricted to SR)	3,20,000	3,20,000	2,80,000	3,10,000	2,80,000
Actual rent received or receivable – Unrealized rent (AR)	3,50,000	3,40,000	2,50,000	3,20,000	3,00,000
GAV = Higher of ER or AR	**3,50,000**	**3,40,000**	**2,80,000**	**3,20,000**	**3,00,000**

B2 VACANCY – Compute the gross annual value for AY 2022-23 of a let out house property owned by Jaydeep in the…..

Computation	I	II	III	IV
Expected rent (higher of FR or MV, but restricted to SR) (ER)	2,10,000	2,10,000	2,10,000	2,00,000
Actual rent (Actual rent received/receivable for let out period – Unrealized rent) (AR)	2,20,000	2,00,000	1,80,000	2,30,000
Vacancy allowance: See Note	-	Yes	Yes	No
Gross annual value	**2,20,000**	**2,00,000**	**1,80,000**	**2,30,000**

Note:

Particulars	II	III	IV
AR without vacancy	2,40,000	2,20,000	2,80,000
AR with vacancy	2,00,000	1,80,000	2,30,000
AR < ER due to vacancy?	GAV = AR	GAV = AR	-
AR (with or without vacancy) ≥ ER	-	-	GAV = AR

B3. MUNICIPAL TAXES – Compute the NAV of each house owned by Ruchi, a ROR, for the PY 2021-22, from …………..

Particulars	I	II	III	IV	
Expected rent (higher of FR or MV, but restricted to SR) (ER)	3,50,000	4,00,000	3,00,000	35,000 × 75	26,25,000
Actual rent received or receivable – Unrealized rent (AR)	3,30,000	6,00,000	2,30,000	36,000 × 75	27,00,000
GAV = Higher of ER or AR	3,50,000	6,00,000	3,00,000		27,00,000
Less: Municipal taxes paid by owner during PY 2021-22	(10,000)	(7,500)	-	700 × 75	(52,500)
NAV	**3,40,000**	**5,92,500**	**3,00,000**		**26,47,500**

B4. INTEREST – Compute the deduction allowable for PY 2021-22 in respect of interest on borrowed capital …………….

Computation	I	II	III	IV
Conditions for 2 lakh deduction apply	No	Yes	Yes	No
Prior period interest deductible	No	Yes	Yes	No

Current year interest	3,10,000	4,00,000	4,00,000	90,000
Prior period interest	-	1,20,000	1,20,000	-
Total deduction of interest u/s 24(b)	**3,10,000**	**2,00,000**	**30,000**	**30,000**
Comment		Max 2 lakh	5 yr breach	Max 30K

B5. PRIOR PERIOD INTEREST – CA2017(M) – Ganesh owns a commercial building whose construction got ………………

Particulars	Rs.
GAV: AR taken as GAV in absence of ER values in the question	4,80,000
Less: Municipal taxes paid during PY by Jagdeep	(18,000)
NAV	4,62,000
Less: Deduction u/s 24	
Standard deduction @ 30% of NAV	(1,38,600)
Interest on borrowed capital:	(2,55,000)
• Current year interest = 15% of 15 lakh (assuming entire loan is outstanding) = 2,25,000	
• Prior period interest from 1.8.2019 to 31.3.2020 for 8 months = 1,50,000, deductible in 5 equal installments from PY 2020-21 onwards of Rs.30,000 each.	
• Total interest = 2,55,000 (deductible in full since property let out)	
Income from house property	**68,400**

B6. INTEREST – CA2017(N) – Jyoti purchased a house property costing Rs. 49 lakh on 1.5.2021. The ………………..

Property is treated as SOP. It is acquired using capital borrowed on or after 1.4.1999 and acquisition is complete within 5 years from end of FY of borrowing. Current year interest of 14% of 35 lakh, i.e., 4,90,000 is deductible to the extent of 2,00,000, assuming she furnishes certificate from DHFL specifying the amount of interest.

B7. INTEREST - Gaurav owns a house property in Chandigarh whose municipal valuation is Rs. 5,00,000 p.a. ………………

Computation of income from house property for AY 2022-23

Particulars	A	B	C
Expected rent (higher of FR or MV, but restricted to SR) (ER)	3,50,000	-	-
Actual rent received or receivable (AR)	4,80,000	-	-
Gross annual value = Higher of ER or AR	4,80,000	-	-
Less: Municipal taxes paid by owner during PY 2021-22	(7,500)	-	-
Net annual value	4,72,500	-	-
Less: Deductions u/s 24:			
• Standard deduction @ 30% of NAV	(1,41,750)	-	-
• Interest on borrowed capital (Note)	(5,65,000)	(2,00,000)	(30,000)
Income from house property	**(2,34,250)**	**(2,00,000)**	**(30,000)**

Note:

Particulars	A	B	C
Current year interest	3,50,000	3,50,000	3,50,000
Prior period interest from 1.10.2017 to 31.3.2020 = 10,75,000, deductible in 5 equal installments from PY 2020-21 onwards	2,15,000	2,15,000	2,15,000
Total deduction: Full deduction for A; up to 2 lakh for B; up to 30,000 for C	**5,65,000**	**2,00,000**	**30,000**

SPECIAL SITUATIONS

B8. DLOP – CA2018(N) (modified) – Mr. Chakrobarty, a resident aged 35 years, works as a Deputy Manager in…………..

Step 1: Computation assuming properties are self occupied

Computation	House I	House II	House III
Net annual value	Nil	Nil	Nil
Less: Deductions u/s 24:			

Standard deduction @ 30% of NAV	-	-	-
Interest on borrowed capital			
• House II: Current year interest = 1,80,000 (10% p.a. on 18 lakh) Prior period interest from 1.4.2019 to 31.3.2021 = 3,60,000 (10% p.a. on 18 lakh for 2 years). 5 instalments = 72,000 each. Total interest = 2,52,000, deductible up to 2,00,000	-	(2,00,000)	-
• House III: Current year interest = 10% p.a. of 5 lakh, deductible up to 30,000	-	-	(30,000)
Income from house property	**Nil**	**(2,00,000)**	**(30,000)**

Step 2: Computation assuming properties are deemed to be let out

Computation	House I	House II	House III
Expected rent = Higher of FR or MV, but restricted to SR (ER)	8,40,000	7,66,849	9,00,000
Since House II exists from 25.5.2021, annual value is computed for 311 days (25.5.2021 to 31.3.2022) = 9,00,000 × (311/365)			
Actual rent	N/A	N/A	N/A
Gross annual value = ER	8,40,000	7,66,849	9,00,000
Less: Municipal taxes actually paid during the PY 2021-22 by Nisha	(64,000)	(90,000)	-
Net annual value	7,76,000	6,76,849	9,00,000
Less: Deductions u/s 24			
• Standard deduction @ 30% of NAV	(2,32,800)	(2,03,055)	(2,70,000)
• Interest on borrowed capital	-	(2,52,000)	(50,000)
Income from house property	**5,43,200**	**2,21,794**	**5,80,000**

Step 3: Find out impact for different combinations

Property	Option 1		Option 2		Option 3	
I	SOP	Nil	SOP	Nil	DLOP	5,43,200
II	SOP	(2,00,000)	DLOP	2,21,794	SOP	(2,00,000)
III	DLOP	5,80,000	SOP	(30,000)	SOP	-*
Total		**3,80,000**		**1,91,794**		**3,43,200**

*Should ensure that total interest deduction of both SOP properties does not exceed 2 lakh.

Option 2 is most tax efficient. Houses I and III should be treated as SOP and House II should be treated as DLOP.

B9. DLOP – CA2018(M) – Rohan, a resident individual, owns three houses in Chennai. One house is self occupied………

First two houses are SOP. Assuming that third house is unoccupied since Rohan has to reside at another place in a building not belonging to him, due to employment, business or profession, it will be treated as UOP. Of these 3 houses, Rohan can treat 2 houses as SOP at his option. The third house will be treated as DLOP.

Highlight the steps to select the houses as SOP and DLOP as given in para 81. Thereafter, highlight the computation steps for SOP and DLOP properties as given in para 80.

B10. SOP/UOP + LOP (PERIOD) – CA2018(N) – Disha Khanna, a resident of India, owns a house property …………..

Computation of income from house property for AY 2022-23

Particulars	Rs.
Expected rent (higher of FR (6,30,000) or MV (7,50,000) but restricted to SR (7,20,000)) (ER)	7,20,000
Actual rent (Actual rent received/receivable for 9 months (6,75,000) – Unrealized rent (Nil since Rule 4 conditions not satisfied as tenant in occupation of another property of Disha)) (AR)	6,75,000
Gross annual value = Higher of ER or AR	**7,20,000**
Less: Municipal taxes actually paid during the PY by Disha (12% of 7.5 lakh)	(90,000)
Net annual value	**6,30,000**
Less: Deductions u/s 24:	
(a) Standard deduction @ 30% of NAV	(1,89,000)
(b) Interest on borrowed capital: Allowed in full as property treated as let out.	(35,000)
Income from house property	**4,06,000**

Mistake by students – Students wrongly considered rent for whole year instead of let out period.