

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B11 to End

#### Income from House Property

#### Build Your Confidence (BYC)

**B11. SOP/UOP + LOP (AREA) – Sarika owns a house at Delhi. During the PY 2021-22, 3/4<sup>th</sup> portion of the.....**

*Computation of Income from House Property in the hands of Sarika for AY 2022-23*

Computation	SOP portion (3/4 <sup>th</sup> )	LOP portion (1/4 <sup>th</sup> )
Expected rent for LOP portion = 1/4 <sup>th</sup> of higher of FR or MV = 1/4 <sup>th</sup> of 2,40,000	-	60,000
Actual rent received/receivable for LOP portion @ 7,000 p.m.	-	84,000
GAV = Higher of ER or AR	-	84,000
Less: Municipal taxes paid during the year by Sarika for LOP portion = ¼ of 60,000	-	(15,000)
NAV	-	69,000
Less: Deductions u/s 24:		
(a) Standard deduction @ 30% of NAV	-	(20,700)
(b) Interest on borrowed capital: Current year interest = 15% of 9,00,000 = 1,35,000 Prior period interest = 1.4.2016 to 31.3.2018, i.e., 15% of 9 lakh for 2 years = 2,70,000, deductible from PY 2018-19 to PY 2022-23 in 5 equal installments of Rs. 54,000 each. Total interest deductible = 1,89,000. 1/4 <sup>th</sup> deductible for LOP portion and 3/4 <sup>th</sup> for SOP portion	(1,41,750)	(47,250)
<b>Income from house property</b>	<b>(1,41,750)</b>	<b>1,050</b>
<b>Income from house property</b>	<b>(1,40,700)</b>	

**B11a. SOP + LOP (AREA) – CA2021(JULY) – Ramesh constructed a big house (construction completed in PY 2009-10) with....**

*Note: It is recommended to attempt the business income portion of this question after studying the Chapter on PGBP.*

Income from Unit 1 will be computed as let out property, income from Unit 3 will be computed as self-occupied property and income from Unit 2 will be computed under the head PGBP.

*Computation of taxable income of Ramesh for AY 2022-23*

Particulars	Rs.	Rs.
<b>Income from house property</b>		
<b>Unit 1 – 50% floor area – Let out</b>		
Expected rent = 50% of [Higher of FR (2,48,000) or MV (1,88,000), but restricted to SR (2,28,000)] (ER)	1,14,000	
Actual rent for 10 months @ 15,000 p.m. less unrealized rent of 3,000 since conditions of Rule 4 are satisfied (AR) <sup>1</sup>	1,47,000	
GAV = AR since it is > ER even after vacancy	1,47,000	
Less: Municipal taxes @ 50% of 20,000 (assuming these are paid by Ramesh during the PY)	(10,000)	
Net annual value	1,37,000	
Less: Deduction u/s 24:		
Standard deduction @ 30% of NAV	(41,100)	
Interest on borrowed capital = 50% of 60,000	(30,000)	65,900
<b>Unit 3 – 25% floor area – Self occupied</b>		

<sup>1</sup> Alternatively, unrealized rent can be deducted from GAV instead of annual rent and suitable note given in the answer. Refer footnote A of para 80.2.

Net annual value	Nil	
Less: Deduction u/s 24(b) for interest on borrowed capital = 25% of 60,000	(15,000)	(15,000)
		50,900
<b>Profits and gains of business or profession - Unit 2 – 25% floor area</b>		
Income from business (without debiting related expenditure)	1,40,000	
Less: Expenditure:		
Municipal taxes @ 25% of 20,000	(5,000)	
Repairs @ 25% of 5,000	(1,250)	
Interest on loan @ 25% of 60,000	(15,000)	
Ground rent @ 25% of 6,000	(1,500)	
Fire insurance premium @ 25% of 60,000	(15,000)	1,02,250
<b>Taxable income</b>		<b>1,53,150</b>

Mistake by students – Wrong computation of business income from Unit 2. Treatment of expenses in this respect wrongly done.

**B12. SOP/UOP + LOP (AREA) – CA2013(N), CA2008(N) – Krishna owns a residential house in Delhi. The house is .....**

*Computation of income from house property in the hands of Krishna for AY 2022-23*

Computation	LOP unit	SOP unit
Expected rent = 50% of [Higher of FR (2,35,000) or MV (2,44,000), but restricted to SR (2,20,000)] (ER)	1,10,000	-
Actual rent for 9 months (AR)	1,08,000	-
		-
GAV for LOP Unit = AR (due to vacancy allowance) since AR < ER owing to vacancy (without vacancy, AR of 1,44,000 > ER of 1,10,000)	1,08,000	-
Less: Municipal taxes (50% of 12% of 2,44,000)	(14,640)	-
Net annual value	93,360	-
Less: Deductions u/s 24:		
• Standard deduction @ 30% of NAV	(28,008)	-
• Interest on borrowed capital = 50% of (2,000 × 12)	(12,000)	(12,000)
<b>Income from house property</b>	<b>53,352</b>	<b>(12,000)</b>
<b>Total Income from house property</b>	<b>41,352</b>	

**B12a. SOP/UOP + LOP (AREA + PERIOD) – Mr. X and Mr. Y, brothers, own a house each with a ground and first floor of equal area.....**

*Computation of income from house property in the hands of Mr. X for AY 2022-23*

Computation	Rs.	Rs.
Annual value: Nil as house is self occupied		-
Less: Deductions u/s 24(b) for interest:		
• Current year interest = 10% p.a. of 20 lakh	2,00,000	
• Prior period interest = 4,00,000 (10% p.a. of 20 lakh from 1.4.2019 to 31.3.2021) / 5	80,000	
Deduction restricted to		(2,00,000)
<b>Income from house property</b>		<b>(2,00,000)</b>

*Computation of income from house property in the hands of Mr. Y for AY 2022-23*

Computation	Ground floor	First floor
Gross annual value:		
First floor: Self occupied and let out for part of year		
• Expected rent = Higher of fair rent (1,00,000) or municipal value (75,000); for 6 months (from 1.10.2021)		1,00,000
• Actual rent = 40,000 p.m. for 3 months		1,20,000

• Higher of ER or AR		1,20,000
Nil for ground floor as self occupied	-	
Less: Municipal taxes paid by Mr. Y during the year (50% for first floor)	-	(10,000)
Net annual value	-	1,10,000
Less: Deductions u/s 24:		
Standard deduction u/s 24(a) of 30%	-	(33,000)
Interest on borrowed capital u/s 24(b)		
• Current year interest = 10% p.a. of 12 lakh	(60,000)	(60,000)
• Prior period interest = 90,000 (10% p.a. of 12 lakh from 1.7.2020 to 31.3.2021) / 5 = 18,000	(9,000)	(9,000)
<b>Income from house property</b>	<b>(69,000)</b>	<b>8,000</b>
<b>Income from house property</b>		<b>(61,000)</b>

**B13. SOP + LOP – CA2017(N) - Aditya, a RNOR during AY 2022-23, owns two houses, one in Dubai and other .....**

*Computation of income from house property in the hands of Aditya for AY 2022-23*

Although income from Dubai house accrues/arises outside India and Aditya is a RNOR, it will be taxable in India on receipt basis. Income from Mumbai house accrues/arises and is received in India and, is thus, taxable in India.

Computation	Dubai (LOP)	Mumbai (SOP)
GAV (Dubai house) = 20,000 × 12 × 18 (AR taken as GAV in absence of ER values)	43,20,000	-
Less: Municipal taxes paid by Aditya during PY for Dubai house = (2,500 + 1,500) × 18. Municipal taxes are deemed to include service taxes like sewerage tax.	(72,000)	-
NAV	42,48,000	-
Less: Deductions u/s 24:		
Standard deduction @ 30% of NAV	(12,74,400)	-
Interest on borrowed capital for Mumbai house	-	(2,00,000)
• Current year interest = 12% of 25 lakh = 3,00,000		
• Prior period interest from 1.6.2018 to 31.3.2020 for 22 months = 5,50,000, deductible in 5 equal installments from PY 2020-21 to 2024-25 of Rs. 1,10,000 each		
• Total interest = 4,10,000, deductible up to 2,00,000		
<b>Income from house property</b>	<b>29,73,600</b>	<b>(2,00,000)</b>
<b>Total income from house property</b>		<b>27,73,600</b>

**B13a. SOP + LOP – Ronny is a citizen of Denmark and a resident but not ordinarily resident in India for PY 2021-22. He.....**

*Computation of Income from House Property in the hands of Ronny for AY 2022-23*

Since Ronny is a RNOR, income from houses situated in Denmark is not taxable in India as it is neither accrued nor received in India. Income from houses situated in India is taxable in India.

Particulars	Chandigarh	Coimbatore
Expected rent (higher of FR or MV, but restricted to SR) (ER)	-	4,00,000
Actual rent received or receivable (AR)	-	6,00,000
Gross annual value = Higher of ER or AR	-	6,00,000
Less: Municipal taxes paid by owner during PY 2021-22	-	-
Net annual value	-	6,00,000
Less: Deductions u/s 24		
• Standard deduction @ 30% of NAV	-	(1,80,000)
• Interest on borrowed capital (Note)	(2,00,000)	(3,00,000)
<b>Income from house property</b>	<b>(2,00,000)</b>	<b>1,20,000</b>
<b>Total</b>		<b>(80,000)</b>

**Note:**

Chandigarh:

- Current year interest = 10% p.a. of Rs. 25,00,000 = Rs. 2,50,000.
- Prior period interest = 10% p.a. of Rs. 25,00,000 for 3 months (1.1.2021 to 31.3.2021) = Rs. 62,500. 1/5<sup>th</sup> instalment = Rs. 12,500.
- Total interest for PY 2021-22 = Rs. 2,62,500. Allowed upto Rs. 2,00,000 u/s 24(b).

Coimbatore: Current year interest = 10% p.a. of Rs. 30,00,000 = Rs. 3,00,000. There is no prior period interest. Interest is deductible assuming conditions of section 25 of deduction of interest payable outside India have been satisfied.

**B14. CO-OWNER – CA2009(N) - Raman is a co-owner of a house property along with his brother.....**

*Computation of Income from House Property in the hands of Raman for AY 2022-23*

Particulars	Rs.	Rs.
Expected rent (higher of FR (1,50,000) or MV (1,60,000), but restricted to SR (1,70,000)) (ER)		1,60,000
Actual rent (AR)		1,80,000
Gross annual value = Higher of ER or AR		1,80,000
Less: Municipal taxes (not deductible since paid by tenant)		-
Net annual value		1,80,000
Less: Deductions u/s 24:		
Standard deduction @ 30% of NAV		(54,000)
Interest on borrowed capital		
• Interest on loan taken from bank	(25,000)	
• Interest on unpaid interest: Not deductible	-	
• Interest on fresh loan to repay old loan	(5,000)	(30,000)
<b>Income from house property</b>		<b>96,000</b>
<b>50% share taxable in the hands of Raman (assuming co-owners have equal share)</b>		<b>48,000</b>

**B15. CO-OWNER – Ram and Shyam own a self occupied residential house property in Jodhpur, having share .....**

*Computation of Income from House Property in the hands of Ram and Shyam for AY 2022-23*

Particulars	Ram	Shyam
Net annual value	Nil	Nil
Less: Interest on capital borrowed:		
• Jodhpur house: Interest = 10% of 45 lakh, i.e., 4.5 lakh. Ram = 2.7 lakh. Shyam = 1.8 lakh	(2,70,000)	(1,80,000)
• Meerut house: Interest = 10% of 5 lakh, i.e., 50,000 (deductible up to 30,000)		(30,000)
<b>Income from house property (overall interest deduction cannot exceed 2 lakh)</b>	<b>(2,00,000)</b>	<b>(2,00,000)</b>

**B16. CO-OWNER – Raghav and Madhav are friends and co-owners (having equal share) of a house property.....**

*Computation of Income from House Property in the hands of Raghav and Madhav for AY 2022-23*

Particulars	Raghav	Madhav
Self occupied floors (50% portion)		
• Net annual value	Nil	Nil
• Less : Interest on borrowed capital u/s 24(b) = 50% of 10% of 20 lakh = 1 lakh. Deduction limit is 30,000 as loan not taken for acquisition or construction.	(30,000)	(30,000)
• Income from house property (loss)	(30,000)	(30,000)
Let out floors (50% portion) (see Note)	1,75,750	1,75,750
<b>Income from house property</b>	<b>1,45,750</b>	<b>1,45,750</b>

Note:

Particulars for 50% portion let out	Rs.
Expected rent = 50% of [Higher of FR (6,00,000 @ 50,000 p.m.) or MV (5,00,000), but restricted to SR (5,40,000 @ 45,000 p.m.)] (ER)	5,40,000
Actual rent for 11 months @ 60,000 p.m. (AR)	6,60,000

GAV = AR since AR (with or without vacancy) > ER	6,60,000
Less: Municipal taxes = 60% of 50% of 5% of 10 lakh	(15,000)
Net annual value	6,45,000
Less: Deductions u/s 24:	
• Standard deduction @ 30% of NAV	(1,93,500)
• Interest on borrowed capital = 50% of 10% of 20 lakh	(1,00,000)
<b>Income from house property</b>	<b>3,51,500</b>
<b>Share of each co-owner @ 50%</b>	<b>1,75,750</b>

**B17. S. 25A – Compute income from house property for AY 2022-23 from the details given below.....**

Particulars	Rs.	Rs.
Expected rent	3,00,000	
Actual rent received/receivable for the year	2,40,000	
GAV = Higher of ER or AR	3,00,000	
Less: Municipal taxes paid during the year by tenant	-	
NAV	3,00,000	
Less: Deductions u/s 24:		
• Standard deduction @ 30%	(90,000)	
• Interest on loan	(50,000)	
		1,60,000
Unrealized rent recovered (not taxable since not deducted earlier)	-	
Arrears of rent received	20,000	
Less: Deduction @ 30%	(6,000)	14,000
<b>Income from house property</b>		<b>1,74,000</b>

**B18. SOP + LOP + 25A – CA2015(N) - Raphael constructed a shopping complex. He had taken a loan of Rs. 25 lakh.....**

Particulars	Shopping complex	Residential house
GAV (GAV taken as AR in absence of ER values)	3,60,000	-
Less: Municipal taxes paid by Raphael during PY	(8,000)	-
NAV	3,52,000	Nil
Less: Deduction u/s 24:		
• Standard deduction @ 30% of NAV	(1,05,600)	-
• Interest on borrowed capital (shopping complex):		
○ Current year interest = 10% of 25 lakh = 2,50,000	(2,83,333)	
○ Prior period interest from 1.8.2019 to 31.3.2020 for 8 months = 1,66,667, deductible in 5 equal installments from PY 2020-21 onwards of Rs. 33,333 each.		
○ Total interest = 2,83,333.		
Interest on borrowed capital (residential house) = 3 lakh, deductible up to 2 lakh, assuming all conditions for claim of higher ceiling are satisfied.		(2,00,000)
Add: Arrears of rent received (assuming not taxed in the year to which it pertains) less 30% standard deduction = 1,20,000 – 36,000	84,000	
<b>Income from house property</b>	<b>47,067</b>	<b>(2,00,000)</b>
<b>Total income from house property</b>	<b>(1,52,933)</b>	

**B19. SOP + 25A – Vikas is a citizen of Australia who has stayed in India during PY 2021-22 for a period of 240 days. ....**

Vikas is in India  $\geq$  182 days during PY 2021-22 and > 729 days during preceding 7 PYs. He is a ROR. Being a ROR, global income is taxable, i.e., income from all house properties. Vikas possesses two SOP properties for which he can take benefit of Nil annual value. Arrears of rent for Hyderabad property is taxable after giving standard deduction of 30%.

*Computation of income from house property for AY 2022-23*

Particulars	Sydney	Delhi
NAV	Nil	Nil

Less: Interest on borrowed capital u/s 24(b) for Delhi property:	Nil	(1,30,000)
• Current year interest = 10% of 10 lakh, i.e., 1,00,000		
• Prior period interest from 1.10.2019 to 31.3.2021 = 10% of 10 lakh for 1.5 years = 1,50,000, deductible from PY 2021-22 onwards in 5 equal installments of Rs. 30,000 each.		
• Total interest deductible = 1,00,000 + 30,000 = 1,30,000.		
<b>Income from house property</b>	<b>Nil</b>	<b>(1,30,000)</b>

<b>Computation of income from Hyderabad property</b>	<b>Rs.</b>
Arrears of rent received taxable u/s 25A even if Vikas is no more the owner of the property	75,000
Less: Standard deduction @ 30%	(22,500)
<b>Income from house property</b>	<b>52,500</b>

Total income from house property = 52,500 – 1,30,000 = Loss of 77,500.

### COMPREHENSIVE

**B21. CA2019(M) – Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of Rs. 30,000.....**

*Computation of taxable income of Mr. Madhvan for AY 2022-23*

Particulars	Rs.	Rs.	Rs.
<b>Income from salaries</b>			
Basic salary		3,60,000	
Rent free accommodation hired by employer: Lower of (a) lease rental Rs. 65,000 or (b) 15% of salary Rs. 54,000 (15% of Rs. 3,60,000)		54,000	
Gross salary		4,14,000	
Less: Standard deduction u/s 16(ia)		(50,000)	3,64,000
<b>Income from house property:</b>	<b>House 1</b>	<b>House 2</b>	
Expected rent (higher of FR or MV) (ER)	75,000	1,95,000	
Actual rent (AR)	65,000	2,85,000	
Gross annual value = Higher of ER or AR	75,000	2,85,000	
Less: Municipal taxes paid during PY	(18,000)	(70,000)	
Net annual value	57,000	2,15,000	
Less: Deductions u/s 24:			
• Standard deduction @ 30% of NAV	(17,100)	(64,500)	
• Interest on borrowed capital	Nil	(17,000)	
Income from house property	39,900	1,33,500	1,73,400
<b>Taxable income</b>			<b>5,37,400</b>

*Mistake by students – Considered House 1 as self occupied property.*

**B22. MASTER QUESTION – Shyamal, a resident, aged 35 years, works as a manager in Chandigarh with Sur Ltd. ....**

**Delhi and Gurgaon Unit 2 houses:** Delhi house is let out for 2 months and self occupied for rest of the year – it will be treated as LOP. Income therefrom will be taxed in the hands of Shyamal as he is deemed owner u/s 27. Gurgaon Unit 2 is let out.

Particulars	Delhi (LOP)	Gurgaon – Unit 2 (50% portion) (LOP)
Expected rent (higher of FR or MV, but restricted to SR) (50% values for Gurgaon) (ER)	2,60,000	1,30,000
Actual rent of 2 months for Delhi; Actual rent of 8 months – Unrealized rent of 2 months for Gurgaon as Rule 4 conditions satisfied (AR)	60,000	90,000
Gross annual value for Delhi = Higher of ER or AR	2,60,000	-
Gross annual value for Gurgaon = AR (on account of vacancy allowance) since AR of 90,000 < ER of 1,30,000 owing to vacancy (AR without vacancy of 1,50,000 ≥ ER of 1,30,000)	-	90,000
Less: Municipal taxes paid by Shyamal during PY	(25,000)	(6,250)
<b>Net annual value</b>	<b>2,35,000</b>	<b>83,750</b>
Less: Deductions u/s 24:		

Standard deduction @ 30% of NAV	(70,500)	(25,125)
Interest on borrowed capital:		
• Delhi - 10% of 10 lakh (no limit for LOP)	(1,00,000)	
• Gurgaon Current year = 10% p.a. of 50 lakh for 6 months = 2,50,000 Prior period interest from 1.10.2019 to 31.3.2020 = 10% p.a. of 50 lakh for 6 mth = 2,50,000, deductible in 5 equal installments of 50,000 from PY 2020-21. Total interest = 3,00,000. 50% share for Unit 2 = 1,50,000 (deductible up to 2 lakh)		(1,50,000)
Arrears of rent (assuming not taxed in the year to which it pertains)		30,000
Less: Standard deduction @ 30% for arrears of rent		(9,000)
<b>Income from house property</b>	<b>64,500</b>	<b>(70,375)</b>

**Gurgaon Unit 1, Patna and Shimla houses:** Gurgaon Unit 1 and Patna houses are self occupied (SOP) while Shimla house is unoccupied (UOP) as Shyamal has to stay in Chandigarh in a building not belonging to him due to employment. He can choose any 2 houses as SOP/UOP. The third house will be treated as DLOP. Selection is done as given below:

*Step 1: Computation assuming properties are self occupied*

Computation	Gurgaon Unit 1 (50% portion)	Patna (co-owned)	Shimla
Net annual value	Nil	Nil	Nil
Less: Interest on borrowed capital:			
• Gurgaon - See computation above for Gurgaon Unit 2	(1,50,000)		
• Patna – 10% of 10 lakh is 1 lakh. 50% share is 50,000, deductible up to 30,000 for each co-owner. Assumed interest payable equally by co-owners.		(30,000)	
• Shimla – Current year interest is 10% of 30 lakh is 3 lakh. Only 30,000 deductible since construction completed after 5 year from end of FY of taking loan. Hence, enhanced limit of 2 lakh not available. Prior period interest not deductible in PY 2021-22 since 5 installments from PY 2016-17 are over.			(30,000)
<b>Income from house property</b>	<b>(1,50,000)</b>	<b>(30,000)</b>	<b>(30,000)</b>

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

Computation	Gurgaon Unit 1 (50% portion)	Patna (co-owned)	Shimla
Expected rent = Higher of FR or MV, but restricted to SR (ER)	1,30,000	2,60,000	2,60,000
Actual rent	N/A	N/A	N/A
Gross annual value = ER	1,30,000	2,60,000	2,60,000
Less: Municipal taxes actually paid during the PY by Shyamal	(6,250)	(25,000)	-
Net annual value	1,23,750	2,35,000	2,60,000
Less: Deductions u/s 24:			
Standard deduction @ 30% of NAV	(37,125)	(70,500)	(78,000)
Interest on borrowed capital			
• Gurgaon: See computation above	(1,50,000)		
• Patna: 10% of 10 lakh is 1 lakh		(1,00,000)	
• Shimla: Current year interest is 10% of 30 lakh is 3 lakh. Prior period interest not deductible in PY 2021-22 since 5 installments from PY 2016-17 are over.			(3,00,000)
		<b>64,500</b>	
<b>Income from house property (50% share for Patna house)</b>	<b>(63,375)</b>	<b>32,250</b>	<b>(1,18,000)</b>

*Step 3: Find out impact for different combinations*

Computation	Option 1		Option 2		Option 3	
Gurgaon Unit 1	SOP	(1,50,000)	SOP	(1,50,000)	DLOP	(63,375)
Patna	SOP	(30,000)	DLOP	32,250	SOP	(30,000)
Shimla	DLOP	(1,18,000)	SOP	(30,000)	SOP	(30,000)
<b>Total</b>		<b>(2,98,000)</b>		<b>(1,47,750)</b>		<b>(1,23,375)</b>

Should ensure that total interest deduction of both SOP properties does not exceed 2 lakh in either Option. Option 1 is most tax efficient.

**Computation of IHP based on selection**

<b>Computation</b>	<b>Rs.</b>
Delhi	64,500
Gurgaon Unit 1	(1,50,000)
Gurgaon Unit 2	(70,375)
Patna	(30,000)
Shimla	(1,18,000)
<b>Total income from house property</b>	<b>(3,03,875)</b>