

TAXBOOK⁺

Working steps of solutions

B1 to B10

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			
<ul style="list-style-type: none"> 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)	-
<ul style="list-style-type: none"> 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) 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)	8,40,000	7,66,849	9,00,000
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			
<ul style="list-style-type: none"> Standard deduction @ 30% of NAV 	(2,32,800)	(2,03,055)	(2,70,000)
<ul style="list-style-type: none"> 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.

TAXBOOK⁺

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, 3/4th portion of the.....

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

Computation	SOP portion (3/4 th)	LOP portion (1/4 th)
Expected rent for LOP portion = 1/4 th of higher of FR or MV = 1/4 th 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 th deductible for LOP portion and 3/4 th for SOP portion	(1,41,750)	(47,250)
Income from house property	(1,41,750)	1,050
Income from house property	(1,40,700)	

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.
Income from house property		
Unit 1 – 50% floor area – Let out		
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) ¹	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
Unit 3 – 25% floor area – Self occupied		

¹ 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
Profits and gains of business or profession - Unit 2 – 25% floor area		
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
Taxable income		1,53,150

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)
Income from house property	53,352	(12,000)
Total Income from house property	41,352	

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)
Income from house property		(2,00,000)

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)
Income from house property	(69,000)	8,000
Income from house property		(61,000)

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		
Income from house property	29,73,600	(2,00,000)
Total income from house property		27,73,600

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)
Income from house property	(2,00,000)	1,20,000
Total		(80,000)

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. 1/5th 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)
Income from house property		96,000
50% share taxable in the hands of Raman (assuming co-owners have equal share)		48,000

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)
Income from house property (overall interest deduction cannot exceed 2 lakh)	(2,00,000)	(2,00,000)

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
Income from house property	1,45,750	1,45,750

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)
Income from house property	3,51,500
Share of each co-owner @ 50%	1,75,750

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
Income from house property		1,74,000

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	
Income from house property	47,067	(2,00,000)
Total income from house property	(1,52,933)	

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.		
Income from house property	Nil	(1,30,000)

Computation of income from Hyderabad property	Rs.
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)
Income from house property	52,500

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.
Income from salaries			
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
Income from house property:	House 1	House 2	
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
Taxable income			5,37,400

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)
Net annual value	2,35,000	83,750
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)
Income from house property	64,500	(70,375)

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)
Income from house property	(1,50,000)	(30,000)	(30,000)

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)
		64,500	
Income from house property (50% share for Patna house)	(63,375)	32,250	(1,18,000)

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)
Total		(2,98,000)		(1,47,750)		(1,23,375)

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

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

BASIS OF CHARGE & COMPUTATION

M4. Shane is a non-resident and national of Australia. Which of his following incomes from property owned

Property is in India. Income accrues/arises in India and is taxable in India in case of NR.

M5. Mr. Jain moved to Mumbai. He took a property on rent for his residential purpose. However, the

Taxable as IFOS. Not taxable as PGBP since subletting is not the business of Mr. Jain.

M8. Ravi carries on his profession in Chennai where he stays on rent. He owns a flat in Jodhpur in which

Annual value for up to 2 SOP/UOP is Nil

M9. Ruhi owns four houses which are self occupied during the year. However, one of the flats is let out on rent

House let out for part of year is treated as LOP. Up to 2 SOP/UOP treated as SOP/UOP. 3rd treated as DLOP.

M10. Fair rent of a let out flat is Rs. 2 lakh, municipal value is Rs. 1 lakh and Standard Rent is Rs. 1.5 lakh.

Higher of FR or MV but not exceeding SR.

M12. Rishi lets out his house @ 20,000 p.m. whose fair rent is Rs. 2 lakh p.a. and municipal value is

GAV is higher of ER 2,00,000 or AR 1,80,000 (2,40,000 – 60,000). Rule 4 satisfied.

M16. Gauri let out a shop for 10,000 p.m. whose fair rent was Rs. 1,00,000 p.a. and municipal value was

AR 90K < ER 1L due to vacancy. Otherwise, AR 1.2L was ≥ ER 1L. GAV = AR.

M18. Jay owns a building whose municipal value is Rs. 3,00,000 p.a. and gross annual value is Rs. 4,00,000.

NAV = 4,00,000 – 5,000 = 3,95,000.

M19. Mr. Hero owns a house whose gross annual value is Rs. 25,000 and municipal value is Rs. 3,00,000 p.a.

IHP = 25,000 – 30,000 tax = (5,000). Standard deduction not allowable as NAV is negative.

M24. Mr. Zero took a loan of Rs. 20 lakh from HDFC Bank on 1 June 2011 for constructing a house in which he

Current year interest Nil. Prior period instalment = 1,00,000 (5,00,000/5). Construction complete after 5Y timeline, thus, deduction limit 30,000.

M26. Mr. Buddu has taken loans @ 10% p.a. on 1.4.2021 of Rs. 5 lakh for repair of House I which is self

H1 repair max 30,000 + H3 acquisition max 2L = Overall max 2L. H2 1L not deducted since house does not exist in PY 2021-22.

M27. Jyoti purchased a house property costing Rs. 49 lakh on 1 May 2021. Property is used exclusively

4.9L but up to max 2L

M28. Ragini paid interest of Rs. 1,00,000 (includes pre-acquisition interest of Rs. 20,000) for a house used

For SOP 1,00,000 + For SOP/LOP for part year 40,000 (treated LOP) + For repair of SOP 25,000 (prior period interest not allowed) = 1,65,000

M30. Meera paid interest of Rs. 60,000 along with penal interest of Rs. 1,000 against interest liability of

30,000 limit for reconstruction. Penal interest, brokerage, etc. not allowed.

SPECIAL SITUATIONS

M31. Raju owns a residential house, let out on a monthly rent of Rs. 15,000. Fair rental value for the let out

LOP/SOP for part of year; treated as LOP. ER for whole year = 2,00,000. AR = 1,35,000. GAV/NAV = 2,00,000. IHP = 2,00,000 - SD 60,000 - Interest 40,000 = 1,00,000.

M33. Sridevi owns three houses used for self occupation. For each house, expected rent is Rs. 1,00,000 p.a.

H1/2 SOP: NAV Nil - 30,000 interest = 30,000 loss.

H3 DLOP: NAV 1,00,000 - 5,000 tax - 28,500 SD - 30,000 interest = 36,500.

IHP = 6,500

M36. Mr. Z has a house property in Delhi whose municipal value is Rs. 1,00,000 and fair rental value is

GAV = Higher of ER 1,08,000 or AR 80,000. NAV = 1,08,000 - 20,000 = 88,000.

M39. Govind owns a residential house in Delhi. House is having two identical units. First unit is self occupied

IHP of LOP = ER = 1,10,000. AR = 1,44,000 - 36,000 = 1,08,000. Vacancy allowance available. GAV = 1,08,000. NAV = 1,08,000 - 14,640 = 93,360. IHP = 93,360 - SD 28,008 - Interest 12,000 = 53,352.

IHP of SOP = Loss being interest of 12,000.

Total IHP = 53,352 - 12,000 = 41,352.

M42. Sujal and his brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow.

IHP = Nil NAV - 2L interest = Loss of 2L

M43. Jay and Viru are friends who co-own a shop having share in the income 60:40. The shop is let out on

GAV is higher of 1,50,000 ER or 1,20,000 AR. NAV = 1,50,000 - 10,000 tax = 1,40,000. IHP = 1,40,000 - 42,000 SD - 40,000 interest = 58,000. Jay = 60%, i.e., 34,800

M45. Reena received Rs. 30,000 as arrears of rent during PY 2021-22. Amount taxable u/s 25A would be.....

21,000 less 30% deduction

M46. Vijaya received Rs. 90,000 in May 2021 towards recovery of unrealized rent, which was deducted

90,000 less 30%

M47. Vijay sold his house on 1 March 2021 which was let out earlier to Jay who did not pay Rs. 50,000 rent

50,000 less 30% taxable as IHP

M49. Prem has rented his office space on Rs. 25,000 p.m. which includes Rs. 5,000 towards services of security.....

Rent taxable under IHP. Service charges taxable under PGBP/IFOS. GAV = Higher of 2.4L or 2L. Taxes not deductible. IHP = 2.4L less 30% SD = 1,68,000.

M50. Annual value of property held as stock-in-trade is taken as nil for a period of 2 years immediately

Benefit also available for year of completion of construction.

M51. Jagdamba Builders Ltd. has unsold stock of 10 flats lying vacant during the whole of PY 2021-22.

Benefit of nil annual value for 4 flats till PY 2021-22 and for 6 flats till PY 2023-24. AV for all flats for PY 2021-22 is nil; no limit on interest.

M52. In which of the following cases will income from house property be taxed in the hands of Raj.....

Deemed owner u/s 27

M53. Heera entered into an agreement in writing to buy a building from Beera on 1 March 2022. He paid

Deemed owner u/s 27