TEST 2 – HOUSE PROPERTY

ANSWER 1

Part (i) – (b) Rs 65,000

Part (ii) – (b) Rs 32,500

ANSWER 2

(b) Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of Rs 2L.

ANSWER 3

(b) Rs 88,000

ANSWER 4

(b) Rs 2,00,000 each

ANSWER 5

(c) Incorrect, as Mr Agarwal is not the owner of the property let out by him. The income from sub-letting shall be taxable under the head income from other sources.

ANSWER 6

Since Mr Aditya is a resident but not ordinarily resident in India for AY 2020-21, income which is received in India shall be taxable in India even if such income has accrued or arisen outside India. Accordingly, rent received from house property in Dubai would be taxable in India since such income is received by him in India. Secondly, income from property in Mumbai would accrue or arise in India (thus taxable in India) and consequently, interest deduction in respect of such property would be allowable while computing Mr Aditya's income from house property.

Computation of Income from House Property of Mr Aditya for AY 2020-21:

Particulars	Amount (Rs)
Income From Let-Out Property In Dubai:	
Gross Annual Value (DHS 20,000 p.m. x 12 months x Rs 18 per DHS) {In the absence of any information about fair rent, municipal rent & standard rent, Actual Rent R/R is taken as GAV}	43,20,000
Less: Municipal taxes paid during the year {DHS 4,000 (2,500 + 1,500) x Rs 18 per DHS}	(72,000)
Net Annual Value (NAV)	42,48,000
Less: Deduction u/s 24(a) {30% of NAV}	(12,74,400)
Less: Deduction u/s 24(b)	Nil
Income/(Loss)	**29,73,600**
Income From Self-Occupied Property In Mumbai:	
Gross Annual Value	Nil
Less: Municipal taxes paid during the year {Not allowed in case of a self-occupied property}	Nil
Net Annual Value (NAV)	Nil
Less: Deduction u/s 24(a) {30% of NAV}	Nil
Less: Deduction u/s 24(b) (Note 1)	(2,00,000)
Income/(Loss)	**(2,00,000)**
Net Income u/h House Property (Rs 29,73,600 – Rs 2,00,000)	**27,73,600**

Note 1 - Interest on housing loan for construction of self-occupied property allowable u/s 24(b):

- Interest for the current year (Rs 25,00,000 x 12%) = Rs 3,00,000

- Pre-construction interest (from 01.06.2016 to 31.03.2018) = Rs 25,00,000 x 12% x 22/12 = Rs 5,50,000 (To be allowed in 5 equal annual instalments of Rs 1,10,000 each)
- Total interest deduction u/s 24(b) for PY 2019-20 = 3,00,000 + 1,10,000 = Rs 4,10,000

In the present case, loan has been taken on or after 1st April 1999 for construction of the property and the property has also been constructed within the stipulated time period of 5 years from the end of the year in which loan has been taken. Assuming that the requisite certificate has been obtained from the lender, the assessee is eligible for maximum deduction of Rs 2,00,000 u/s 24(b).

ANSWER 7

- Interest on loan taken for acquisition of residential house property at Calcutta = Rs 50L x 10% = Rs 5L

  In the present case, loan has been taken on or after 1st April 1999 for purchase of the property and the property has also been purchased within the stipulated time period of 5 years from the end of the year in which loan has been taken. Assuming that the requisite certificate has been obtained from the lender, each co-owner of the property is eligible for maximum deduction of Rs 2L u/s 24(b) in respect of this property.

  Therefore, both Ms Aparna & Ms Dimple would be entitled to claim a deduction of Rs 2L each u/s 24(b) in respect of the interest paid on loan taken for acquisition of residential house property at Calcutta.

- Computation of Deduction u/s 24(b) Available to Ms Aparna for AY 2020-21:
  - Interest on loan taken for repair of flat at Pune = Rs 36,000 (Rs 3,00,000 x 12%). However, deduction of maximum Rs 30,000 shall be available because the loan hasn't been taken for purchase/construction of the property.
  - Total Deduction u/s 24(b) = Rs 2L for Calcutta Property (+) Rs 30,000 for Pune Property = Rs 2,36,000
  - Deduction u/s 24(b) in respect of both the houses has to be restricted to Rs 2,00,000.
- Deduction of Rs 2L available u/s 24(b) to Ms Dimple for AY 2020-21.

ANSWER 8

Computation of Income from House Property of Mrs Disha Khanna for AY 2020-21:

Particulars	Amount (Rs)
Gross Annual Value {Refer Working Note 1}	7,20,000
Less: Municipal taxes paid during by Mrs Disha Khanna during the year {12% of Rs 7.5L)	(90,000)
Net Annual Value (NAV)	6,30,000
Less: Deduction u/s 24(a) {Standard Deduction equivalent to 30% of NAV}	(1,89,000)
Less: Deduction u/s 24(b) {Interest on loan borrowed towards repairs of the property}	(35,000)
Income From House Property	**4,06,000**

Working Note 1 - Computation of GAV:

- In the present case, the house is partly self-occupied and partly let-out. GAV shall be computed as per the provisions of Section 23(3) and accordingly, higher of expected rent (full 12 months) & actual rent R/R shall be taken as GAV.
- Computation of Expected Rent:
  - Step 1: Higher of Fair Rent (Rs 6,30,000) & Municipal Rent (Rs 7,50,000) = Rs 7,50,000
  - Step 2: Expected Rent = Lower of Step 1 (Rs 7,50,000) & Standard Rent (Rs 7,20,000) = Rs 7,20,000
- Computation of Actual Rent R/R:
  Deduction of unrealised rent would be available only when all the following four conditions given under Rule 4 of the Income Tax Rules are satisfied:
  - the tenancy is a bonafide tenancy;
  - the defaulting tenant is not in occupation of any other property of the assessee;

- the defaulting tenant has vacated, or steps have been taken by the assessee to compel the tenant to vacate the property; and
- the assessee has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless.

In the present case, the defaulting tenant continues to occupy another property of the assessee. Therefore, unrealised rent of 2 months cannot be deducted from the actual rent R/R.

Actual Rent R/R = Rs 75,000 x 9 months = Rs 6,75,000

- GAV = Higher of ER (Rs 7,20,000) and Actual Rent R/R (Rs 6,75,000) = Rs 7,20,000

ANSWER 9

- An individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
  - He has been in India during the relevant previous year for a total period of 182 days or more; or
  - He has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

  If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.

- In the present case, since Mr Jagdish has not visited India at any time during PY 2019-20, he would qualify as a non-resident for PY 2019-20. In the hands of a non-resident, only those incomes are taxable in India whose place of accrual and/or place of receipt lies in India.
- Income from house property at Bangkok neither accrues/arises in India nor it is stated to be received in India. Hence, income from house property at Bangkok is not taxable in India, since Mr Jagdish is a non-resident. However, income from house property at Pune shall be taxable in India since the income accrues and arises in India.

Computation of Total Income of Mr Jagdish (a non-resident) for PY 2019-20:

Particulars	Amount (Rs)	Amount (Rs)
I. House Property:		**2,14,200**
1) Income From House Property At Pune:		
Gross Annual Value (Rs 27,500 x 12 months) {In the absence of any information about fair rent, municipal rent & standard rent, Actual Rent R/R is taken as GAV}	3,30,000	
Less: Municipal taxes {No deduction available since no municipal taxes have been actually paid during PY 2019-20}	Nil	
Net Annual Value (NAV)	3,30,000	
Less: Deduction u/s 24(a) {30% of NAV}	(99,000)	
Less: Deduction u/s 24(b) {Entire interest for the year is available as deduction because deduction u/s 24(b) is allowed on accrual basis and not on cash basis}	(84,000)	
Income	**1,47,000**	
2) Arrears Of Rent Received For Jaipur House: (Rs 96,000 x 70%) {Arrears of rent received to be taxable u/h House Property as per Section 25A after allowing a deduction of 30% irrespective of the fact whether the assessee is the owner of the property or not}	**67,200**	
II. PGBP: Profit from business in Thailand {Since the income neither accrues/arises in India nor it is stated to be received in India, income from business in Thailand is not taxable in India in the hands of Mr Jagdish as he is a non-resident}		**Nil**

III. Other Sources:		**5,22,500**
➢ Interest on bonds of a Japanese company {Only Rs 22,500, being 50% of Rs 45,000 is taxable in India, since it is stated to be received in India}	22,500	
➢ Income from Apple Orchid in Nepal {Contract fee has been directly credited to bank account in India; thus income shall be treated as being received in India and thus taxable in India}	5,00,000	
Total Income		**7,36,700**

Note: Contract fee for Apple Orchid has been stated to have been deposited directly by the contractor in the Kathmandu branch of UBI in Mr Jagdish's bank account maintained with UBI's Pune Branch. Since the deposit is stated to have been made by the contractor directly in UBI's Pune branch, the income is received in India and hence, would be taxable in the hands of Mr Jagdish. The above solution has been worked out accordingly. However, due to the use of the word "in the Kathmandu branch", if a view is taken that such receipt is actually received in Kathmandu and subsequently it is remitted to Indian branch, the amount of Rs 5 lakhs would not be taxable in India and hence, the total income would be Rs 2,36,700.