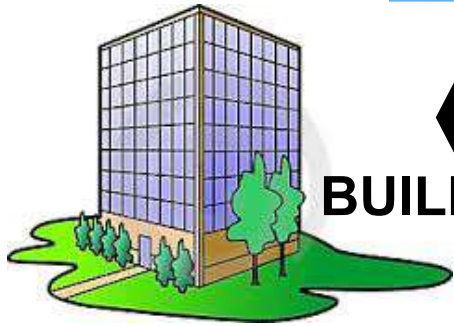
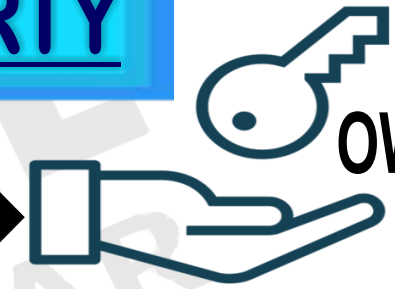


RENT

# SECTION 22: INCOME UNDER HEAD HOUSE PROPERTY



BUILDING



OWNERSHIP

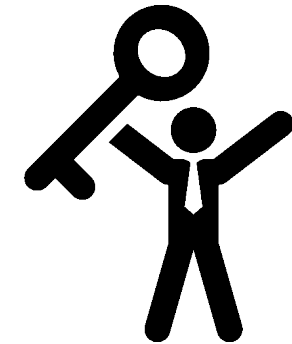
## Income Taxable as Income House Property : Conditions



**There must be a Building or land attached to Building**



**Assessee must be Owner/ Deemed owner**



**Assessee must not do his Business/ Profession in the building**



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# Section 27 Deemed Ownership

मानो या ना मानो मानना पड़ेगा !



## CASE - 1



**Transfer of House Property to:**

- a) Spouse
  1. without adequate consideration
  2. without agreement to live apart
- b) Minor child except minor married daughter

## CASE - 2



**Holder of Impartible estate**  
Eg: In case of HUF, karta of HUF is deemed to be the owner of impartible property

## CASE - 3



**Member of the housing co-operative society**

## CASE - 4



**Person having possession of house property under part performance of contract u/s 25F of Transfer of Property Act**

## CASE - 5



**Person having a right in a property when lease period >12 years**



# Calculation

Gross Annual Value

Less: Municipal Taxes Paid  
by assessee or / before  
31/3/ PY

Net Annual Value

Municipal taxes payable/ outstanding  
as on 31/3/PY will not be allowed  
as deduction.

## SECTION 23 : ANNUAL VALUE

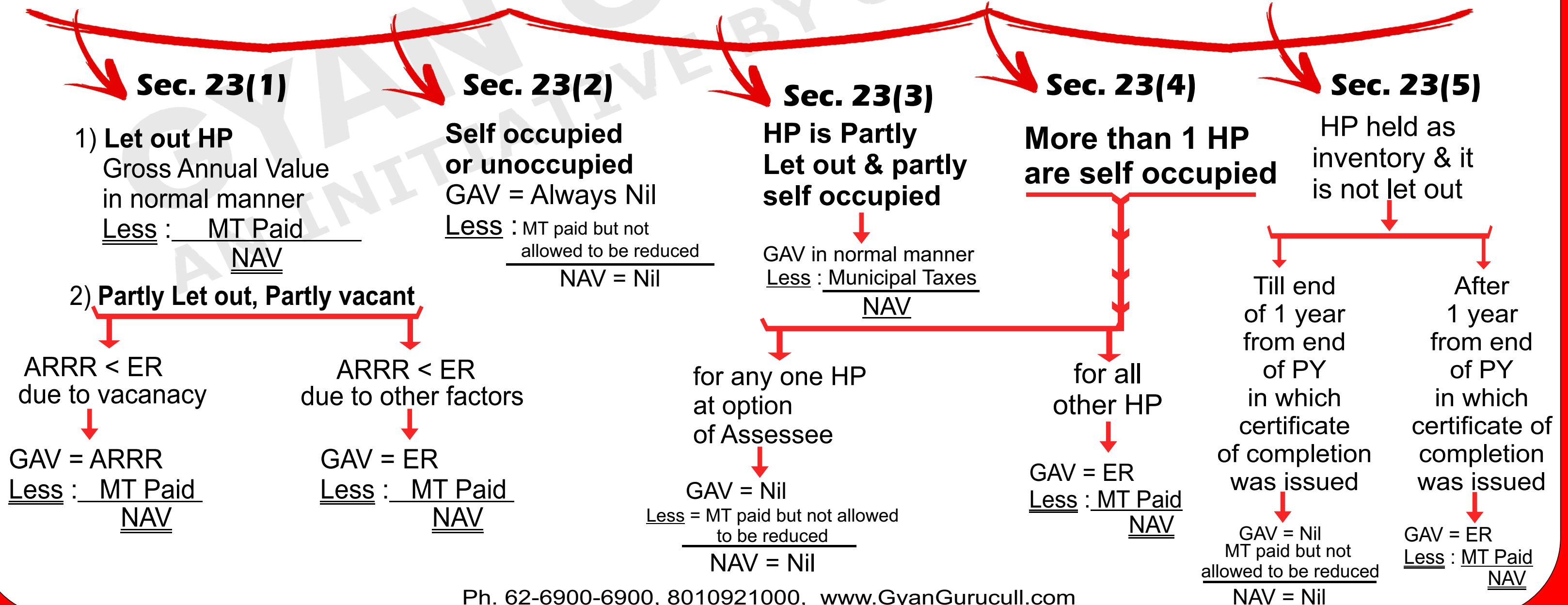


## Meaning:

Estimated rental value  
at which property might  
be let out for full year



## Section 23 Annual Value in different situation





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# Section 24

## Deductions from NAV

### Section 24 (a)

#### Statutory Deduction

- a) Always 30% of NAV
- b) actual expenses shall be ignored

When GAV = Nil

Actual interest without any maximum limit is allowed as deduction

### Section 24 (b)

#### Interest on borrowed capital

When GAV Nil

### LOANS

Loan taken before 1.4.1999 for

Loan taken on /After 1.4.1999 for

**Purchase**

**Repairs Renovations**



**Constructions**

**Repairs Renovations**

Construction of HP completed within 5 years from end of FY in which loan was taken

**Yes**

Max Limit is ₹ 2,00,000 PA per house

**No**

Max Limit is ₹ 30,000 PA per house

Max Limit is ₹ 30,000 pa per house



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# STEPS TO CALCULATE INTEREST U/S 24(b)

STEP  
STEP  
STEP  
STEP  
STEP



1  
2  
3  
4  
5

**Calculate pre construction period in number of months**  
It Starts - from date of taking loan  
It Ends - 31/3 preceding the date  
when construction gets completed  
OR  
Date of repayment of loan

**Earlier**  
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**Calculate pre construction period Interest and amortise it on equal basis over the period of 5 years. 5 years will start from FY in which construction got completed.**

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**Calculate Interest for current PY, if loan has not been paid back**

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**Add interest of step 2 and step 3 to get total interest amount.**

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**Compare interest of step 4 with maximum limit u/s 24(b) set by government. (limit given in chart no. 4)**

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# Concept of Unrealised Rent and its recovery

## Section 23(1) and Rule 4, Section 25A

When tenant uses the HP but doesn't pay rent for it, then it is called as unrealised rent for landlord. To calculate actual rent received/ receivable, unrealised rent is not included if all of following 4 condition given in Rule 4 are satisfied

Tenancy must be Bonafide

Landlord has taken steps to recover his unrealised rent

Rule 4

Landlord has taken steps to get his HP vacated

Defaulting Tenant should not be occupying any other HP of assessee



Recovery of unrealised Rent and arrear of Rent

Taxable as HP = Recovery Less 30%



[ Taxable as HP Income even if assessee is not the owner of HP ]





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## Section 25

## Section 26

## Smooth Running of Business

## Security Deposit

# Extra Concepts

### HP in Foreign Country

Rent Received in India

Rent Received Outside India



**Taxable in India for ROR/NOR/NR**

**Taxable in India only for ROR**

**Interest of loan taken from outside India**

Allowed as deduction u/s 24(b) if any one condition is satisfied

- a) Payer has done TDS & paid amount of TDS to Central Government, on amount of Interest
- b) Payee has paid tax on Interest in India

**In case of joint ownership or co-ownership**

Calculate HP Income as if these is a single owner and then divided such Income in the ratio of ownership

**Letting out for smooth running of Business / Profession**

Always taxable as PGBP Income

Eg. Letting out of premises by hospital to chemist

**Security Deposit is not income & not taxable but if it is adjusted against non payment of rent then it is Income taxable as House Property Income**

$$\begin{aligned}
 & \text{GAV} \rightarrow \text{Normal manner} \\
 & \text{Less} = \text{MT paid to Municipal Corporation outside India} \\
 & \hline
 & \text{NAV} \\
 & \text{Less} = \text{Section 24(a)} \\
 & \text{Less} = \text{Section 24(b)} \\
 & \hline
 & \text{Taxable HP Income}
 \end{aligned}$$

### Composite Rent

Rent of Building + facilities attached

If letting out is separable

Rent of Building >> IHP  
Rent of facilities >> IOS/ PGBP

If letting out is not separable full rent >> IOS/PGBP



# HP NOT TAXABLE IN FOLLOWING CASES

(a) Farm house: income from any building owned or occupied by the agriculturist or revenue from such land provided that the building is in the immediate vicinity of agricultural land and is used as dwelling house or store house.



(b) property used for own business or profession.



(c) self-occupied house: annual value of one self-occupied house shall be taken to be nil.



(d) Palace of ex-ruler: the annual value of one palace in the occupation of ex-ruler shall be exempt from tax under section 10(19A)

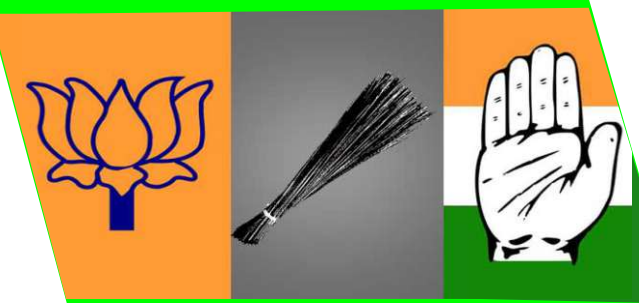


(e) House property income of a local authority under section 10(20) is exempt from tax.



नई दिल्ली नगरपालिका परिषद

(j) House property income of a political party is exempt from tax under section 13A.



(f) House property income of approved scientific research associations under section 10(21) is exempt from tax.



(g) House property income of an educational institute and hospitals under section 10(23C) is exempt from tax.



AIIMS IN INDIA

(h) House property income of a trade union under section 10(24) is exempt from tax.



(i) House property income from a house held for charitable or religious purposes under section 10(11) is exempt from tax.



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