INCOME FROM HOUSE PROPERTY

Condition need to be satisfy to follow as income from House Property:- (Sec 22)

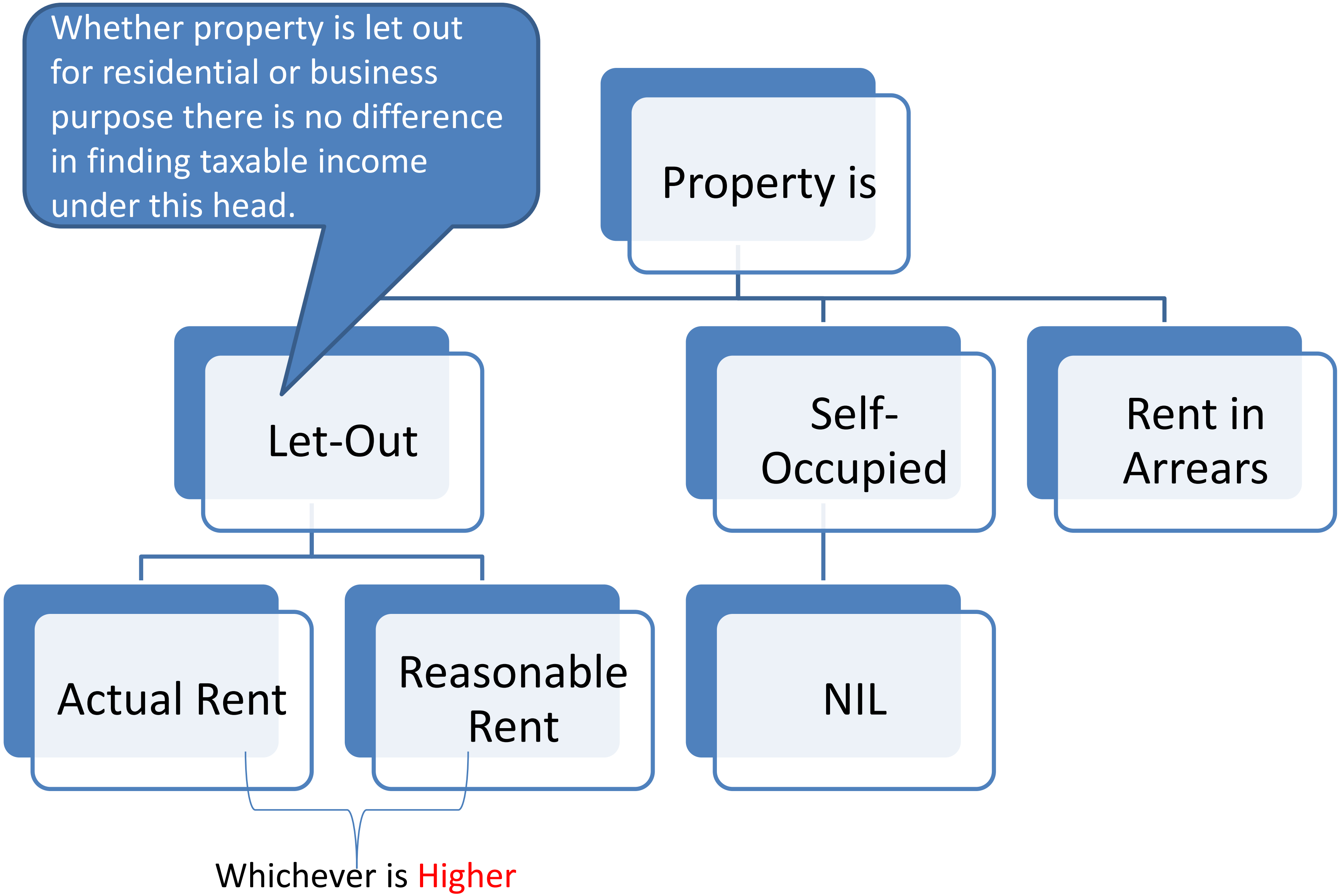
1) The property should be any building (Residential / Commercial) or any land appurtenant thereto.
2) The assessee should be Owner (including deemed owner) thereto.
3) The property should not be use by the assessee for his own business / profession carried on by him, which is chargeable to tax.

Once the above conditions are satisfied the "ANNUAL VALUE" , has to be determine.

Deemed Owner-As per Sec 27, in following circumstances the legal owner will not be charged, but deemed owner will be charge to tax.

- Transfer to Spouse or Minor Child
- Holder of Impartible estate
- Property held by the members of the Co-operative Society.
- Person who acquire property under Power of Attorney transactions.
- Person who acquire right to property u/s 269UA

Determination of Gross Annual Value



Determination of Gross Annual Value--Continue

- Calculate Reasonable Letting Value (RLV) first.
- Reasonable Letting Value should be calculated as follows:-1) Compare Fair Rent & Gross Municipal Valuation. Higher of the two should be considered.

2) Find out Standard Rent.-Standard Rent is the rent fixed by government as per rent control act

- Reasonable Letting Value will be lower of (1) & (2).

Determination of Gross Annual Value—Continue

Value to be considered is higher of two below

- Fair Rent: - It is the rent prevailing in that particular locality. It depends upon area of property, location, etc. It will always be given in the question. In actual practice fair rent is assessed by income tax valuers.

Municipal Valuation: - This is the valuation carried out by municipal authorities every year regarding all properties in their jurisdiction. This valuation is carried out by municipal authorities to calculate correct amount of property tax, sewage tax, water tax etc.

Municipal valuation is of two types: -

a) Gross Municipal Valuation

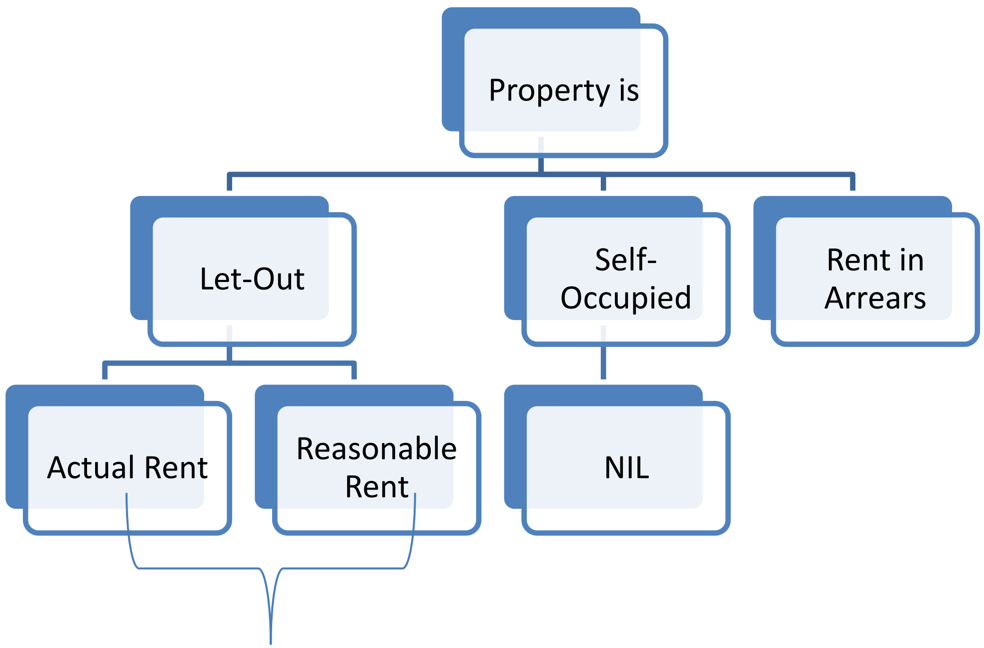
b) Net Municipal Valuation

Gross Municipal Valuation	100
(-) 10% of G.M.V.	10
Net Municipal Valuation	90

(Net rateable value) Municipal taxes are recovered on Net Valuation in Mumbai, Kolkata, Delhi, Chennai.

All remaining areas: - Municipal taxes are recovered on Gross Valuation.

Determination of Net Annual Value



Whichever is Higher

In case of Let-Out Property :-Following deduction are made-

1) **Municipal / Local Taxes Actual paid during the year is allowed as deduction, irrespective of the year for which it's paid.-Sec 23**.
2) **If Property is Vacant for any period during the year, the value will be reduce from the Reasonable Rent.**

The resultant figure will be Net Annual Value

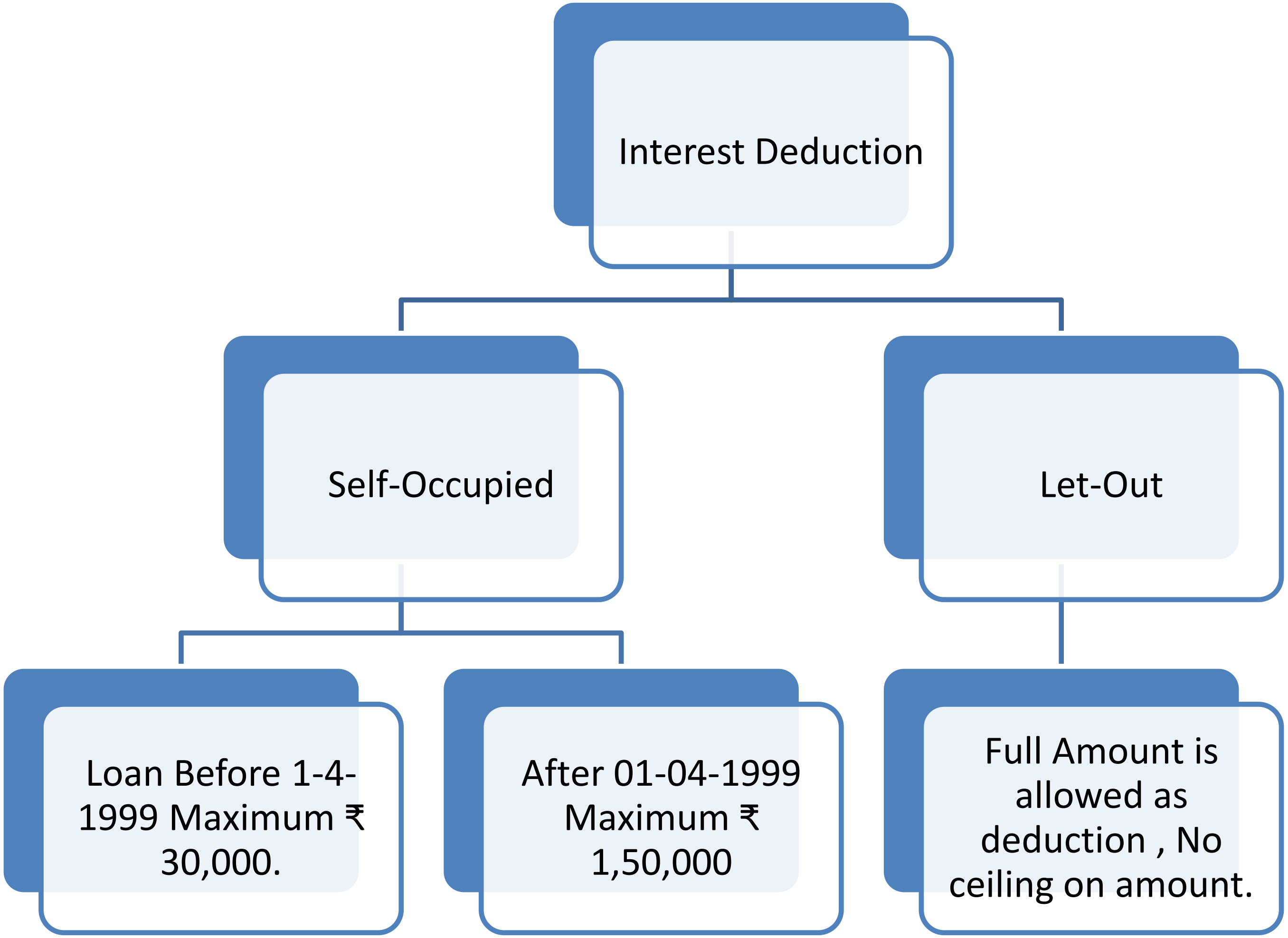
The Following Deduction is allowed from NAV.-Section 24

a) 30 % of the Net Annual Value

b) Interest on Loan taken from approved Financial Institution for purpose of Purchase or Repairs or Construction of Property. –Allowed on Accrual basis, if paid after Construction Period. Interest Paid during construction is allowed in 5 yearly instalment after construction period is completed.

- If the Loan is obtained from Outside India than TDS is necessary to be deducted, otherwise it’s not allowed as deduction-Sec 25
- The quantum of deduction will depend upon whether it’s self-occupied or Let-out.

Quantum of Interest Deduction



Due to Deduction, Income from House Property, may be NEGATIVE income . Adjustable with other Income, including Other House Property Income.

Other Aspects ---------

- **When assessee is owner of more than one Self-occupied houses**: - In this case, only one house according to the choice of the assessee will be treated as self-occupied i.e. its annual value will be taken as Nil and remaining house shall be treated as deemed to be let out and accordingly income will be computed for that. It is in the interest of the assessee to treat that house as self-occupied of which Net annual value is more. Wherever house is treated as deemed to be let-out, all applicable deductions will be allowed which are available to let out property.
- **When the property is let out for some period & Self occupied for some period:** - In this case, computation should be made as if property is let out. However, while calculating GAV, Actual Rent should not be considered for 12 months but only for the period for which property was let out. No other benefit of vacancy however is allowed.

Other Aspects ---------

- **UNREALISED RENT & RECOVERED LATER**-Rent in Arrears- In this case, such recovery to the extent it was not included in annual value earlier shall be deemed to be income chargeable under the head ‘ Income from house property’ whether or not assessee is the owner of that property in the year of recovery.
- **PROPERTY OWNED BY CO-OWNERS :-** Under Section 26, income of the property where there is a co-ownership shall be computed first as if property is owned by one person & then it will be distributed among co-owners as per their agreed proportion. i.e. Each co-owner shall include his share in his total income.
- **SET OFF & CARRY FORWARD OF LOSS** - If income under the head ‘Income from House Property’ results into loss such loss shall be adjusted against income from any other head in the same year. If any part of loss remains unadjusted even after this, it can be carried forward and set off in subsequent years against income from house property subject to a limit of 8 assessment years (Section 71B).