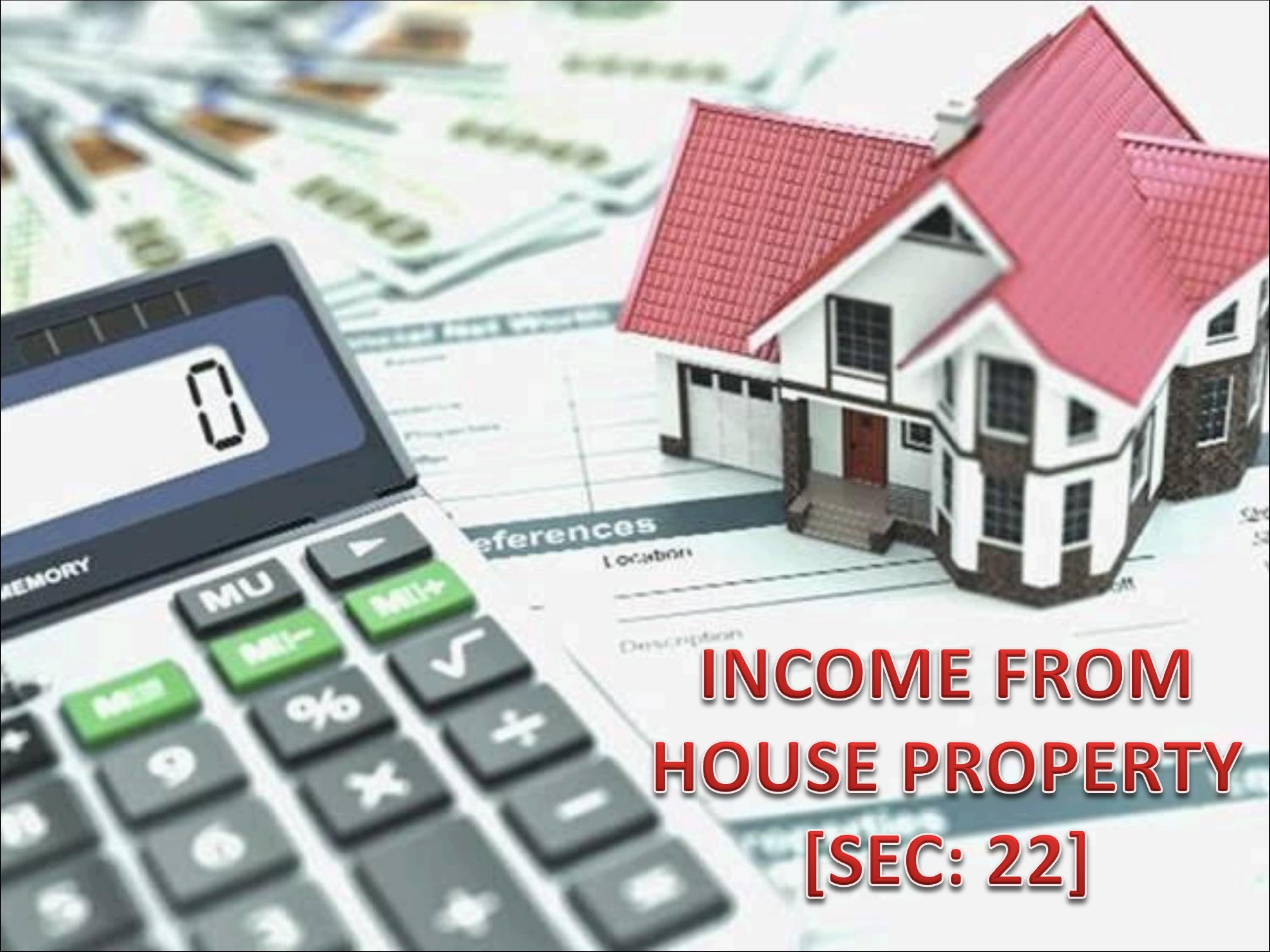


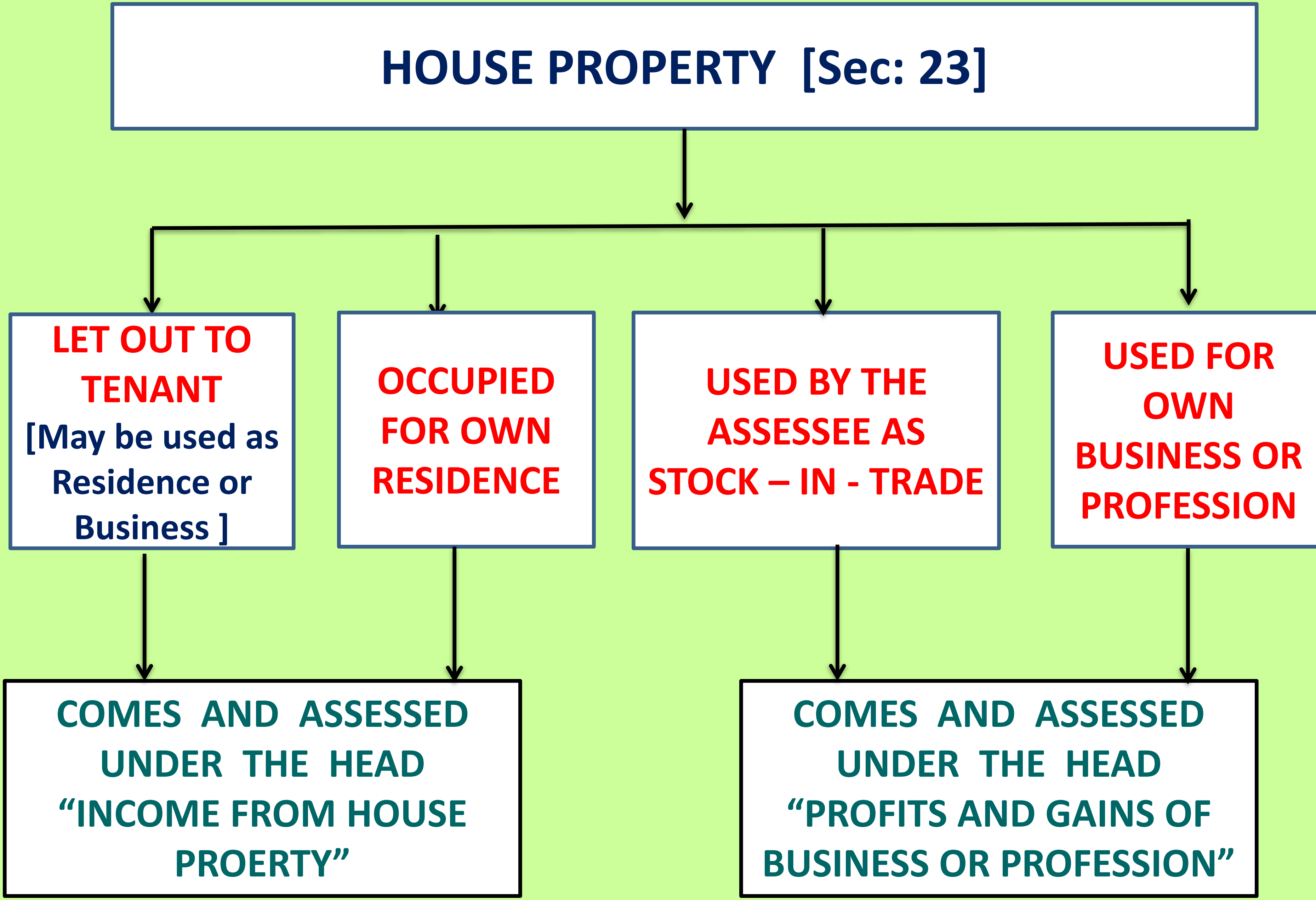
INCOME FROM HOUSE PROPERTY [SEC: 22]

Sec : 22

Any income from houses, buildings, bungalows, godown etc. are to be assessed under the head " INCOME FROM HOUSE PROPERTY".

INCOME FROM HOUSE PROPERTY = ANNUAL VALUE OF THE PROPERTY – DEDUCTIONS U/S 24.

ABHIJIT LAHIRI, DEPT. OF COMMERCE, ST. JOSEPH'S COLLEGE DARJEELING


HOUSE PROPERTY [Sec: 23]
LET OUT TO TENANT [May be used as Residence or Business]
OCCUPIED FOR OWN RESIDENCE
USED BY THE ASSESSEE AS STOCK – IN - TRADE
USED FOR OWN BUSINESS OR PROFESSION
COMES AND ASSESSED UNDER THE HEAD "INCOME FROM HOUSE PROERTY"
COMES AND ASSESSED UNDER THE HEAD "PROFITS AND GAINS OF BUSINESS OR PROFESSION"

DIFFERENT VALUATION OF A PROPERTY :

1. **MUNICIPAL VALUE** : ***Valuation of a property made by the local municipality.***

2. **FAIR RENTAL VALUE** : ***Valuation of a property made on the basis of the valuation of a same type of property (size, specification etc.) in the same locality.***

3. **STANDARD RENT** : ***It is the valuation of a property made on the basis of the rent determined by the Rent Control Act of the concerned State.***

4. **ACTUAL RENT RECEIVED / RECEIVABLE** : ***It is the valuation of a property made on the basis of the rent received / receivable from the tenant.***

WHAT IS ANNUAL VALUE [SEC 23] ?

It is the value for which a property can be let-out from year to year

HOW TO DETERMINE OF ADJUSTED ANNUAL VALUE U/S : 23(1) ?

I. FOR LET-OUT PROPERTY :

	Rs.
GROSS ANNUAL VALUE OF THE PROPERTY	×××
LESS : MUNICIPAL TAX PAID BY THE OWNER	×××
ADJUSTED ANNUAL VALUE :	×××

HOW TO DETERMINE INCOME FROM HOUSE PROPERTY

FOR LET OUT PROPERTY

		Rs.
Gross annual value of the property		**×××**
Less : municipal tax paid by the owner		**×××**
Adjusted annual value :		**×××**
Less: Deductions u/s 24		
Standard deduction u/s 24(a)	**xxxx**	
Interest on Borrowed Capital u/s 24(b)	**xxxx**	**xxx**
Income From House Property (let-out)		**xxx**

HOW TO DETERMINE INCOME FROM HOUSE PROPERTY

FOR SELF OCCUPIED PROPERTY

	Rs.
Adjusted annual value of the property u/s 23(2)(a) or 23(2)(b)	NIL
Less: Deductions u/s 24	
Interest on Borrowed Capital u/s 24(b)	xxx
Loss From House Property (Self occupied)	xxx

DETERMINETION OF GROSS ANNUAL VALUE OF A PROPERTY :

<u>STEP 1 :</u>

Determine "Reasonable Expected Rent" U/S : 23(1)(a) :

How To ?

Take The Highest Between :

1. **MUNICIPAL VALUE**
2. **FAIR RENT**

<u>But Subject To Max. of (*i.e.* it should not exceed) - Standard Rent</u>

<u>RESULT FIGURE IS THE "REASONABLE EXPECTED RENT" U/S 23(1)(a)</u>

STEP 2 :

DETERMINE ‘GROSS ANNUAL VALUE’’

HOW TO ?

CONDITION 1 :

a. ***When there is no unrealised rent and vacancy period and the Property is actually let out:***

GROSS ANNUAL VALUE IS THE HIGHEST ONE BETWEEN :

1. **REASONABLE EXPECTED RENT**
2. **ACTUAL RENT RECEIVED / RECEIVABLE**

b. ***Property is actually let out + vacancy period + but actual rent received / receivable is more than RER : sec 23(1)(b)***

Gross annual value = rent received / receivable

CONDITION 2 : Property is actually let out + actual rent received / receivable is less than RER because of vacancy: sec 23(1)(c)

Explanation:

1. **[(Annual Rent – Rent pertaining to vacancy) < Reasonable Expected Rent]**

2. **[(Annual Rent – Unrealised Rent) > Reasonable Expected Rent]**

BUT

[(Annual Rent – Unrealised Rent - Rent pertaining to vacancy) < Reasonable Expected Rent]

GAV = Actual Rent Received / Receivable

CONDITION 3: Property is actually let out + no vacancy period + actual rent received / receivable is less than RER because of any other factor (unrealised rent) :

EXPLANATION:

[(Annual Rent – Unrealised Rent) < Reasonable Expected Rent]

GAV = Reasonable Expected Rent

CONDITION 4: Property is actually let out + actual rent received / receivable is less than RER partly because of vacancy and partly because of other factors:

EXPLANATION:

[(Annual Rent – Unrealised Rent) < Reasonable Expected Rent , even if loss of rent due to vacancy is ignored]

GAV = Reasonable Expected Rent – loss of rent due to vacancy

WHEN UNREALISED RENT IS DEDUCTABLE?

RULE 4 :

If the following conditions are fulfilled :-

1. The tenancy is bonafide
2. The defaulting tenant has vacated or steps have been taken to vacate the house
3. The defaulting tenant is not in occupation of any other property of the assessee.
4. The assessee has taken all legal steps to recover the unpaid rent.

DEDUCTIONS U/S 24

FOR THE ASSESSMENT YEAR 2019-20

DEDUCTIONS	LET OUT PROPERTY	SELF OCCUPIED PROPERTY
STANDARD DEDUCTIONS [SEC 24(a)]	30 % OF ADJUSTED ANNUAL VALUE	N.A
INTEREST ON BORROWED CAPITAL [SEC 24(b)]	NO LIMIT	1. IF THE LOAN IS TAKEN ON OR AFTER 01.04.1999 AND ALL OTHER CONDITIONS * ARE SATISFIED: **Rs. 2,00,000** 2. IN ANY OTHER CASE : **Rs. 30,000**

CONDITIONS TO BE SATISFIED :

1. Loan used for constructioin or acquisition of house property on or after 01.04.1999
2. Construction and acquisition is coompleted within 5 years from the date of such loan taken
3. A certificate should be obtained from the lender in respect of the utilisation of the loan (construction, / purchase / refinance of the previous outstanding loan (principal amount)

ADDITIONAL POINTS TO BE REMEMBERED
[A/Y : 2021-2022]

If an assessee owns more than one self occupied house for residence , then one house will be treated as self occupied for whom the adjusted annual value will be taken as nil and the other will be treated as deemed to be let-out.