

Income from House Property

1. How to compute income from a property?

<i>Particulars</i>	<i>Amount</i>
<i>Gross annual value</i>	<i>XXXX</i>
<i>Less:- Municipal taxes paid during the year</i>	<i><u>XXXX</u></i>
<i>Net Annual Value (NAV)</i>	<i>XXXX</i>
<i>Less:- Deduction under section 24</i>	
➤ <i>Standard Deduction under section 24(a) at 30% of NAV</i>	<i>(XXXX)</i>
➤ <i>Deduction under section 24(b) on account of interest on borrowed capital</i>	<i><u>(XXXX)</u></i>
<i>Income from house property</i>	<i>XXXX</i>

2. Tax Deduction on Home Loans

<i>Particulars</i>	<i>Amount</i>
Self-Occupied Property	2,00,000
Let-Out Property	No Limit

3. Frequently Asked Questions

- a. Can interest paid on loans taken from friends and relatives be claimed as deduction while calculating house property income?

Yes, if the loan is taken for purchase, construction, repair renewal or reconstruction of the house. If the loan is taken for personal or other purposes then the interest on such loan cannot be claimed as deduction.

- b. I own two houses both of which are occupied by me and my family. Is there any tax implication?

Yes. for the purpose of Income-tax Law you can claim only one property as self-occupied property and other property will be deemed to be let-out property and will be taxed accordingly.

- c. What is the tax treatment of composite rent when the composite rent pertains to letting of building along with other assets?

Composite rent includes rent of building and rent towards other assets or facilities. The tax treatment of composite rent is as follows:-

- a. In a case where letting out of building and letting out of other assets are inseparable (i.e., both the lettings are composite and not separable, e.g., letting of equipped theatre), entire rent (i.e. composite rent) will be charged to tax under the head "Profits and gains of business and profession" or "Income from other sources", as the case may be. Nothing is charged to tax under the head "Income from house property".
- b. In a case where, letting out of building and letting out of other assets are separable (i.e., both the lettings are separable, e.g., letting out of refrigerator along with residential bungalow), rent of building will be charged to tax under the head "Income from house property" and rent of other assets will be charged to tax under the head "Profits and gains of business and profession" or "Income from other sources", as the case may be. This rule is applicable, even if the owner receives composite rent for both the lettings. In other words, in such a case, the composite rent is to be allocated for letting out of building and for letting of other assets.

- d. **Who is deemed owner for the purpose of house property income?**

If any individual transfers any house property to his/her spouse for without consideration or inadequate consideration then such individual is treated as Deemed Owner of such property. Or

If any individual transfers any house property to a mind child (other than minor married daughter) for without consideration or inadequate consideration then such individual is treated as deemed owner.

Exception:-

- Transfer in connection of live apart

e. Under which head is the rental income from a shop charged to tax?

To tax the rental income under the head "Income from house property", the rented property should be building or land appurtenant thereto. Shop being a building, rental income will be charged to tax under the head "Income from house property"

f. Is rental income from sub-letting chargeable to tax under the head "Income from house property"?

Rental income in the hands of owner is charged to tax under the head "Income from house property". Rental income of a person other than the owner cannot be charged to tax under the head "Income from house property". Hence, rental income received by a tenant from sub-letting cannot be charged to tax under the head "Income from house property". Such income is taxable under the head "Income from other sources" or profits and gains from business or profession, as the case may be.