

Subject: Income Tax.

Class - B. Com Part III

Topic: ~~Income Tax~~ Income from House Property, Illustration

Teacher - Dr. Surash Ch

Students, we now will illustrate and solve a problem of income from house property :-

Mr. X owns a residential property in Mumbai. He earned Rs 12 lakh as rent from it in financial year 2019-20. The Municipal Valuation (MV) is Rs 9,60,000. Fair Rent (FR) is 9,00,000 and standard Rent (SR) under Rent Control Act is Rs 8,40,000. However, out of Rs 12 lakh, uncollected rent is Rs 1,00,000. Further, he has paid interest of Rs. 4,60,000 in the current year and in pre-construction period Rs. 20,00,000 on loan taken on this property and municipal tax of Rs 60,000. What is the income from house property of Mr. X for assessment year 2020-21 (FY-2019-20)

First we have to calculate Gross Annual Value (GAV)

Particulars	Amount
① Step I - Reasonable expected fair + higher of MV or FR subject to SR	8,40,000 :-
② Step II - Rent actually received	11,00,000 :-
③ Step III - Higher of Step I or II	11,00,000 :-
④ Step IV - Less due to vacancy	Nil
⑤ Step V - Gross Annual Value	11,00,000 :-
Step III - IV	

Computation of Income from House Property :-

Gross Annual Value (GAV)	11,00,000 :-
Less Municipal Tax -	60,000 :-
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	10,40,000 :-
Less Deduction Under Sec 24.	Nil
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	10,40,000 :-
Less Standard Deduction 30% 10,40,000 x 30%	3,12,000 :-
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	7,28,000 :-
Interest on Borrowed Capital 1/5 of (20,00,000 + 4,60,000)	8,60,000 :-
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	1,32,000
Loss on house property	