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Sub: CDT

Unit: II

Paper: COM CC(3)

Topic: Income from House Property.

Specimen of Computation of Taxable Income from H.P.

Income from Letout House Property

Gross Annual value of the house:
Less:	
(i) Local Taxes paid by owner of the house
(ii) Unrealised rent

Annual value:	-----

Less: Deductions u/s 24:

- (i) Statutory deduction 30% of Annual value
- (ii) (a) Interest on loan taken for purchase, construction or repair of the house relating to previous year
- (b) Interest on loan for the period prior to the previous year in which the house is completed is also allowable in five equal annual instalments

Taxable Income from House Property

Problem 1. J.K construction Ltd. is a company formed to do business of letting out properties for commercial and residential purposes. To begin with, it acquired five house properties in 2012 and completed four buildings till 21.3.2018. The details of the house are as under

Property	Date of Completion	Number of Flats	
		Residential	Commercial
1.	March 14, 2013	6	8
2.	April 30, 2014	4	6
3.	March 25, 2015	5	9
4.	March 31, 2018	10	6

Total rent collected by company during the previous year 2018-19 amounts to Rs. 890,560. Local taxes were shared by the company with tenants 50:50 basis, the company paying Rs 45,000. The total local taxes are levied at the rate of 10% on municipal value.

The following expenses were incurred by the company during the course of the year:

Lift expenses	Rs. 7,500	Land revenue	Rs. 13,200
Water supply	15,400	Depreciation @ 2.5%	50,000
Lighting of stairs	3,000	Office expenses	45,000
Swimming pool maintenance	11,000	Interest on money borrowed for buying property	50,000
Ground rent	7,000		
Insurance Premiums	4,000		

Other information as supplied by the company is as follows: -

- (i) Swimming pool is used only by the tenants.
- (ii) No residential unit is let at less than Rs 300 p.m

Compute the company's income from house property for the assessment year 2019-20.

Sol.
Computation of Income from House Property
 (For the assessment year 2019-20)

Rent received		Rs. 890,560
Less: Value of amenities provided to tenants.		
Lift expenses	Rs. 7,500	
Water supply	15,400	
Lighting of stairs	3,000	
Swimming pool maintenance	11,000	
		(-36,900)
		<u>Net Rental Income: 8,53,660</u>

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Municipal value	Rs.
(10 times of local taxes i.e. $90,000 \times 10$)	<u>9,00,000</u>
Fair Rental value: Net rental income or Municipal value, whichever is greater	Rs. 9,00,000
Less: Local Taxes paid by company	<u>45,000</u>
Annual value:	8,55,000
Less: Admissible Expenses:	
30% of Annual value.	= 2,56,500
$\frac{8,55,000 \times 30}{100}$	50,000
Interest on loan.	<u>(-), 3,06,500</u>
Income from house property:	<u>5,48,500</u>

Note: Other exps. are not deductible.

Theorem:

Other provisions relate to Income from house property:

Collection of rent after deductions accepted on ^{not} unrealised rent or receipt of arrears of rent. Sec. 25 A

Rule: The above mentioned amount of rent is realised in that financial year, that amount will be taxable in that financial year whether assessee is owner of the house or not. The amount of arrears of the rent or not received the unrealised rent 30% of the standard will be allowed out of the above amount realised by the assessee.

(b)

Loss on House Property: The meaning of loss on House Property arises only when the total expenses relate to house property exceeds the annual value. The loss of one house may be adjusted with the income of another house property, if the loss on house property remains unadjusted then it can be deducted from another source of income. Remaining losses can be deducted from house property in 8 years also.

With effect from Assessment year 2018-19 under the Income tax Act of Sec-71(3A) there is restriction imposed to deduct the loss on house property from other sources of income. The restricted amount of deductible amount under this section is ₹ 2,00,000/-
