INCOME FROM
HOUSE PROPERTY

Comprehensive Study Notes

Sections 22 to 27 | Income Tax Act, 1961

Annual Value • Deductions • GAV / NAV • Self-Occupied • Let Out
Deemed Let Out • Unrealised Rent • Loss Set Off • Numerical Examples

Subject	Income Tax — Head: House Property
Relevant Sections	Section 22, 23, 24, 25, 25A, 25AA, 26, 27
Level	B.Com / BBA / MBA / CA Foundation / CS Foundation
Exam Relevance	Board, University & Professional Exams

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CHAPTER 01

Introduction to Income from House Property

Understanding the Legal Basis and Scope

1.1 Background and Importance

Income from House Property is the **second head of income** under the Income Tax Act, 1961. It covers income earned from owning residential or commercial property. In India, where real estate is one of the most significant assets held by individuals, understanding taxation under this head is crucial for tax compliance and planning.

Unlike business income or salary, house property income is based on the **inherent capacity of the property to generate income**, not just the actual rent received. This distinction is fundamental to understanding how tax is computed under this head.

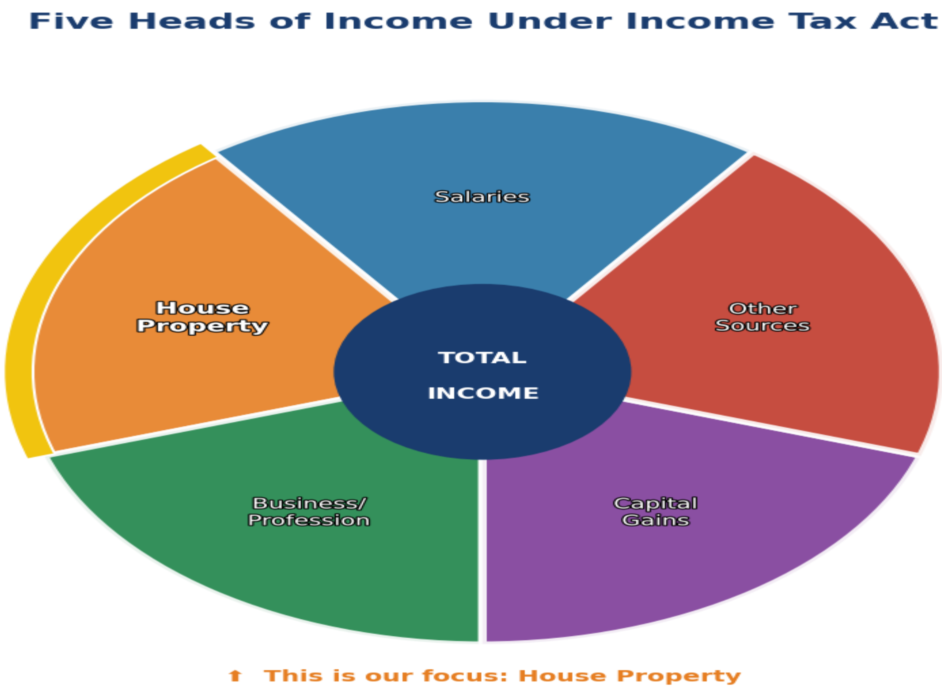

Fig: Five Heads of Income — House Property is the second head under the IT Act, 1961

1.2 Governing Sections

Section	Provision
Section 22	Chargeability — defines what income is taxable under this head
Section 23	Annual Value — method of determining the Annual Value of a property
Section 24	Deductions from Annual Value — Standard Deduction and Interest on loan
Section 25	Amounts not deductible from Annual Value
Section 25A	Special provision for unrealised rent subsequently received
Section 25AA	Arrears of rent received
Section 26	Property owned by co-owners — how income is apportioned
Section 27	Deemed owner — who is treated as owner for tax purposes

★ House Property income is taxed on the basis of ANNUAL VALUE (the inherent earning capacity), not merely actual rent received.

CHAPTER 02

Basis of Charge — Section 22

Who is Liable? What Property is Covered?

2.1 Section 22 — The Charging Section

Section 22 states: *The annual value of property consisting of any buildings or lands appurtenant thereto of which the assessee is the owner, other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him, the profits of which are chargeable to income-tax, shall be chargeable to income-tax under the head Income from house property.*

2.2 Essential Conditions for Chargeability

Condition	Explanation
1. Building or Land Appurtenant	Must be a building (house, flat, shop, factory, godown) or land that is appurtenant (attached/incidental) to such building — e.g., a garden or parking attached to the house.
2. Assessee Must Be the Owner	The assessee must own the property. The concept of 'deemed owner' (Sec 27) also extends the definition of ownership.
3. Property Must Not Be Used for Own Business	If the property is used by the owner for their own business/profession, the income is assessed under the head 'Profits and Gains of Business or Profession', not House Property.
4. Property in India or Abroad	Income from property located both in India and abroad can be taxable depending on the residential status of the assessee.

2.3 Who is the Owner? — Deemed Ownership (Section 27)

The term 'owner' is not always straightforward. Section 27 extends the definition to include certain persons who are treated as **deemed owners** even if they are not the registered legal owner of the property:

Situation	Deemed Owner
Transfer to spouse (not for adequate consideration, other than in connection with an agreement to live apart)	The transferor (original owner) remains the deemed owner

Situation	Deemed Owner
Transfer to minor child (excluding married daughter)	The transferor parent is treated as deemed owner
Holder of an impartible estate	The holder is treated as deemed individual owner
Member of a Co-operative Society / Company allotted a building	The member/shareholder is deemed owner
Person in possession of property under a purchase agreement (possession given, price partly/fully paid)	The person in possession is deemed owner
Person with right to property for ≥ 12 years under a lease / sublease agreement	Such person is treated as deemed owner

■ **Income from a property standing in the name of the assessee's spouse/minor child is clubbed back to the assessee's income if transferred without adequate consideration — Section 60/64 of the Income Tax Act.**

CHAPTER 03

Types of House Property & Their Tax Treatment

Self-Occupied | Let Out | Deemed Let Out

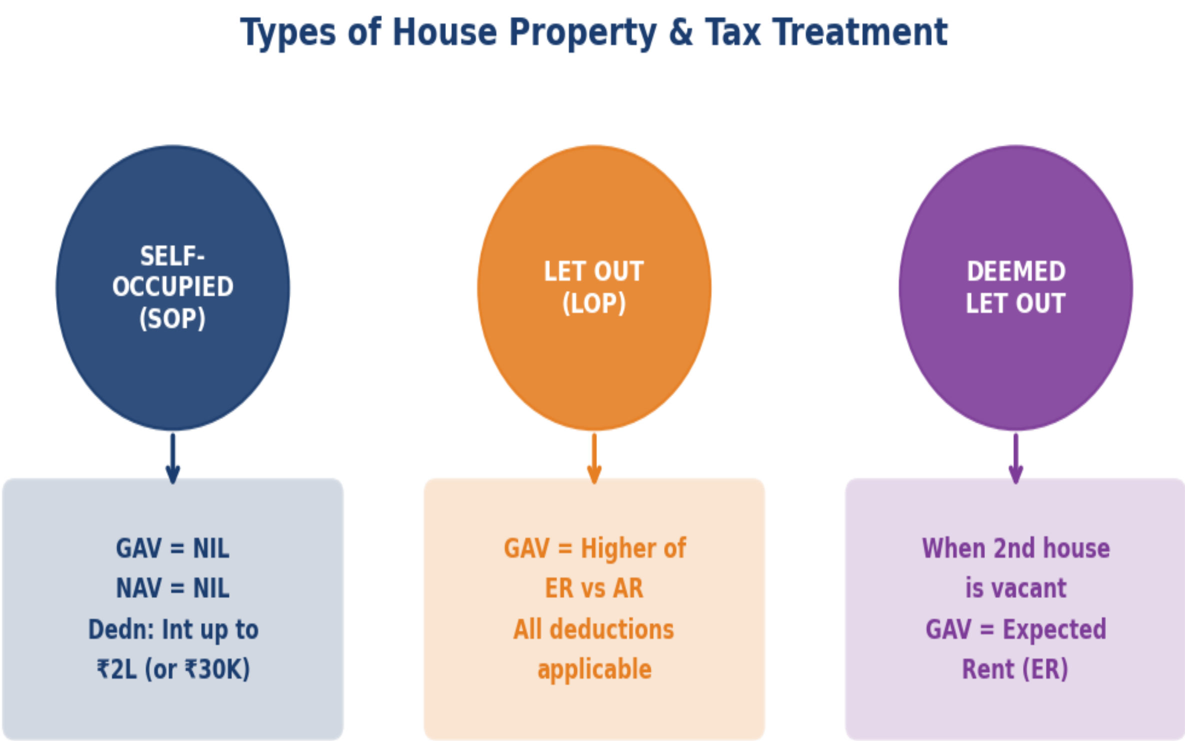

Fig: Three types of house property — each has a different tax treatment

3.1 Self-Occupied Property (SOP)

A property is called **Self-Occupied Property (SOP)** if it is used by the owner for their own residential purposes throughout the previous year. Key rules:

- The **Annual Value (AV) of SOP is taken as NIL** — no income is imputed.
- The owner can still claim deduction of interest on home loan under Section 24(b).
- If the owner lives in a city different from where the property is located (due to employment/business), the property is still treated as SOP.
- From AY 2020-21 onwards, an assessee can claim **TWO properties as Self-Occupied**.

3.2 Let Out Property (LOP)

A property is **Let Out** when the owner rents it out to a tenant. Under LOP:

■ Gross Annual Value (GAV) is computed as the higher of Expected Rent or Actual Rent Received.

■ Municipal taxes actually paid by the owner are deductible from GAV to arrive at NAV.

■ All standard deductions under Section 24 are available.

■ Both interest on home loan and standard deduction of 30% are allowed without any ceiling.

3.3 Deemed Let Out Property

If an assessee owns **more than two** house properties and keeps them vacant (neither self-occupying nor letting them out), the **third and subsequent properties** are treated as **Deemed Let Out**:

■ The annual value is computed as if the property has been let out.

■ Expected Rent (Higher of MRV and FR, subject to Standard Rent) is taken as GAV.

■ All deductions under Section 24 are available.

■ This prevents tax avoidance by keeping properties deliberately vacant.

Feature	Self-Occupied (SOP)	Let Out (LOP)	Deemed Let Out
Annual Value	NIL	Higher of ER vs AR	Expected Rent (ER)
Municipal Taxes	Not deductible	Deductible	Deductible
Std Deduction (30%)	Not applicable	Applicable	Applicable
Interest Deduction	Up to ■2L / ■30K	No upper limit	No upper limit
Vacancy Allowance	Not applicable	Applicable	Not applicable
Loss allowed?	Yes (interest loss)	Yes	Yes

CHAPTER 04

Annual Value — Section 23

The Core Concept: What the Property Can Reasonably Earn

4.1 Concept of Annual Value

The **Annual Value (AV)** is the inherent capacity of a property to earn income. It is defined under Section 23 as the **sum for which the property might reasonably be expected to be let from year to year**. It is NOT necessarily the actual rent received — it is what the property COULD earn if let out at fair market terms.

■ Think of Annual Value as the 'fair rental potential' of the property — similar to how a property valuer assesses what a property should ideally command as rent in the open market.

4.2 Gross Annual Value (GAV) — Determination

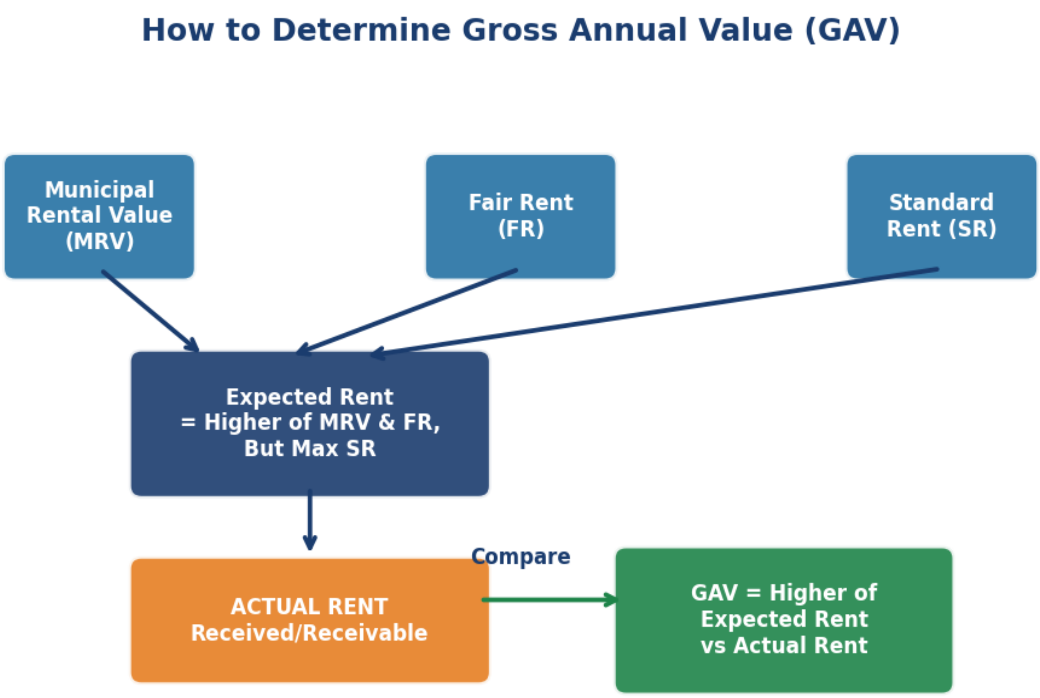

Fig: Determination of GAV — comparing Expected Rent vs Actual Rent

GAV is determined by comparing three rental benchmarks and the actual rent received:

Term	Full Form	Definition
MRV	Municipal Rental Value	Rateable value fixed by local municipal authorities for property tax purposes
FR	Fair Rent	Rent that a similar property in the same locality would command in the open market
SR	Standard Rent	Maximum rent fixed under the Rent Control Act (if applicable) that a landlord can charge
AR	Actual Rent	The actual rent received or receivable from the tenant during the previous year
ER	Expected Rent	Higher of MRV and FR, but not exceeding Standard Rent — this is the 'reasonable' rent

4.3 Formula for GAV

★ Step 1: Expected Rent (ER) = Higher of MRV and FR, BUT not more than SR (if SR applies) Step 2: GAV = Higher of ER and Actual Rent Received/Receivable

4.4 Special Situations for GAV

Situation	GAV Determination
Property let throughout the year, no vacancy	Higher of Expected Rent OR Actual Rent Received
Property let for part of the year only	Higher of: ER for whole year OR Actual Rent for let-out period
Property vacant for part of year (Vacancy Allowance)	If Actual Rent < Expected Rent DUE TO vacancy, GAV = Actual Rent Received (vacancy relief given)
Property is Self-Occupied	GAV = NIL (no income imputed) — direct override by Section 23(2)
Property under construction (not yet complete)	Not taxable until year of completion — no GAV in construction years
Deemed Let Out property	GAV = Expected Rent (ER) — actual rent irrelevant as property is vacant

CHAPTER 05

Municipal Taxes & Net Annual Value (NAV)

From Gross to Net — The First Deduction

5.1 Municipal Taxes — Deduction from GAV

After computing the Gross Annual Value (GAV), the first deduction allowed is **Municipal Taxes (Property Taxes)** paid to the local authority. This gives us the **Net Annual Value (NAV)**:

★ NAV = GAV – Municipal Taxes (paid by owner during the previous year)

Conditions for deduction of Municipal Taxes:

- **Paid by the Owner:** The taxes must be borne by the landlord/owner, not by the tenant. If the tenant pays municipal taxes, no deduction is allowed to the owner.
- **Actually Paid:** The taxes must have been **actually paid** during the previous year — not merely accrued or payable. Even if the taxes relate to an earlier year, deduction is allowed only in the year of actual payment.
- **Paid to Local Authority:** Must be paid to the local municipal body, gram panchayat, cantonment board, or similar local authority.
- **For Let Out / Deemed Let Out:** Only applicable for let out or deemed let out properties. For SOP, municipal taxes are NOT deductible (since AV itself is NIL).

Point	Detail
Taxes paid in arrears	Allowed in the year of actual payment
Advance payment of taxes	Allowed proportionately in the year of payment
Tenant pays taxes on behalf of owner	NOT deductible for owner; may be taxable as income
House Tax / Water Tax / Sewerage Tax	All form part of municipal taxes — deductible
Interest on delayed payment of taxes	NOT deductible — only the tax itself
Municipal taxes for SOP	NOT applicable (AV is NIL for SOP)

5.2 Net Annual Value (NAV)

Net Annual Value is the base on which further deductions under Section 24 are computed. NAV represents the net income potential of the property after accounting for the burden of municipal taxes borne by the owner.

■ **NAV is the starting point for computing taxable income from house property. All percentage-based deductions (like the 30% standard deduction) are calculated on NAV.**

CHAPTER 06

Deductions from Annual Value — Section 24

Two Powerful Deductions That Reduce Your Tax Burden

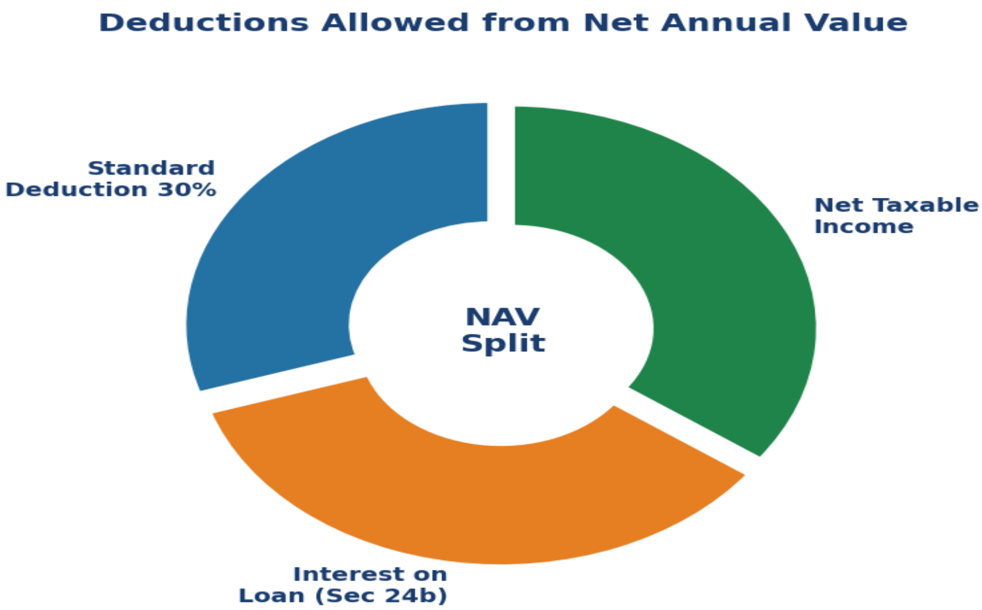

Fig: Section 24 deductions — Standard Deduction and Interest on Loan from NAV

6.1 Standard Deduction — Section 24(a)

The Income Tax Act allows a flat **30% of Net Annual Value (NAV)** as a standard deduction to cover repairs, maintenance, insurance, and other expenses of the property. Key features:

- **Flat 30% of NAV** — no bills or proof of actual expenditure required.
- **Applicable only for Let Out and Deemed Let Out property** — NOT for SOP (where NAV is NIL).
- No other expenses (repairs, insurance, depreciation, ground rent) are separately deductible.
- The 30% deduction covers all property-related expenses in one shot.

★ Standard Deduction = 30% × NAV | Allowed for LOP and Deemed LOP only

6.2 Interest on Borrowed Capital — Section 24(b)

Interest paid or payable on a loan taken for **purchase, construction, repair, renewal, or reconstruction** of a house property is deductible under Section 24(b).

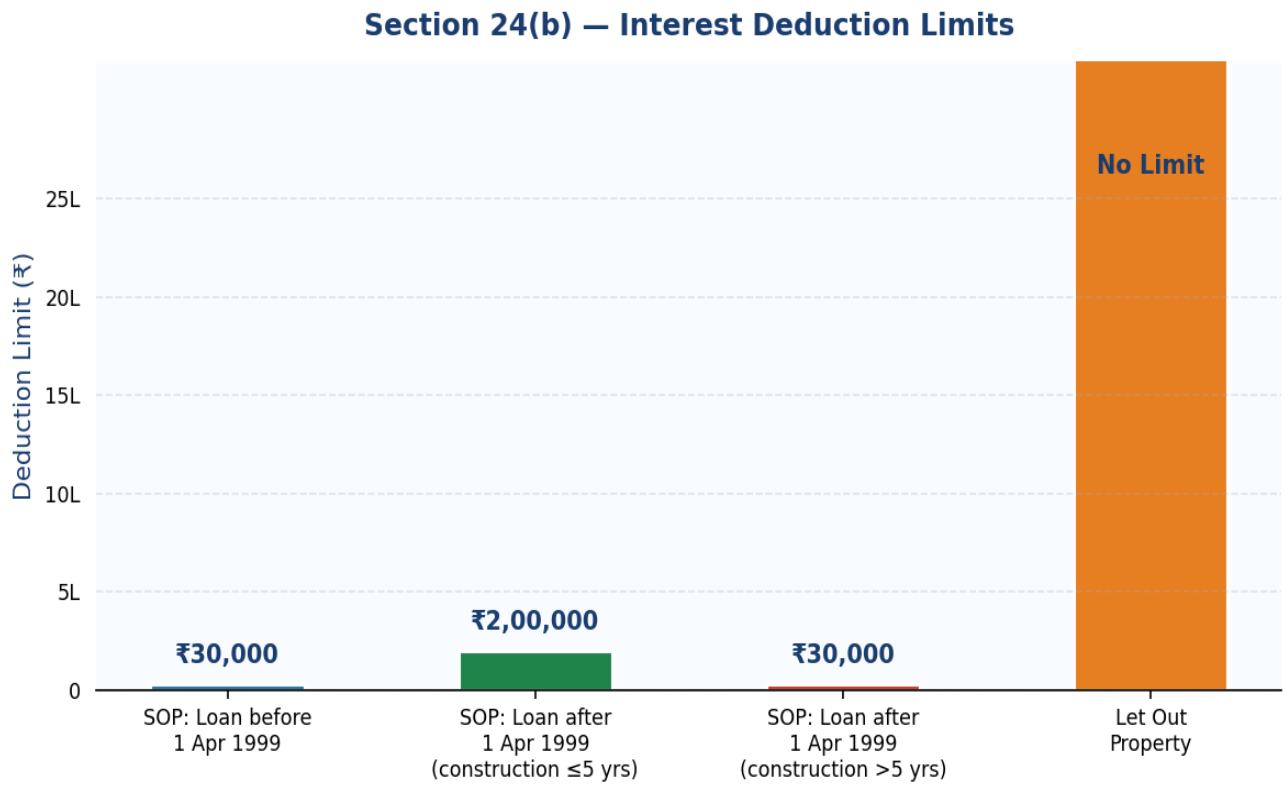

Fig: Section 24(b) — Interest deduction limits vary by property type and loan date

Property Type	Loan Purpose	Condition	Maximum Deduction
Self-Occupied (SOP)	Purchase / Construction	Loan taken on or after 01/04/1999 AND construction/acquisition completed within 5 years	**■2,00,000 per year**
Self-Occupied (SOP)	Purchase / Construction	Loan taken before 01/04/1999 OR construction/acquisition NOT completed within 5 years	**■30,000 per year**
Self-Occupied (SOP)	Repair / Renewal / Reconstruction	Any loan — no date condition	**■30,000 per year**
Let Out (LOP) / Deemed LOP	Any purpose	No upper limit condition	**No Limit** (full interest deductible)

6.3 Pre-Construction Interest

Interest paid during the period of construction (before the property is completed) is called **Pre-Construction Interest**. It cannot be claimed in the year of payment but is allowed as deduction in **5 equal annual**

installments starting from the year in which construction is completed.

Step	Detail
Period	From date of loan to 31st March of the year before construction completes
Treatment	Divide total pre-construction interest by 5
Deduction	Add 1/5th each year to the current year's interest for 5 consecutive years
Subject to	Overall limit of ■2L (SOP) or no limit (LOP) still applies

■ **Key Point:** For a let-out property, interest on home loan is fully deductible with NO upper limit. This is the most significant tax benefit available for real estate investors.

CHAPTER 07

Step-by-Step Computation of Income from House Property

The Complete Formula from GAV to Final Taxable Income

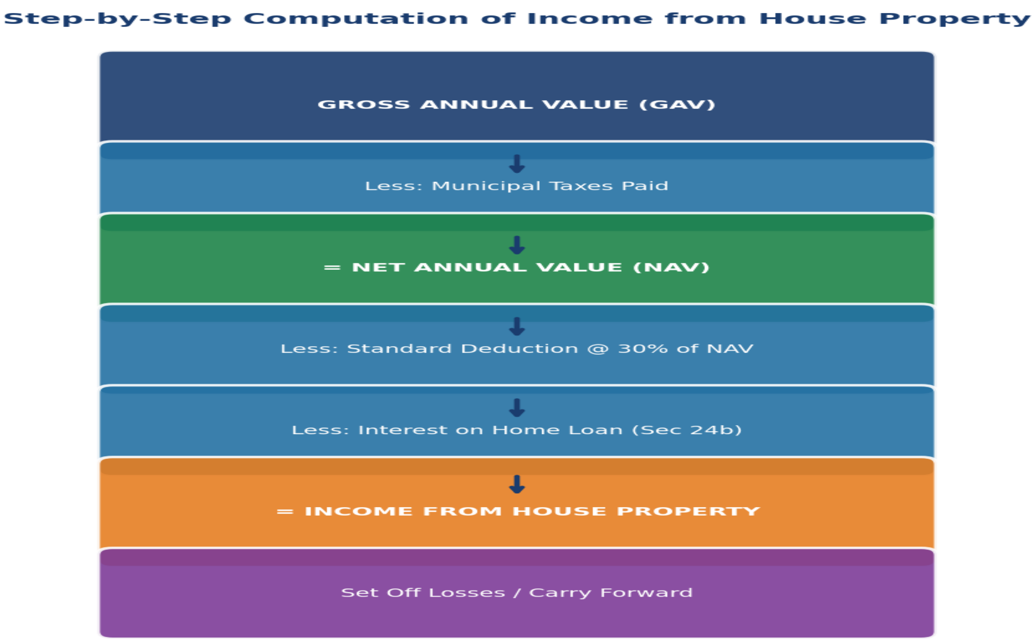

Fig: Complete computation flowchart — from Gross Annual Value to Income from House Property

7.1 Computation Format

Step	Particulars	Amount (■)
A	Gross Annual Value (GAV)	XXX
B	Less: Municipal Taxes paid by owner	(XX)
C	= Net Annual Value (NAV) [A – B]	XXX
D	Less: Standard Deduction @ 30% of NAV [Sec 24(a)]	(XX)
E	Less: Interest on Borrowed Capital [Sec 24(b)]	(XX)
F	= Income from House Property [C – D – E]	XXX / (XX)

7.2 For Self-Occupied Property (SOP) Format

Particulars	Amount (■)
Gross Annual Value (GAV)	NIL
Less: Municipal Taxes (not applicable)	NIL
Net Annual Value (NAV)	NIL
Less: Standard Deduction 30% (not applicable — NAV is NIL)	NIL
Less: Interest on Borrowed Capital [Sec 24(b)] — subject to limit	(Up to ■2,00,000)
= LOSS from Self-Occupied House Property	(Up to ■2,00,000)

■ For SOP, the result is almost always a LOSS (due to interest deduction against NIL AV). This loss can be set off against other heads of income, subject to ■2 Lakh limit per year.

CHAPTER 08

Unrealised Rent, Vacancy Allowance & Arrears — Sections 23 & 25A

Protecting Landlords from Non-Payment and Vacancy Losses

8.1 Unrealised Rent — Rent That Could Not Be Recovered

When a landlord is unable to collect rent from a tenant, it is called **Unrealised Rent**. Under Rule 4 of the Income Tax Rules, unrealised rent can be excluded from Actual Rent received if the following conditions are satisfied:

- The tenancy is **bona fide** (genuine) — not a sham or fictitious arrangement.
- The defaulting tenant has **vacated or steps have been taken** to vacate the property.
- The defaulting tenant does not occupy any other property of the same owner.
- The owner has taken **all reasonable steps** to recover the unpaid rent or has satisfied the Assessing Officer that such steps would be useless.

8.2 Vacancy Allowance (Section 23)

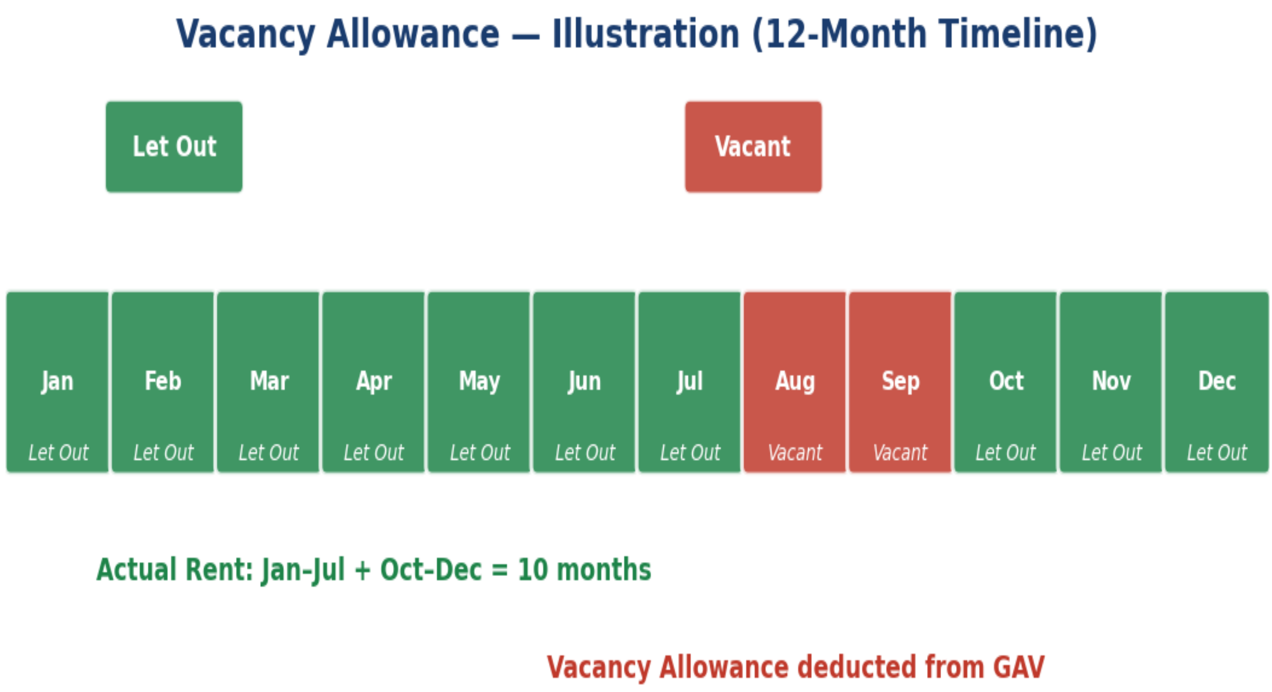

Fig: Vacancy Allowance illustration — property let 10 months, vacant 2 months

When a **let-out property remains vacant for a part of the year**, and due to this vacancy the actual rent received is less than the expected rent, the GAV is reduced to the actual rent received. This is called **Vacancy Allowance**.

Scenario	GAV
Actual Rent > Expected Rent (no vacancy issue)	GAV = Actual Rent (it is higher)
Actual Rent < Expected Rent due to VACANCY	GAV = Actual Rent (vacancy allowance granted — no artificial inflation)
Actual Rent < Expected Rent for OTHER REASONS (bad tenant, below market rent)	GAV = Expected Rent (no vacancy allowance — owner must justify low rent)

8.3 Section 25A — Recovery of Unrealised Rent

If unrealised rent excluded in an earlier year is **subsequently recovered**, it becomes taxable in the **year of recovery**, regardless of whether the assessee still owns the property in that year.

- 30% deduction is allowed from the recovered amount (to compensate for expenses).
- The recovery is taxed under the head 'Income from House Property'.
- It is taxed in the year of receipt, not the year to which it relates.

8.4 Section 25AA — Arrears of Rent

Arrears of rent (past due rent received during the year) are taxable in the year of receipt under Section 25AA. A deduction of **30% of arrears** is allowed before taxing.

■ **Key Point:** The 30% deduction under Sections 25A and 25AA is a concession to recognise that the landlord might have incurred some costs in recovering the unpaid/overdue rent.

CHAPTER 09

Loss from House Property — Set Off & Carry Forward

What Happens When Deductions Exceed Income?

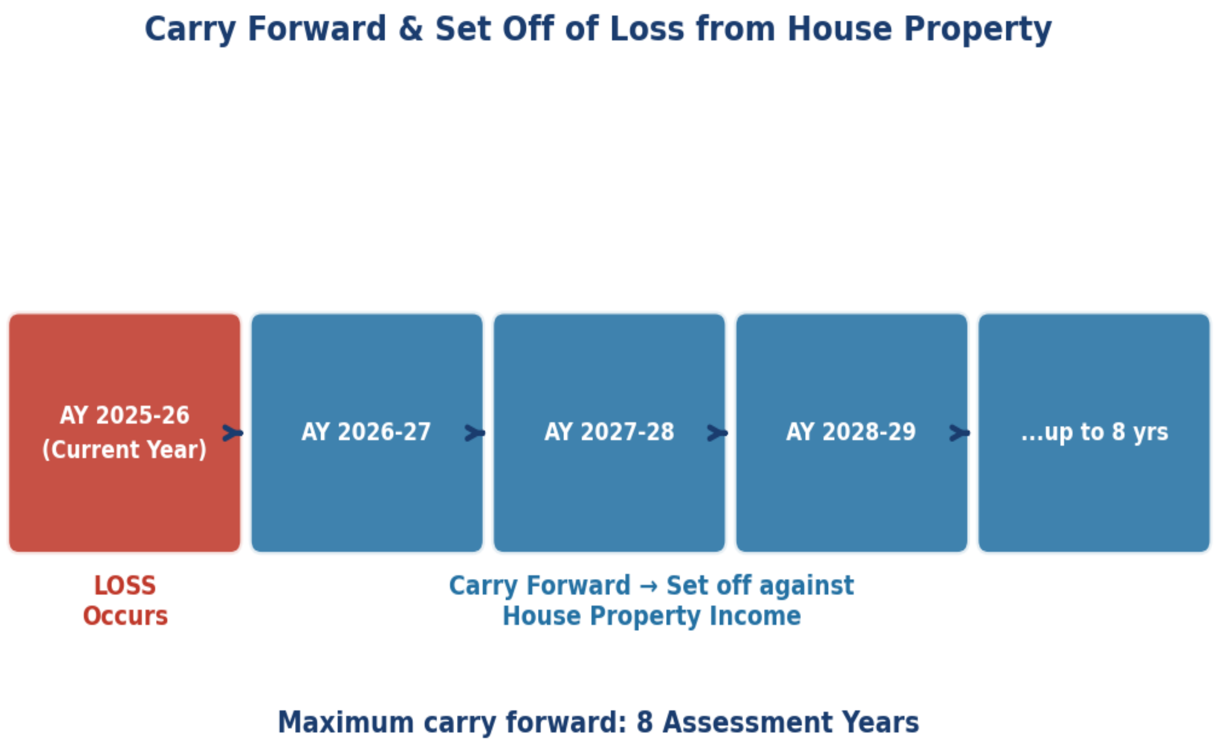

Fig: Loss from House Property — can be carried forward for up to 8 Assessment Years

9.1 When Does a Loss Arise?

A loss from house property arises when the total deductions under Section 24 (Standard Deduction + Interest on Loan) **exceed** the Net Annual Value (NAV). This is most common for:

- Self-Occupied Properties where NAV = NIL but interest deduction is claimed.
- Let-out properties with large home loans where interest exceeds rental income.

9.2 Set Off Rules

Type of Set Off	Rule
Intra-head set off (within House Property)	Loss from one house property can be set off against income from another house property in the same year
Inter-head set off (against other income)	After intra-head set off, remaining loss can be set off against income from other heads (Salary, Business, Capital Gains, Other Sources) — but only up to ■2,00,000 per year
Carry Forward	Any loss not absorbed in the current year can be carried forward for up to 8 Assessment Years and set off ONLY against Income from House Property in future years

■ From AY 2018-19 onwards, the maximum loss from house property that can be set off against other heads of income in the same year is limited to ■2,00,000. Any excess loss must be carried forward.

9.3 Conditions for Carry Forward

■ Return of income must be filed within the **due date** for the loss to be eligible for carry forward.

■ Carry forward is allowed for maximum **8 Assessment Years** from the year of loss.

■ In future years, the carried forward loss can be set off **only against House Property income**.

■ If loss remains unabsorbed after 8 years, it **lapses** — no further benefit available.

CHAPTER 10

Co-Ownership, Special Cases & Important Provisions

Handling Multiple Owners and Complex Situations

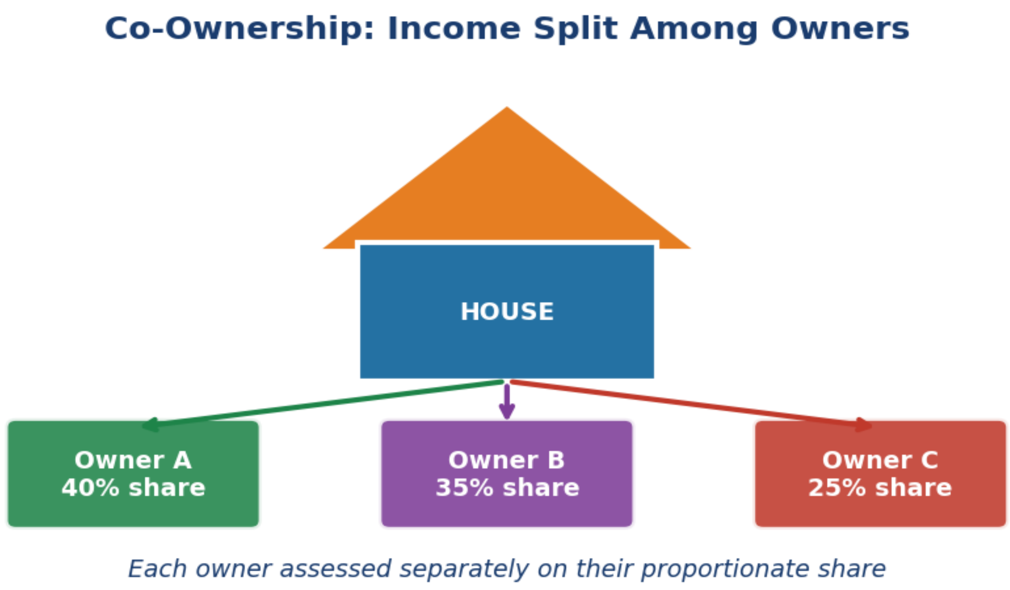

Fig: Co-ownership — income is apportioned as per each owner's share and taxed separately

10.1 Property Owned by Co-owners — Section 26

When a property is owned by **two or more persons** whose shares are definite and ascertainable, the property is not assessed as an AOP (Association of Persons). Instead, each co-owner's share of income is computed and **assessed separately in each co-owner's hands**.

Aspect	Rule for Co-Owners
Share determination	Each co-owner's share must be clearly defined (e.g., 50:50 or 60:40)
SOP deduction for each	Each co-owner gets separate interest deduction limit of ■2L/■30K
Joint home loan	Interest paid from joint loan is split in the ratio of contribution/ownership
If shares not determined	Treated as AOP and taxed as a single entity

Aspect	Rule for Co-Owners
Example	A and B jointly own a let-out property. A has 60% share, B has 40% share. Income computed for full property, then split 60:40 and taxed separately.

10.2 Properties Not Chargeable Under 'House Property'

Property Type	Why Excluded
Agricultural land / farm house (partially)	Agricultural income is exempt u/s 10(1)
Property used for own business/profession	Taxed under Business Income, not House Property
Property held as stock-in-trade (builder's property)	Taxed as Business Income
Property of political parties	Exempt under the Income Tax Act
Property of educational institutions / hospitals	Subject to conditions for exemption
Self-occupied property (principal residence)	AV = NIL under Section 23(2)

10.3 Amounts NOT Deductible — Section 25

The following are specifically **not allowed** as deductions from house property income:

- Ground rent or land revenue (even if paid for the property)
- Interest on unpaid purchase price or mortgage other than for the allowed purpose
- Any interest paid outside India on which tax is not deducted at source (TDS)
- Any brokerage or commission paid for securing the tenancy
- Repairs, depreciation, insurance, water charges (all covered by the 30% standard deduction)

■ **Key Point:** The 30% standard deduction is a composite deduction meant to cover ALL property expenses. You cannot claim repairs, insurance, etc. separately in addition to it.

CHAPTER 11

Numerical Examples & Solved Problems

Apply the Concepts — Practice Makes Perfect

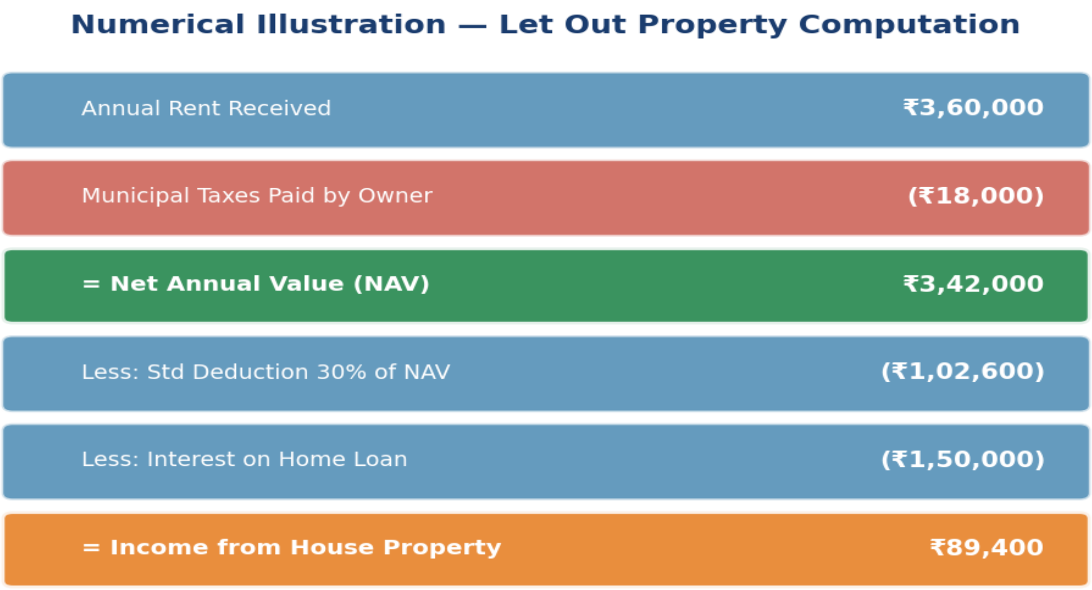

Fig: Illustration: Income from a Let Out property — step-by-step computation

Example 1: Let Out Property — Full Year

Mr. Sharma owns a house in Bhopal. The following details are available for PY 2024-25:

Particulars	Amount
Municipal Rental Value (MRV)	■3,00,000 p.a.
Fair Rent (FR)	■3,60,000 p.a.
Standard Rent (SR) under Rent Control Act	■3,30,000 p.a.
Actual Rent Received	■3,60,000 p.a.
Municipal Taxes paid by owner	■18,000
Interest on Home Loan	■1,50,000

Solution:

Step	Particulars	Amount (■)
1	Expected Rent = Higher of MRV (3,00,000) and FR (3,60,000) = 3,60,000 But not more than SR (3,30,000) → ER = ■3,30,000	3,30,000
2	Actual Rent Received	3,60,000
3	GAV = Higher of ER (3,30,000) and AR (3,60,000) → **GAV = ■3,60,000**	3,60,000
4	Less: Municipal Taxes paid	(18,000)
5	**Net Annual Value (NAV)**	**3,42,000**
6	Less: Standard Deduction 30% × 3,42,000	(1,02,600)
7	Less: Interest on Loan	(1,50,000)
8	**Income from House Property**	**89,400**

Example 2: Self-Occupied Property

Mrs. Patel owns a self-occupied flat in Indore. She took a home loan of ■30 Lakhs on 15th June 2020 for purchase of the flat. Construction was completed on 10th October 2021. Interest paid during PY 2024-25: ■2,40,000.

Solution:

Particulars	Amount (■)
Gross Annual Value (GAV) — SOP	NIL
Less: Municipal Taxes	NIL
Net Annual Value (NAV)	NIL
Less: Standard Deduction 30%	NIL
Less: Interest on Loan (restricted to ■2,00,000 for SOP — loan after 01/04/1999, construction completed within 5 years)	(2,00,000)
LOSS from House Property	**(2,00,000)**

Note: Actual interest is ■2,40,000 but deduction is restricted to ■2,00,000 for SOP.

Example 3: Partly Let Out (Vacancy Allowance)

Mr. Gupta has a house with Expected Rent ■4,20,000 p.a. The property was let out at ■36,000/month but the tenant vacated in September 2024 and the property remained vacant for October and November 2024. Actual rent received = ■36,000 × 7 = ■2,52,000. Municipal taxes paid ■15,000. Interest on loan ■1,80,000.

Solution:

Particulars	Amount (■)
Expected Rent	4,20,000
Actual Rent Received (7 months × ■36,000)	2,52,000
GAV: Since Actual Rent < Expected Rent DUE TO VACANCY → GAV = Actual Rent	2,52,000
Less: Municipal Taxes	(15,000)
Net Annual Value (NAV)	2,37,000
Less: Standard Deduction 30% × 2,37,000	(71,100)
Less: Interest on Home Loan	(1,80,000)
Loss from House Property	**(14,100)**

CHAPTER 12

Exemptions, Key Provisions & Tax Planning

Legitimate Ways to Reduce House Property Tax Liability

12.1 Properties Exempt from House Property Tax

Section	Exemption
Sec 10(1)	Agricultural income — farmhouse used for agricultural purposes is exempt
Sec 10(19A)	One palace of an ex-Ruler is exempt
Sec 10(20)	Income of a local authority from property is exempt
Sec 10(21)	Scientific research association's property income is exempt
Sec 10(22)	Educational institutions' property income (subject to conditions)
Sec 10(23C)	Hospitals and medical institutions (subject to conditions)
Sec 10(23G)	Infrastructure projects' income from property
Sec 11	Charitable trust property income exempt if applied for charitable purposes

12.2 New Tax Regime vs Old Tax Regime

From AY 2024-25 (PY 2023-24), the new default tax regime under Section 115BAC significantly affects house property deductions:

Old Tax Regime	New Tax Regime (Default from AY 2024-25)
Standard Deduction 30% — ALLOWED	Standard Deduction 30% — ALLOWED
Interest on Home Loan (LOP) — ALLOWED (no limit)	Interest on Home Loan (LOP) — ALLOWED (no limit)
Interest on Home Loan (SOP) — ALLOWED (up to ■2L)	Interest on Home Loan (SOP) — NOT ALLOWED
Municipal Taxes — ALLOWED	Municipal Taxes — ALLOWED
Loss set off against other income — UP TO ■2L	Loss set off against other income — NOT ALLOWED
Loss carry forward — ALLOWED for 8 years	Loss carry forward — NOT ALLOWED

■ **Under the New Tax Regime, SOP interest deduction is not available. Individuals with large home loans on self-occupied property should carefully compare both regimes before filing.**

12.3 Smart Tax Planning for House Property

- ■ **Joint Ownership:** Joint ownership with a working spouse allows both to claim separate interest deductions (■2L each) and split rental income in their respective tax brackets.
- ■ **Let Out vs SOP:** Consider letting out the second property and claiming full interest deduction (no ■2L cap) instead of self-occupying and being restricted to ■2L.
- ■ **Timing of Municipal Tax:** Pay municipal taxes before 31st March to ensure deduction in the current financial year.
- ■ **Pre-construction Interest:** Ensure records of all interest paid during construction period — this can be claimed in 5 equal installments after completion.
- ■ **Regime Selection:** If claiming SOP interest deduction is significant, the Old Regime may be more beneficial — compare both before the deadline.

CHAPTER 13

Quick Revision — Summary Tables & Key Takeaways

Everything You Need for Exam Preparation at a Glance

13.1 Master Summary Table — All Key Concepts

Concept	Key Rule / Amount	Section
Basis of charge	Annual Value (inherent earning capacity)	Sec 22
Deemed Owner	6 categories — spouse, minor child, buyer in possession, etc.	Sec 27
GAV — LOP	Higher of Expected Rent vs Actual Rent	Sec 23(1)
GAV — SOP	NIL (no income imputed)	Sec 23(2)
GAV — Deemed LOP	Expected Rent (ER)	Sec 23(4)
Municipal Taxes	Deductible if paid by owner, actually paid	Sec 23(1)
Standard Deduction	30% of NAV — flat, no proof needed	Sec 24(a)
Interest (SOP, after 1999, ≤5 yrs)	Max ■2,00,000	Sec 24(b)
Interest (SOP, before 1999 or >5 yrs)	Max ■30,000	Sec 24(b)
Interest (LOP / Deemed LOP)	No upper limit	Sec 24(b)
Pre-construction Interest	1/5th per year for 5 years from completion	Sec 24(b)
Unrealised Rent exclusion	4 conditions must be satisfied	Rule 4
Unrealised Rent recovered	Taxable in year of recovery; 30% deduction allowed	Sec 25A
Arrears of Rent	Taxable in year of receipt; 30% deduction	Sec 25AA
Loss set off (inter-head)	Max ■2,00,000 per year (Old Regime only)	Sec 71
Carry forward of loss	8 Assessment Years; only against HP income	Sec 71B

Concept	Key Rule / Amount	Section
Co-ownership	Each owner taxed separately on their share	Sec 26
2 SOP allowed	From AY 2020-21, 2 properties can be SOP	Sec 23(4)

13.2 Common Exam Pitfalls to Avoid

Common Mistake	Correct Rule
Claiming 30% deduction for SOP	30% deduction is ONLY on NAV; SOP has NAV = NIL
Deducting repairs separately from income	All property expenses covered by 30% standard deduction — no separate deduction
Using Actual Rent always for GAV	GAV is Higher of Expected Rent vs Actual Rent — check both
Not applying Standard Rent cap to ER	ER cannot exceed Standard Rent (if applicable)
Deducting municipal taxes for SOP	Municipal taxes deductible only for LOP/Deemed LOP
Ignoring pre-construction interest	Must be claimed in 5 equal parts from year of completion
Setting off HP loss fully against salary	Only up to ■2L of HP loss can be set off against other income
Applying ■2L limit to let-out property	■2L limit is ONLY for SOP — LOP has no interest limit

13.3 Important Formulas at a Glance

★ ER = Higher of (MRV, FR) but not exceeding SR | GAV = Higher of (ER, AR) NAV = GAV – Municipal Taxes | Taxable Income = NAV – 30%(NAV) – Interest

■ ✍ Exam Success Formula: Master the GAV calculation, the 3 types of property, and Section 24 deduction limits. These three areas cover 80% of all exam questions on Income from House Property. Practice at least 5 numerical problems of each type.

— END OF NOTES —

These notes cover all major aspects of Income from House Property under the Income Tax Act, 1961. Supplement with the latest Finance Act amendments and CBDT circulars for the most current exam preparation.