ADVANCE LEARNING ON HOUSE PROPERTY

The learning pattern at advanced level will be as follows:

Advanced learning on all the topics will be designed into two parts as given below:

(A) One advance learning material will cover the advanced theoretical part; and
(B) Another advanced learning material will cover advanced practical problems

Advanced learning on computation of income chargeable to tax under the head
“Income from house property”

(Advanced Theory)

Objective of advanced learning

This advanced learning will cover advanced level topics to be kept in mind while computing income chargeable to tax under the head “Income from house property”. The general topics covering the manner of computation of income chargeable to tax under the head “Income from house property” have already been discussed in study material as well as in case study (Day 6) and, hence, the same will not be repeated in the advanced learning material. However, readers are advised to refer to the study material as well as to case study before reading the advanced learning material. This will help them to recap the basic provisions and will enable them to understand the advanced topics easily.

The material covers following advanced level topics:

- Discussion on charging section i.e. section 22 with focus on meaning of various terms viz:
  - Building
  - Land appurtenant to a building
  - Owner
  - Deemed owner
  - Property used for the purpose of business or profession

- Tax treatment of composite rent:
  - Composite rent i.e. rent of building and charges for various services.
  - Composite rent i.e. rent of building and rent of other assets.

- Tax treatment when un-realised rent is subsequently realised.

- Tax treatment of arrears of rent.

Charging section

Section 22 of the Act is the charging section for taxing any income under the head “Income from house property”. The charging section reads as follows:

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".

Considering section 22, following are the conditions to be satisfied to tax any income under the head “Income from house property”:

- There should be a property consisting of building or land appurtenant thereto.
The property should be owned by the assessee.

The property should not be used by the owner of the property for the purpose of his business or profession, the profit of which is chargeable to income-tax.

Important points to be kept in mind as drawn from section 22

- Tax under this head is not levied on the rent of the property but it is on the capacity of a property to earn income. The basis of measurement of the capacity of property to earn income is “Annual Value” (i.e., Gross Annual Value). This fact can be confirmed from the charging section which says as follows:

  “Annual value” of a property, consisting of building or land appurtenant thereto, of which the assessee is the owner, shall be charged to tax under the head “Income from house property”.

- Rental income of any property, being building or land appurtenant thereto, is only charged to tax under this head. Hence, rent of vacant plot is not charged to tax under this head.

- If the property being rented is building or land appurtenant thereto but the assessee is not the owner of the property, then the rental income will not be charged to tax under this head.

- It will make no difference whether renting is the business of the assessee or not. In other words, on satisfaction of above conditions, rental income from building or land appurtenant thereto will be charged to tax under the head “Income from house property”, even if the assessee is doing the business of renting of properties.

Manner of computation of Income from house property (in case of let-out property)

The provisions relating to computation of computation of income chargeable to tax under the head “Income from house property” have already been discussed in study material and in case study (Day 6). However, for ease of reference the relevant portion of these provisions is reproduced below:

Manner of computation of income from house property in case of a let-out property:

<table>
<thead>
<tr>
<th>Description</th>
<th>XXXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross annual value (*)</td>
<td></td>
</tr>
<tr>
<td>Less: Municipal taxes paid during the year</td>
<td>XXXX</td>
</tr>
<tr>
<td>Net Annual Value (NAV)</td>
<td>XXXX</td>
</tr>
<tr>
<td>Less: Deduction under section 24</td>
<td></td>
</tr>
<tr>
<td>– Deduction under section 24(a) @ 30% of NAV</td>
<td>XXXX</td>
</tr>
<tr>
<td>– Interest on borrowed capital under section 24(b)</td>
<td>XXXX</td>
</tr>
<tr>
<td>Income from house property</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

(*) Gross annual value is determined in following three steps:

**Step 1:** Compute reasonable expected rent of the property (Note 1).

**Step 2:** Compute actual rent of the property (Note 2).
Step 3: Compute gross annual value (Note 3).
Rent pertaining to vacancy period is to be deducted from amount derived at step 3

Note 1
Reasonable expected rent will be higher of the following:
- Municipal value of the property; or
- Fair rent of the property.
If a property is covered under the Rent Control Act, then the reasonable expected rent cannot exceed standard rent. In other words, in case of a property covered under the Rent Control Act reasonable expected rent will be higher of the municipal value or fair rent subject to standard rent of the property.

Note 2
It is the actual annual rent for which the property is let-out during the previous year. While computing actual rent, rent pertaining to vacancy period is not to be deducted.
Treatment of unrealised rent while computing actual rent:
Unrealised rent: It is the rent of the property pertaining to the previous year, which the owner of the property could not recover from the tenant. If following conditions are satisfied, then unrealised rent pertaining to the previous year is to be deducted from actual rent of the previous year:
- The tenancy is bona fide.
- The defaulting tenant has vacated the property, or steps have been taken to compel him to vacate the property.
- The defaulting tenant is not in occupation of any other property of the assessee.
- The assessee has taken all steps to recover such amount, including legal proceedings or he satisfies the Assessing Officer that legal proceedings would be useless.

Note 3
Gross annual value will be higher of amount computed at step 1 or step 2.
Following important points should be kept in mind while computing annual rent of a property:
- Non-refundable deposit received from tenant is to be included in annual rent, i.e., rent received or receivable. Non-refundable deposit is to be added to annual rent on a pro rata basis.
- Refundable deposit cannot be added to annual rent. Further, notional interest on refundable deposit can be added to annual rent only if it is proved that such deposit is given to compensate for non-payment of rent or short payment of rent. Deposit taken for purposes like ensuring timely payment of rent, proper security of property, etc., cannot be added to the annual rent.
- Advance rent cannot be considered in rent received or receivable to be used for the purpose of computation of GAV.

Deductions available while computing income from house property

source: www.trpscheme.com

(As amended by Finance Act, 2013)
Detailed discussion on various deductions available while computing income from house property is already provided in study material as well as on day 6 of programme. However, for ease of understanding the same points are once again discussed over here.

While computing income from house property, only following items can be claimed as deductions. It should be noted that any item other than following three items cannot be claimed as deductions while computing income from house property:

- Deduction on account of Municipal taxes paid by the assessee during the year.
- Deduction under section 24(a) @ 30% of Net Annual Value.
- Deduction under section 24(b) on account of interest on capital borrowed for the purpose of purchase or construction of the property.

*Deduction on account of Municipal taxes*

Assessee can claim deduction on account of Municipal taxes levied on the property by any local authority. Municipal taxes are deducted from the gross annual value of the property. Deduction on account of Municipal taxes is available if following conditions are satisfied:

- Municipal taxes are borne by the owner; and
- Municipal taxes are actually paid by the owner during the previous year.

The remaining amount left after deducting Municipal taxes (from gross annual value) is called as “Net Annual Value”. Following is the manner of claiming deduction on account of Municipal taxes:

<table>
<thead>
<tr>
<th>Gross annual value</th>
<th>XXXX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Municipal taxes paid during the year</td>
<td>(XXXX)</td>
</tr>
<tr>
<td>Net Annual Value (NAV)</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

*Common mistakes made by the assessee while claiming deduction on account of Municipal taxes*

Following are the few common mistakes made by the assessee while claiming deduction on account of Municipal taxes:

- Municipal taxes not paid up to 31st March, *i.e.*, paid in next year. However, owner makes mistake by claiming deduction on account of outstanding Municipal taxes.

*Example:* Mr. Rahul has rented a building at a monthly rent of Rs. 84,000. Municipal taxes of the property for the year 2012-13 amounting to Rs. 25,200 are paid by him in April, 2013. In this case, Municipal taxes are not paid by him during the year 2012-13 but are paid in the next year. Hence, he cannot claim the deduction of Municipal taxes of Rs. 25,200 while computing income.
• Municipal taxes paid by the tenant and the owner makes mistake by claiming deduction of taxes paid by the tenant.

Example: Mr. Kunal has rented a building at a monthly rent of Rs. 84,000. As per the rent agreement, the Municipal taxes of the property are to be born by the tenant. In this case, Mr. Kunal cannot claim deduction on account of Municipal taxes, since the Municipal taxes are paid by the tenant and not by the owner, i.e., not by Mr. Kunal.

• Municipal taxes pertaining to earlier year or Municipal taxes pertaining to future years paid in advance are not claimed by the assessee as deduction in the year in which they are paid. The assessee makes mistake by not claiming the entire Municipal taxes paid during the year. He may make a mistake by claiming only the amount of Municipal taxes pertaining to the year for which income from house property is being computed.

Example: Mr. Kunal has rented a building at a monthly rent of Rs. 84,000. During the year 2012-13, he paid following amount on account of Municipal taxes of the above property:

- Rs. 25,200 on account of outstanding Municipal taxes pertaining to the year 2011-12.
- Rs. 8,400 on account of Municipal taxes for the year 2012-13.
- Rs. 28,400 on account of advance Municipal taxes for the year 2013-14.

In this case, while computing income from house property for the year 2012-13, Mr. Kunal can claim deduction of Rs. 62,000 on account of Municipal taxes (i.e., Rs. 25,200 + Rs. 8,400 + Rs. 28,400).

Deduction under section 24(a)

While computing taxable income from house property, assessee is entitled to claim deduction under section 24(a). Deduction under section 24(a), commonly referred to as ‘standard deduction’, will be equal to 30% of the net annual value. Deduction under section 24(a) @ 30% of net annual value is available, whether or not the assessee has incurred any expenditure.

Common mistakes made by the assessee while claiming deduction under section 24(a):

Deduction under section 24(a) is available whether or not any expenditure is incurred by the assessee in respect of house property, like repairs, insurance, etc. Assessee may make a mistake by claiming actual expenditure on account of repairs, insurance, etc., instead of flat deduction at 30%.

Example:

Mr. Kapoor has rented a flat at a monthly rent of Rs. 84,000. During the year 2012-13, he had incurred following expenditure in respect of the property rented by him:
• Rs. 25,200 on account of repairs of the property.
• Rs. 8,400 on account of insurance premium.
• Rs. 12,520 on account of society’s maintenance charges.

In this case, while computing income from house property, he cannot claim deduction of any of the above items. However, irrespective of the amount of expenditure incurred by him, he can claim a flat deduction under section 24(a) at 30% of the Net Annual Value.

Deduction under section 24(b)

While computing taxable income from house property, assessee is entitled to claim deduction under section 24(b). Deduction under section 24(b) is available in respect of interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property. Interest on capital is deductible on accrual basis (irrespective of the method of accounting followed by the assessee).

Deduction of interest is classified into two forms, viz., interest pertaining to pre-construction period and interest pertaining to post-construction period. Post construction period interest is the interest pertaining to the previous year (i.e., the previous year for which house property income is being computed). Pre-construction period interest is explained below:

Pre-construction period interest is allowed as deduction in five equal annual instalments, commencing from the previous year in which the house property was acquired or constructed. Pre-construction period is the period commencing from the date of borrowing of loan and ends on the earlier of the following:

➤ Date of repayment of loan; or
➤ 31st March immediately prior to the date of completion of the construction/acquisition of the property

In case of let-out property, interest is deductible without any limit. However, in case of a self-occupied house property, interest is deductible subject to maximum limit of Rs. 1,50,000 or Rs. 30,000. If the following conditions are satisfied, then limit in respect of interest on borrowed capital will be Rs. 1,50,000:

➤ Capital is borrowed on or after 1-4-1999. However, the construction can start even before 1-4-1999.
➤ Capital is borrowed for the purpose of acquisition or construction (i.e., not for repair, renewal, reconstruction).
➤ The acquisition or construction is completed within 3 years from the end of the financial year in which the capital was borrowed.
➤ The person extending the loan certifies that such interest is payable in respect of the amount advanced for acquisition or construction of the house or as re-
finance of the principal amount outstanding under an earlier loan taken for acquisition or construction of the property.

If any of the above condition is not satisfied, then the limit will be Rs. 30,000.

Common mistakes made by the assessee while claiming deduction under section 24(b)

- Deduction on account of interest is available on accrual basis. Hence, interest pertaining to a year which is paid in the next year is also deductible. Assessee may make a mistake by not claiming deduction of the amount of interest which is not paid during the year but is paid in the next year.

Example

Mr. Kapoor has rented a flat at a monthly rent of Rs. 84,000. The flat is purchased by him from a bank loan. Interest on bank loan for the year 2012-13 amounted to Rs. 2,52,000. Interest of Rs. 2,52,000 pertaining to the year 2012-13 is paid in April, 2013. In this case Mr. Kapoor can claim deduction under section 24(b) of Rs. 2,52,000 in respect of interest on loan taken to purchase the flat. It should be noted that for the year 2012-13, Mr. Kapoor can claim deduction under section 24(b) of Rs. 2,52,000, even though interest for the year 2012-13 is paid in the year 2013-14.

- Deduction under section 24(b) on account of interest is available only if the assessee has borrowed the funds and he is paying the interest. Many times property is co-owned by two or more persons (like property jointly owned by husband and wife or by brothers or by father and son/daughter). In such a case, the co-owner can claim deduction on account of interest under section 24(b) only if he has borrowed the funds to acquire the property. If the property is purchased by one co-owner from his own funds and by another co-owner from bank loan, then in such a case, the co-owner who has borrowed funds can only claim deduction under section 24(b). The co-owner who has acquired the property through his own funds cannot claim deduction under section 24(b) merely because his name appears as a co-owner.

Example

Mr. Rahul and Mr. Sunil are co-owners/joint owners of a flat (50% share each). The flat is given on rent to a company at a monthly rent of Rs. 84,000. The property is acquired through a bank loan and loan is sanctioned in the name of both the co-owners. Both the co-owners are paying the installments by sharing each instalment equally. In this case, Mr. Rahul can claim deduction under section 24(b) of 50% of the amount of interest and Mr. Sunil can claim deduction under section 24(b) of 50% of interest pertaining to his share.

Suppose in the above case, Mr. Rahul has taken bank loan to buy the property and Mr. Sunil has contributed the amount from his own funds. In this case, deduction under section 24(b) can be claimed only by Mr. Rahul, since he has taken loan to acquire the property. No deduction under section 24(b) is
available to Mr. Sunil, since he has not borrowed any amount to acquire the property.

- Deduction under section 24(b) on account of interest is available only if the assessee has borrowed the funds and he is paying the interest. Many times, in case of property jointly owned by two or more persons, loan is borrowed by one co-owner and the installments are paid by another co-owner. In such a case, the co-owner repaying the loan cannot claim deduction under section 24(b), since he is not the borrower and the co-owner who is the borrower cannot claim deduction under section 24(b), since he is not repaying the loan.

**Meaning of building:**
For the purpose of this head, building should be considered as a permanent structure covering a space of land and used for variety of purposes like dwelling or store house or some other purpose. Following points should be noted in this regard:

- Building does not include mere wall, fence, monument, hoarding or similar structure, though designed for permanent use where it stands.
- Building does not include steam boat, ship or other vessel of navigation. Incomplete house or house which is in ruins without a roof and without doors cannot be called a building.
- A temporary structure will also be treated as a building if it satisfies the criteria of being treated as a building.

**Meaning of land appurtenant thereto, i.e., to a building**
Land appurtenant to a building is generally a land that is an indivisible part of a building and is used for enjoyment of the building and not put to any other use. Thus, land appurtenant to a building will cover approach roads connecting the building to public streets, play ground, backyard, kitchen garden, motor garage, coach home, parking area, etc.

**Meaning of the word owner**
For the purpose of charging income under this head, the word owner will cover a person who can exercise the rights of the owner. However, a person exercising rights of owner on behalf of any other person will not be treated as an owner for the purpose of this head. Following points should be noted in this regard:

- A person purchasing a property who is entitled to enjoy the rights of owner will be treated as an owner for the purpose of this head even if the registered document has not been executed in his favour.
- In respect of a building constructed on leasehold land, the owner of the building will be treated as the owner for the purpose of this head, even though he is not the owner of the land on which building is standing. The position will remain same even if the building is to be transferred to the lessor on completion of the lease.
- Following persons will be treated as deemed owners and rental income from property will be taxed in their hands:
  1. If an individual transfers his or her house property to his/her spouse (not being a transfer in connection with an agreement to live apart) or to his/her minor child.
(not being married daughter) without adequate monetary consideration, then the transferor will be deemed as owner of the property.

(2) Holder of impartible estate is deemed as the owner of the property.

(3) A member of co-operative society, company or other association of persons to whom a building (or part of it) is allotted or leased under house building scheme of the society, company or association is treated as deemed owner of the property.

(4) A person acquiring property by “power of attorney” transaction by satisfying the conditions of section 53A of the Transfer of Property Act, will be treated as the deemed owner (although he may not be the registered owner). Section 53A of the said Act prescribes following conditions:
   (a) There is an agreement in writing.
   (b) The purchase consideration is paid or purchaser is willing to pay it.
   (c) Purchaser has taken the possession of the property.

(5) In case of lease of a property for a period exceeding 12 years (whether originally fixed or provision of extension exists), lessee is deemed to be the owner of the property. However, any right by way of lease from month-to-month or for a period not exceeding one year is not covered by this provision. {Section 269UA(f)}

Property used for the purpose of business or profession

Income from a property which is used by the owner for his business or profession is not charged to tax under this head. Following points should be noted in this regard:

- Where letting out is subservient and incidental to the main business, rental income will not be charged to tax under this head.
- Income from property rented to the employees will not be charged to tax under this head.

Special cases to be noted while computing income chargeable to tax under the head “Income from house property”

- If tax incidence is attracted under section 22 in respect of a property situated in foreign country, annual value will be computed as if the property is situated in India.
- In respect of property held as stock-in-trade or in case of assessee engaged in the business of letting out of property, income will be taxed under the head “Income from house property”. However, if letting out of property is incidental to the main objective of business, rental income will be taxed under the head “Profits and gains of business or profession”.
- If the property is owned by co-owners (i.e., owned or deemed to be owned by more than one person), and the share of each co-owner is ascertained, then share of each such co-owner is charged to tax individually (and not as an association of persons) in the hands of each co-owner.

Tax treatment of composite rent

Following different situations may arise in case of composite rent (i.e., building rented along with other assets or provision of different services along with building):

(1) Renting of building and provisions of other services
In such a case composite rent includes rent of building and charges for different services (like lift, watchman, electricity supply, etc.). In this situation, composite rent is to be split up and the sum attributable to the use of property is to be assessed under the head “Income from house property” and charges for various services will be taxed under the head “Profits and gains of business or profession” or “Income from other sources” (as the case may be).

(II) Renting of building and other assets:

In such a case, composite rent includes rent of building and rent of other assets. This situation can further be classified as follows:

(a) Letting out of building and letting out of other assets are non-separable (i.e., both the lettings are composite and not separable) (e.g., letting out of equipped theatre). In this situation, entire rent is taxed under the head “Profits and gains of business or profession” or “Income from other sources”. This rule is applicable even if rent of both lettings is fixed separately.

(b) Letting out of building and letting out of other assets are separable (i.e., both the lettings are separable) (e.g., letting out of bike along with building). In this situation rent of building is taxed under the head “Income from house property” and rent of other asset is taxed under the head “Profits and gains of business or profession” or “Income from other sources” (as the case may be). This rule is applicable even if the assessee receives composite rent for both the lettings.

Tax treatment when unrealised rent is subsequently realised

For taxation purpose unrealised rent which is subsequently realised can be classified as follows:

(A) When unrealised rent pertaining to assessment year 2001-02 or any earlier assessment year is subsequently realized:

When un realised rent pertaining to assessment year 2001-02 or any earlier assessment year which was allowed as deduction (in assessment year 2001-02 or earlier assessment year) is subsequently realised, then the amount so realised will be taxed (in the previous year in which it is received) under the head “Income from house property”. Such an amount will be charged to tax without allowing any deduction. Such an amount is charged to tax even if the property is not owned by the assessee in the year of recovery/receipt of unrealized rent.

Unrealised rent pertaining to previous year 2001-02 or subsequent year is subsequently realized:

In such a situation out of unrealised rent subsequently realised, amount to the extent it has not been included in the annual value earlier, shall be deemed to be the income chargeable to tax under the head “Income from house property”. Such an amount shall be charged to tax in the previous year in which it is received. It is important to note that such an amount is charged to tax whether or not the assessee owns the property in the year of receipt.

(As amended by Finance Act, 2013)
FAQs

Q1. What are the basic conditions as provided in section 22 of the Act to tax any income under the head “Income from house property”?

Section 22 of the Act is the charging section for taxing any income under the head “Income from house property”. The charging section reads as follows:

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".

Considering section 22 following are the conditions to be satisfied to tax any income under the head “Income from house property”:

- There should be a property consisting of building or land appurtenant thereto.
- The property should be owned by the assessee.
- The property should not be used by the owner of the property for the purpose of his business or profession, the profit of which is chargeable to income-tax.

Q2. What are the major points to be kept in mind while interpreting the provisions of section 22, i.e., the charging section?

Important points to be kept in mind as drawn from section 22:

- Tax under this head is not levied on the rent of the property but it is on the capacity of a property to earn income. The basis of measurement of the capacity of property to earn income is “Annual Value” (i.e., Gross Annual Value). This fact can be confirmed from the charging section which says as follows:

  “Annual value” of a property, consisting of building or land appurtenant thereto, of which the assessee is the owner, shall be charged to tax under the head “Income from house property”.

- Rental income of any property, being building or land appurtenant, is only charged to tax under this head. Hence, rent of vacant plot is not charged to tax under this head.

- If the property being rented is building or land appurtenant thereto but the assessee is not the owner of the property, then the rental income will not be charged to tax under this head.

- It will make no difference whether renting is the business of the assessee or not. In other words, on satisfaction of above conditions, rental income from building or land appurtenant thereto will be charged to tax under the head “Income from house property” even if the assessee is doing the business of renting of properties.

Q3. How is income from a let-out property computed?

The provisions relating to computation of income chargeable to tax under the head “Income from house property” have already been discussed in the study material and in case study (Day 6). However, for ease of reference the relevant portion of these provisions is reproduced below:

Manner of computation of income from house property in case of a let-out property:
Gross annual value (*) XXXX

Less:- Municipal taxes paid during the year XXXX
Net Annual Value (NAV) XXXX

Less:- Deduction under section 24

➢ Deduction under section 24(a) @ 30% of NAV XXXX
➢ Interest on borrowed capital under section 24(b) XXXX

Income from house property XXXX

(*) Gross annual value is determined in the following three steps:

Step 1: Compute reasonable expected rent of the property (Note 1).
Step 2: Compute actual rent of the property (Note 2).
Step 3: Compute gross annual value (Note 3).

Rent pertaining to vacancy period is to be deducted from amount derived at step 3

Note 1
Reasonable expected rent will be higher of the following:

➢ Municipal value of the property; or
➢ Fair rent of the property.

If a property is covered under the Rent Control Act, then the reasonable expected rent cannot exceed standard rent. In other words, in case of a property covered under the Rent Control Act, reasonable expected rent will be higher of the municipal value or fair rent subject to standard rent of the property.

Note 2
It is the actual annual rent for which the property is let-out during the previous year. While computing actual rent, rent pertaining to vacancy period is not to be deducted.

Treatment of unrealised rent while computing actual rent:

Unrealised rent: It is the rent of the property pertaining to the previous year, which the owner of the property could not recover from the tenant. If following conditions are satisfied, then unrealised rent pertaining to the previous year is to be deducted from the actual rent of the previous year:

➢ The tenancy is *bona fide*.
➢ The defaulting tenant has vacated the property, or steps have been taken to compel him to vacate the property.
➢ The defaulting tenant is not in occupation of any other property of the assessee.
➢ The assessee has taken all steps to recover such an amount, including legal proceedings or he satisfies the Assessing Officer that legal proceedings would be useless.

Note 3
Gross annual value will be higher of amount computed at step 1 or step 2.

source: www.trpscheme.com

(As amended by Finance Act, 2013)
Q4. What is the treatment of refundable deposit, non-refundable deposit and advance rent while computing annual rent of a property?

Following important points should be kept in mind while computing annual rent of a property:

- Non-refundable deposit received from tenant is to be included in annual rent, *i.e.*, rent received or receivable. Non-refundable deposit is to be added to annual rent on a pro rata basis.
- Refundable deposit cannot be added to annual rent. Further, notional interest on refundable deposit can be added to annual rent only if it is proved that such deposit is given to compensate for non-payment of rent or short payment of rent. Deposit taken for purposes like ensuring timely payment of rent, proper security of property, etc., cannot be added to annual rent.
- Advance rent cannot be considered in rent received or receivable to be used for the purpose of computation of GAV.

Q5. How to interpret the word building for the purpose of computation of income chargeable to tax under the head “Income from house property”?

For the purpose of this head, building should be considered as a permanent structure covering a space of land and used for variety of purposes like dwelling or store house or some other purpose. Following points should be noted in this regard:

- Building does not include mere wall, fence, monument, hoarding or similar structure, though designed for permanent use where it stands.
- Building does not include steam boat, ship or other vessel of navigation. Incomplete house or house which is in ruins without a roof and without doors cannot be called a building.
- A temporary structure will also be treated as building if it satisfies the criteria of being treated as a building.

Q6. How to interpret the word land appurtenant thereto, *i.e.*, to a building for the purpose of computation of income chargeable to tax under the head “Income from house property”?

Land appurtenant to a building is generally a land that is an indivisible part of a building and is used for enjoyment of the building and not put to any other use. Thus, land appurtenant to a building will cover approach roads connecting the building to public streets, play ground, backyard, kitchen garden, motor garage, coach home, parking area, etc.

Q7. How to interpret the word owner for the purpose of computation of income chargeable to tax under the head “Income from house property”?

For the purpose of charging income under this head, the word owner will cover a person who can exercise the rights of the owner. However, a person exercising right of owner on behalf of any other person will not be treated as owner for the purpose of this head. Following points should be noted in this regard:

- A person purchasing a property who is entitled to enjoy the rights of owner will be treated as owner for the purpose of this head, even if the registered document has not been executed in his favour.

source: www.trpscheme.com  
(As amended by Finance Act, 2013)
In respect of a building constructed on leasehold land, the owner of the building will be treated as the owner for the purpose of this head, even though he is not the owner of the land on which building is standing. The position will remain same even if the building is to be transferred to the lessor on completion of the lease.

Following persons will be treated as deemed owners and rental income or property will be taxed in their hands:

1. If an individual transfers his or her house property to his/her spouse (not being a transfer in connection with an agreement to live apart) or to his/her minor child (not being married daughter) without adequate monetary consideration, then the transferor will be deemed as owner of the property.

2. Holder of impartible estate is deemed as the owner of the property.

3. A member of co-operative society, company or other association of persons to whom a building (or part of it) is allotted or leased out under house building scheme of the society, company or association is treated as deemed owner of the property.

4. A person acquiring property by “power of attorney transaction” by satisfying the conditions of section 53A of the Transfer of Property Act, will be treated as deemed owner (although he may not be the registered owner). Section 53A of the said Act prescribes following conditions:
   (a) There is an agreement in writing.
   (b) The purchase consideration is paid or purchaser is willing to pay it.
   (c) Purchaser has taken the possession of the property.

5. In case of lease of a property for a period exceeding 12 years (whether originally fixed or provision of extension exists), lessee is deemed to be the owner of the property. However, any right by way of lease from month-to-month or for a period not exceeding one year is not covered by this provision.

Q8. When is a property treated to be used for the purpose of business or profession of the assessee?

Income from a property which is used by the owner for his business or profession is not charged to tax under this head. Following points should be noted in this regard:

- Where letting out is subservient and incidental to the main business, rental income will not be charged to tax under this head.
- Income from property rented to the employees will not be charged to tax under this head.

Q9. Are there any special cases to be noted while computing income chargeable to tax under the head “Income from house property”?

Following special cases should be noted while computing income chargeable to tax under the head “Income from house property”:

- If tax incidence is attracted under section 22 in respect of a property situated in foreign country, annual value will be computed as if the property is situated in India.
- In respect of property held as stock-in-trade or in case of assessee engaged in the business of letting out of property, income will be taxed under the head “Income from
house property”. However, if letting out of property is incidental to the main objective of business, rental income will be taxed under the head “Profits and gains of business or profession”.

- If the property is owned by co-owners (i.e., owned or deemed to be owned by more than one person), and the share of each co-owner is ascertained, then share of each such co-owner is charged to tax individually (and not as an association of persons) in the hands of each co-owner.

**Q10. What is the tax treatment of composite rent?**

Following different situations may arise in case of composite rent (i.e., building rented out along with other assets or provision of different services along with the building):

**I) Renting out of building and provisions of other services**

In such a case, composite rent includes rent of building and charges for different services (like lift, watchman, electricity supply, etc.). In this situation, composite rent is to be split up and the sum attributable to the use of property is to be assessed under the head “Income from house property” and charges for various services will be taxed under the head “Profits and gains of business or profession” or “Income from other sources” (as the case may be).

**II) Renting out of building and other assets:**

In such a case, composite rent includes rent of building and rent of other assets. This situation can further be classified as follows:

(a) Letting out of building and letting out of other assets are non-separable (i.e., both are composite and not separable) (e.g., letting out of equipped theatre). In this situation, entire rent is taxed under the head “Profits and gains of business or profession” or “Income from other sources”. This rule is applicable, even if rent of both is fixed separately.

(b) Letting out of building and letting out of other assets are separable (i.e., both are separable) (e.g., letting out of bike along with building). In this situation, rent of building is taxed under the head “Income from house property” and rent of other asset is taxed under the head “Profits and gains of business or profession” or “Income from other sources” (as the case many be). This rule is applicable, even if the assessee receives composite rent for both the lettings.

**Q11. What is the tax treatment when unrealised rent is subsequently realised?**

For taxation purpose, unrealised rent which is subsequently realised can be classified as follows:

(A) When unrealised rent pertains to assessment year 2001-02 or any earlier assessment year

When unrealised rent pertaining to assessment year 2001-02 or any earlier assessment year which was allowed as deduction (in assessment year 2001-02 or earlier assessment year) is subsequently realised, then the amount so realised will be taxed (in the previous year in which it is received) under the head “Income from house property”. Such an amount will be charged to tax without allowing any deduction. Such amount is charged to tax, even if the property is not owned by the assessee in the year of recovery/receipt of unrealised rent.

source : www.trpscheme.com (As amended by Finance Act, 2013)
Unrealised rent pertaining to previous year 2001-02 or subsequent year

In such a situation, out of unrealised rent subsequently realised, amount to the extent it has not been included in the annual value earlier, shall be deemed to be the income chargeable to tax under the head “Income from house property”. Such an amount shall be charged to tax in the previous year in which it is received. It is important to note that such an amount is charged to tax whether or not the assessee owns the property in the year of receipt.

Note: For advanced problems on computation of income chargeable to tax under the head “Income from house property” readers should refer to the advanced learning material covering advanced practical problems.

(As amended by Finance Act, 2013)
MCQs

Q1. Section __________ of the Act is the charging section for taxing any income under the head “Income from house property”.
   (a) 15  (b) 22  (c) 25  (d) 45
   Correct answer : (b)
   Justification of correct answer :
   Section 22 of the Act is the charging section for taxing any income under the head “Income from house property”. Thus, option (b) gives correct section number.
   Comment on incorrect answer : Section 22 of the Act is the charging section for taxing any income under the head “Income from house property”. Thus, options (a), (c) and (d) giving incorrect sections are not correct.

Q2. The annual value of property consisting of any ____________ of which the assessee is the owner, other than such portions of 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".
   (a) Buildings or lands appurtenant thereto  (b) Buildings  (c) Lands  (d) Residential building
   Correct answer : (a)
   Justification of correct answer :
   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 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". Thus, option (a) gives correct provision.
   Comment on incorrect answer : 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 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". Thus, options (b), (c) and (d) give incorrect provisions and are not correct.

Q3. Annual value of a property used by the owner of the property for the purpose of his business or profession, the profit of which is chargeable to income-tax is not charged to tax under the head “Income from house property”
   (a) True  (b) False
   Correct answer : (a)
   Justification of correct answer :

source : www.trpscheme.com (As amended by Finance Act, 2013)
Annual value of a property used by its owner for the purpose of his business or profession, the profit of which is chargeable to income-tax, is not charged to tax under the head “Income from house property”, thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q4. Tax under the head “Income from house property” is levied on the rent of the property and not on the capacity of a property to earn income.
(a) True                     (b) False
Correct answer : (b)

Justification of correct answer :
Tax under the head “Income from house property” is not levied on the rent of the property but it is on the capacity of a property to earn income. The basis of measurement of the capacity of property to earn income is “Annual Value” (i.e., Gross Annual Value. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q5. Rent of vacant plot is not charged to tax under the head “Income from house property”
(a) True                     (b) False
Correct answer : (a)

Justification of correct answer :
Rental income of any property, being building or land appurtenant thereto, is only charged to tax under this head, hence, rent of vacant plot is not charged to tax under this head, thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q6. Rental income from building or land appurtenant thereto will be charged to tax under the head “Income from house property” even if the assessee is doing the business of renting of properties.
(a) True                     (b) False
Correct answer : (a)

Justification of correct answer :
It will make no difference whether renting is the business of the assessee or not. In other words, on satisfaction of conditions drawn from charging section, rental income from building or land appurtenant thereto will be charged to tax under the head “Income from house property” even if the assessee is doing the business of renting of properties. Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q7. While computing reasonable expected rent of a property to be used for computation of GAV of a let-out property, the reasonable expected rent will be lower of the following:
   ➢ Municipal value of the property, or
   ➢ Fair rent of the property.
(a) True     (b) False
Correct answer: (b)
Justification of correct answer:
Reasonable expected rent will be higher of the following:
   ➢ Municipal value of the property, or
   ➢ Fair rent of the property.
Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q8. While computing actual rent of a property to be used for computing GAV of a let-out property, actual rent of the property is annual rent for which the property is let out during the previous year. In other words, while computing actual rent, rent pertaining to vacancy period is ______ deducted.
(a) Not to be     (b) to be
Correct answer: (a)
Justification of correct answer:
While computing GAV of a let-out property, actual rent of the property is annual rent for which the property is let out during the previous year. Thus, while computing actual rent, rent pertaining to vacancy period is not to be deducted. Thus, option (a) gives correct provision.
Comment on incorrect answer: While computing actual rent, rent pertaining to vacancy period is not to be deducted. Thus, options (b) giving incorrect provision is not correct.

Q9. While computing income from house property, assessee can claim deduction on account of Municipal taxes ______ during the year.
(a) Paid     (b) Due
Correct answer: (a)
Justification of correct answer:
Deduction on account of Municipal taxes is available on payment basis, hence, assessee can claim deduction in respect of Municipal taxes paid during the year. Thus, option (a) giving correct provision is correct.
Comment on incorrect answer: Assessee can claim deduction in respect of Municipal taxes paid during the year. No deduction is available for Municipal taxes which are due but not paid during the year. Thus, option (b) giving incorrect provision is not correct.

Q10. Amount left after claiming deduction of Municipal taxes from Gross Annual Value is called ______.
(a) Net value       (b) Net annual value
(c) Taxable rent    (d) Income from house property
Correct answer: (b)

Justification of correct answer:
The remaining amount left after deducting Municipal taxes (from gross annual value) is called as “Net Annual Value”. Thus, option (b) giving correct name is correct.

Comment on incorrect answer: The remaining amount left after deducting Municipal taxes (from gross annual value) is called as “Net Annual Value”. Thus, options (a), (c) and (d) giving incorrect answers are not correct.

Q11. While computing income from house property, Municipal taxes paid in advance pertaining to future year can be claimed as deduction in the year in which they are paid.
(a) True       (b) False
Correct answer: (a)

Justification of correct answer:
While computing income from house property, deduction on account of Municipal taxes is available in respect of the amount of Municipal taxes paid during the year, irrespective of the year to which they relate to. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q12. While computing income from house property, Municipal taxes paid during the year and pertaining to earlier year can be claimed as deduction.
(a) True       (b) False
Correct answer: (a)

Justification of correct answer:
While computing income from house property, deduction on account of Municipal taxes is available in respect of the amount of Municipal taxes paid during the year, irrespective of the year to which they relate to. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.
Q13. While computing income from house property, the owner can claim deduction of the amount of Municipal taxes paid by_______.
(a) Him    (b) Tenant
Correct answer : (a)

Justification of correct answer:
Deduction on account of Municipal taxes is available if following conditions are satisfied:
➢ Municipal taxes are borne by the owner; and
➢ Municipal taxes are actually paid by the owner during the previous year.
Thus, option (a) giving correct provision is correct.

Comment on incorrect answer: Deduction is available in respect of Municipal taxes paid by the owner. No deduction is available in respect of Municipal taxes paid by the tenant. Thus, option (b) giving incorrect provision is not correct.

Q14. While computing income from house property, the owner can claim deduction of the amount of Municipal taxes paid by the tenant which are subsequently reimbursed by him to the tenant.
(a) True     (b) False
Correct answer : (a)

Justification of correct answer:
While computing income from house property, deduction on account of Municipal taxes is available in respect of the amount of Municipal taxes paid by the owner during the year. Hence, deduction is available to the owner in respect of Municipal taxes paid by the tenant which are subsequently reimbursed by him to the tenant. So, in this case the ultimate payer will be the owner. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q15. Mr. Rahul owns a flat which is rented by him at a monthly rent of Rs. 84,000. Municipal taxes on the property levied by the local authority for the year amounted to Rs. 4,000. Out of Rs. 4,000, Mr. Rahul has paid Rs. 3,000 in the current year and balance Rs. 1,000 is paid in the next year. In this case, while computing income from house property for the current year, he will be entitled to claim deduction on account of Municipal taxes of_______.
(a) Rs. 4,000    (b) Rs. 3,000
(c) Rs. 1,000    (d) Nil
Correct answer : (b)

Justification of correct answer:
While computing income from house property, assessee can claim deduction on account of Municipal taxes paid by him during the year. In this case, out of Rs. 4,000 only Rs. 3,000 is paid by Mr. Rahul during the year, hence, he can claim deduction of only Rs. 3,000. Thus, option (b) giving correct amount of deduction is correct.

Comment on incorrect answer: In this case, out of Municipal taxes of Rs. 4,000 only Rs. 3,000 is paid by Mr. Rahul during the year, hence, he can claim deduction of only Rs. 3,000. Thus, options (a), (c) and (d) giving incorrect amount of deduction are not correct.

Q16. Mr. Rahul owns a flat which is rented by him at a monthly rent of Rs. 84,000. Municipal taxes on the property levied by the local authority for the year amounted to Rs. 4,000. Out of Rs. 4,000, Mr. Rahul has paid Rs. 3,000 in the current year and balance Rs. 1,000 is paid in the next year. In this case, while computing income from house property for the next year, he will be entitled to claim deduction on account of Municipal taxes of _______.

(a) Rs. 4,000  
(b) Rs. 3,000  
(c) Rs. 1,000  
(d) Nil

Correct answer: (c)

Justification of correct answer:
While computing income from house property, assessee can claim deduction on account of Municipal taxes paid by him during the year. In this case, out of Rs. 4,000, Rs. 3,000 is paid by Mr. Rahul during the current year and balance Rs. 1,000 is paid in the next year, hence, in current year he can claim deduction of Rs. 3,000 and in the next year he can claim deduction of Rs. 1,000. Thus, option (c) giving correct amount of deduction is correct.

Comment on incorrect answer: In this case, out of Rs. 4,000, Rs. 3,000 is paid by Mr. Rahul during the current year and balance of Rs. 1,000 is paid in next year, hence, in current year he can claim deduction of Rs. 3,000 and in next year he can claim deduction of Rs. 1,000. Thus, options (a), (b) and (d) giving incorrect amount of deduction are not correct.

Q17. While computing income from house property, assessee can claim deduction on account of Municipal taxes. Deduction on account of Municipal taxes is available only if Municipal taxes are paid by any mode other than cash.

(a) True  
(b) False

Correct answer: (b)

Justification of correct answer:
While computing income from house property, assessee can claim deduction on account of Municipal taxes. Deduction on account of Municipal taxes is available, irrespective of the mode of payment of Municipal taxes.
Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q18. While computing income from house property, assessee can claim deduction on account of Municipal taxes as well as interest for delay in payment of Municipal taxes.
   (a) True     (b) False
   Correct answer: (b)
   Justification of correct answer:
   While computing income from house property, assessee can claim deduction on account of Municipal taxes. No deduction is available in respect of interest for delay in payment of Municipal taxes.
   Thus, the statement given in the question is false and, hence, option (b) is the correct option.
   Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q19. Following information is provided by Mr. Kunal in respect of a property rented by him:
   - Gross annual value Rs. 2,84,000.
   - Municipal taxes for the year paid by the tenant (paid during the year): Rs. 10,000.
   - Electricity bill of the property paid by Mr. Krunal (paid during the year): Rs. 12,000.

What will be the Net Annual Value of the property?
   (a) Rs. 2,84,000     (b) Rs. 2,74,000
   (c) Rs. 2,62,000     (d) Rs. 2,72,000
   Correct answer: (a)
   Justification of correct answer:
   The remaining amount left after deducting Municipal taxes (from gross annual value) is called as “Net Annual Value”. In this case, Municipal taxes are paid by the tenant. Hence, Mr. Kunal cannot claim deduction on account of Municipal taxes. Thus, Gross annual value will become Net annual value. In other words, Net annual value will come to Rs. 2,84,000. Thus, option (a) giving correct amount of net annual value is correct.
   Comment on incorrect answer: Net annual value will come to Rs. 2,84,000. Thus, options (b), (c) and (d) giving incorrect amount of net annual value are not correct.
Q20. Following information is provided by Mr. Rahul in respect of a flat rented by him (information pertains to the year 2012-13):

- Gross annual value of the property amounted to Rs. 2,52,000.
- Annual insurance premium in respect of property paid by him during the year: Rs. 5,000.
- Municipal taxes for the year paid by him (paid in April, 2013): Rs.40,000.
- Repair expenses paid by the tenant: Rs. 12,000.

What will be the Net Annual Value of the property?

(a) Rs. 2,12,000  
(b) Rs. 2,52,000  
(c) Rs. 2,07,000  
(d) Rs. 1,95,000

Correct answer: (b)

Justification of correct answer:
The remaining amount left after deducting Municipal taxes (from gross annual value) is called as “Net Annual Value”. In this case, Municipal taxes are paid by the owner but are paid in the next year and, hence, Mr. Rahul cannot claim deduction on account of Municipal taxes, Thus, Gross annual value will become net annual value. In other words, Net annual value will come to Rs. 2,52,000. Thus, option (b) giving correct amount of net annual value is correct.

Comment on incorrect answer: Net annual value will come to Rs. 2,52,000. Thus, options (a), (c) and (d) giving incorrect amount of net annual value are not correct.

Q21. Following information is provided by Mr. Sunil in respect of a shop rented by him (information pertains to the year 2012-13):

- Gross annual value of the property amounted to Rs. 1,84,000.
- Municipal taxes for the year paid by him (paid in April 2012): Rs.40,000.
- Electricity bill of the shop for the year paid by Mr. Sunil amounted to Rs. 10,000.

What will be the Net Annual Value of the property?

(a) Rs. 1,84,000  
(b) Rs. 1,74,000  
(c) Rs. 1,44,000  
(d) Rs. 1,34,000

Correct answer: (c)

Justification of correct answer:
The remaining amount left after deducting Municipal taxes (from gross annual value) is called as “Net Annual Value”. In this case, Municipal taxes are paid by the owner and are paid in the year 2012-13 only and, hence, Mr. Sunil can claim deduction on account of Municipal taxes, Thus, net annual value will come to Rs. 1,44,000 (Rs. 1,84,000 less Rs. 40,000). Thus, option (c) giving correct amount of net annual value is correct.
Q22. Following information is provided by Mr. Piyush in respect of a bungalow rented by him (information pertains to the year 2012-13):

- Gross annual value of the property amounted to Rs. 8,84,000.
- Municipal taxes for the year paid by him (paid in March, 2013): Rs. 84,000.
- Interest for delay in payment of Municipal taxes: Rs. 5,000.

What will be the Net Annual Value of the property?
(a) Rs. 8,84,000  (b) Rs. 8,79,000  (c) Rs. 8,00,000  (d) Rs. 84,000

Correct answer: (c)

Justification of correct answer:
While computing income from house property, assessee can claim deduction on account of Municipal taxes. No deduction is available in respect of interest for delay in payment of Municipal taxes.
Thus, net annual value will come to Rs. 8,00,000 (Rs. 8,84,000 less Rs. 84,000). Thus, option (c) giving correct amount of net annual value is correct.

Comment on incorrect answer: Net annual value will come to Rs. 8,00,000 (Rs. 8,84,000 less Rs. 84,000). Thus, options (a), (b) and (d) giving incorrect amount of net annual value are not correct.

Q23. While computing income from house property, assessee can claim deduction under section 24(a) on account of Municipal taxes.
(a) True  (b) False

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), also referred as Standard Deduction, is not in respect of Municipal taxes but is a general deduction available @ 30% of Net Annual Value. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q24. While computing income from house property, deduction under section 24(a) is available @ _______ % of net annual value.
(a) 10  (b) 20  (c) 30  (d) 33

Correct answer: (c)

Justification of correct answer:
While computing taxable income from house property, assessee is entitled to claim deduction under section 24(a). Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Thus, option (c) giving correct rate of deduction is correct.

Comment on incorrect answer: Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Thus, options (a), (b) and (d) giving incorrect rate of deduction are not correct.

Q25. While computing income from house property, an assessee can claim deduction under section 24(a) at the prescribed rate. This deduction is available only if assessee has incurred various expenditures related to property like repairs, insurance, etc.

(a) True       (b) False

Correct answer: (b)

Justification of correct answer:

While computing taxable income from house property, assessee is entitled to claim deduction under section 24(a). Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Deduction under section 24(a) @ 30% of net annual value is available, whether or not the assessee has incurred any expenditure.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q26. While computing income from house property, an assessee can claim deduction under section 24(a) at the prescribed rate. Deduction under section 24(a) can be claimed at a higher rate than the prescribed rate, if the actual expenditures like repairs of the property, insurance of the property, etc., are higher than the rates prescribed under section 24(a).

(a) True       (b) False

Correct answer: (b)

Justification of correct answer:

While computing taxable income from house property, assessee is entitled to claim deduction under section 24(a). Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Deduction under section 24(a) @ 30% of net annual value is available, whether or not the assessee has incurred any expenditure. The rate of deduction will remain same, i.e., at 30%, irrespective of the expenditure incurred by the assessee.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q27. While computing income from house property, in case of a self-occupied property, an assessee can claim deduction under section 24(a) at the prescribed rate.

(a) True  
(b) False

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Net annual value in case of self-occupied property is nil and hence, deduction under section 24(a) in case of self-occupied property will be nil.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q28. While computing income from house property, an assessee has an option to claim deduction under section 24(a) or under section 24(b).

(a) True  
(b) False

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Apart from deduction under section 24(a), an assessee can claim deduction under section 24(b). Deduction under section 24(b) is available in addition to deduction under section 24(a). An assessee can claim deduction under section 24(a) as well as under section 24(b).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q29. While computing income from house property, an assessee has an option to claim deduction under section 24(a) or under section 24(b).

(a) True  
(b) False

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Apart from deduction under section 24(a), an assessee can claim deduction under section 24(b). Deduction under section 24(b) is available in addition to deduction under section 24(a). An assessee can claim deduction under section 24(a) as well as under section 24(b).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.
24(b) is available in addition to deduction under section 24(a). An assessee can claim deduction under section 24(a) as well as under section 24(b).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q30. While computing income from house property, in case of a let-out property being a shop, an assessee cannot claim deduction under section 24(a). Deduction under section 24(a) is available only in respect of a rental income from a residential property.

(a) True  (b) False

Correct answer: (b)

Justification of correct answer:

While computing taxable income from house property, assessee is entitled to claim deduction under section 24(a). This deduction is available in respect of rental income from any property, may be residential property or non-residential property. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q31. If the property is used by the assessee for his business or profession, then while computing his business income he can claim deduction under section 24(a) at the prescribed rate.

(a) True  (b) False

Correct answer: (b)

Justification of correct answer:

While computing taxable income from house property, assessee is entitled to claim deduction under section 24(a). This deduction is available in respect of rental income from any property which is charged to tax under the head “Income from house property”. If a property is used by the assessee for his business or profession, then income from such property is not charged to tax under the head “Income from house property”. Hence, in case of property used by the owner for the purpose of his business or profession, deduction under section 24(a) cannot be claimed. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q32. Following information is provided by Mr. Sujal in respect of a flat rented by him:

source: www.trpscheme.com (As amended by Finance Act, 2013)
Net annual value of the property amounted to Rs. 2,84,000.
Repairs of the property incurred by the tenant : Rs. 10,000.
No expenditure is incurred by Mr. Sujal in relation to above property.

In this case, what will be the amount of deduction under section 24(a) which can be claimed by Mr. Sujal while computing income from above property?
(a) Nil  
(b) Rs. 10,000  
(c) Rs. 85,200  
(d) Rs. 95,200

Correct answer : (c)

Justification of correct answer :
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. In this case, net annual value is Rs. 2,84,000, hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 85,200. Thus, option (c) giving correct amount of deduction is correct.

Comment on incorrect answer :
In this case, net annual value is Rs. 2,84,000, hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 85,200. Thus, options (a), (b) and (d) giving incorrect amount of deduction are not correct.

Q33. Following information is provided by Mr. Sunil in respect of a commercial property, i.e., shop rented by him :
Net annual value of the property amounted to Rs. 8,84,000.
Expenses on repairs of the property incurred by the tenant : Rs. 30,000.
No expenditure is incurred by Mr. Sunil in relation to above property.

In this case, what will be the amount of deduction under section 24(a) which can be claimed by Mr. Sunil while computing income from house property from above property?
(a) Nil  
(b) Rs. 2,65,200  
(c) Rs. 2,95,200  
(d) Rs. 30,000

Correct answer : (b)

Justification of correct answer :
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. In this case, net annual value is Rs. 8,84,000, hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 2,65,200. Thus, option (b) giving correct amount of deduction is correct.

Comment on incorrect answer :
In this case, net annual value is Rs. 8,84,000, hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 2,65,200. Thus, options (a), (c) and (d) giving incorrect amount of deduction are not correct.
Q34. Following information is provided by Mr. Rahul in respect of a bungalow rented by him:
- Net annual value of the property amounted to Rs. 2,52,000.
- Expenses on repairs of the property incurred by the tenant: Rs. 10,000.
- Repairs of the property incurred Mr. Rahul: Rs. 50,000.

In this case, what will be the amount of deduction under section 24(a) which can be claimed by Mr. Rahul while computing income from house property from above property?

(a) Nil 
(b) Rs. 76,500
(c) Rs. 50,000 
(d) Rs. 75,600

Correct answer: (d)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Deduction under section 24(a) is available whether or not any expenditure is incurred by the assessee in respect of house property like repairs, insurance, etc. In this case, net annual value is Rs. 2,52,000, hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 75,600. Thus, option (d) giving correct amount of deduction is correct.

Comment on incorrect answer: In this case, net annual value is Rs. 2,52,000, hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 75,600.
Thus, options (a), (b) and (c) giving incorrect amount of deduction are not correct.

Q35. Following information is provided by Mr. Kapoor in respect of a bungalow rented by him:
- Net annual value of the property amounted to Rs. 10,84,000.
- Repairs of the property incurred by Mr. Kapoor: Rs. 50,000.
- Insurance premium of property paid by Mr. Kapoor: Rs. 10,000.
- Interest on loan taken to purchase the property paid during the year: Rs. 1,00,000.

In this case, what will be the amount of deduction under section 24(a) which can be claimed by Mr. Kapoor while computing income from house property from above property?

(a) Nil 
(b) Rs. 60,000
(c) Rs. 1,00,000 
(d) Rs. 3,25,200

Correct answer: (d)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. Deduction under section 24(a) is available whether or not any expenditure is incurred by the assessee in respect of house property like repairs, insurance, etc. In this case, net annual value is Rs. 10,84,000; hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 3,25,200. Thus, option (d) giving correct amount of deduction is correct.

Comment on incorrect answer: In this case, net annual value is Rs. 10,84,000; hence, deduction under section 24(a) @ 30% of net annual value will come to Rs. 3,25,200. Thus, options (a), (b) and (c) giving incorrect amount of deduction are not correct.

Q36. Mrs. Kapoor has rented a bungalow at a monthly rent of Rs. 84,000. During the year she has incurred Rs. 25,200 on account of repairs of the property. No other expenditure is incurred by her. In this case, she wants to claim deduction under section 24(a) @ 40% of the net annual value because she has heard from one of her friends that female taxpayers are entitled to a higher deduction under section 24(a). Is her friend’s thinking correct?

(a) Yes       (b) No

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. The rate of deduction is same, i.e., 30% irrespective of the status of the tax payer. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q37. Mr. Mohanlal (age 61 years and resident in India) has rented a shop at a monthly rent of Rs. 84,000. During the year he has not incurred any expenditure on account of repairs of the property. In this case, he wants to claim deduction under section 24(a) @ 50% of the net annual value because he has heard from one of his friends that senior citizen taxpayers are entitled to a higher deduction under section 24(a). Is his friend’s thinking correct?

(a) Yes       (b) No

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. The rate of deduction is same, i.e., 30% irrespective of the status of the tax payer. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

(As amended by Finance Act, 2013)

source: www.trpscheme.com
Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q38. Mr. Kishanlal (age 86 years and resident in India) has rented a flat at a monthly rent of Rs. 25,200. During the year he has not incurred any expenditure on account of repairs of the property. In this case, he wants to claim deduction under section 24(a) @ 60% of the net annual value because he has heard from one of his friends that higher senior citizen taxpayers are entitled to a higher deduction under section 24(a). Is his friend’s suggestion correct?
(a) Yes        (b) No
Correct answer: (b)

Justification of correct answer:
Deduction under section 24(a), commonly referred to as Standard Deduction, is available @ 30% of net annual value. The rate of deduction is same, i.e., at 30% irrespective of the status of the taxpayer. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q39. Following information is provided by Mr. Hitesh in respect of a vacant plot of land rented by him:

- Annual rent: Rs. 4,84,000.
- Municipal taxes paid during the year: Rs. 10,000.
- No expenditure is incurred by Mr. Hitesh in relation to above property.

In this case, what will be the amount of deduction under section 24(a) which can be claimed by Mr. Hitesh while computing income from above house property?
(a) Nil         (b) Rs. 2,65,200
(c) Rs. 2,95,200 (d) Rs. 30,000
Correct answer: (a)

Justification of correct answer:
Deduction under section 24(a) is available while computing income chargeable to tax under the head “Income from house property”. Rental income of a vacant plot of land is not charged to tax under the head “Income from house property”. Hence, deduction under section 24(a) is not available in case of rental income from a vacant plot of land. Thus, option (a) giving correct provision is correct.

Comment on incorrect answer: Deduction under section 24(a) is not available in case of rental income from a vacant plot of land. Thus, options (b), (c) and (d) giving various amounts of deductions are not correct.
Q40. While computing income from house property, deduction under section 24(b) is available @ 30% of net annual value.
(a) True (b) False
Correct answer : (b)
Justification of correct answer :
While computing taxable income from house property, assessee is entitled to claim deduction under section 24(b) in respect of interest on capital borrowed for the purpose of purchase or construction of the property. Deduction on account of interest is available on actual basis and not at any prescribed rate. Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q41. Deduction under section 24(b) is available in respect of interest on capital borrowed for the purpose of purchase of the property. No deduction is available in respect on interest on capital borrowed for construction of the property.
(a) True (b) False
Correct answer : (b)
Justification of correct answer :
Deduction under section 24(b) is available in respect of interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property. Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q42. Deduction under section 24(b) is available in respect of interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property. Interest on capital is deductible on accrual basis.
(a) True (b) False
Correct answer : (a)
Justification of correct answer :
Deduction under section 24(b) is available in respect of interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property. Interest on capital is deductible on accrual basis. Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.
Q43. Deduction under section 24(b) is available in respect of interest on capital. However, no deduction is available in respect of interest pertaining to pre-construction period.

(a) True    (b) False
Correct answer : (b)

Justification of correct answer:
Deduction under section 24(b) is available in respect of interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property. Deduction is available in respect of interest pertaining to pre-construction period as well as interest pertaining to post-construction period. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q44. Deduction under section 24(b) is available in respect of interest on capital. Deduction is available in respect of interest pertaining to pre-construction period as well as interest pertaining to post-construction period. Pre-construction period is the period commencing from the date of borrowing of loan and ends on earlier of the following:

- Date of repayment of loan; or
- 31st March immediately prior to the date of completion of the construction/acquisition of the property

(a) True    (b) False
Correct answer : (a)

Justification of correct answer:
Pre-construction period is the period commencing from the date of borrowing of loan and ends on earlier of the following:

- Date of repayment of loan; or
- 31st March immediately prior to the date of completion of the construction/acquisition of the property

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q45. Deduction under section 24(b) in respect of interest in case of let-out property cannot exceed ________.

(a) There is no such limit    (b) Rs. 30,000
(c) Rs. 1,50,000    (d) Rs. 1,80,000

(As amended by Finance Act, 2013)
Correct answer : (a)

Justification of correct answer :
In case of let-out property, interest is deductible without any limit. Thus, option (a) giving correct provision is correct.

Comment on incorrect answer : In case of let-out property, interest is deductible without any limit. Thus, options (b), (c) and (d) giving various amounts of deductions are not correct.

Q46. If all the following conditions are satisfied, then limit in respect of interest on borrowed capital deductible under section 24(b) in case of self-occupied property will be restricted to Rs. 1,50,000.

➢ Capital is borrowed on or after 1-4-1999. However, the construction can start even before 1-4-1999.
➢ Capital is borrowed for the purpose of acquisition or construction (i.e., not for repair, renewal, reconstruction).
➢ The acquisition or construction is completed within 3 years, from the end of the financial year in which the capital was borrowed.
➢ The person extending the loan certifies that such interest is payable in respect of the amount advanced for acquisition or construction of the house or as re-finance of the principal amount outstanding under an earlier loan taken for acquisition or construction of the property.

If any of the above condition is not satisfied, then the limit will be Rs. 30,000.

(a) True     (b) False

Correct answer : (a)

Justification of correct answer :
In case of let-out property, interest is deductible without any limit. However, in case of a self-occupied house property, interest is deductible subject to maximum limit of Rs. 1,50,000 or Rs. 30,000. If all the following conditions are satisfied, then limit in respect of interest on borrowed capital will be Rs. 1,50,000:

➢ Capital is borrowed on or after 1-4-1999. However, the construction can start even before 1-4-1999.
➢ Capital is borrowed for the purpose of acquisition or construction (i.e., not for repair, renewal, reconstruction).
➢ The acquisition or construction is completed within 3 years from the end of the financial year in which the capital was borrowed.
➢ The person extending the loan certifies that such interest is payable in respect of the amount advanced for acquisition or construction of the house or as re-finance of the principal amount outstanding under an earlier loan taken for acquisition or construction of the property.
If any of the above condition is not satisfied, then the limit will be Rs. 30,000. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q47. Deduction under section 24(b) is not available in respect of unpaid interest. Deduction is available only if interest is paid during the year.
(a) True (b) False

Correct answer: (b)

Justification of correct answer:
Deduction under section 24(b) on account of interest is available on accrual basis. Hence, interest pertaining to a year, which is paid in the next year is also deductible. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q48. Mr. Kapoor has rented a flat at a monthly rent of Rs. 84,000. The flat is purchased by him from a bank loan. Interest on bank loan for the year 2012-13 amounted to Rs. 1,84,000. Out of Rs. 1,84,000, Rs. 84,000 is paid in 2012-13 and balance of Rs. 1,00,000 is paid in April, 2013. In this case, Mr. Kapoor can claim deduction under section 24(b) of __________.
(a) Rs. 1,84,000 (b) Rs. 1,00,000 (c) Rs. 84,000 (d) Nil

Correct answer: (a)

Justification of correct answer:
Deduction under section 24(b) on account of interest is available on accrual basis. Hence, interest pertaining to a year which is paid in the next year is also deductible. In this case, deduction will come to Rs. 1,84,000. Thus, option (a) giving correct amount of deduction is correct.

Comment on incorrect answer: In this case, deduction will come to Rs. 1,84,000. Thus, options (b), (c) and (d) giving incorrect amount of deductions are not correct.

Q49. In case of property owned by co-owners, if the property is purchased by one co-owner from his own funds and by another co-owner from bank loan, then in such a case the co-owner who has borrowed funds can only claim deduction under section 24(b).
(a) True (b) False
Correct answer: (a)

Justification of correct answer:

Many times property is co-owned by two or more persons (like property jointly owned by husband and wife or by brothers or by father and son/daughter). In such a case, the co-owner can claim deduction on account of interest under section 24(b) only if he has borrowed the funds to acquire the property. If the property is purchased by one co-owner from his own funds and by another co-owner from bank loan, then in such a case the co-owner who has borrowed funds can only claim deduction under section 24(b). The co-owner who has acquired the property through his own funds cannot claim deduction under section 24(b) merely because his name appears as a co-owner.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q50. Mr. Kunal and Mr. Mrunal are co-owners of a bungalow (50% share each). The bungalow is given on rent to a company at a monthly rent of Rs. 25,200. The bungalow is acquired by a bank loan and loan is sanctioned in the name of both the co-owners. Both the co-owners are paying the installments by sharing the installment equally. Total interest for the year amounted to Rs. 2,00,000. In this case, Mr. Kunal can claim deduction under section 24(b) of Rs. _______ and Mr. Mrunal can claim deduction under section 24(b) of Rs. _______.

(a) Rs. 1,00,000 and Rs. 1,00,000  (b) Rs. 1,00,000 and nil
(c) Nil and Rs. 1,00,000  (d) Nil and nil

Correct answer: (a)

Justification of correct answer:

Both the owners have borrowed the funds and are paying the interest, hence, deduction on account of interest will be equally distributed between them. Deduction of Rs. 1,00,000 will be available to each co-owner. Thus, option (a) giving correct amount of deduction is correct.

Comment on incorrect answer: Deduction of Rs. 1,00,000 will be available to each co-owner. Thus, options (b), (c) and (d) giving incorrect amount of deductions are not correct.

Q51. Mr. Kapoor and Mr. Sunil are co-owners of a bungalow (50% share each). The bungalow is given on rent to a company at a monthly rent of Rs. 25,200. The bungalow is acquired by Mr. Kapoor from bank loan and by Mr. Sunil from his own funds. Total interest on loan taken by Mr. Kapoor to purchase the bungalow amounted to Rs. 1,00,000. In this case, Mr. Kapoor
can claim deduction under section 24(b) of Rs. ______ and Mr. Sunil can claim deduction under section 24(b) of Rs. ______.
(a) Rs. 50,000 and Rs. 50,000  (b) Rs. 1,00,000 and nil
(c) Nil and Rs. 50,000  (d) Nil and nil
Correct answer : (b)
Justification of correct answer :
If the property is purchased by one co-owner from his own funds and by another co-owner from bank loan, then in such a case, the co-owner who has borrowed funds can only claim deduction under section 24(b). The co-owner who has acquired the property through his own funds cannot claim deduction under section 24(b). In this case, deduction of Rs. 1,00,000 will be available to Mr. Kapoor and no deduction will be available to Mr. Sunil. Thus, option (b) giving correct amount of deduction is correct.

Comment on incorrect answer : Deduction of Rs. 1,00,000 will be available to Mr. Kapoor and no deduction will be available to Mr. Sunil. Thus, options (a), (c) and (d) giving incorrect amount of deductions are not correct.

Q52. Deduction under section 24(b) on account of interest is available only if the assessee has borrowed the funds and he is paying the interest. Many times in case of property jointly owned by two or more persons, loan is borrowed by one co-owner and the installments are paid by another co-owner. In such a case, the co-owner repaying the loan cannot claim deduction under section 24(b),
(a) True     (b) False
Correct answer : (a)
Justification of correct answer :
Deduction under section 24(b) on account of interest is available only if the assessee has borrowed the funds and he is paying the interest. Many times in case of property jointly owned by two or more persons, loan is borrowed by one co-owner and the installments are paid by another co-owner. In such a case, the co-owner repaying the loan cannot claim deduction under section 24(b), since he is not the borrower and the co-owner who is the borrower cannot claim deduction under section 24(b), since he is not repaying the loan. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q53. Mr. Rahul and his father jointly own a bungalow. They have taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Mr. Rahul and his father. Interest on housing loan for the year amounted to Rs. 2,00,000 which is paid by Mr. Rahul (Rs. 1,00,000) and his father (Rs.
The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Mr. Rahul and his father?

(a) Rs. 30,000 and Rs. 30,000  
(b) Rs. 1,50,000 and Rs. 1,50,000  
(c) Rs. 1,00,000 and Rs. 1,00,000  
(d) Nil and nil

Correct answer : (c)

Justification of correct answer:

Many times property is co-owned by two or more persons (like property jointly owned by husband and wife or by brothers or by father and son/daughter). In such a case, the co-owner can claim deduction on account of interest under section 24(b) only if he has borrowed the funds to acquire the property. In this case, both the co-owners are the borrowers and are paying the interest, hence, they both will be entitled to claim deduction in respect of interest. In this case, deduction of Rs. 1,00,000 will be available to each co-owner. Thus, option (c) giving correct amount of deduction is correct.

Comment on incorrect answer:
Deduction of Rs. 1,00,000 will be available to each co-owner. Thus, options (a), (b) and (d) giving incorrect amount of deductions are not correct.

Q54. Mr. Sujal and his brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Mr. Sujal and his brother. Interest on housing loan for the year amounted to Rs. 5,00,000 which is paid by Mr. Sujal (Rs. 2,50,000) and his brother (Rs. 2,50,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Mr. Sujal and his brother?

(a) Rs. 30,000 and Rs. 30,000  
(b) Rs. 1,50,000 and Rs. 1,50,000  
(c) Rs. 2,50,000 and Rs. 2,50,000  
(d) Nil and nil

Correct answer : (b)

Justification of correct answer:

Many times property is co-owned by two or more persons (like property jointly owned by husband and wife or by brothers or by father and son/daughter). In such a case, the co-owner can claim deduction on account of interest under section 24(b) only if he has borrowed the funds to acquire the property. It should be noted that in case of self-occupied property, deduction under section 24(b) is restricted to Rs. 1,50,000. In this case, both the co-owners are the borrowers and are paying the interest, hence, they both will be entitled to claim deduction in respect of interest. However, deduction will be restricted to Rs. 1,50,000. Thus, option (b) giving correct amount of deduction is correct.

Comment on incorrect answer:
Deduction of Rs. 1,50,000 will be available to each co-owner. Thus, options (a), (c) and (d) giving incorrect amount of deductions are not correct.
Q55. For the purpose of computing income charged to tax under the head “Income from house property”, building does not include mere wall, fence, monument, hoarding or similar structure, though designed for permanent use where it stands.
(a) True     (b) False

Correct answer: (a)

Justification of correct answer:
For the purpose of this head, building should be considered as a permanent structure covering a portion of land and used for variety of purposes like dwelling or store house or some other purpose. Thus, building does not include mere wall, fence, monument, hoarding or similar structure, though designed for permanent use where it stands.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q56. For the purpose of computing income charged to tax under the head “Income from house property”, land appurtenant to a building will cover approach roads connecting the building to public streets, play ground, backyard, kitchen garden, motor garage, coach home, parking area, etc.
(a) True     (b) False

Correct answer: (a)

Justification of correct answer:
Land appurtenant to a building is generally a land that is an indivisible part of a building and is used for enjoyment of the building and is not put to any other use. Thus, land appurtenant to a building will cover approach roads connecting the building to public streets, play ground, backyard, kitchen garden, motor garage, coach home, parking area, etc.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q57. For the purpose of charging income under the head income from house property, the word owner will not cover a person who can exercise the rights of the owner but will cover only a registered owner.
(a) True     (b) False

Correct answer: (b)

Justification of correct answer:
For the purpose of charging income under the head “Income from house property”, the word owner will cover a person who can exercise the rights of the owner. A person purchasing a property who is entitled to enjoy the rights of owner will be treated as an owner for the purpose of this head, even if the registered document has not been executed in his favour.

source: www.trpscheme.com (As amended by Finance Act, 2013)
Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q58. In respect of a building constructed on leasehold land, the owner of the building will be treated as owner for the purpose of this head, even though he is not the owner of the land on which building is standing.

(a) True (b) False

Correct answer: (a)

Justification of correct answer:
In respect of a building constructed on leasehold land, the owner of the building will be treated as owner for the purpose of this head, even though he is not the owner of the land on which building is standing. The position will remain same even if the building is to be transferred to the lessor on completion of lease.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q59. If an individual transfers his or her house property to his/her spouse (not being a transfer in connection with an agreement to live apart) or to his/her minor child (not being married daughter) _____ adequate monetary consideration, then the transferor will be deemed as owner of the property.

(a) Without (b) With

Correct answer: (a)

Justification of correct answer:
If an individual transfers his or her house property to his/her spouse (not being a transfer in connection with an agreement to live apart) or to his/her minor child (not being married daughter) without adequate monetary consideration, then the transferor will be deemed as the owner of the property. Thus, option (a) gives correct provision.

Comment on incorrect answer: If an individual transfers his or her house property to his/her spouse (not being a transfer in connection with an agreement to live apart) or to his/her minor child (not being married daughter) without adequate monetary consideration, then the transferor will be deemed as owner of the property. Thus, option (b) giving incorrect provision is not correct.

Q60. Income from a property which is used by the owner for his business or profession is _____ charged to tax under this head.

(a) Also (b) Not

Correct answer: (b)

Justification of correct answer:
Income from a property which is used by the owner for his business or profession is not charged to tax under this head. Thus, option (b) gives correct provision.
Comment on incorrect answer: Income from a property which is used by the owner for his business or profession is not charged to tax under this head. Thus, option (a) gives an incorrect provision.

Q61. Income from property rented to the employees will not be charged to tax under the head “Income from house property”.

(a) True     (b) False

Correct answer: (a)

Justification of correct answer:

Income from property rented to the employees will not be charged to tax under the head “Income from house property”, thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q62. If tax incidence is attracted under section 22 in respect of a property situated in a foreign country, annual value will be computed as if the property is situated in

(a) India     (b) Foreign country

Correct answer: (a)

Justification of correct answer:

If tax incidence is attracted under section 22 in respect of a property situated in a foreign country, annual value will be computed as if the property is situated in India. Thus, option (a) gives correct provision.

Comment on incorrect answer: If tax incidence is attracted under section 22 in respect of a property situated in a foreign country, annual value will be computed as if the property is situated in India. Thus, option (b) gives an incorrect provision.

Q63. In respect of property held as stock-in-trade or in case of assessee engaged in the business of letting out of property, income will be taxed under the head

(a) Profits and gains of business or profession
(b) “Income from house property”.

Correct answer: (b)

Justification of correct answer:

In respect of property held as stock-in-trade or in case of assessee engaged in the business of letting out of property, income will be taxed under the head “Income from house property”. Thus, option (b) giving correct head of taxability is correct.

Comment on incorrect answer: In respect of property held as stock-in-trade or in case of an assessee engaged in the business of letting out of property, income will be taxed under the head “Income from house property”. Thus, option (a) giving incorrect head of taxability is not correct.
Q64. When composite rent includes rent of building and rent of other assets and letting out of building and letting out of other assets are non-separable (i.e., both the lettings are composite and not separable), then entire rent is taxed under the head “Income from house property”.

(a) True     (b) False

Correct answer : (b)

Justification of correct answer :

When composite rent includes rent of building and rent of other assets and letting out of building and letting out of other assets are non-separable (i.e., both the lettings are composite and not separable) (e.g., letting out of equipped theatre), then entire rent is taxed under the head “Profits and gains of business and profession” or “Income from other sources” (as the case may be), thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q65. Unrealised rent which has been claimed by the assessee as deduction while computing annual rent and which is subsequently realised back is ________ to tax at the time of realisation.

(a) Charged      (b) Not charged

Correct answer : (a)

Justification of correct answer :

Unrealised rent which has been claimed by the assessee as deduction while computing annual rent and which is subsequently realised back is charged to tax at the time of realisation. The manner of taxing the unrealized rent subsequently realised is given in section 25A and 25AA. Thus, option (a) gives correct provision.

Comment on incorrect answer : Unrealised rent which has been claimed by the assessee as deduction while computing annual rent and which is subsequently realised back is charged to tax at the time of realisation. Thus, options (b) giving incorrect provision is not correct.

source : www.trpscheme.com

(As amended by Finance Act, 2013)