

**TEST 6****(House Property + Old System)****Time : 30 minutes Total Marks : 20**

**Question 1 :** Mrs. Y aged 62 years is engaged in a business in her own building and furnishes the following information.

Market rent of the building is ₹1,00,000 p.m. and expenses incurred on repairs are ₹37,000 and interest on loan taken for construction of the building is ₹65,000 and depreciation ₹30,000 and municipal tax paid ₹30,000 and land revenue paid ₹10,000 and premium paid for insurance of the house ₹7,000. ground rent paid ₹8,000.

Income from business before debiting any expense of house property is ₹16,00,000. Compute her income tax liability for Assessment Year 2024-25.

**5 Marks**

**Question 2 :** Mrs. Y, a resident and ordinarily resident individual, owns a house in U.S.A. She receives rent @ \$ 2,000 per month. She paid municipal taxes of \$ 1,500 during financial year 2023-24.

She also owns a two storied house in Mumbai, ground floor is used for her residence and first floor is let out at a monthly rent of ₹10,000.

Municipal taxes paid for the house amounts to ₹7,500. Mrs. Y had constructed the house by taking a loan from a nationalized bank on 20.06.2020. She repaid the loan of ₹54,000 including interest of ₹24,000 in the current year.

The value of one dollar is to be taken as ₹45. Compute total income from house property and also tax liability of Mrs. Y for assessment year 2024-25.

**5 Marks**

**Question 3 :** Mrs. Y, a citizen of the U.S.A., is a resident and ordinarily resident in India during the financial year 2023-24. She owns a house property at Los Angeles, U.S.A., which is used as her residence. The annual value of the house is \$20,000. The value of one USD (\$) may be taken as ₹ 65.

She took ownership and possession of a flat in Chennai on 1.7.2023, which is used for self-occupation, while she is in India. The flat was used by her for 7 months only during the year ended 31.3.2024. The municipal valuation is ₹32,000 p.m. and the fair rent is ₹4,20,000 p.a.

She paid the following to Corporation of Chennai: Property Tax ₹16,200 Sewerage Tax ₹1,800

She had taken a loan from Standard Chartered Bank in June, 2020 for purchasing this flat. Interest on loan was as under:

Period prior to 1.4.2023	₹49,200
1.4.2023 to 30.6.2023	₹50,800
1.7.2023 to 31.3.2024	₹1,31,300

Certificate confirming the amount of Interest has been deposited.

She had a house property in Bangalore, which was sold in March, 2018. In respect of this house, she received arrears of rent of ₹60,000 in March, 2024. This amount has not been charged to tax earlier.

Compute the income chargeable from house property of Mrs. Y for the assessment year 2024-25.

**10 Marks**

## TEST 6 SOLUTION (HOUSE PROPERTY)

**Solution 1:**

	₹
Income from business before debiting any expense of house property	16,00,000.00
Less: Repair of Building	(37,000.00)
Less: Interest on loan taken for construction of building	(65,000.00)
Less: Depreciation	(30,000.00)
Less: Municipal Taxes	(30,000.00)
Less: Land revenue	(10,000.00)
Less: Insurance premium of the house	(7,000.00)
Less: Ground rent	(8,000.00)
Income under the head Business/Profession	14,13,000.00
Gross Total Income	14,13,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	14,13,000.00
<b>Computation of Tax Liability</b>	
Tax on ₹14,13,000 at slab rate	2,33,900.00
Add: HEC @ 4%	9,356.00
Tax Liability	2,43,256.00
Rounded off u/s 288B	2,43,260.00

**Solution 2 :**

	₹
<b>Computation of Income from House Property of Mrs. Y for the Assessment Year 2024-25</b>	
GAV of the house in USA	
(\$2000 p.m. x ₹45 per USD x 12 months)	10,80,000.00
Less: Municipal taxes paid (\$1500 x ₹45 per USD)	(67,500.00)
Net Annual Value	10,12,500.00
Less: Statutory deduction under section 24(a) @ 30% of NAV	(3,03,750.00)
Income from House property	7,08,750.00
<u>GAV of house at Mumbai (let out portion)- Ist Floor</u>	
Gross Annual Value (10,000 x 12)	1,20,000.00
Less: Municipal taxes paid (1/2 of ₹7,500)	(3,750.00)
Net Annual Value (NAV)	1,16,250.00
Less: Statutory deduction under section 24(a) @ 30% of NAV	(34,875)
Less: Interest on Housing loan (1/2 of ₹24,000) 24(b)	(12,000)
Income from House property	69,375.00
<u>GAV of house at Mumbai (self occupied portion) – Ground Floor</u>	Nil
Less: Municipal taxes	Nil
Net Annual Value	Nil
Less: Statutory deduction under section 24(a) @ 30% of NAV	Nil
Less: Interest on Housing Loan (1/2 of ₹24,000) 24(b)	(12,000.00)
Loss from House property	(12,000.00)
Income from House property	7,66,125.00
Gross Total Income	7,66,125.00
Less: Deduction u/s 80C (Repayment of housing loan)	(30,000.00)
Total Income (rounded off u/s 288A)	7,36,130.00
<b>Computation of Tax Liability</b>	
Tax on ₹7,36,130 at slab rate	59,726.00
Add: HEC @ 4%	2,389.04
Tax Liability	62,115.04

**Solution 3:**

Since the assessee is a resident and ordinarily resident in India, her global income would form part of her total income i.e., income earned in India as well as outside India will form part of her total income. She possesses a self-occupied house at Los Angeles as well as at Chennai. She can take the benefit of "Nil" Annual Value in respect of both the house properties. As regards the Bangalore house, arrears of rent will be chargeable to tax as income from house property in the year of receipt under section 25A.

It is not essential that the assessee should continue to be the owner. 30% of the arrears of rent shall be allowed as deduction. Accordingly, the income from house property of Mrs. Y will be calculated as under:

**Self - occupied house at Los Angeles**

Gross Annual Value	Nil
Less: Municipal taxes	<u>Nil</u>
Net Annual Value	Nil
Less: Statutory deduction under section 24(a) @ 30% of NAV	Nil
Less: Interest on Housing Loan u/s 24(b)	Nil
Loss from House property	Nil

**Self - occupied property at Chennai**

Gross Annual Value	Nil
Less: Municipal taxes	<u>Nil</u>
Net Annual Value	Nil
Less: Statutory deduction under section 24(a) @ 30% of NAV	Nil
Less: Interest on Housing Loan u/s 24(b) (Note)	(1,91,940)
Loss from House property	(1,91,940)

**Arrears in respect of Bangalore Property (Section 25A)**

Arrears of rent received	60,000.00
Less: Deduction under section 25A @ 30%	<u>(18,000.00)</u>
Income from House property	42,000.00

**Loss under the head House property (1,91,940 - 42,000) 1,49,940.00**

**Note: Calculation of Interest**

Interest for the current year (50,800+1,31,300)	1,82,100.00
Add: 1/5 <sup>th</sup> of Prior period interest (49,200 x 1/5)	9,840.00
Interest deduction allowed u/s 24 (b)	1,91,940.00