MODULE - II

INCOME FROM HOUSE PROPERTY

Income from House Property in India:-

The income arising out of a house property either in the form of a rental income or on its transfer is referred to as 'income from house property'. In essence, any property such as house, building, office, warehouse is treated as 'house property' under the Income Tax Act. The 'Income from House Property' is one of the five heads of income that is taken into account for calculating the gross total income (GTI) of an assesses during the year. However, there are several deductions allowed before the income from house property may be taxed.

- **Income from house property meaning**

For the income to be taxed under Income from House Property, the following three conditions need to

- **Income from house property self-occupied and let-out :-**

  The property can be either self-occupied, let-out or an inherited property. For both the self-occupied property and let-out house property, the income chargeable to tax under the head 'Income from House Property' is to be calculated in a specific manner as per the income tax rules.

- Self-occupied house property is the one that the assessee uses for one’s own residential purpose which may also be occupied by his or her family members.
- For income tax purposes, a vacant house is also considered a self-occupied house. However, there can be exceptions. Sometimes, the assessee is not able to occupy the property owing to employment concern and no other benefit is derived from it either.
- If one has more than two houses, both of them can be considered as self-occupied while any house other than that is treated as let-out.

Calculation of income from self-occupied house property :-

- *When considering self-occupied property, note that the income chargeable to tax under 'Income from house property' is calculated as given below:*
- The Gross Annual Value of such property as mentioned above (self-occupied) is considered as Nil, from which Municipal taxes paid during the year are deducted to arrive at Net Annual Value (NAV) of the house property.

- From the above mentioned NAV, one is allowed two more deductions under Section 24 – A Standard Deduction of 30 per cent of NAV is allowed under Section 24 (a) while the deduction for interest paid on borrowed capital (home loan) is allowed under Section 24 (b).
- After allowing for Section 24 deductions, the resultant income is chargeable to tax.
- However, as the Gross Annual Value of a self-occupied property is Nil, one will always arrive at either a Nil figure or a negative figure i.e. loss(in case there is a home loan), which can be adjusted against other heads of income.

How to calculate income from let-out house property :-

- Any house property of the assessee which is given on rent to a tenant even for a few months is to be considered as a let out house property and income tax from house property is calculated accordingly.

Here are the steps to calculate income from a let-out house property:

- **Step 1:** Calculate the annual rental amount received
- **Step 2:** Deduct Municipal Taxes paid during the year to arrive at Net Annual Value (NAV)
- **Step 3:** From NAV deduct Standard Deduction @ 30 per cent of Net Annual Value and interest on housing loan, if any to get the final value of Income from Let-out House Property.

With these easy-to-do steps, it is possible to calculate your rent from both self-occupied house property as well as let-out house property.

THE END