

I am doctor Mario Fatima. This is associate Professor of Commerce, Government College of Commerce and Economics. I welcome you all to my income tax class. The unit title is computation of income from house property, module name, determination of net annual value and deductions under Section 23 and 24.

Model number 2.

Module outline first.

Study what are the deductions for local taxes paid?

Then, computation of net annual value deductions under Section 24 and fair format for computation of income from house property learning outcomes.

On learning this module, the students will be able to explain the treatment of local taxes paid on House property.

Illustrate the meaning of net annual value. Calculate deductions under section 24 and describe the procedure for computing income from house property.

Deductions for multiple taxes now. Section 23. Subsection one provides that any taxes levied by the local authority on the House property shall be allowed as deduction from gross annual value provided. Local taxes shall be actually borne by the

owner of the House property.

Local taxes shall be allowed when actually paid

during the previous year and not on a due basis. Does net annual

value is the amount remaining after deducting local taxes from

the gross annual value.

Now, with the determination of Net annual value.

In this case, what we do is first, as we computed in module

one, we take the gross annual value. Then we make less. The

municipal taxes actually paid. When we say multiple taxes

actually paid, the taxes have to be paid by the owner. That

should be no agreement with between the owner and the tenant

that the tenant shall pay the taxes. If tenant pays the taxes,

this will not be allowed as a

deduction from. Gross annual

value. Second thing we have to remember the municipal taxes if

they are due and if they are not paid. Also we cannot allow it as

it did action.

So from gross annual value we make less municipal taxes

actually paid. We get. Net Annual value.

Let us move to the next subtopic and which is very, very

important subtopic. It is deductions under section 24. Let

out house property.

So in the case of let out house property, when you compute the net well in net annual value, you get deduction for standard deduction, which is a notional basis. You get it at the rate of 30% of the net annual value. So arrived seconded action is for interest on housing loan on do bases maximum no limit. Suppose if you have a house property if you have given it on let out basis that is.

You have given it on rent, then any amount of interest that you pay on your housing loan is allowed as a deduction from the net annual value, then the next third one is pre construction interest. This is claimed in five equal installments from the date of completing the house from the date of purchasing the house. This can be claimed in five equal installment that is $\frac{1}{5}$ of the.

Interest which was pre construction period. Next is deemed to be let out property. It is just treated as if it has been let out when it maybe not actually let out property.

Next, deductions under section 24. Four self occupied house property. Now here, no standard

deduction will be allowed for self occupied house

property because. The Annual value is nil.

So there will be no deduction where on notional basis, but

interest on housing loan on do

basis. Now this interest on loan is very, very important, because

even if you have not paid it, even if it is do, you can claim

the deduction now that there are two periods here. Suppose if the

loan was taken prior to one for 1999, then maximum deduction is

only rupees 30,000.

And in the case of loan bordered on or after 1, four 1999 maximum

The deduction for interest is rupees two legs. But it should be the

purpose of the loan. Is housing purpose now from 9 nineteen 2021

assessment here the SSC can claim for two self occupied

house properties. But Maximum we may maximum

limit remains unchanged.

Pre construction interest interest on loan board during

the construction period of the House property or prior to

acquisition of the property shall be allowed as deduction in

five equal installments even for the Self occupied House property

commencing from the previous year, then the construction is

completed or acquired.

Now let's just discuss the proforma for computation of income from let out Houseproperty. So we write first the name of the SSC. Then we write the assessment. Here. It is very, very very important to know the assessment here and your previous here.

's previous here is the year where we are earning the income and assessment year is the year where we're making it taxable. So the previous year always precedes the SS mid year or assessment here succeeds the previous year the legal status is very important as defined by the Income Tax Act 1961 and residential status of the SSC.

Now the first column is for particulars an amount. So as we have arrived in Module 1, gross annual value. So we take the gross annual value and from gross annual value we make less municipal taxes actually paid or born by the owner.

So once we make it less, what we get is net annual value from.

Net annual value. We did act under we claim deductions under Section 24. First, we have standard deduction which is 30% of the net annual value. Remember, this is an notional

basis. Every SSE can claim this. It does not depend depend on actual expenditure you made on the House property. Then second

is interested in a housing loan.

It is pre construction interest if it is applicable,

why? If it is applicable because it can be claimed

only in five equal installments and the result

after adding. If you deduct from the net annual value you

will get your net taxable income from House property.

Let us see the proforma for computation of income from

Self occupied House property.

Here the name of the SSC.

You have to write the person who is the owner assessment here

previous year. Legal status, residential status, and then we

compute the income from SelfOccupied House property. As I've

said, net annual value is always nil of the self occupied house

property less interest on borrowed capital depending on

the date of construction and depending on the date of the

loan, it is either rupees 30,000 or rupees two lakhs as I have

explained earlier, you make it less of. Net annual value.

You'll get income from self occupied House property, which

is always a loss. That is why many salaried employees. They

can take the loan for housing so that they can claim the

deduction because this loss from self occupied house property can

be set off against other income for the previous year.

These are the references I have made. I suggest that you further

read these books so that you

can. And reach your knowledge.

Thank you very much.