

## TEST 5: HOUSE PROPERTY

### **Illustration 1**

Mrs. X (age 22 years) has occupied two houses for her residential purposes, particulars of which are as follows:

	House I Rs.	House II Rs.
Municipal valuation (MV)	8,00,000	11,00,000
Fair rent (FR)	9,00,000	10,00,000
Standard rent under the Rent Control Act (SR)	6,00,000	10,50,000
Municipal taxes paid	75,000	73,000
Interest on borrowed capital (amount borrowed during December 2015, construction completed within 2 years)	6,00,000	80,000
Repairs	Nil	600

Business income of Mrs. X is Rs.25,60,000. Besides Mrs. X is employed by a private limited company on annual salary of Rs.5,60,000. She contributes Rs.1,20,000 towards public provident fund during the previous year 2021 - 2022. Determine the taxable income and tax liability of Mrs. X for the assessment year 2022 - 2023.

### **Illustration 2**

X (age 64 years), a salaried employee (drawing Rs.8,38,983 as annual salary) has occupied three houses for his residential purposes, particulars of which are as follows:

	I Rs.	II Rs.	III Rs.
Standard rent under the Poona Rent Control Act (SR)	63,000	11,85,000	73,000
Municipal valuation (MV)	70,000	11,90,000	69,000
Fair rent (FR)	53,000	11,78,000	71,000
Municipal taxes paid	4,000	42,000	6,000
Repairs	Nil	Nil	Nil
Ground rent due but outstanding	600		800
Insurance premium due but outstanding	900	2,000	1,200

X borrows from a relative Rs.40,00,000 @ 9 per cent per annum for construction of House II (date of borrowing June 1, 2018 date of repayment of loan May 31, 2021).

Construction of all the houses is completed in August 2021. Determine the taxable income and tax liability of X for the assessment year 2022 - 2023 on the assumption that X contributes Rs.46,000 towards statutory provident fund and Rs.8,000 towards National Relief Bonds.

**Illustration 3**

Mrs. X (age 51 years) submits the following particulars of her income relevant for the previous year ending March 31, 2022:

Business income:

- Profit of business A                      Rs.2,40,000
- Loss of business B                         Rs.3,000
- Loss of business C                         Rs.7,500

A residential house property: Municipal valuation Rs.8,00,000, fair rent Rs. 8,10,000, standard rent under the Delhi Rent Control Act Rs.9,00,000, municipal taxes paid Rs.78,000, repairs Rs.47,000, interest on capital borrowed for purpose of construction of house property (amount borrowed Rs.8,00,000, rate of interest 11 per cent, date of borrowing June 30, 1998, date of repayment of loan June 20, 2021, date of completion of construction June 30, 2011), and annual charge not created by Mrs. X Rs.4,000. Besides, on May 24, 2018, Mrs. X borrows Rs.75,000 @ 10.5 per cent per annum for the purpose of reconstruction of house property. The house is self-occupied from April 1, 2021 to March 15, 2022, from March 16, 2022 it is let out on monthly rent of Rs.11,000. During the previous year, Mrs. X is employed by a company on monthly salary of Rs.70,000. Determine the taxable income and tax liability of Mrs. X for the assessment year 2022 - 2023. She contributes Rs.80,000 towards Indira Vikas Patra.

**Illustration 4**

X (age 28 years) is owner of a house property in Chennai which is let out for Rs.9,82,000 (which includes Rs.76,000 for maintenance of lift and garden). Municipal valuation Rs.9,00,000, fair rent Rs.9,05,000, standard rent Rs.9,03,000, rent of  $\frac{1}{2}$  month could not be collected ( $\frac{1}{24}$  of Rs.9,82,000) Rs.40,917. The local taxes, payable by the owner, amounts to Rs.59,200 but the tenant has undertaken to pay it. The tenant has also undertaken to bear cost of repairs. However, X bears the following expenditure during the previous year 2021 - 2022.

Annual charges Rs.6,000, insurance of house Rs.10,000, ground rent Rs.7,500, life maintenance (including depreciation) Rs.58,000, salary of gardener Rs.24,000, interest on borrowed capital Rs.1,350.

Assuming that business income is Rs.18,00,000, determine the income (and tax thereon) for the assessment year 2022 - 2023. The construction of the house was completed on March 31, 2013. During the previous year 2011 - 2012, X had claimed and allowed a deduction of unrealized rent of Rs.80,000. On March 10, 2022, X recovers Rs.60,000 from the defaulting tenant (legal expenditure on recovery of rent Rs.43,000). X contributes Rs.81,000 towards National Savings Certificates, VIII issue on April 1, 2021.