

Income from house property

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Tax Matters/ S.P. Babuta
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Two queries relating to income from house property have been received:

1. I constructed a house at Khanna by taking loan from my bank in 1994 and have been availing rebates in repayment of loan and interests till last year. Plot is in my name. My old parents are residing in that house. Annual intt. is approx Rs. 50000/- and repayment is of Rs. 5500/- P.M. which is being deducted from my salary account. Now in 2003, I purchased a plot in Ludhiana, in the joint name with my spouse, who is a housewife. But she files income tax return for Rs. 60000/- approx, showing a little income from boutique etc. Having no independent means, she does neither repay the loan nor intends to avail rebate against intt on house loan. We availed a house loan in the joint name, my name being first, for Rs. 500000/- from a private bank. Annual intt would be 35000/- and loan installment of Rs. 4500/- which I pay from my Saving account through prepaid cheques. House is complete now and is self occupied since July 2004. My salary is approx 250000/- P.A.

Please clarify :

1. Rebate against repayment of both house.
2. How to avail Intt. Rebate against both housing loans
3. How to calculate income tax for 2004-2005.

Where the person occupies more than one house for his own residential purposes, only one house is treated as self-occupied and all other houses will be “deemed to be let out”. (for this he may make his own choice. The option of which could be exercised in such a way that the net income is reduced to the minimum possible level moreover, the option may be changed every year.)

In the case of such properties as are “deemed to be let out” the taxable income will be calculated as follows :

Computation of income from a let out house property

	Rs.
Gross annual value	xxxxxx
Less: Municipal taxes (actually paid)	xxxx
Net annual value (NAV)	xxxxxx
Less : Deduction under section 24	
- Standard deduction (@ 30% of NAV)	xxxx
- Interest on borrowed capital	xxxxxx

Income from house property	xxxxxx

Computation of income in the case of other property treated as self occupied, shall be determined as follows :-

Gross Annual value	Nil
Less : Municipal tax(actually paid)	Nil
Net annual value	Nil
Less: Deduction under section 24	
Standard deduction(@ 30% of NAV)	Nil
Interest on borrowed capital	
if capital is borrowed on or after April 1,1999	
for construction/acquisition of property then deduction max. upto	
Rs.1,50,000/-	
Income from self occupied property	XXXXXXXXXX

Availing intt. on borrowed capital against both housing loans

If House at Khanna treated as deemed to be let out:

Then Rs.50,000/- paid towards interest on borrowed capital is fully allowed to be deducted,from NAV.

Since Ludhiana house is self occupied therefore:

Rs.35,000/- paid towards interest on borrowed capital is allowed to be deducted

Rebate u/s 88 against repayment of loan of both house:

Since the gross total income exceeds Rs.1,50,000/- but does not exceed Rs.5,00,000/-; tax rebate is available @15% of the net qualifying amount.

NQA=20,000/- and rebate =Rs.3000/-

Computation of income tax:

For calculation of Income tax , expected Rental Value of the house at Khanna, salary bifurcation and other saving details are required.

2. My wife and I jointly bought a house and availed of housing loan five years back. I claimed rebate U/s 88 and also for the interest paid. I have paid back the 60% of the loan , and now find its not lucrative to claim interest benefit. Instead, can I claim HRA benefits by transferring it to my wife? Can I swap it now?

In the records of the department , apparently the cost of the house was met by you and you also held out to the department that the property was owned by you over these years by claiming rebate u/s 88 and deduction of interest u/s 24.

Now in case the transfer of the property to your wife is made for no consideration, then the rent that you will pay to her will suffer clubbing in your hands in view of the provisions of section 64 of the Act.

In my opinion the course of action sought to be adopted by you is not likely to result in tax benefit.