

### What is considered as salary income?

[section 17](#) of the Income-tax Act defines the term 'salary'. However, not going into the technical definition, generally whatever is received by an employee from an employer in cash, kind or as a facility [perquisite] is considered as salary.

### What are allowances?

Allowances are fixed periodic amounts, apart from salary, which are paid by an employer for the purpose of meeting some particular requirements of the employee. E.g., Tiffin allowance, transport allowance, uniform allowance, etc.

There are generally three types of allowances for the purpose of Income-tax Act - taxable allowances, fully exempted allowances and partially exempted allowances.

Perquisites are benefits received by a person as a result of his/her official position and are over and above the salary or wages. These perquisites can be taxable or non-taxable depending upon their nature. . Uniform allowance is exempt to the extent of expenditure incurred for official purposes [u/s 10 \(14\)](#).

### My employer reimburses to me all my expenses on grocery and children's education. Would these be considered as my income?

Yes, these are in the nature of perquisites and should be valued as per the rules prescribed in this behalf.

During the year I had worked with three different employers and none of them deducted any tax from salary paid to me. If all these amounts are clubbed together, my income will exceed the basic exemption limit. Do I have to pay taxes on my own?

Yes, you will have to pay self-assessment tax and file the return of income.

### Even if no taxes have been deducted from salary, is there any need for my employer to issue Form-16 to me?

[Form-16](#) is a certificate of TDS. In your case it will not apply. However, your employer can issue a salary statement.

### Is pension income taxed as salary income?

Yes. However, pension received from the United Nations Organisation is exempt.

### Is Family pension taxed as salary income?

No, it is taxable as income from other sources.

### If I receive my pension through a bank who will issue Form-16 or pension statement to me- the bank or my former employer?

The bank.

### Are retirement benefits like PF and Gratuity taxable?

In the hands of a Government employee Gratuity and PF receipts on retirement are exempt from tax. In the hands of non-Government employee, gratuity is exempt subject to the limits prescribed in this regard and PF receipts are exempt from tax, if the same are received from a recognised PF after rendering continuous service of not less than 5 years.

### Are arrears of salary taxable?

Yes. However, the benefit of spread over of income to the years to which it relates to can be availed for lower incidence of tax. This is called as relief u/s 89 of the Income-tax Act.

[Can my employer consider relief u/s 89 for the purposes of calculating the TDS from salary?](#)

Yes, if you are a Government employee or an employee of a PSU or company or co-operative society or local authority or university or institution or association or body. In such a case you need to furnish [Form No. 10E](#) to your employer.

[My income from let out house property is negative. Can I ask my employer to consider this loss against my salary income while computing the TDS on my salary?](#)

Yes but only to the extent of Rs. 2 lakh, however, losses other than losses under the head 'Income from house property' cannot be set-off while determining the TDS from salary.

[Is leave encashment taxable as salary?](#)

It is taxable if received while in service. Leave encashment received at the time of retirement is exempt in the hands of the Government employee. In the hands of non-Government employee leave encashment will be exempt subject to the limit prescribed in this behalf under the Income-tax Law.

[Are receipts from life insurance policies on maturity along with bonus taxable?](#)

As per [section 10\(10D\)](#), any amount received under a life insurance policy, including bonus is exempt from tax. However, following receipts would be subject to tax:

1. Any sum received under sub-section (3) of [section 80DD](#); or
2. Any sum received under Keyman insurance policy; or
3. Any sum received in respect of policies issued on or after April 1<sup>st</sup>, 2003, in respect of which the amount of premium paid on such policy in any financial year exceeds 20% (10% in respect of policy taken on or after 1<sup>st</sup> April, 2012) of the actual capital sum assured; or
4. Any sum received for insurance on life of \*specified person (issued on or after April 1<sup>st</sup> 2013) in respect of which the amount of premium exceeds 15% of the actual capital sum assured.

\* Any person who is –

- i) A person with disability or severe disability specified under [section 80U](#); or
- ii) suffering from disease or ailment as specified in the rule made under [section 80DDB](#).

Following points should be noted in this regard:

- Exemption is available only in respect of amount received from life insurance policy.
- Exemption under [section 10\(10D\)](#) is unconditionally available in respect of sum received for a policy which is issued on or before March 31, 2003.
- Amount received on the death of the person will continue to be exempt without any condition.

[What is the taxability of ex-gratia received from employer?](#)

If a person or his heir receives *ex-gratia* from Central govt/state govt/ local authority/Public Sector Undertaking due to injury to the person/death **while on duty** such ex-gratia payment will not be taxable.

[Where is House Rent allowance \(HRA\) to be reflected while filing income-tax return \(ITR\)?](#)

The amount of HRA is required to be disclosed in the ITR under the column allowances to the extent exempt under [section 10](#). [section 10\(3A\)](#) is the relevant section under which the amount of exempt HRA to be shown.

### What is the taxability of House Rent allowance (HRA)?

Least/minimum of the following is exempt (Not taxable/deducted from total HRA received)

- (a) Actual amount of HRA received
- (b) Rent paid Less 10% of salary
- (c) 50% of salary if house taken on rent is situated in Kolkata, Chennai, Mumbai and Delhi

or

40 % of salary if the house is taken on rent is NOT situated in Kolkata, Chennai, Mumbai and Delhi.

[Click here](#) to calculate taxability of House Rent Allowance

### What is the taxability of Fixed Medical allowance?

Medical allowance is a fixed allowance paid to the employees of a company on a monthly basis, irrespective of whether they submit the bills to substantiate the expenditure or not. It is fully taxable in the hands of employee.

### What is the taxability of Conveyance allowance?

As per [section 10\(14\)](#) read with [Rule 2BB](#) Conveyance allowance is exempt to the extent of amount received or amount spent, whichever is less. For e.g., If amount received is Rs. 100 and amount spent is Rs. 80, then only Rs. 20 is taxable. However, if amount actually spent is Rs. 100; then nothing is taxable.

### Is standard deduction applicable to all the salaried person whether he is an employee of Central or State Government?

W.e.f. Assessment year 2019-20, the standard deduction is allowed while computing income chargeable under the head salaries. It is available to all class of employees irrespective of the nature of employer. Standard Deduction is also available to pensioners. Amount of Standard Deduction is Rs. 40,000 or amount of salary/pension, whichever is lower.

However, the Finance Act, 2019 has increased the maximum amount of standard deduction from Rs. 40,000 to Rs. 50,000.

**Note:** The standard deduction under [section 16\(ia\)](#) is available only for Pension Chargeable under the head "Income under the head Salaries" and not for Pension chargeable under "Income from Other Sources".

### Is transport allowance can be claimed as exemption by an employee from A.Y 2020-21 onwards?

Exemption of transport allowance of Rs. 1600 p.m granted to an employee is discontinued from A.Y 2019-20.

However, exemption of transport allowance of Rs. 3200 p.m granted to an employee who is blind or deaf and dumb or orthopaedically handicapped is still available.

### Is standard deduction applicable to family pensioners?

[Section 16\(ia\)](#) has been introduced by Finance Act, 2018 for class of person whose income is chargeable to tax under head salary. Family Pension is taxable under the head income from other sources. Hence standard deduction is not applicable in case of Family Pension.

Mr. X having Gross Salary of Rs. 7,00,000 during the the previous year 2020-21. Compute the standard deduction allowable to him?

Standard deduction is allowable to the extent of :

- a) Rs. 50,000 or
- b) Amount of Salary, whichever is lower

In this case standard deduction of Rs. 50,000 is allowable to Mr.X.

#### What is Form 12BB?

As per [RULE LINK - Rule 26C](#) of the Income Tax Rules - [Form No. 12BB](#) is required to be furnished by an employee to his employer for estimating his income or computing the tax deduction at source.

An assessee shall furnish evidence or particulars of the claims, such as House Rent Allowance, Leave Travel concession, Deduction of Interest under the head " Income from house property" and deductions under Chapter-VIA in [Form No. 12BB](#) for estimating his income or computing the tax deduction at source.

#### When relief under section 89 of the Income Tax Act is available?

Relief under [section 89](#) is available to an individual if he has received

- Salary or family pension in arrears or in advance [[Rule 21A \(2\)](#)]
- Gratuity in excess of exemption under [section 10\(10\)\(ii\)/\(iii\)](#) [[Rule 21A\(3\)](#)]
- Compensation on termination of employment [[Rule 21A\(4\)](#)]
- Commuted pension in excess of exemption under [section 10\(10A\)\(i\)](#) [[Rule 21A\(5\)](#)]

In case of payment received other than above CBDT can allow relief under section 89 after examining each individual case. [[Rule 21A \(6\)](#)]

#### What is the effective date of enhancement of limit of gratuity from Rs 10 lakh to 20 lakh for purpose of tax exemption computation under section 10(10)(ii)?

The exemption limit under [section 10\(10\)\(ii\)](#) for the employees, who are covered under Payment of Gratuity Act, 1972, has been enhanced from Rs. 10,00,000 to Rs. 20,00,000 vide notification S.O.1420 (E) dated 29 March 2018 notified by Ministry of Labour and Employment. The exemption limit under [section 10\(10\)\(iii\)](#) for the employees, who are not covered under the Payment of Gratuity Act, 1972, is Rs. 20,00,000 as enhanced by Notification No. SO 1213(E), dated 08-03-2019.

### FAQs on Income from house property

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#### Is rental income from sub-letting chargeable to tax under the head "Income from house property"?

Rental income in the hands of owner is charged to tax under the head "Income from house property". Rental income of a person other than the owner cannot be charged to tax under the head "Income from house property". Hence, rental income received by a tenant from sub-letting cannot be charged to tax under the head "Income from house property". Such income is taxable under the head "Income from other sources" or profits and gains from business or profession, as the case may be.

#### Whether rental income could be charged to tax in the hands of a person who is not a registered owner of the property?

Rental income from property is charged to tax under the head "Income from house property in the hands of the owner of the property". If a person receiving the rent is not the owner of the property, then rental income is not charged to tax under the head "Income from house property" (*E.g.* Rent received by tenant from sub-letting). In the following cases a person may not be the registered owner of the property, but he will be treated as the owner (*i.e.*, deemed owner) of the property and rental income from property will be charged to tax in his hands:

(1) If an individual transfers his or her house property to his/her spouse (not being a transfer in connection with an agreement to live apart) or to his/her minor child (not being married daughter) without adequate consideration, then the transferor will be deemed as owner of the property.

(2) Holder of impartible estate is deemed as the owner of the property comprised in the estate

(3) A member of co-operative society, company or other association of persons to whom a building (or part of it) is allotted or leased under house building scheme of the society, company or association, as the case may be, is treated as deemed owner of the property.

(4) A person acquiring property by satisfying the conditions of section 53A of the Transfer of Property Act, will be treated as deemed owner (although he may not be the registered owner). Section 53A of said Act prescribes following conditions:

- (a) There must be an agreement in writing.
- (b) The purchase consideration is paid or the purchaser is willing to pay it.
- (c) Purchaser has taken the possession of the property in pursuance of the agreement.

(5) In case of lease of a property for a period exceeding 12 years (whether originally fixed or provision for extension exists), lessee is deemed to be the owner of the property. However, any right by way of lease from month-to-month or for a period not exceeding one year is not covered by this provision.

#### [Under which head is the rental income from a shop charged to tax?](#)

To tax the rental income under the head "Income from house property", the rented property should be building or land appurtenant thereto. Shop being a building, rental income will be charged to tax under the head "Income from house property".

#### [What is the tax treatment of composite rent when the composite rent pertains to letting of building along with other assets?](#)

Composite rent includes rent of building and rent towards other assets or facilities. The tax treatment of composite rent is as follows:-

(a) In a case where letting out of building and letting out of other assets are inseparable (i.e., both the lettings are composite and not separable, e.g., letting of equipped theatre), entire rent (i.e. composite rent) will be charged to tax under the head "Profits and gains of business and profession" or "Income from other sources", as the case may be. Nothing is charged to tax under the head "Income from house property".

(b) In a case where, letting out of building and letting out of other assets are separable (i.e., both the lettings are separable, e.g., letting out of refrigerator along with residential bungalow), rent of building will be charged to tax under the head "Income from house property" and rent of other assets will be charged to tax under the head "Profits and gains of business and profession" or "Income from other sources", as the case may be. This rule is applicable, even if the owner receives composite rent for both the lettings. In other words, in such a case, the composite rent is to be allocated for letting out of building and for letting of other assets.

#### [What is the tax treatment of composite rent when the composite rent pertains to letting out of building along with charges for provision of services?](#)

In such a case, composite rent includes rent of building and charges for different services (like lift, watchman, water supply, etc.): In this situation, the composite rent is to be bifurcated and the sum attributable to the use of property will be charged to tax under the head "Income from house property" and charges for various services will be charged to tax under the head "Profits and gains of business and profession" or "Income from other sources" (as the case may be).

#### [How to compute income from a property which is let out throughout the year?](#)

Income chargeable to tax under the head "Income from house property" in the case of a let-out property is computed in the following manner:

<b>Particulars</b>	<b>Amount</b>
Gross annual value	XXXX
Less:- Municipal taxes paid during the year	<u>XXXX</u>
<b>Net Annual Value (NAV)</b>	XXXX
Less:- Deduction under <a href="#">section 24</a>	
➤ Deduction under <a href="#">section 24(a)</a> at 30% of NAV	(XXXX)
➤ Deduction under <a href="#">section 24(b)</a> on account of interest on borrowed capital	( <u>XXXX</u> )
<b>Income from house property</b>	XXXX

#### How to compute gross annual value of a property which is let-out throughout the year?

Gross annual value of a property which is let-out throughout the year is determined in the following manner :

**Step 1:** Compute reasonable expected rent of the property (for details refer to FAQ on computation of reasonable expected rent).

**Step 2:** Compute actual rent of the property (for details refer to FAQ on computation of actual rent).

**Step 3:** Compute gross annual value (Gross annual value will be higher of amount computed at step 1 or step 2).

#### How to compute reasonable expected rent while computing gross annual value of a property which is let-out throughout the year. ?

Reasonable expected rent will be higher of the following:

- Municipal value of the property (Note 1); or
- Fair rent of the property (Note 2).

If a property is covered under Rent Control Act, then the reasonable expected rent cannot exceed standard rent (Note 3).

#### **Note 1:** Meaning of Municipal Value

For collection of municipal taxes, local authorities make periodic survey of all buildings in their jurisdiction. Such value determined by the municipal authorities in respect of a property, is called as municipal value of the property.

#### **Note 2:** Meaning of Fair Rent

It is the reasonable expected rent which the property can fetch. It can be determined on the basis of rent fetched by a similar property in the same or similar locality.

**Note 3: Meaning of Standard Rent**

It is the maximum rent which a person can legally recover from his tenant under the Rent Control Act. Standard rent is applicable only in case of properties covered under Rent Control Act.

[How to compute actual rent while computing gross annual value of a property which is let-out throughout the year?](#)

Actual rent means the rent for which the property is let out during the year. While computing actual rent, rent pertaining to vacancy period is not to be deducted. However, unrealised rent (\*) is to be deducted from actual rent if conditions specified in this regard are satisfied.

(\*) Unrealised rent is the rent of the property which the owner of the property could not recover from the tenant, *i.e.*, rent not paid by the tenant. If following conditions are satisfied, then unrealised rent is to be deducted from actual rent of the year:

- The tenancy is *bona fide*.
- The defaulting tenant has vacated the property, or steps have been taken to compel him to vacate the property.
- The defaulting tenant is not in occupation of any other property of the taxpayer.
- The taxpayer has taken all steps to recover such amount, including legal proceedings or he satisfies the Assessing Officer that legal proceedings would be useless.

[How to compute gross annual value of a property which is let-out throughout the year?](#)

The steps involved in computation of gross annual value of a property which is let-out throughout the year are already discussed earlier, hence, we will take an illustration for better understanding.

**Illustration**

From the following information provided by Mr. Raja in respect of 3 properties rented out by him compute the gross annual value of all the properties.

<b>Particulars</b>	<b>Property A (Rs.)</b>	<b>Property B (Rs.)</b>	<b>Property C (Rs.)</b>
Municipal Value	8,48,484	8,48,484	2,52,252
Fair Rent	2,52,252	2,52,252	8,48,484
Standard Rent	Not Applicable	84,252	9,84,000
Actual rent for the entire year	9,60,000	60,000	9,60,000
Unrealised rent (*)	1,60,000	NIL	80,000

(\*) All the conditions specified for deduction of unrealised rent are satisfied.

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Gross annual value will be computed as follows:

**Step 1:** Compute reasonable expected rent of the property.

**Step 2:** Compute actual rent of the property.

**Step 3:** Compute gross annual value.

Based on these steps the computation will be as follows

<b>Particulars</b>	<b>Property A (Rs.)</b>	<b>Property B (Rs.)</b>	<b>Property C (Rs.)</b>
Amount at Step 1 (Note 1)	8,48,484	84,252	8,48,484
Amount at Step 2 (Note 2)	8,00,000	60,000	8,80,000
Amount at Step 3, i.e., Gross annual value (Note 3)	8,48,484	84,252	8,80,000

**Note 1:** Amount at Step 1 (i.e., Reasonable expected rent) is higher of municipal value or fair rent (subject to standard rent).

**Note 2:** Amount at Step 2 is actual rent after deducting unrealised rent., i.e., Rs. 8,00,000 (9,60,000 – Rs. 1,60,000) in case of property A, Rs. 60,000 in case of property B and Rs. 8,80,000 (Rs. 9,60,000 – Rs. 80,000) in case of property C.

**Note 3:** Gross annual value will be higher of amount at Step 1 or Step 2.

[How to compute the gross annual value in the case of a property which is vacant for some time during the year?](#)

Where the property or any part of the property is let and was vacant during the whole or any part of the previous year and owing to such vacancy the actual rent received or receivable by the owner in respect thereof is less than the reasonable expected rent than the actual rent so received or receivable (as reduced by the vacant allowance) shall be considered to be the Gross Annual Value of the property.

[While computing income chargeable to tax under the head "Income from house property" in the case of a let-out property, what are the expenses to be deducted from gross annual value?](#)

While computing income chargeable to tax under the head "Income from house property" in the case of a let-out property, only following items can be claimed as deductions from gross annual value. In other words, deduction cannot be claimed for any expenditure incurred by the taxpayer other than following:

- Deduction on account of municipal taxes paid by the taxpayer during the year (\*).
- Deduction under [section 24\(a\)](#) @ 30% of Net Annual Value.
- Deduction under [section 24\(b\)](#) on account of interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property.

(\* ) Only municipal taxes paid by the owner during the year can be deducted, hence, municipal taxes due but not paid during the year cannot be deducted or taxes borne by the tenant cannot be deducted.

[Can interest paid on loans taken from friends and relatives be claimed as deduction while calculating house property income?](#)

Yes, if the loan is taken for purchase, construction, repair, renewal or reconstruction of the house. If the loan is taken for personal or other purposes then the interest on such loan cannot be claimed as deduction.



[While computing income chargeable to tax under the head "Income from house property" in the case of a let-out property, how much interest on housing loan can be claimed as deduction?](#)

While computing income chargeable to tax under the head "Income from house property" in case of a let-out property, the taxpayer can claim deduction under [section 24\(b\)](#) on account of interest on loan taken for the purpose of purchase, construction, repair, renewal or reconstruction of the property.

In case of a let-out property, there is no limit on the quantum of interest which can be claimed as deduction under [section 24\(b\)](#). However, in case of a self occupied property, limit is Rs. 2,00,000 or Rs. 30,000, as the case may be (discussed in later FAQ).

[What is pre-construction period?](#)

While computing income chargeable to tax under the head "Income from house property" in case of a let-out property, the taxpayer can claim deduction under [section 24\(b\)](#) on account of interest on loan taken for the purpose of purchase, construction, repair, renewal or reconstruction of the property.

Deduction on account of interest is classified in two forms, viz., interest pertaining to pre-construction period and interest pertaining to post-construction period.

Post-construction period interest is the interest pertaining to the relevant year (*i.e.*, the year for which income is being computed).

Pre-construction period is the period commencing from the date of borrowing of loan and ends on earlier of the following:

- Date of repayment of loan; or
- 31st March immediately prior to the date of completion of the construction/acquisition of the property.

Interest pertaining to pre-construction period is allowed as deduction in five equal annual instalments, commencing from the year in which the house property is acquired or constructed.

Thus, total deduction available to the taxpayer under [section 24\(b\)](#) on account of interest will be 1/5th of interest pertaining to pre-construction period (if any) + Interest pertaining to post construction period (if any).

[My spouse and I jointly own a house in which both of us have invested equally out of independent sources. Can the rental income received be split up between us and taxed in the individual hands?](#)

Yes, if the share of each co-owner is ascertainable.

[What is self-occupied property?](#)

A self-occupied property means a property which is occupied throughout the year by the taxpayer for his residence (also refer next FAQ).

[How to compute income from self occupied property?](#)

A self-occupied property means a property which is occupied throughout the year by the taxpayer for his residence. Income chargeable to tax under the head "Income from house property" in case of a self-occupied property is computed in following manner :

<b>Particulars</b>	<b>Amount</b>

Gross annual value	Nil
Less:- Municipal taxes paid during the year	<u>Nil</u>
<b>Net Annual Value (NAV)</b>	Nil
Less:- Deduction under <a href="#">section 24</a>	
> Deduction under <a href="#">section 24(a)</a> @ 30% of NAV	Nil
> Deduction under <a href="#">section 24(b)</a> on account of interest on borrowed capital	(XXXX)
<b>Income from house property</b>	XXXX

From the above computation it can be observed that "Income from house property" in the case of a self occupied property will be either Nil (if there is no interest on housing loan) or negative (*i.e.*, loss) to the extent of interest on housing loan. Deduction in respect of interest on housing loan in case of a self-occupied property cannot exceed Rs. 2,00,000 or Rs. 30,000, as the case may be (discussed later). Deduction of municipal taxes paid during the year will not be allowed in case of self occupied property.

#### Can a property not used for residence by the taxpayer be treated as self occupied property?

A self-occupied property means a property which is occupied throughout the year by the owner for his residence. Thus, a property not occupied by the owner for his residence cannot be treated as a self occupied property. However, there is one exception to this rule. If the following conditions are satisfied, then the property can be treated as self-occupied and the annual value of a property will be "Nil", even though the property is not occupied by the owner throughout the year for his residence :

- (a) The taxpayer owns a property;
- (b) Such property cannot actually be occupied by him owing to his employment, business or profession carried on at any other place and he has to reside at that other place in a building not owned by him;
- (c) The property mentioned in (a) above (or part thereof) is not actually let out at any time during the year;
- (d) No other benefit is derived from such property.

#### What income is charged to tax under the head "Income from house property"?

Rental income from a property being building or land appurtenant thereto of which the taxpayer is owner is charged to tax under the head "Income from house property".

#### What will be the tax implications if a person occupies more than one property for his residence? Can he treat all the properties as self occupied (SOP) and claim gross annual value (GAV) as Nil?

The SOP benefit (*i.e.*, treating property as SOP and claiming GAV as Nil) is available only in respect of one property occupied by the owner for his residence.

If a person occupies more than one property for his residence, then the SOP benefit will be granted only in respect of any one property as selected by him and other property/properties will be treated as "Deemed to be let-out". Income from deemed to be let-out property is computed in the same manner as discussed in the case of "Let-out" Property.

However w.e.f. Assessment Year 2020-21, a person can claim two properties as self-occupied house property.

[I own two houses. One is a farmhouse that I visit on weekends and the other is in the city that I use on weekdays. Is it correct to treat both these residences as self occupied?](#)

No, for the purpose of Income-tax Law you can claim only one property as self occupied property and other property will be deemed to be let-out property. upto Assessment year 2019-20.

However, w.e.f. Assessment 2020-21, a person can claim two properties as self-occupied house properties subject to certain conditions. Thus, from Assessment Year 2020-21 onwards only, both the houses can be treated as self-occupied properties subject to fulfilment of specified conditions.

[I own three houses which are occupied by me and my family. Is there any tax implication for financial Year 2019-20?](#)

Yes, as already mentioned in the earlier FAQ, w.e.f., Assessment Year 2020-21, a person can claim two properties as self-occupied house properties. Thus, any two of the house properties (as per your choice) shall be treated as self-occupied and the remaining property shall be treated as deemed let-out and will be taxed accordingly.

[In case of a self-occupied property, how much of interest on housing loan can be claimed as deduction?](#)

In the case of self-occupied property, deduction under [section 24\(b\)](#) cannot exceed Rs.2,00,000 or Rs. 30,000 (as the case may be). If all the following conditions are satisfied, then the limit in respect of interest on borrowed capital will be Rs.2,00,000:

- Capital is borrowed on or after 1-4-1999.
- Capital is borrowed for the purpose of acquisition or construction (*i.e.*, not for repair, renewal, reconstruction).
- Acquisition or construction is completed within 5 years from the end of the financial year in which the capital was borrowed.
- The person extending the loan certifies that such interest is payable in respect of the amount advanced for acquisition or construction of the house or as re-finance of the principal amount outstanding under an earlier loan taken for acquisition or construction of the property.

If any of the above condition is not satisfied, then the limit of Rs. 2,00,000 will be reduced to Rs. 30,000.

#### **Deduction from Assessment Year 2017-18**

As per Section 80EE of the Income-tax Act, deduction of up to Rs. 50,000 is allowed to an Individual towards interest on loan taken for acquisition of a residential house property. However, the deduction is allowed subject to following conditions:

The deduction under section 80EE is allowed subject to following conditions:

- (a) the loan should be sanctioned by the financial institution during the period beginning on the 01-04-2016 and ending on 31-03-2017;
- (b) the amount of loan should not exceed Rs. 35 lakhs;
- (c) the value of residential house property should not exceed Rs. 50 lakh; and
- (d) the assessee should not own any residential house property on the date of sanction of loan.

#### **Deduction from Assessment Year 2020-21**

With an objective to provide an impetus to the 'Housing for all' initiative of the Government and to enable the home buyer to have low-cost funds at his disposal, the Finance (No. 2) Act, 2019 has inserted a new [Section 80EEA](#) under the Income-tax Act for those individuals who are not eligible to claim deduction under Section 80EE. An individual can claim deduction up to Rs. 150,000 under section 80EEA subject to following conditions:

- (a) Loan should be sanctioned by the financial institution during the period beginning on 01-04-2019 and ending on the 31-03-2020;
- (b) Stamp duty value of residential house property should not exceed Rs. 45 lakhs;
- (c) The assessee should not own any residential house property on the date of sanction of loan; and
- (d) The assessee should not be eligible to claim deduction under [Section 80EE](#).

Hence, an individual who does not meet the criteria of [Section 80EE](#) shall now be eligible to claim deduction under [Section 80EEA](#) of up to Rs. 150,000 in addition to deduction under section 24(b).

### [How to compute income from a property which is self-occupied for part of the year and let out for part of the year?](#)

At times a property may be let-out for some time during the year and is self-occupied for the remaining period (*i.e.*, let-out as well as self occupied during the year). For the purpose of computation of income chargeable to tax under the head "Income from house property", such a property will be treated as let-out throughout the year and income will be computed accordingly.

However, while computing the taxable income in case of such a property, actual rent will be considered only for the let-out period.

### [How to compute income from a property, when part of the property is self-occupied and part is let-out?](#)

A house property may consist of two or more independent units, one of which is self-occupied and the remaining are/are used for any other purpose (*i.e.*, let-out or used for own business). Income from such property will be computed in the following manner:

- a) Part/unit which is occupied by the taxpayer for his residence throughout the year will be treated as an independent property and income from such a part/unit will be computed in the manner as discussed in case of a self-occupied property.
- b) Part/unit which is let out will be treated as an independent property and income from such a part/unit will be computed in the manner as discussed in case of let out property.

### [What is the tax of treatment of unrealised rent which is subsequently realised?](#)

Any subsequent recovery of unrealized rent shall be deemed to be the income of taxpayer under the head "Income from house property" in the year in which such rent is realized (whether or not the assessee is the owner of that property in that year). It will be charged to tax after deducting a sum equal to 30% of unrealized rent.

### [I have 5 separate let out properties. Should I calculate the house property income separately for each individual property or by clubbing all the rental receipts in one calculation?](#)

The calculation will have to be made separately for each of the properties.

### [What is the tax treatment of arrears of rent?](#)

The amount received on account of arrears of rent (not charged to tax earlier) will be charged to tax after deducting a sum equal to 30% of such arrears. It is charged to tax in the year in which it is received. Such amount is charged to tax whether or not the taxpayer owns the property in the year of receipt.

### [Whether interest received on amount deposited in capital gain account under capital gain account scheme is taxable?](#)

- Capital Gains Account Scheme is a scheme to facilitate the taxpayer.
- If taxpayer could not invest the capital gains
  - to acquire new asset
  - before due date of furnishing of return of income
  - then the capital gains amount can be deposited
  - before due date for furnishing of return of income
  - in a special bank account
  - maintained in any branch of a nationalized bank
- Interest earned on Capital Gains Account is **chargeable to tax** under the head "**Income from Other Sources**"
- Interest earned on Capital Gain Account is **charged to tax in the year it accrues and is credited to the capital gain account of the assessee.**