Rental Income

Notional Income

§14 → salary ✓, IHP ✓, PGBP ✓, CG ✓, IOS ✓ → 5 Heads of Income

IHP → Rental Income

↓

Let out → Rent

Ind
Firm
Comp
LA
AJP
BOI AOP

§22 - 27 → Notional Income

§22 → "Annual Value"

- Property — Building or land appurtenant thereto"
- Assessee is an owner" — IHP
  ↳ "Deemed Owner" → §27.
- § 24 — deductions.

23 → AV →
24 — deductions →
25A → Arrears of Rent / URR
26 — Co-owners
27 — Deemed owners.

§ 23 - GAV

(Y) Gross Annual Value → (§23)

(−) Municipal Tax
- (a) - Actual payment
- (b) - Paid by the ass.ee

Net Annual Value

(−) Deductions u/s 24
- (a) 24(a) - Std. dedn.
- (b) 24(b) - Int on borrowed capital

IHP

- Actual Rent (AR) ⇒ 6 mths
- Fair Rent (FR) →
- Municipal Value (MV)
- Standard Rent (SR)

} Annual Basis 12 mths

GAV -

"FR" & "MV"

HIGHER → (X)

"X" & "SR"

LOWER - (Y)

Y - AR (12 mths)

AR > Y

AR < Y

$\boxed{GAV = AR}$

AR less is due to vacancy

$\boxed{GAV = AR}$ ✓

Any other reason

$\boxed{GAV = Y}$ ✓

Rent → 10K/pm → 1,20,000 AR ✓

↳ 7 mths → 70,000 AR ✓

vacant 5 mths → 50K. ⇒ 120000.

Y → ~~1,00,000~~ 1,50,000 →

AR → 70K

GAV = $\boxed{70K.}$ ⇒

Y – 1.5 lakh 10 AR → 70K.

GAV = Y → 1.5 lakh 70K

GAV

– MT

NAV

– 24(a) → std. dedn → 30% of NAV ✓

– 24(b) → Int on borrowed capital → ✓ — [

IHP.

Prop — Let out → Rent = ✓ earned ↓ claim dedn.

↳ SOP. → AR = 0. $\boxed{GAV = 0}$ ⇒ ✓

✓ 24(b).

upto 2 lakh / Actual expen

upto 30 K.

Highr.

1. Loan on or after 1-4-1999
2. " construction / Acq.
3. completed w/in 5 yrs.

AND

24 (b)

- L/O
  - 100% of int. dedn.
- SOP
  - upto 2 lakh
    1.
    2.
    3.
  - upto 30 K.

GAV = SOP = 0

5 properties → 2 Properties

SOP = GAV = 0

3 Properties Deemed L/O

GAV — 0

− MT — ✓

NAV — 0

– std dedn — 0

– Int. on loan → 30K / 2 lakh

1 HP

IHP

→ dedn ltd. — 24(a), 24(b)

→ S 70 → intra head adj.

→ S 71 →

S 71B – S 22

PGBP

→ Actual expenses – dedn.

– depreciatn.

– Net pay Notional Rent

→ S 28

Corporate → stock-in-trade

Composite Rent

- separable
  - Bldg → IHP
  - Facilities → PGBP / IOS
- inseparable → PGBP → IOS

East India Housing & Land devt. trust Ltd v CIT

↳ IHP

CO

Chennai Properties & Investments Ltd v CIT

AO – IHP
C. → PGBP
ITAT – PGBP
HC → IHP
SC → PGBP → ✓

Karanpura Development Co. Ltd. v CIT

acqun & dispn of coal ming.

Deciding factor → NOT the ownership of land or leases but it is the nature of activity of the assessee & nature of operations in relp 2 them.

Rayala Corpn Ltd v Asst CIT

New Delhi Hotels Ltd v. ACIT

~~Unsold flats~~ – stock-in trade – PGBP – IHP.

Rented out

IHP

Some salient principles :-

1. Intent of the taxpayer → ~~x~~
2. Active Ownership of property -
3. Regular Use or Occasional Use -