1. Income can be taxable under the head “Income from House Property”, if the following conditions are satisfied---------------------.

   a) Property consists of a building of which the Assessee should be the owner  
   b) The property should not be used by the owner to carry business or profession  
   c) Both a and b

   **Answer:** c) Both a and b – Income from house property can be shown only if the Assessee owns a property which consists of any building or land appurtenant thereto.

2. The following cannot be shown as income from house property

   a) Rent received from the Residential flat owned by Mr. A, in Mumbai  
   b) Rent received from the vacant plot owned by Mr. A in Pune  
   c) Both a and b

   **Answer:** b) Rent received from the vacant plot cannot be shown as the income under the head income from house property as Sec 22 of Income Tax Act, states that, the property should consist of building or land appurtenant thereto. Vacant Plot has no building or it is not a part of a building.

3. Mr. Y runs his business in the 50% building he has taken on rent. He pays a rent of Rs 40000/- pm to the landlord of the rented building. He receives Rs50000/- per month as rent from the other part of the building. How much income Mr Y will show under income from house property.

   a) Rs. 600000/-  
   b) Rs. 120000/-  
   c) Nil

   **Answer:** a) Rs. 600000/-
Answer: c) Nil/- Mr Y cannot show any income under the head income from house property because the building is not owned by Mr.Y. He has sublet the property on rent. So the rent he receives can be shown as income from other sources or income from business.

4. Mr.Y has transferred fifty percent of the second house property, in the name of his minor son, and the balance to his spouse. The same is given on rent and the annual rent received is Rs 600000/- How much income from house property will be charged to MrY, his spouse and his minor son.----------

   a) Spouse Rs. 300000/- & Minor Son Rs 300000/-
   b) Spouse Rs 600000/-
   c) Mr.Y, Rs 600000/-

Answer: c) Mr. Y, Rs. 600000/- because Mr. Y is the deemed owner. Though he has transferred in the name of his spouse and son, for the income tax purpose he will be the owner as the house was owned and purchased from his income and was transferred in the name of his spouse. (However, if Mrs.Y is also earning and having her individual income and she has purchased the property by giving consideration, then Mrs. Y will be the new owner.)

5. Mr. Y, who is non-resident of India, in the PY19-20, owns a property in Tokyo. The annual rent is received in India during the PY19-20. Mr. Y’s income from house property will be chargeable-----------------

   a) Under the Head Income from House Property in India
   b) Will be charged as income from house property in Tokyo
   c) Not charged as Income from house property.

Answer: a) Under the head, Income from House Property in India. Under Sec 22, Income from house property in a foreign country for a nonresident and a resident but not ordinarily resident, if the Income is receivable in India, and then it will be chargeable in India, under the Head Income form House Property.
6. Mr. Z owns a furnished house property at Mumbai. The composite rent he collects for the property and the allied services and assets is Rs50000/-pm. A similar unfurnished house in the neighborhood fetches a rent of Rs35000/-pm. How should Mr Z bifurcate the income under different heads?

   a) Under Income from house property Rs.420000/- and under the head income from other sources Rs. 180000/-
   b) Under Income from house property Rs.600000/-
   c) Under Income from house property Rs.420000/- and under the head income from capital gains Rs. 180000/-

   Answer: a) Under Income from house property Rs.420000/- and under the head income from other sources Rs. 180000/- - Only annual rent from letting out house property can be charged under the head income from house property. The rest can be charged under income from business or income from other sources as per the case.

7. Net Annual Value = ____________________

   a) Gross Annual Value – Standard Deductions
   b) Gross Annual Value – Municipal Taxes
   c) Gross Annual Value – Interest on borrowed capital


8. Income from House Property = Net Annual Value - ________________

   a) 30% of Net Annual Value [Standard Deduction u/s 24(a)]
   b) Interest on borrowed capital [sec 24(b)]
   c) Both a and b

   Answer: c) Both a and b – The two deductions available to compute Income from house property, are standard deduction and interest on capital borrowed for purchase or construction or improvement of the property.
9. Following, Interest on borrowed capital can be deducted under sec 24(b)

   a) Interest on capital borrowed to construct, repair, renew or reconstruct a building,
   b) Interest on capital borrowed to purchase the land or plot (Non Agricultural)
   c) Both a and b

   Answer: c) both a and b - Under sec 24(b) Interest on borrowed capital for all the above cases are deductible subject to some maximum limits for each circumstances.

10. To charge tax on the Income under the head “Income from House Property”, income is charged on

    a) Rent actually received by the owner
    b) Computed Annual Value
    c) None of the above

    Answer: a) Computed Annual Value – Sec 23(1) of Income tax specific the basis of computing income from a let out house property. Tax cannot be charged on the rent but, upon inherent capacity of a building to yield income. Therefore the measure to calculate the income which a property can generate is Annual Value

11. Which is the correct statement, in regards to computation of Gross Annual Value of a House Property

    a) Reasonable Expected Rent is higher of Municipal value or fair value but not higher than standard rent
    b) Reasonable expected rent is higher of Municipal Value or Standard rent but not higher than Fair Rent
    c) Reasonable expected rent is higher of Fair Rent or Standard rent but not higher than Municipal Value
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Answer: a) Reasonable Expected Rent is higher of Municipal value or fair value but not higher than standard rent

12. If the Municipal Value is Rupees – Rs 500000/-, Fair Rent is Rs 600000/- and Standard Rent is Rs. 550000/-, the reasonable expected rent will be-------------

a) Rs.600000/-
b) Rs.500000/-
c) Rs. 550000/-

a) Answer: c) Rs550000/- Reasonable Expected Rent is higher of Municipal value or fair value but not higher than standard rent

13. If the Municipal Value is Rupees – Rs 580000/-, Fair Rent is Rs 600000/- and Standard Rent is Rs. 650000/-, the reasonable expected rent will be-------------

a) Rs.600000/-
b) Rs.650000/-
c) Rs. 580000/-

Answer: a) Rs 600000/- Reasonable Expected Rent is higher of Municipal value or fair value but not higher than standard rent

14. The following statement is correct statement--------------

a) Reasonable Expected Rent cannot be higher than the Standard Rent
b) Reasonable Expected Rent cannot be lower than the Standard Rent
c) Reasonable Expected Rent is equal to the Standard Rent

Answer: a) Reasonable Expected Rent cannot be higher than the Standard Rent
15. Which among the following is correct statement in regards to rent received by the owner chargeable to income from house property

a) Rent received/ receivable during the previous year as per the agreement
b) Rent received during the previous year as per agreement along with interest charged for delayed payment.
c) None of the above

Answer: a) Rent due from the tenant as per the agreement can be charged under the head income from house property. Interest collected for delay in payments cannot be clubbed with income from house property.

16. Locate the correct statement------------------

a) Municipal Taxes cannot be deducted for computing net annual value in case of a self-occupied property.
b) Standard Deduction for self-occupied property is always Nil
c) Both a and b

Answer: c) Both a and b – Since NAV for self occupied property has to be Nil, 30% of NAV is also nil and so not deductible. However a self occupied property can have negative income if the owner pays interest on the capital borrowed for the house property.

17. Gross Annual Value will be---------------------

a) Actual rent received if it is more than the reasonable expected rent
b) Actual rent received if it is less than the reasonable expected rent
c) Both a and b

Answer: a) Actual rent received if it is more than the reasonable expected rent

18. Gross Annual Value will be--------------------- if Municipal Value is Rs600000/-, Fair Value is Rs650000/-, Standard Rent is Rs595000/-, Annual Rent Rs720000/-, property remained vacant for one month,
a) Rs. 660000/-  
b) Rs. 720000/-  
c) Rs. 595000/-

Answer: a) Rs. 660000/- Higher of step 1 or step 2. Step 1 is Higher of MV or FR subject to SR ie. Rs595000/- Step 2- Annual Rent receivable – unrealized rent – loss due to vacancy. ie.. Rs720000/- - 1month rent Rs60000/- so Rs 660000/-

19. Identify the correct statements in regards to Income from House property---------.

a) The maximum amount deductible as interest on capital borrowed for a let out property after 1st April 1999, is Rs150000/-  
b) The maximum amount deductible as interest on capital borrowed for self-occupied property after 1st April 1999, is Rs150000/-  
c) None of the above

Answer: b) The maximum amount deductible as interest on capital borrowed for self-occupied property after 1st April 1999, is Rs150000/- There is no limit for deducting interest on capital borrowed if it is let out for rent under sec 24(b)

20. In computing the taxable income from house property the following deductions are allowed from annual value

a) 30% of Net Annual Value as the Standard Deduction under sec 24(a)  
b) Interest on Capital borrowed for construction or repair or purchase or reconstruct under Sec 24(b)  
c) Both a and b

Answer: a) Both a and b
21. Deemed owner of the house property is ------------------

a) Assessee, who has transferred property to spouse without any consideration
b) Assessee, who has transferred the property to his minor child (not married) without any consideration
c) Both a and b

Answer: c) Both a and b – If the property is transferred by the Assessee to the spouse or minor child without any consideration the Assessee is said to be the Deemed Owner though the ownership has got transferred. For Income tax purpose and income derived from the property will be taxable in the hands of the transferor. (Capital Gains on sale, rent on letting out etc)

22. The maximum deduction available under Sec 24(b) is ----------------- for the AY 19-20, inclusive of pre- construction period interest if the loan taken is after 1st April 1999, for the purchase or construction of a self-occupied house property (purchased and constructed within 5 years from the date of taking the loan w.e.f FY 15-16)

a) Rs.150000/-
b) Rs.200000/-
c) Rs.100000/-

Answer: c) Rs. 200000/- from FY14-15 onwards. Earlier the maximum amount was Rs.150000/-

23. The maximum deduction available under Sec 24(b) is ----------------- for the AY 19-20, inclusive of pre- construction period interest if the loan taken is before 1st April 1999, for the purchase or construction of a self-occupied house property (purchased and constructed within 3 years from the date of taking the loan.)

a) Rs.150000/-
b) Rs.200000/-
c) Rs. 30000/-

Answer: b) Rs. 30000/- was the maximum amount deductible under Sec 24(b) if the loan was taken for the purpose of purchase, construction, repair or improvement of a self-owned house property.