



**JAGATPUR P.G. COLLEGE, VARANASI**  
**(Affiliated TO M G K V P VARANASI)**



**SUBJECT : COMMERCE**

**CLASS : B.Com**

**YEAR : III YEAR**

**NAME OF THE PAPER : Ist- Paper Income Tax Law & Accounts**

**TOPIC : (i) Income From House Property &  
Income From Business & Profession**

**Key Words : Annual Value & Deduction Allowed**

**in calculation of Income from House Property.**

**Allowed & disallowed Exp.**

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Among five heads of incomes, the second head is Income from House property. Under this head various provision of Income tax law relating to the calculation of taxable income of house property. The Income of those house is taxable under this head of which the Assesse is the owner and which are not being used for Business or Profession.

### **Important Point & Relating to Incomes from House property**

#### **Calculation of Gross Annual value & Net Annual Value**

Determination of Gross Annual value is as under

Actual Rent

or

Fair Rent

which even is Higher

or

Municipal Valuation

Less : Municipal tax, local Tax

Paid by owner in Previous

year

Net Annual Value

#### **Deductions out of Net Annual Value- Sec-24**

In Computing taxable income under the Head income rom House Property'. Following two deductions u/s 24 (1) are deducted out of net Annual value of the house.

1. Standard Deduction far let out house

2. Interest on loan taken by owner of the house by owner. For the purpose of

- i) Purchase of the House
- ii) Constructions of the House
- iii) Reconstruction of the House
- iv) Repair & Renewal of the House

Note : 1/5 Interest on loan has been deducted from the net Annual value during construction.

**Format of calculation of Taxable Income from House property are as under**

Actual Rent

or

Fair Rent

which even is Higher

or

Municipal Valuation

Gross Annual value

Less : Municipal tax or Local tax

Paid by owner in P.Y.

Net Annual Value

Less- Deduction u/s 24-

1) Standard Deductions

30% of net Annual value

ii) Int. on Loan taken by the owner

(taxable Income from H.P.)

### **Self Occupied house**

Gross Annual value of Self occupied is Nil No any deduction will be allowed. only Int. on loan has been deducted. If loan has been taken for the purpose of construction of the House, Reconstruction of the house, Repair & Renewal of the House (Maximum 30,000, if loan taken on 31.3.199 or after the maximum Int. on loan will be 2,00,000 in place of 30,000).

### **Income From Business & Profession**

It is the third head of incomes, under this head Profits and Receipts of Business or Included.-

#### **Meaning of Business :**

"Business includes any Trade, Commerce or manufacturer or any adventure concern is nature of Trade, Commerce or Manufacturer."

Income tax Act 1961-Sec 2(13) it is clear that Business is an extensive word. under this word all types of Business transactions, Manufacturer of goods Industrial Activities, Banking Activities and Transportation Activities are included.

#### **Meaning of Profession**

Profession of those activities which are performed by mental qualification and attitude ability. This can be acquired by study and training like-Doctor, advocate, Engineer, Auditor etc.

Proforma of Revised Profit & loss Account as per Income Tax Rules far.  
Calculation of Taxable Income from Business.

Net Profit as per P/LA/c.		-
Add. Exp. Disallowed But debited to profit & loss A/c	-	

<p>i) Personal Exp.</p> <p>ii) Income tax</p> <p>iii) Charities and Donation</p> <p>iv) Capital Expenditure</p> <p>v) Depreciation (Excess)</p> <p>vi) Preliminary Exp.</p> <p>vii) Goodwill, patent, copyright</p> <p>viii) Gift and Presents</p> <p>Add. Income which are taxable under this Head but not credited to P/I A/c.</p> <p><b>Less-</b> Income Not taxable under this Head But credited to P/I A/c.</p> <p>For example Int. on Investment, Rent</p>		
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Received, Profit on sale of fixed Assets etc.		
(Taxable Income from Business)		

There deduction are to be studied under the following Heads –

- i) Allowed Business losses
- ii) Expenses or deductions expressly allowed
- iii) Expenses as deduction allowed on the basis of General Commercial Principles
- iv) Expenses Expressly disallowed

**Related Question :**

- i. Explain Gross Annual value of the House?
- ii. What is the Net Annual value
- iii. What deductions will be allowed when computing income from H.P
- iv. Explain the Term 'Business' & Profession.
- v. Which types of activities are included in business and profession

**References**

- 1) **H.C. Mehrotra- Income tax law & Accounts**
- 2) **R.K. Jain- Income Tax Law & Accounts**

## **SELF DECLARATION**

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**THANK YOU**