

Finance Act, 1986

Section 5 - Amendment of Section 23

In section 23 of the Income-tax Act, with effect from the 1st day of April, 1987, -

(a) for sub-section (2), the following sub-section shall be substituted, namely :-

"(2) where the property consists of -

(a) a house or part of a house in the occupation of the owner for the purposes of his own residence, -

(i) which is not actually let during any part of the previous year and no other benefit therefrom is derived by the owner, the annual value of such house or part of the house shall be taken to be nil;

(ii) which is let during any part or parts of the previous year, that part of the annual value (annual value being determined in the same manner as if the property had been let) which is proportionate to the period during which the property is in the occupation of the owner for the purposes of his own residence, or, as the case may be, where such property is let out parts, that portion of the annual value appropriate to any part which was occupied by the owner for his own residence, which is proportionate to the period during which such part is wholly occupied by him for his own residence shall be deducted in determining the annual value.

Explanation : The deduction under this sub-clause shall be made irrespective of whether the period during which the property or, as the case may be, part of the property was used for the residence of the owner precedes or follows the period during which it is let;

(b) more than one house in the occupation of the owner for the purposes of his own residence, the provisions of clause (a) shall apply only in respect of one of such houses, which the assessee may, at his option, specify in this behalf;

(c) more than one house and such houses are in the occupation of the owner for the purposes of his own residence, the annual value of the house or houses, other than the house in respect of which the assessee has exercised an option under clause (b), shall be determined under sub-section (1) as if such house or houses had been let.

Explanation : Where any such residential unit as is referred to in the second proviso to sub-section (1) is in the occupation of the owner for the purposes of his own residence, nothing contained in that proviso shall apply in computing the annual value of that residential unit.";

(b) sub-section (2A) shall be omitted;

(c) for sub-section (3), the following sub-section shall be substituted, namely :-

"(3) Where the property referred to in sub-section (2) consists of one residential house only and it cannot actually be occupied by the owner by reason of the fact that owing to his employment, business or profession carried on at any other place, he has to reside at that other place in a building not belonging to him, the annual value of such house shall be taken to be nil:

Provided that the following conditions are fulfilled, namely :-

(i) such house is not actually let, and

(ii) no other benefit therefrom is derived by the owner."

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