

Net Annual Value (NAV) – Income from House Property

What Is Net Annual Value?

Net Annual Value (NAV) is the taxable value of a property under the head *Income from House Property*. It represents the annual income a property is expected to generate, after deducting municipal taxes paid by the owner.

NAV is a critical component in calculating taxable income from let-out or deemed let-out properties. For self-occupied properties, NAV is considered **nil**.

Formula for NAV

$$\text{NAV} = \text{Gross Annual Value (GAV)} - \text{Municipal Taxes Paid}$$

Where:

- **Gross Annual Value (GAV)** = Higher of Expected Rent or Actual Rent Received
- **Municipal Taxes Paid** = Taxes paid to local authorities during the financial year by the owner

Key Definitions

Term	Meaning
Expected Rent	Higher of municipal valuation or fair rent, subject to standard rent under Rent Control Act
Actual Rent Received	Rent received or receivable after accounting for vacancy
Municipal Taxes	Property tax paid to local bodies (e.g., municipal corporation) by the owner

Example Calculation

Let's assume:

- Expected Rent: ₹2,40,000/year
- Actual Rent Received: ₹2,20,000/year
- Municipal Taxes Paid: ₹20,000

Step 1: Determine GAV

$$\text{GAV} = \text{Higher of Expected Rent (₹2,40,000) or Actual Rent (₹2,20,000)}$$

$$\rightarrow \text{GAV} = ₹2,40,000$$

Step 2: Deduct Municipal Taxes

NAV = ₹2,40,000 – ₹20,000

→ **NAV = ₹2,20,000**

This NAV is then used to compute taxable income under Section 22, after applying:

- **Standard Deduction (30%) under Sec 24(a)**
 - **Interest on Home Loan under Sec 24(b)**
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Special Cases

- **Self-Occupied Property:** NAV is **nil**, regardless of market rent
 - **Vacant Property:** If genuinely vacant, actual rent may be lower than expected rent
 - **Deemed Let-Out:** If more than one property is self-occupied, only one gets “nil” NAV; others are deemed let-out
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