Step II. (i) If actual rent received or receivable is more than ERV (Expected Rental Value) such rent received or receivable is Annual Rental Value (ARV).

(ii) If actual rent received or receivable is less than ERV (Expected Rental Value) such ERV is Annual Rental Value (ARV) and step II is not applicable.

(a) This rule is applicable only if property is actually let out and not in case of deemed to be let property.

(b) This rule is applicable only if there is no unrealised rent.

(c) Taxes paid by tenant, cost of repairs borne by tenant, or interest on deposit made by tenant are not to be added back.

ILLUSTRATION 4

Calculate ARV from the particulars given below :

MRV ₹ 60,000 p.a. FRV ₹ 66,000 p.a.

A. If Actual Rent is ₹ 72,000 p.a. and Standard Rent is ₹ 69,000 p.a. or

B. If Actual Rent is ₹ 63,000 p.a. and Standard Rent is ₹ 69,000 p.a.

SOLUTION **If actual rent is ₹ 72,000**

	₹
MRV	60,000
FRV	66,000
whichever is higher	66,000 or
Standard Rent	69,000
whichever is less is ERV	66,000
But in this case actual rent	72,000
is higher hence Actual rent is ARV *i.e.*	72,000

SOLUTION **If actual rent is ₹ 63,000**

	₹
MRV ; or	60,000
FRV	66,000
whichever is higher ; or	66,000
Standard Rent	69,000
whichever is less is ERV *i.e.*	66,000
Actual Rent	63,000
is less than ERV as such ERV is ARV	66,000

ILLUSTRATION 5

Calculate Gross Annual Value from following information :

	House-A	House-B
MRV	80,000	80,000
FRV	1,00,000	1,00,000
Standard Rent	70,000	1,20,000
Actual Rent	1,20,000	90,000

It is assumed that both the houses were let out throughout the year and there was also no unrealized rent.

SOLUTION

Computation of Gross Annual Value

	House-A	House-B
MRV	80,000	80,000
FRV	1,00,000	1,00,000
w.e. is higher	1,00,000	1,00,000
Standard Rent	70,000	1,20,000
w.e. is less is Expected Rent	70,000	1,00,000
Actual Rent Received	1,20,000	90,000
w.e. is higher is Gross Annual Value		
Therefore, Gross Annual Value	1,20,000	1,00,000

ILLUSTRATION 6

Calculate ARV from the particulars given below :

MRV ₹ 60,000 p.a. Actual Rent ₹ 7,000 p.m.

FRV ₹ 66,000 p.a. Standard Rent ₹ 69,000 p.a.

(*a*) House was vacant for full year duirng the previous year 2016-17.

(*b*) House was vacant for two months during the previous year 2016-17.

(*c*) Actual Rent of the house is ₹ 4,000 p.m. and was vacant for two months.

SOLUTION

Calculation of ARV

As the house property was vacant for full year during previous year 2016-17 hence its ARV is NIL.

SOLUTION **Calculation of ARV**

	₹
MRV	60,000 or
FRV	66,000
whichever is higher is taken ;	66,000 or
Standard Rent	69,000
whichever is less is ERV	66,000
Actual Rent for full year	84,000
It is more than ERV	66,000

SOLUTION **Calculation of ARV**

	₹
MRV	60,000 or
FRV	66,000
whichever is higher is taken ;	66,000 or
Standard Rent	69,000
whichever is less is ERV *i.e.*	66,000
Actual Rent for full year	48,000
It is less than ERV	66,000

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∴ Actual rent is ARV *i.e.*	84,000	So ERV is ARV	66,000
Less loss due to vacancy [84,000 × 2/12]	14,000	Less loss due to vacancy [48,000 × 2/12]	8,000
Annual Rental Value	70,000	Annual Rental Value	58,000

A-3. House Property is let out and there is unrealised rent

(i) *If rent actually received or receivable (after deducting unrealised rent as per conditions given below) is more than ERV* :

I. Compare MRV with FRV and whichever is higher is compared with Standard Rent

ILLUSTRATION 7

Calculate the ARV from the particulars given below :

Actual Rent	₹ 7,000 p.m.	MRV	₹ 60,000 p.a.
FRV	₹ 66,000 p.a.	Standard Rent	₹ 69,000 p.a.

During previous year 2016-17 assessee could not realise rent for two months.

SOLUTION

Calculation of ARV

	₹
MRV	60,000
FRV	66,000
whichever higher is	66,000 or
Standard Rent	69,000
whichever is less is ERV is *i.e.*	66,000
Actual rent	70,000
[₹ 84,000 less unrealised rent (₹ 7,000 × 2 = 14,000)]	
Actual rent is more than ERV	
Hence such actual rent is ARV	70,000

(ii) *If rent actually received or receivable (after deducting unrealised rent as per conditions given) is less than ERV :*

Step I. Compare MRV with FRV and whichever is higher is compared with Standard Rent and whichever is less is ERV.

Step II. If rent actually received or receivable (after deducting unrealised rent as per conditions given) is less than ERV (Expected Rental Value) such ERV is treated as Annual Rental Value (ARV).

ILLUSTRATION 8

Calculate the ARV from the particulars given below :

Actual Rent	₹ 6,000 p.m.	MRV	₹ 60,000 p.a.
FRV	₹ 66,000 p.a.	Standard Rent	₹ 69,000 p.a.

During the previous year 2016-17 assessee could not realise rent for two months.

SOLUTION

Calculation of ARV	₹
MRV	60,000 or
FRV	66,000
whichever higher is	66,000 or
Standard Rent	69,000
whichever is less is ERV *i.e.*	66,000
Actual Rent	60,000
[₹ 72,000 less unrealised rent (₹ 6,000 × 2 = 12,000)]	
Actual rent is less than ERV	
Hence such ERV is treated as ARV *i.e.*	66,000