Buyer's Guide – Akshara Group

TAX BENEFIT INFORMATION

What Tax Benefits can I avail in Home Loan?

There are multiple benefits that you get to avail when you procure a home loan. Apart from buying your 'own house', you also become eligible for tax benefits. Subsequently, these tax benefits can help you with your EMI and savings as well. A look at the following can help you calculate your tax benefits based on your loan amount.
As a home loan borrower you get to enjoy Tax Benefits on both the Principle re- paid and the interest paid as well.

Is there any tax on "Income from House Property" which I have to pay?

Just like any other source of income (salaries, profits & gains of business and profession), income from house property is taxable income. This tax is computed on the Annual Value of the House Property

Do I have to pay Income Tax on Annual Value of the house occupied by me?

No, when a house property is self occupied the Annual Value of such property is "nil" and no income tax is payable. Moreover, you shall be eligible for deductions such as interest etc from your total income
However, if you happen to be the owning more than one house , then apart from the one in which you are staying, an annual value will be subjected towards income tax for the other houses which are let out for rent or are not occupied by you.

What are the deductions that I can avail for my self-occupied property?

Rs 30000/- is the amount that is permissible as deduction from the total income for the interest payable (whether paid or not) on loan. This can be directed towards renewals, repairs, construction or reconstruction of house property.
However, in case a property has been acquired or constructed after 1st April 1999 and it has been completed within 3 years from end of the financial year in which capital was borrowed for construction or purchase of property, then the deduction allowable on interest payable shall be up to Rs 1,50,000/- per annum.

In the case of a property given on rent or which is the deemed to be let out, what are the deductions that I can avail?

The following deductions are permissible:

- You stand to benefit from the Municipal taxes which are actually paid as a deduction from Annual Value.

- 30% of Net Annual Value, after deducting Municipal Taxes paid, towards repairs and collection charges (allowed in notional basis irrespective of the amount incurred)

- Interest on money borrowed for the purpose of construction or acquisition of a house property without any upper limit.

What is the situation if there is a loss under the head Income From House Property?

- In case of self occupied property, since the Annual Value is taken as Nil, deduction is allowed on interest on borrowed capital upto a maximum of Rs 1,50,000/- effective Financial Year 2002-03.
- In case of a let out property there are no restrictions on deducting the full interest payable on loans and so there can be loss under this head also.
- Loss from house property can be set off against income from another property and also from any other head of income such as salaries, profit and gains of business or profession, income from other sources etc during the same financial year.
- In case where the loss cannot be set off against any other heads of income within the same year then the balance loss can be carried forward and set off in subsequent years subject to a limit of 8 years but only against income from house property.

How do I benefit from a Capital Gain in case of a house property?

Benefit on Sale of any capital assets (Section 54F)

The Income Tax Act, 1961 gives an individual or HUF who do not own a residential house a concession to purchase a residential house as and when they sell a Long Term Capital asset (for e.g. shares, bonds, debentures, motor car etc). When you sell a capital asset normally you are required to pay tax on the gain on the value of asset after the benefit of indexation. If however, you do not own a residential house you can reinvest the net consideration received from the sale of capital assets in a residential house property and if the amount invested is equal to or more than the net consideration no income tax is payable on such Long Term Capital gain. However, the following needs to be noted for claiming such benefit.

- You should purchase the residential house within a period of one year before or two years after the date on which the transfer took place or construct a residential house within 3 years of such transfer.
- You should not own more than one residential house property other than the new asset on the date of transfer of the original asset.
- You should not purchase a residential house other than the new asset within a period of one year of construct any residential house other than new house within a period of three year after the date of transfer of the original asset .

Benefits on re-investment in house property (section 54)

Apart from this if an Individual or HUF reinvests in a residential house property i.e. invests the sale proceeds of a residential house property which has been held for more than 3 years in purchase of new house, such reinvestment is exempt from Capital Gains u/s 54 provided the new house is purchased/one year before or two years after the transaction or has constructed a residential house within a period of three years.

What are the other deductions that can benefit me?

The following payments are eligible for rebate from tax to the extent of 20% of a maximum of Rs 20,000 (i.e. maximum rebate is up to Rs 4,000 p.a.). U/s 88 of the Income Tax Act.
Any installment or part payment of the amount due under any self financing scheme of any development authority, housing board etc. engaged in construction and sale of house property or any installment or part payment of the amount due to any company or cooperative society of which the assesse is a shareholder or member towards the cost of the house property allotted to him; or repayment of the amount borrowed by the assesse from:
1) The Central or State Government
2) Any bank (including cooperative bank)
3) The Life Insurance Corporation of India
4) The National Housing Bank
5) Any Housing finance Company approved by National Housing Bank for the purpose of refinance.
6) Any public company or co-operative society that is engaged in business of financing construction of houses.
7) The assessee's employer where such employer is a public company or a public sector company or a university established by law or a college affiliated to such university or a local authority or a co-operative society.
8) Any of the above for payment of Stamp duty, registration fee and other expenses for the purpose of transfer of such house property to the assesse.

What are the provisions of Wealth Tax Act and Gift Tax Act applicable to house property?

Wealth Tax does not apply to a house or a part of the house belonging to an Individual or a Hindu Undivided Family. Gifts made after 1.10.1998 do not attract levy of gift tax either in the hands of donor or donee.

I have a flat which I want to sell and buy a new flat bigger in area. What are my tax implications with regard to capital gains?

If you purchase a new flat within two years of the date of sale of the original flat and invest the entire amount of capital gained into the new flat, you will not have to pay any capital gains tax.