

## MONEY MATTERS

### Home loan benefits: What you can avail



Buying a home is a cherished dream for many. It is a proud possession that requires few calculations and one must bank upon one's life-long savings or approach the financial institution (banks) for a home loan. However, applying for a home loan does have many benefits. "Applying for a home loan has always been looked as a good opportunity to save tax while you create your dream home," says Raviindra Sudhalkar, ED & CEO, Reliance Home Finance. "Today on a home loan as the number of years go by, the interest amount comes down and the principal amount repaid goes up. What would probably help individual home loan owners would be if the deductions under Income Tax Act, Section 80C and Section 24 get recalibrated to allow optimal tax management for homebuyers. It would certainly help if repayment of principal amount borrowed which is currently clubbed under Section 80C is taken out and given a separate identity. This would ensure overall tax liability of individuals further coming down.

Vishal Gupta, a tax expert, says, "A home loan as a generic word is taken to buy a property which can be residential or commercial."

Once home loan is availed than the borrower pays to the Bank a monthly EMI which consists of

- (a) Interest calculated on reducing balance method.
- (b) Principal amount installment.

"When a borrower pays these installments then he is entitled to get some tax rebates- (Governmental wishes, most of the people to buy home), hence they encourage home loan and tax benefits - indirectly in the nature of interest subsidy to encourage home loan," Gupta added.

#### **Tax Benefits available for Interest paid**

I) Home loan taker, can reduce the interest paid on home loan from his income from house property fully without any limit, so long as after adjusting interest, there is still income taxable under this head.

II) If there is a negative income in the head of house property then the loss allowed is limited to Rs. 200000/- and extra loss (due to interest not so covered) will be carried forward for next years to get adjusted for next years to get adjusted in similar way as mentioned in points (i) or (ii) respectively.

#### **Tax benefit for principal repayment**

Every tax payer gets benefits of tax saver investments under section 80C of income tax Act- 1961. In the said section there are several kind of investment or payments which are eligible subject to maximum Rs. 1,50,000/ per year. Hence benefits under section 80C, to the extent of amount paid as principal repayment can be availed and his income as taxable income will be reduced to that extent for payment of income tax.