



Know your Tax Benefits on Home Loan (FY 2023-24)

The tax benefits under various sections of the Income Tax Act, of 1961.

Income Tax Act	Maximum Deductible amount
Section 24	Rs.2 lakh per annum
Section 80C	Rs.1.5 lakh per annum
Section 80EE	Rs.50,000

Deduction for interest on a Home Loan

- Your home loan has two components – Principal payment and interest payment.
- You can avail yourself of a home loan with the sole purpose of constructing or purchasing a house. However, the construction of your house (if own construction) or possession in case of outright buy must be done within five years of the availing of the loan, you can claim a deduction under your interest category of up to Rs.2 lakh under Section 24.
- The maximum deduction on interest paid for self-occupied houses is Rs.2 lakh. This rule has been in effect from 2018-19 onwards.
- However, if your property is a let out, then there is no limit on the interest you can claim.
- However, the maximum total loss under the heading "House Property" that may be claimed is only Rs 2 lakh.
- From the year when the house's construction is finished, you can claim this deduction.

Deduction for interest paid on a home loan during the Construction phase (Pre EMI-Interest)

- Pre EMI interest is eligible for a write-off under the Income Tax Act.
- A deduction in 5 equal instalments commencing with the year the property is acquired or construction is completed is allowed in addition to the deduction from your residential property income that you would otherwise be qualified to claim.
- The eligibility threshold remains at Rs.2 lakh.
- For example, that you pay Rs.10,000 in interest each month on a home loan for construction. In 2022, the house's construction was completed after two years. Therefore, you cannot start making claims for the pre-construction interest of approximately Rs.2.4 lakh until the construction has been finished in five equal instalments starting in 2022. However, Section 24(b) caps the total interest deduction at Rs.2 lakh, including interest from the current year plus interest from prior projects.
-

Home Loan Tax Benefits under Section 80C

Principal Deductions

Section 80C deals with the principal amount deductions:

- For both self-occupied and let-out properties, you can claim up to a maximum of Rs.1.5 lakh every year from taxable income on principal repayment.
- Stamp duty and registration charges may be included in it. However, it can be claimed only once.
- To claim it, you need to complete the construction of the property or must have obtained possession first.
- You should not sell your house within 5 years of possession to claim this deduction.
- If you sell your house within 5 years after possession, any deduction claimed will be reversed in the year in which you sell it. This amount will also be added to your income for the year of sale.

Deduction for Joint Home Loan

If the housing loan is availed by two or more persons, each of them is eligible to claim a deduction on the interest paid up to Rs.2 lakh each. Tax can be deducted on the principal paid as well for an amount up to Rs.1.5 lakhs each. However, all the applicants should also be co-owners of the property in order to claim this deduction. Therefore, a joint home loan can give you greater tax benefits.

Here is the list of deductions you can claim for a joint home loan:

Deductions	Maximum Deduction	Section of the Income Tax Act	
Interest	Rs.2 lakh	24b	For buying or constructing a new house which must be completed within five years from the financial year end in which the loan was availed.
Interest	Rs.1.5 lakh	80EEA	For property which has a stamp value of up to Rs.45 lakh.
Interest	Rs.50,000	80EE	For a loan amount of up to Rs.35 lakh and for property value of up to Rs.50 lakh.
Principal	Rs.1.5 lakh	80C	Sale of property should not be done before 5 years of possession is completed.

Home Loan Tax Benefits of Owning a Second Property

- As per the current provisions, tax benefits are applicable on payable interest. You can claim the entire paid interest amount.
- It has been proposed that the second self-occupied home can also be claimed as a self-occupied one to help borrowers save more on taxes.

How to Claim Tax Benefits on Home Loans?

Claiming tax benefits on a home loan is a simple process. Below are the steps to claim your tax deduction.

Step 1: Calculate the tax deduction to be claimed.

Step 2: Ensure that the house is in your name or you are the co-borrower of the loan.

Step 3: Submit your **home loan interest certificate** to your employer to adjust the tax deductible at source.

Step 4: In case you don't perform the above step, you would have to file the tax return by yourself.

Step 5: In case you are self-employed, you are not required to submit these documents anywhere. Just keep them handy in case the IT department raises queries in the future.