

Income Tax Benefit on Home Loan

The 2019 Union Budget came up with the proposal to increase the income tax benefits by Rs. 1.5 Lakh on interest payments of home loans. Thus, borrowers can now avail deduction of up to Rs. 3.5 Lakh.

This deduction is available under Section 80EEA which provides income tax benefits of up to Rs. 1.5 Lakh on the home loan interests paid. These home loan tax benefits are available over and above the existing exemption of Rs. 2 Lakh under Section 24(b).

These home loan tax exemptions can only be claimed to purchase houses with a stamped value of up to Rs. 45 Lakh. Homeowners can claim the benefits on loans availed till 21st March 2020. Thus, borrowers will be able to claim a maximum income tax deduction of Rs. 7 Lakh.

Income tax benefits under Section 80EEA are available to those availing home loans under the PMAY CLSS scheme.

Sections of the Income Tax Act that provide tax rebate on home loan:

Sections in the IT Act	Nature of home loan deduction in income tax	Maximum amount deductible
Section 80C	Tax deductions on the principal repayment	Rs. 1.5 Lakh
Section 24	Tax deductions on the interest amount payable	Rs. 2 Lakh
Section 80EE	Additional home loan interest tax benefit for first-time home buyers	Rs. 50,000

The Government of India extends these benefits as a form of relief to borrowers, making it more affordable.

Elaborating the Home Loan Tax Sections in Details:

On availing a home loan, you need to make monthly repayments as EMIs, which include two primary components – principal amount and interest payable. The IT Act enables borrowers to enjoy tax benefits on both these components individually.

1. Section 80C

- Claim a maximum home loan tax deduction of up to Rs. 1.5 Lakh from your taxable income on the principal repayment.
- This may include stamp duty and registration charges as well but can be claimed only once.

2. Section 24

- Enjoy maximum deductions of up to Rs. 2 Lakh on the interest amount payable.
- These deductions apply only on the property whose construction is finished within 5 years. If it doesn't finish within this time frame, you can claim only up to Rs. 30,000.

3. Section 80EE

- First-time home buyers can claim an additional Rs. 50,000 on the payable interest every financial year.
- The Home Loan amount must not be more than Rs. 35 Lakh.
- The property's value must be within Rs. 50 Lakh.