

Sree

House Property and Income Tax

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A house is the biggest purchase most people make in their lifetime. It is quite normal one check legal clearance and pricing of property when he purchases or sells any property. It is equally necessary to check income tax provisions applicable before transaction of property. Different provisions are applicable for different Properties , such residential house, commercial, open plots, and agriculture. We are discussing provisions relating to residential house property.

Capital gain means the profit earned from sale of capital assets (Shares, Property, Jewellery and other capital assets). The taxes imposed by income tax department on capital gain are called as capital gain tax.

If the capital gain is on sale of house property asset which is in the possession of seller for less than three years duration then it is short term capital gain(STCG) else it falls in the purview of long term capital gain (LTCG).

Effective tax rates for LTCG are 20% and for STCG as per prevailing income tax slabs

A proper tax planning can save make your pocket richer.

Check the following

1. Value of the property u/s 50C of income tax act. This the value of house property as per Registrar of Properties. If you buy or sell property at a price

less than the price u/s 50C both the buyer and seller have to pay tax on difference of value of sale deed and section 50C. It is double taxation of same amount one on buyer and second on seller.

2. All payments must be in cheque/dd / RTGS/NEFT or Net Banking. The total price of house property in sale deed shall be by cheque/dd / RTGS/NEFT
3. Collect the receipt of brokerage if any paid to get deduction from sale value.
4. If value of the property(house) is Rs. 50 lacks or more then deduct TDS before payment to seller. TDS must be deducted even from advance. TDS to be deducted on every installment. The same shall be deposited in challan cum form No. 26QB within 7 days from the end of the month in which payment is made. If the amount of property you have purchased is Rs 60 lakhs, then you don't have to pay tax only on Rs 10 lakhs but on the entire amount of sale consideration i.e. Rs 60 lakhs.
5. TDS to be deducted at 1% if seller PAN is available otherwise it should be 20%.
6. Assess whether do you have long term gain or short term gain or any loss. In case of loss must file return on time to carry forward and set off of loss in future. Generally the due date for filing of income tax return is 31st July for a non audit cases and 30th September for audit cases.
7. There are different schemes to invest to save long term capital gain which we will discuss in next few weeks. You can invest capital gain accordingly and can save tax.
8. Pay advance tax as on capital gain.
9. If you are buying the with loan check it is a Housing Loan not the Loan against Property.
10. You can claim both the interest and principal components of your repayment during the year.
11. Interest can be claimed as a deduction under section 24. You can claim up to Rs. 200,000 or the actual interest repaid whichever is lower. (You can claim this interest only when you are in possession of the house)

12. Principal can be claimed up to the maximum of Rs. 150,000 under Section 80C. This is subject to the maximum level of Rs 150,000 across all 80C investments.
13. You will need to show the statement provided by the lender showing the repayment for the year as well as the interest & principal components of the same.
14. Co-owner – if you buy house jointly with others and the co-owner is working and has a separate source of income, both of you can claim separate deductions in your income tax returns.
15. The repayment of principal amount of the loan can be claimed as a deduction under section 80C up to a maximum amount of Rs. 1.50 lakh individually by each co-owner.
16. In cases where the house is owned by more than one person and is also self-occupied by each co-owner, each co-owner shall be entitled to the deduction individually on account of interest on borrowed money up to a maximum amount of Rs. 2 lakh .
17. If the house is given on rent, there is no restriction on this amount. All the co-owners can claim deductions in the ratio of ownership.
18. To claim interest and principal benefit ownership is not merely co-applicant in loans application is not sufficient. Only co-owners can claim this benefit.