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Additional Deduction of Interest u/s 80EE of the IT Act

Are you a middle class citizen intending to purchase a residential Property? Are you a youngster who has saved enough money to buy a small residential property worth 40 Lakhs or Less?

How to go about it? What Tax benefit i get if i purchase a residential property by raising a loan from Banks/Financial Institution?

The answer to such questions is answered by the Hon'ble Finance Minister in the Budget 2013.

Provisions of the Sec 80EE :-

- ✓ Applicable only for Individuals.
- ✓ This must be the first residential house property purchased by the assessee.
- ✓ The property should be Self Occupied.
- ✓ The loan must be sanctioned during FY 2013-14.
- ✓ The value of residential house property does not exceed **Rs. 40 lakhs**.
- ✓ The loan amount must not exceed Rs. **25 lakhs**.
- ✓ Allows deduction for interest paid on loan taken by the assessee from a Bank/Financial Institution in the financial year 2013-14 for acquiring residential house property to the extent of Rs. **1 Lakh**.
- ✓ The deduction under this section can be availed ***only*** for the Assessment Year 2014-15. If in case the interest paid in the financial year 2013-14 is less than Rs.1 lakh, in such cases the assessee is entitled to claim deduction of the balance amount in assessment year 2015-16.

Tax advice:-

As per the provisions, the value of the property should not exceed Rs. 40 Lakhs and the amount of Loan that can be raised is upto Rs. 25 Lakhs. Hence, if you have a minimum own fund of Rs. 15 Lakhs, you can start buying a house by raising a loan from the Banks/Financial Institutions for the balance of funds.

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Since the deduction is available only for the assessment year 2014-15, it is advicable to reduce the Loan repayment ***period***. This increases the Principal and Interest cost. But the deductions can be claimed as follows:-

Sec 80C	Repayment of Principal
Sec 24	Interest upto 1.5 Lakhs
Sec 80EE	Interest upto 1 Lakhs

The provisions are not applicable for Let out property, as full amount of Interest payment is allowed as deduction on let out properties u/s 24 of the IT act.

Home Loan Interest rates

Bank Name	Interest rate (Floating Rate)	Processing Fee	Pre Payment Charges
State Bank Of India	9.95%	Up to 25 lacs : 0.125% of loan amount minimum Rs.1000/- 25-75 lacs : Rs.3,250/- 75 & above : 5,000/-	Nil
ICICI Bank	Scheme I :10.25% (Fixed 1 yr) Scheme II : 10.25% (Fixed 2yrs) Scheme III : 10.50% (Fixed 3yrs) then 10.25%	0.50% of loan amount upto 1 crore	N.A
HDFC Ltd	10.15%	0.5% or maximum 10,000+service tax (12.36%)	No pre payment charges shall be payable for partial or full prepayments irrespective of the source
HSBC Bank	10% to 13%	1% of the loan amount applied for, subject to a minimum of Rs 10000 plus service tax.	Nil
LIC Housing	Scheme I : 10.25% (Fixed for 2 yrs) Scheme II : 10.70% (Fixed for 3 yrs)	Up to 50 lacs : 10,000 +(S.T) 50 lacs & above : 15,000 +(S.T)	Nil
AXIS Bank	10.25% (Upto 25 Lacs), then 10.50%	1% of the Loan Amount	Nil
IDBI	10.25%	Up to .50% of loan amount	If Balance Transfer then 2% Otherwise Nil
Indian Bank	10.20%	Waived upto 31-03-2013	Nil
Standard Chartered	9.99% (Upto 25Lacs), then 10.40%	Rs.7500/- + Service tax	Nil
UCO Bank	10.20%	NA	NA

Source:Deal4loans