DAY 9- New Section 80EE [Effective from A.Y. 2014-15]

Practical

Mr. Arvind provides following information for the previous year 2014-15.

(i) He purchased residential house property for Rs. 38,00,000.
(ii) For this purpose, he arranged finance from HDFC Rs. 23,50,000 @ 10.50 % p.a.
(iii) Date on which loan sanctioned by HDFC : 01.06.2013
(iv) Date on which sale deed was executed : 01.07.2013
(v) House property was self-occupied throughout the previous year.
(vi) He does not own any other house property on the date of sanction of the loan.

Advise Mr. Arvind for deductibility of interest for the previous year 2014-15 and 2015-16 assuming that only interest is served for both the financial years.

Before, we go to the solution, lets comprehend amendment first.

Section 80EE

(a) Conditions:

1.	The taxpayer is an individual.
2.	He has taken a loan from Financial Institution.
3.	The loan has been sanctioned by the financial institution during previous year 2013-14.
4.	The amount of loan sanctioned for acquisition of the residential house property does not exceed Rs.25 lakhs.
5.	The value of the residential house property does not exceed Rs.40 lakhs.
6.	The taxpayer does not own any residential house property on the date of sanction of the loan.

(b) Amount of deduction:

(i) If the above conditions are satisfied, interest payable for the previous year 2013-14 on the aforesaid loan shall be deductible under section 80EE upto maximum of Rs.1 lakh.

(ii) In a case where the **interest payable in previous year 2013-14 is less than Rs. 1 lakh**, then balance deduction shall be allowed under 80EE in the previous year 2014-15. **(Student must note that language is " interest payable for the previous year is less than Rs. 1 lakh"** ***and not the "deduction claimed under section 80EE is less than 1 lakh")***

(iii) Further, where a deduction under this section is allowed for any assessment year, in respect of interest on housing loan, deduction shall not be allowed in respect of such interest under any other provision of the Income-tax Act, 1961, for the same or any other assessment year.

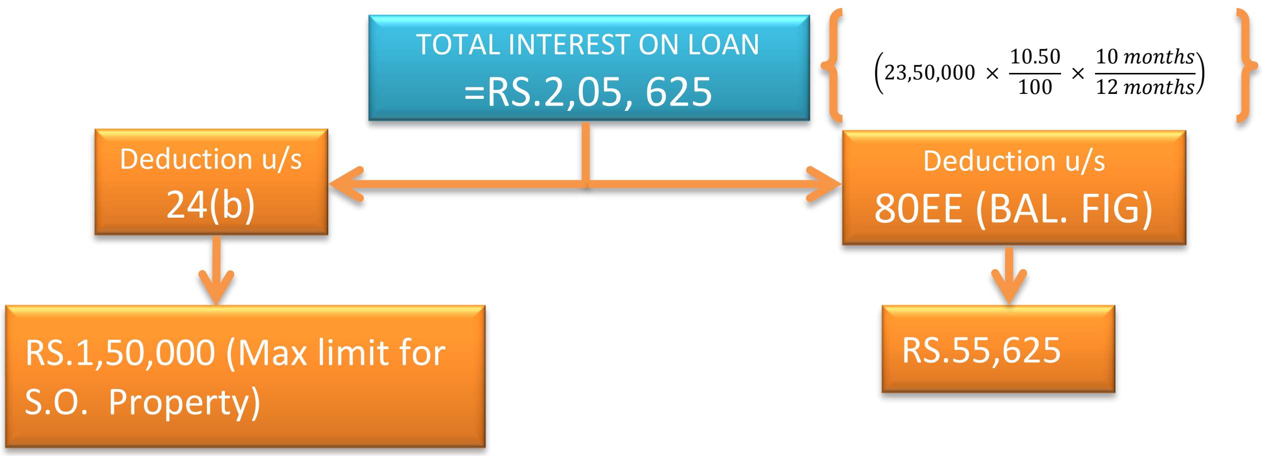
(c) *Meaning of Certain Terms used in above provision:-*

a. "financial institution" means a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies including any bank or banking institution referred to in section 51 of that Act or **a housing finance company;**

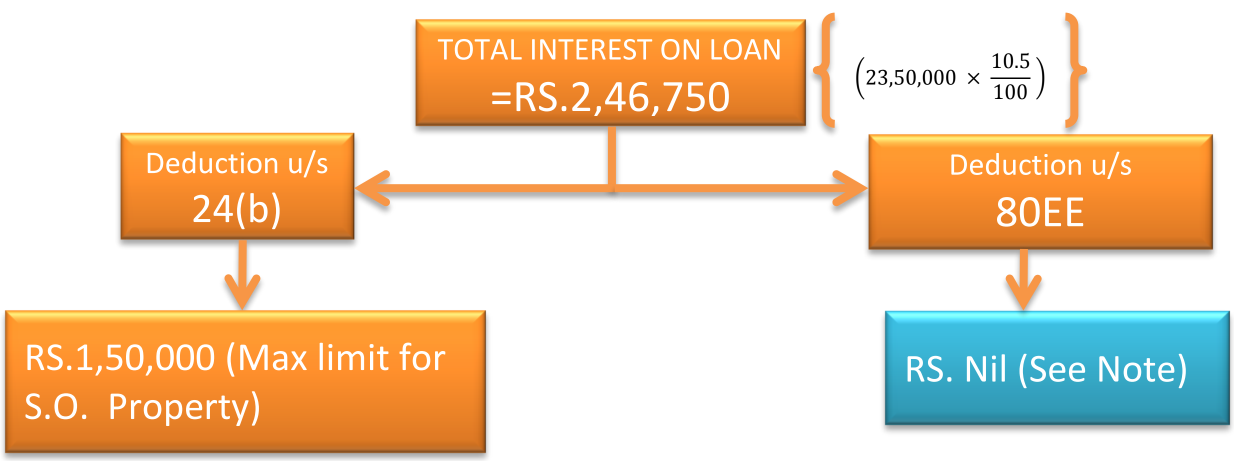
b. "housing finance company" means a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes.

Solution

Deduction Available for P.Y. 2013-14



Deduction Available for P.Y. 2014-15



Note: Here, reader shall note that **interest payable** for the previous year 2013-14 was Rs.2,05,625 (which **is more than 1 lac**) and therefore, no further deduction is allowed under 80EE during previous year 2014-15.

Thus, Readers must note that examples on section 80EE available in various publications including ICAI student supplementary do not represent correct interpretation of law.