

INCOME FROM HOUSE PROPERTY

AMENDMENT BY THE FINANCE (No.2) ACT, 2014

Increase in deduction for interest on loan borrowed for acquisition or construction of self-occupied house property [Section 24(b)]

Effective from: A.Y.2015-16

- (i) Section 24 provides for two deductions from "Net Annual Value" of house property, namely, statutory deduction at 30% of NAV under clause (a) thereof and interest payable on capital borrowed for acquisition, construction, repair, renewal or reconstruction of house property under clause (b) thereof.
- (ii) In case of self-occupied house property, the annual value is Nil and the only deduction available is in respect of interest on borrowed capital. Consequently, the interest deduction would represent the loss from such house property during the relevant previous year.
- (iii) The second proviso to clause (b) of section 24 provides that such interest deduction shall be restricted to ₹ 1,50,000 in case of capital borrowed for acquisition and construction of self-occupied property.
- (iv) Taking into consideration the appreciation in the value of house property and the increased cost of finance, the second proviso to clause (b) of section 24 has been amended to increase the maximum amount of deduction on account of interest on capital borrowed for acquisition and construction of self-occupied property to ₹ 2,00,000.

Example

Mr. Rajesh purchased a residential house property for self-occupation at a cost of ₹ 30 lakh on 1.6.2013, in respect of which he took a housing loan of ₹ 24 lakh from Punjab National Bank @ 11% p.a. on the same date. Compute the eligible deduction in respect of interest on housing loan for A.Y.2014-15 and A.Y.2015-16 under the provisions of the Income-tax Act, 1961, assuming that the entire loan was outstanding as on 31.3.2015 and he does not own any other house property.

Answer

Particulars		₹
For A.Y.2014-15		
(i)	Deduction under section 24(b)	₹ 2,20,000
	[₹ 24,00,000 × 11% × 10/12]	

(ii)	Restricted to Deduction under section 80EE (₹ 2,20,000 – ₹ 1,50,000)	1,50,000 70,000
For A.Y.2015-16		
(i)	Deduction under section 24(b) ₹ 2,64,000 [₹ 24,00,000 × 11%]	
(ii)	Restricted to Deduction under section 80EE (₹ 1,00,000 – ₹ 70,000, allowed as deduction in P.Y.2013-14)	2,00,000 30,000

Note - In this case, Mr. Rajesh is entitled to deduction under section 80EE, in addition to deduction under section 24(b) since –

- (1) the loan is sanctioned by Bank of India, being a financial institution, during the period between 1.4.2013 and 31.3.2014;
- (2) the loan amount sanctioned is less than ₹ 25 lakh;
- (3) the value of the house property is less than ₹ 40 lakh;
- (4) he does not own any other residential house property.