

SOME POINTS TO KEEP IN MIND ABOUT INTEREST ON HOUSE LOAN FOR TAX REBATE ON INTEREST

PRE CONSTRUCTION INTEREST

MONEY MAY BE BORROWED PRIOR TO THE ACQUISITION OR CONSTRUCTION OF THE PROPERTY. IN SUCH A CASE, INTEREST PAID/PAYABLE BEFORE THE FINAL COMPLETION OF CONSTRUCTION OR ACQUISITION OF THE PROPERTY WILL BE AGGREGATED AND ALLOWED FOR FIVE SUCCESSIVE FINANCIAL YEARS STARTING WITH THE YEAR IN WHICH THE ACQUISITION OR CONSTRUCTION IS COMPLETED. THIS DEDUCTION IS NOT ALLOWED IF THE LOAN IS UTILIZED FOR REPAIRS, RENEWAL OR RECONSTRUCTION. PRECONSTRUCTION INTEREST IS COUNTED FROM THE PERIOD FINANCIAL YEAR IN WHICH LOAN IS DISBURSED TO THE FINANCIAL YEAR PRECEDING THE FINANCIAL YEAR OF COMPLETION.

PRE EMI INTEREST

INTEREST DUE UP TO THE START OF PAYMENT OF FIRST INSTALMENT.

EXAMPLE

LOAN AMOUNT : RS. 1000000/-
INTEREST : 10%
MONTH OF LOAN DISBURSAL: JAN 2005
MONTH OF COMPLETION OF HOUSE: JAN 2009
START OF 1ST LOAN RECOVERY: JAN 2006

INTEREST

2005_06: 3000/-
2006_07: 40000/-
2007_08: 37000/-
2008-09: 34000/-

PRE EMI INTEREST-

JAN 2005 TO DEC.2005.IT IS PAID WITH EMI OF JAN 2006.

PRECONSTRUCTION INTEREST —

JAN 2005 TO MARCH 2008.IT IS DIVIDED IN 5 PARTS PAYABLE IN 5 YEARS.1ST PART PAYABLE WITH INTEREST OF 2008-09 EVEN IF THE HOUSE IS COMPLETED IN MARCH 2008.

INCOME TAX RELIEF:

TOTAL INTEREST=3000+40000+37000=80000/-

RELIEF ON INTEREST IN 2008-09=34000+160000=50000/-

IT WILL BE 16000/- PER YEAR FOR FOUR MORE YEARS +INTEREST OF THAT YEAR.