

Income-tax deduction for Homebuyers?

First-time homebuyers can avail an additional income-tax deduction, till March 31 this year, of up to Rs 1 lakh paid as interest on a loan amount of less than Rs 25 lakh for a property value of not more than R40 lakh. For the deduction to be availed, the loan has to be sanctioned between April 1, 2013, and March 31, 2014.

This special exemption under Section 80EE of the Income-Tax Act, 1961, will lapse after March 31 and will only be applicable if the salaried income-tax assessee does not own any residential property on the date of sanction of the loan.

This deduction will be in addition to the tax rebate on interest payment of home loan under Section 24 the Income-Tax Act up to R1.5 lakh and up to R1 lakh paid as principal repayment under Section 80C every year. Moreover, if the interest payable by the assessee during the year is less than R1 lakh, the unclaimed amount will be allowed to be claimed in the next financial year. For example, if the interest payable in financial year 2013-14 (assessment year 2014-15) is R60,000, then the tax rebate on the remaining R40,000 can be claimed in financial 2014-15 (assessment year 2015-16).

The newly inserted Section 80EE will be applicable only for assessment year 2014-15. The finance minister, in his interim budget for 2014-15, did not extend the this provision. To avail the deduction under Section 80EE, the assessee will have to produce a certificate from the financial institution from where the loan has been sanctioned and get the deduction on salary.

Alternatively, the assessee can even deduct the amount from the total income while filing his income-tax returns. This one-time additional tax deduction gave the much-needed relief to first-time homebuyers, especially in low-cost housing, because of higher interest rates.

TDS on real estate continues

On the other hand, in last year's budget, the government introduced Section 194-IA in the Finance Act where an individual who purchases any immovable property, other than agricultural land, will have to deduct 1% tax at source of the amount paid to the seller if the the amount is more than R50 lakh. This provision will continue this year too and the finance minister has not tinkered with direct taxes in the interim budget. Analysts, however, say the provision still needs some finetuning as there are a few compliance issues.

The onus of deducting the tax is on the buyer of the property at the time of crediting the amount to the seller. The income-tax department has introduced Form 26QB for compliance where the buyer has to give details like his full name, address and Permanent Account Number (PAN) and of the seller. He also needs to mention the address of the property purchased, the value of the property, date of agreement or booking and the amount paid either in instalments or lump sum. However, the buyer of the property is not required to obtain the Tax Deduction Account Number (TAN).

As per the norms, the buyer can make the payment of the TDS online or through cheque or demand draft within seven days of the end of the month in which the deduction is made. The buyer will issue the TDS certificate, which is Form 16B, to the seller within 15 days of the due date of payment of taxes. The buyer can generate the the certificate from the income tax portal, www.tdscpc.gov.in

The immovable property includes assets such as a house, commercial property and land purchased for commercial or residential purposes. The rate of TDS on transactions of immovable property is 1%. If the seller does not disclose his PAN number, it would be 20%.

There is a penal provision for non-compliance as well. According to Section 201 of the Income-Tax Act, if an assessee fails to comply with the procedural guidelines of TDS provisions, which means deduction or payment of TDS, then the assessee will be treated as a default.

According to Section 201(1A), in case of failure to deduct the tax or short deduction of TDS, an interest of 1% will be levied for every month on the amount of tax, that will be applicable from the date on which the tax was deductible to the date on which it is deducted.

Analysts say complying with the TDS requirements is very complicated and one needs to be very careful in following the entire procedure. So, it is advisable to take professional help, especially while making the TDS payment online.

(Financial Express)