

Income Tax return: Buying a house in name of spouse? Beware, it may not help you save on taxes

Income Tax Return: Many people have bought or may have planned to buy a house in the name of their wives.

Paying taxes on our hard-earned money is a pain. People often keep looking for ideas to help them save on taxes. While there are many instruments through which one can save taxes like investments in life insurance, Public provident fund, superannuation fund, Mutual Funds SIP and and more, some of these may not yield a good return.

However, many people have bought or may have planned to buy a house in the name of their wives. This may allow one to save some bucks at the time of registration. Buying in the name of the spouse is like gifting a property.

"Buying a house in the name of the spouse is like gifting a property to the spouse. In some states there is lower stamp duty on registration of property in the name of female individual and husband buys the property in the name of his wife to take benefit out of it," said Pankaj Mathpal, Managing Director, Optima Money Managers.

However, this may not help one save on taxes in future. Moreover, if any income is generated from the property, it will add to the tax liability of the person who paid for the property in the first place.

"One should keep in mind that U/S 64 of income tax act there is provision for clubbing of income. Any income earned from the property whether its rental income or capital gain will be added to the income who has paid money to buy the property irrespective of the fact whether the individual has his name in the property documents or not," said Mathpal.

However, if one has taken a home loan to pay for the property, then one can claim the tax benefit on the two components of the EMI paid- interest payment and principal repayment. The principal repayment comes under Section 80C while the interest payment comes under Section 24.

(Zee Business)