

Installment under reverse mortgage scheme to be tax free: National Housing Bank

With an aim to make the reverse mortgage facility more attractive for senior citizens, the government has decided to give tax break on installment earned by pledging his residential property.

Now it has been decided that annuity would be tax exempt, National Housing Bank Chairman and Managing Director R V Verma said.

The scheme is operated by National Housing Board and housing finance companies, banks and insurance companies.

Besides income tax benefit, he said, the installment income or annuity is expected to increase at least three times to the benefit of retired person.

According to a conservative estimate, the reverse mortgage loan market is upwards of Rs 20,000 crore.

Banks have so far sanctioned Rs 1,800 crore and disbursed Rs 800 crore under reverse mortgage loan since its launch in 2008, he said.

The revised scheme now enables a person above the age of 60 years to avail of monthly payments from insurance company as annuity till the life time against the mortgage of his/her house while remaining the owner and occupying the house.

Earlier, the period of reverse mortgage loan was 20 years from the date of signing the agreement by the reverse mortgagor and the approved lending institution. But, now period has been extended to "the residual life time of the borrower," said a notification by the Central Board of Direct Taxes (CBDT).

As per the amendment, Life Insurance Corporation of India (LIC) and other insurer registered with the Insurance Regulatory and Development Authority (IRDA) have included as annuity sourcing institutions.

As per the scheme, on the borrower's death or on the borrower leaving the house property permanently, the loan is repaid along with accumulated interest, through sale of the house property. The borrower or heir can also repay the loan with accumulated interest and have the mortgage released without resorting to sale of the property.

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