

Exemption only for long-term capital gains

**HT Chandigarh Live
Tax Matters/ S.P. Babuta
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Q 1 : I had purchased a plot amounting to Rs 4.2 lacs in Dec 2004 and sold it off for Rs 6.25 lacs in Nov 2005. I had taken loan of Rs 3.6 lacs from HDFC . Could u tell me how much income tax would I have to pay for the capital gain. Also if I purchase another plot/home then could this tax be avoided?

Parbjeet singh

Ans: In Your case there is a short term Capital gain amounting to Rs. 2.05 lakhs. This will be chargeable to tax at normal rate of Tax applicable to Individuals. Even If you purchase another Plot/home You cannot save tax because Exemption u/s 54 & 54F is available Only in case of Long term capital gains. However Interest paid on borrowed capital can be claimed as part of your cost of acquisition.

Q2: I and my wife are Pb. Govt. officers having annual salary of 2.20 lakhs each. We are living at Chandigarh in our HIG flat (I am the allottee). I have been allotted another flat HIG of HOUSINGFED Punjab at Amritsar . I wish to make my wife a Co-Allotee in this new flat and then take 85% loan from bank. Kindly explain my Income Tax benefits of Principal and Interest of housing loan?

Rubinderjit Brar

Ans:In your case one house will be treated as self occupied and another house will be treated as deemed to be let out(Annual value of rent is taxable) .

As you are staying in Chandigarh the HIG flat will be self occupied and the Amritsar flat will be deemed to have been let out.

The deductions available are as under:

In case of a self occupied property:

Interest paid on borrowed capital: Rs1,50,000/- or actual whichever is less, to all the co-owners.

Principal repayments made:Rs.1,00,000/- or actual whichever is less, to each co-owner

In case of deemed let out property:

Interest paid on borrowed capital:Whole of the interest paid on borrowed funds is deductible and will be claimed by the co-owners in appropriate ratios of ownership.

Principal repayments made: Rs.1,00,000/- or actual whichever is less, to each co-owner

Q3. Kindly clarify whether the tax deduction under section 80 C ie. rebate on tuition fee is applicable only to children or can one claim the rebate for ones own education or for the education of spouse persuing higher education.

Dr. Pradeep Gill.

A maximum rebate of Rs.100,000/- is allowed under section 80C,which amongst other payments also includes any sum paid as tuition fees (not including any payment towards development fees/donation/payment of similar nature)whether at the time of admission or otherwise to any university/college/educational institution in India for full time education. This rebate is allowed to an individual for any two children of such individual.One can not claim the rebate for ones own education or for ones spouse

Q4. I am a government employee living in a rented accommodation in Chandigarh. My rented accommodation is very near to my workplace thus I am sticking to it. This year, I raised home loan and bought a flat in Panchkula and put it on rent. The rent that I am getting is much lesser than that I am paying. I will take into account the rent received, the rent paid and the house rent allowance received from my employer in my tax return. Please inform if in this case the interest up to Rs. 1.50 lacs paid back by me on the home loan principle is deductible from my income or not.

Sushma
Chandigarh

Since you are living in the government accommodation and your flat in Panchkula is let out, you will be allowed to deduct the total interest paid on borrowings for the flat at Panchkula. The threshold limit of Rs.1,50,000/- is not applicable to interest payable on borrowings in case of let out houses. In addition to above ;you are also entitled to a rebate on account of repayment of principal paid to the extent of Rs.1,00,000/- under section 80C.(inclusive of other qualifying payments)