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Standard deductions aren't enough

Claim benefits against rentals paid, purchase of commercial property and joint home loan to reduce tax outgo

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tax (and tax-savings). Many allowances can help lower your tax outgo - some common ones and some not so common. Here are some tax-saving avenues that are generally overlooked.

Joint home loan

In most cases the interest paid on home loan crosses the Rs 150,000 limit. Working couples can actually determine the proportion of how much each of them is paying towards the loan according to their tax brackets. This allows both to avail of the tax exemption on interest paid towards a home loan.

Vikas and Deepika Sinha jointly purchased a flat for Rs 50 lakh. They needed a loan of Rs 35 lakh. The tenure of the loan was 20 years and interest came at 10.5 per cent. If Vikas alone were to avail of the tax benefit on the interest repayment of the EMI, he would obtain exemption of Rs 150,000. But if Vikas and Deepika both avail of the benefit, they could each claim exemption of Rs 150,000; the total exemption then would amount to Rs 300,000.

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- Declaration by husband and wife about their respective share in home loan repayment
- Restructuring of salary by employer to include NPS

- Exemption on full interest repayment for second home loan
- [Standard deduction](#) of 30 per cent on maintenance of second property
- Declaration to claim exemption on [house rent](#) paid even if HRA is not part of salary

The exemption on the amount of principal repaid is part of the Rs 1 lakh limit for all other investments under Section 80 CC. In most cases, for salaried employees the compulsory deduction under the Employees Provident Fund covers most of this, In such cases, it is advisable for both spouses to claim exemption for repayment of the interest on a home loan.

Make the most of NPS

The [New Pension Scheme](#) (NPS) regulations allow subscribers to save additional tax if the amount is contributed by an employer before it paid out as salary. This minor re-structuring of salary adds 3 per cent to the basic. Remember, though, that the initiative needs be taken by the company. If employees choose to contribute separately to the NPS, the amount will form a part of the present Sec.80 CC cap of Rs 1 lakh.

The [NPS](#) is available till 60 years of age. Tier-I accounts require a minimum of Rs 6,000 a year. This cannot be withdrawn until the age of 60 years. On retirement, an investor will have to utilise at least 40 per cent of the corpus to purchase a life annuity; the balance can be withdrawn. The tax benefits under Sec.80C and 80 CCD(2) are available only on investments in tier-I accounts. Because of longer life expectancy and lack of a social security system, the government has allowed this concession.

Apart from saving tax, the NPS is also an excellent means to build a retirement corpus. Assuming that a 35-year-old starts investing Rs 1 lakh a year for the next 25 years: 50 per cent in equity, 50 per cent in debt. The retirement corpus at the age of 60 would be approximately Rs 98 lakh

(assuming a 10 per cent CAGR). Of this, Rs 39 lakh would be required to purchase an annuity; the remaining amount, Rs 59 lakh could be withdrawn.

Unlike [PPF](#) and EPF, in NPS investors can choose asset allocation and decide how much to invest in debt and equity.

Benefit from commercial property

While it is common nowadays to invest in real estate, many of us do so without understanding the tax implications. Deemed rental income is added to one's income even if the property is lying vacant. One should avail of the standard deduction of 30 per cent, the amount paid for municipal taxes and the exemption on the interest paid on loan. In the case of a second home, the total interest is exempt from tax, not Rs 150,000 as in the case of a first home. If the value of the property is more than Rs 30 lakh and lying vacant, wealth tax of 1 per cent is applicable. Wealth tax does not apply if the second property has been rented out for more than 300 days in a year and if it is a commercial property.

Lower your tax on rent paid

The tax benefit on house-rent paid can be availed of even if one's salary does not factor in House Rent Allowance (HRA). This is available under Section 80GG. To claim tax deduction under this section, it is mandatory that one must not have received HRA for even part of the year and should have paid rent for the house where one resides. Rent paid for someone else, for instance, parents, would not be eligible. To avail of this benefit you/your spouse/minor children/HUF must not own a house in the place in which you live, work or conduct any business.

For example, you rent a house in Delhi where you work and you own a house in Gurgaon/Noida or Ghaziabad (nearby city), which you occupy as your primary residence. In such a situation, you are not eligible for the deduction.

Lastly, one has to file a declaration in Form 10BA to claim deduction under this section.

The author is Founder & CEO, Fincart

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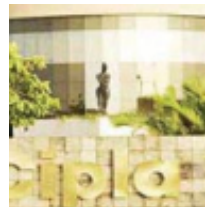
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