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A Study on Housing Loan as a Tax Deduction on Income Tax Payers with Special Reference to Madurai City

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Abstract: Under the Income Tax Act of 1961, the government offers a number of house loan tax exemptions and deductions to encourage individuals to make investments in property. All home loan borrowers should note and be aware of all the income tax rebates available on home loans, because doing so can enable you to significantly reduce your tax obligations. The research can be focused on a study on how housing loan providers get tax benefits and deductions. A tax deduction is the total amount an individual can claim to reduce their tax liability. The major benefit of owning house property on a housing loan is tax benefits. A housing loan is also recognised as an investment that reduces the tax liability. The deduction for housing loans is eligible under Sections 80C, 24 and 80

Introduction

Under the Income Tax Act of 1961, the government offers a number of house loan tax exemptions and deductions to encourage individuals to make investments in property. All home loan borrowers should note and be aware of all the income tax rebates available on home loans, because doing so can enable you to significantly reduce your tax obligations. The research can be focused on a study on how housing loan providers get tax benefits and deductions. A tax deduction is the total amount an individual can claim to reduce their tax liability. The major benefit of owning house property on a housing loan is tax benefits. A housing loan is also recognised as an investment that reduces the tax liability. The deduction for housing loans is eligible under Sections 80C, 24 and 80

EE. Under 80C of income tax in 1961, Rs 1.5 lakhs are extracted for deduction on housing loans. Under Section 24 of the Income Tax Act of 1951, 2 lakhs are extracted for deduction, addition, and documentation. The fair charge for house property should never exceed Rs 5, 00,000, and the value of the property should not exceed Rs 45, 00,000. Tax benefits on housing loan are provided under section 24, section 80C & Section 80EE. A housing loan benefits consists of two parts: Payment of principal amount; and Payment of interest amount. The deduction shall be allowed only for the repayment of loan borrowed for the purposes of purchase or construction of house property.

Section 80C

Housing loan tax benefits under Sec 80C deals with the principal amount of deduction. Up to a maximum of Rs 1.5 lakh every financial year.

Section 80 EE

Housing loan tax benefits under Sec 80EE allows a deduction of maximum Rs 50,000 on interest rate.

Section 24

Section 24 provides for deduction of interest on a housing loan of up to Rs 2,00,000 in a financial year.

Housing loans can thus be regarded as a prudent investment if one knows the tax benefits that come with them. Moreover, one must be aware of the types of housing loans that qualify for tax benefits.

Statement of the Problem

A problem of statement is an explanation in research that describes an area that is in need of study. Income tax is a vest area that covers direct and indirect taxes. Taxation for housing loans and exemptions and deductions are also considered for some estate assessee. The researcher attempted to identify the benefits of assessee those who enjoy tax deductions on housing loans. The assessee or an individual has less knowledge and assessee the section and deduction of the Housing Loan Income Tax Act. On the other hand, provisions related to housing loans consist of several subdivisions and slab deduction. It may happen that, due to the absence of proper knowledge of tax law, compliance may not have been carried out, it is suggested that in the event of such a denial of dedication from the gross income of the taxpayers may be called to explain the any raising tax demand.

Objectives of the Study

1. To explore the demographic profile of the tax exemption among the housing loan to income tax assesse.
2. To determine the income tax assessee satisfaction with the regard to housing loans.
3. To examine the consumer awareness of tax deduction on housing loans provided to taxpayers.

Research Approach

Approach the research used will be analysis of descriptive Approach and the sample uses simple random sampling, with 50 samples. During this study uses method of surveys by using questionnaires on knowledge and understanding of taxpayer awareness, satisfaction of tax payers system as well as taxpayer.

Data Collection

Primary Data Primary data are collected through the responses of the students through questionnaires which were specially prepared for this study. The questionnaire contained questions regarding the general and socio-economic characteristics of the respondents such as age, religion, educational qualification, etc. and also about their reason for taking home loan, term, rate of interest, procedure etc.

Secondary Data secondary information in the form of books, articles published in magazines, journals, newspaper

Sampling Design Our sampling frame for the survey is from Madurai city.

Analysis and Interpretation

Table 1: Gender Wise Classification of Respondents

Gender	Frequency	Percentage (%)
Male	27	54
Female	23	46
Total	50	100

It is clear that a majority of 54 per cent are Male and 46 per cent are Female.

Table 2: Levels of Employment Respondents

Levels of Employment	Frequency	Percent
State government Employee	23	46
Business	14	28
Private employee	13	26
Total	50	100

It is clear that, out of 50 respondents, a major proportion (46%) of the respondents are employed in State government, and 13.1% are central government employees and 13 % are Private employee, 14 % of the respondents are business.

Table 3: Monthly Income of the Respondents

Particular	**Frequency**	**Percent**
Rs 25,000 - Rs 50,000	11	22
Rs 50,000-75,000	13	26
Rs75, 001-1, 00,000	26	52
Total	50	100

The above table shows that, out of 50 respondents are getting a monthly salary 26 % are drawing between 50000 – 75000 and 52 % are drawing between Rs 75000-1,00,000.

Anova - Customer Satisfaction towards Housing Loan

It stands for analysis of which is a variance, the common name given to set of techniques for studying the cause and effect of one or more factors on a single dependent variable. ANOVA is used when the independent variables are not nominal scale (categorical) and the dependent variable is metric (continuous). In the present study, one-way (one factor) ANOVA was used to test the following null hypothesis. The ANOVA test has been used to analyses the difference between the categories of considered, Housing loan Processing and administration fee charge in banks , Fixed & floating Rate of interest ,Mode of payment for housing loan, Tax benefit getting on 24B,Tax benefit on 80c.

H01- There is no significant difference among the respondents' age and customer satisfaction among the housing loan.

Table 4: The ANOVA results

	Sum of Squares	df	Mean Square	F	P value	Sig	
	Within Groups	243.303	400	.608			

	Total	245.446	405				
Housing loan Processing and administration fee charge in banks	Between Groups	6.376	5	2.125	5.222	.002	**(p<0.05)**
	Within Groups	162.819	400	.407			
	Total	169.196	405				
Fixed & floating Rate of interest	Between Groups	9.477	5	3.159	6.530	.000	**(p<0.05)**
	Within Groups	193.500	400	.484			
	Total	202.978	405				
Mode of payment on housing loan	Between Groups	43.340	5	14.447	25.063	.000	**(p<0.05)**
	Within Groups	230.569	400	.576			
	Total	273.908	405				
Tax benefit getting on 24B	Between Groups	2.771	5	.924	1.646	.178	**(p>0.05)**
	Within Groups	224.388	400	.561			
	Total	227.158	405				
Tax benefit on 80c	Between Groups	12.049	5	4.016	6.802	.000	**(p<0.05)**
	Within Groups	236.179	400	.590			
	Total	248.228	405				
	Within Groups	266.204	400	.666			
	Total	271.889	405				

Source: Primary data

The above table clearly indicates that among those variables considered: Housing loan Processing and administration fee charge in banks , Fixed & floating Rate of interest ,Mode of payment for housing loan, Tax benefit getting on 24B,Tax benefit on 80c the p values ($p<0.05$) at 0.05 significance level. Hence it is concluded that there is a significant relationship between levels of customer satisfaction of the housing loan. So, the null hypothesis is rejected

Limitation of the Study

This research focuses on housing loans to reduce income Tax Payers for Income taxpayers. The study covers Income taxpayers of housing loans and does not cover other types of loans. The study results are restricted only to Madurai district. It does not be applicable to other districts.

Finding of the study

1. A majority of 54 per cent are Male
2. A major proportion (46%) of the respondents are employed in State government
3. Income group of the respondent 52 % are drawing between Rs 75000-1,00,000

Suggestions

The suggestions have been made by taking the housing loan jointly with the spouse. There are so many benefits attached with the joint housing loan such as each co-applicant can claim income tax benefits separately, subject to the amount each individual pay towards the payment of principal and interest amount. The banks and financial institutions charge a processing fee of about 0.25% to 2% of the housing loan amount for joint housing loan. Sometimes, a woman can get more favorable housing loan interest rates than a man. Therefore, more joint housing loans shall be encouraged by the banks.

Conclusion

The present study has contributed much to the field of housing finance. It has been undertaken to document the experience of the borrowers. Since the study has given a complete picture of the role of non-banking financial institutions, guiding policies can be formulated for providing housing loans. In addition to this, it will enable the government to understand the importance of housing finance institutions in society.

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