

# Ask **THE EXPERT**

**Chirag Nangia,**  
Director, Nangia Advisors LLP



## PERSONAL TAX

### ***Taxpayers with reverse mortgage loan get I-T benefit***

**I am currently working in India. Since I have got admission for MBA in Singapore I will be moving there soon. Can I continue to contribute to my PPF in India or should I close it? What will be the tax implications? The account is two years old. I had opened it when I started working.**

—HRISHIKESH KHANVILKAR

As per the prevailing laws, a person whose residential status changes from Resident Indian to non-resident Indian is allowed to continue his PPF account till its maturity.

Though, the situation may change as the government in 2017 had issued a notification which provided that PPF account opened by a resident who subsequently turns to non-resident, shall deem to be closed from the date of change of residential status from resident to non-resident. However, the said notification has been temporarily suspended by the authorities vide notification dated 23 February 2018 till the other notification is issued. Interest on PPF account shall remain exempt irrespective of the residential status.

**If I take a reverse mortgage loan on my house, is there any tax implication?**

—MEGHRAJ RAI

The Income Tax Act provides benefit to the taxpayers who obtain a reverse mortgage loan. The transaction of mortgaging asset under such scheme shall not be regarded as transfer for the purpose of charging capital gains tax. Also, the sums received by the taxpayers as loan are exempt from the payment of tax. Thus, no tax implications arise while taking reverse mortgage loans.



Clear your doubts with regard to personal tax.  
Send your queries to [personalfinance@dnaindia.net](mailto:personalfinance@dnaindia.net)

# Ask **THE EXPERT**

**Chirag Nangia,**

Director, Nangia Advisors LLP



## PERSONAL TAX

### ***Interest from PPF is tax exempt; but on NSC, it is taxable***

Last year I invested in ELSS for tax-saving but since this year market is down I don't want to invest in stocks. Since I already have EPF from my office, should I still invest in PPF? And are NSC and Kisan Vikas Patra also good to invest in? —VIJAY KADAM

Deduction under section 80C of the Income Tax Act 1961 (Act) can be claimed to the extent of Rs 1,50,000 cumulatively for the items specified in that regard. From the tax point of view, you may consider to invest into PPF or NSC to an upper limit of Rs 1,50,000 including employee's contribution to EPF. However, it may be noted that the interest earned from PPF is currently exempt from tax whereas interest on NSC is taxable. Investment in Kisan Vikas Patra does not offer any tax benefit. Neither is the investment is deductible nor is the interest earned tax free.

**I will be retiring from BARC and will be shifting to a rented house. Since my son is completing his studies, we plan to stay in Mumbai for a couple of years more. Can I claim tax exemption on the rent I pay as now I am not employed?** —VENKAT RANGANATHAN

The deduction for rent paid may be claimed under section 80GG of the Act within prescribed limits and prescribed conditions as entailed in the section. A taxpayer who neither claims the benefit of house rent allowance nor has claimed the deduction under any other section of the Act, can claim benefit of deduction under the aforesaid section. However, the taxpayer/ close relatives should not own any accommodation at the place where he resides/ carries out business/ duties or at any other place where he is claiming the tax benefit for the property as a self-occupied property.



Clear your doubts with regard to personal tax.  
Send your queries to [personalfinance@dnaindia.net](mailto:personalfinance@dnaindia.net)

# Ask **THE EXPERT**

**Chirag Nangia,**  
Director, Nangia Advisors LLP



## PERSONAL TAX

### ***Law silent on claiming capital gains under both Sec 54, 54EC***

**Can I invest the money from sale of my house partly in one house and partly in the special bonds? Will I get tax exemption for both?**  
SRIKANTH REDDY

Section 54 of the Income-tax Act, 1961 (Act) provides exemption of capital gains from sale of property, if invested in another house property. Similarly, section 54EC of the Act provides exemption of capital gains, arising on the sale of long-term capital asset, if invested in bonds notified in this behalf. The exemption under the aforesaid sections can be claimed once conditions are fulfilled. Thus, the Act is silent on simultaneously availing exemption from a capital gain arising from sale of a house under section 54 and section 54EC, thereby paving way to claim exemption under both sections. The view may find favour from appellate authorities, but may get litigated by tax officer.

**My father left his house to my brother and me in his will. Since my brother does not want the house, I will pay him money. I want to register the house in my name. When I pay my brother money, will he have to pay taxes? Will I have to pay tax while registering the house in my name?** ABHISHEK SINGHAL

We understand that a sale deed will be executed between you and your brother to transfer the property. You will not be required to pay any tax on purchasing the property from your brother and only your brother shall be liable to pay the tax on the capital gains arising to him on sale of his share. You would be required to withhold tax @1% under section 194IA of the Act while making payment. However, transfer of property as a gift between relatives entails no tax liability.



Clear your doubts with regard to personal tax.  
Send your queries to [personalfinance@dnaindia.net](mailto:personalfinance@dnaindia.net)

# Ask **THE EXPERT**

**Chirag Nangia,**  
Director, Nangia Advisors LLP



## PERSONAL TAX

### ***Tax benefit on home loan from employer is conditional***

**I am planning to buy a house and am planning to take a loan from a bank as well as my employer. Can I claim tax exemption on both loans?**  
– TUSHAR SINGH

Taxpayers shall be allowed to claim deduction of interest on home loans obtained from both bank and employer under section 24 of the Income Tax Act provided the interest certificate is obtained from both sources of loan. The principal repayment of loan from the bank shall be allowed as a deduction under section 80C of the Act. However, deduction of principal repayment of loan obtained from employer would depend whether your employer is covered under the prescribed category of employers provided by the Act. Please note that the aforesaid deduction in respect of interest and principle repayment can be claimed only up to the limits prescribed by the respective sections.

**My father has gifted shares to my daughter, who is a minor. If I sell those shares what will be the capital gains? Will I have to pay tax?**  
– RISHABH GUPTA

Under the Act, any income accruing to a minor child shall also be offered to taxation. However, such income is not charged to tax in the hands of the minor but gets included in the income of such parent whose total income is greater, except in the specified situations. In your case, the capital gains shall be computed by reducing the sales consideration with the indexed purchase cost of the shares incurred by your father. Such capital gains will be included either in your or your wife's income, whose income is greater and accordingly, tax will be paid by such parent.



Clear your doubts with regard to personal tax.  
Send your queries to [personalfinance@dnaindia.net](mailto:personalfinance@dnaindia.net)

# Ask **THE EXPERT**

**Chirag Nangia,**

Director, Nangia Advisors LLP



## PERSONAL TAX

### ***Claim tax benefit for both home rent and home loan***

**Can I claim both home rent and home loan benefit for tax purposes? I have a home loan for my own house but now I want to shift to a flat closer to my office for which I will have to pay rent.**  
PIYUSH AGARWAL

Income-tax Act allows taxpayers to claim exemptions on investments made and expenditure incurred out of the total income. While exemptions on principal repayment of home loan can be claimed under Section 80C and interest payment can be claimed under section 24b, House Rent Allowance exemption can be claimed under section 10 (13A) of the Act.

If you have taken home loan for your house, but you live in another house on rent, you can claim tax benefits on both. However, if both houses are located in the same city, you will have to explain the reason behind not living in your own house to your employer or the tax authorities in case of any scrutiny. Like in your case, it is commute time or distance of the house from your office.

**I did not file tax last year as I had just started working. This year can I file it for both years together? I have no tax to pay since I have only salary-**SAHIL SINGH

An individual is liable to file Income-tax return (ITR) where his total income liable to tax exceeds the basic amount not chargeable to tax, that is, Rs 2,50,000. Hence, in case your income is within the prescribed limit, there is no requirement for you to file Income Tax return.



Clear your doubts with regard to personal tax.  
Send your queries to [personalfinance@dnaindia.net](mailto:personalfinance@dnaindia.net)

# Ask **THE EXPERT**

**Chirag Nangia,**  
Director, Nangia Advisors LLP



## PERSONAL TAX

### ***For capital gain benefit on house sale, time is the only condition***

**If I sell a house in my name and invest the capital gain money in the same financial year in the following three types of property taken on loan by my son from bank - 1. The house/ flat in the name of my son 2. In the name of my son and wife 3. In the name of myself, my son and my wife. What will be tax liability for me in the above three conditions separately? The loan is taken by my son on his own name. S K VERMA**

As per the provisions of the Section 54 of the Act, if the assessee invests the income earned by way of Long Term Capital Gain on sale of a residential property in purchase of another residential house, he can claim it exempt. The only requirement as per law is that the assessee has to reinvest the gain amount within the stipulated time. There is no requirement that the assessee should be the legal owner of the new property. Many times the assessee ends up purchasing the new property in the name of their close relatives - children, spouse, etc. Though, the tax officers have in the past also raised objection on eligibility to claim exemption for investment made in the name of close relative instead of the assessee himself. However, Income-tax Appellate Tribunals have held in favour of the assessee. Hence in your case also, you may take a position that the re-investment in the name of your son/wife should be eligible for exemption u/s 54 of the Act.

**I had opened my grandsons PPF account 10 years back. He has now become NRI and the bank is not closing the account. They need an Aadhar to close it. My grandson does not have Aadhar. What I can do to close his PPF A/C? SAROJ KAKAR**

You will have to comply with the requirements of the PF authorities.



Clear your doubts with regard to personal tax.  
Send your queries to [personalfinance@dnaindia.net](mailto:personalfinance@dnaindia.net)



**Chirag Nangia**

## No tax on NRE FD interest if account holder is a resident outside India

● **Is Non-Resident External (NRE) fixed deposit (FD) exempt from tax?**

— Nikhil Gonsalves

As per Section 10(4)(ii), interest income earned on NRE account is exempt from tax if account holder is treated as a person resident outside India under Foreign Exchange Management Act (FEMA). Thus, taxability of interest earned on NRE FD account would depend on residential status of account holder under FEMA. Such interest would be exempt if account holder is a person resident outside India and taxable if he is a person resident in India in accordance with the provisions of FEMA.

● **I initiated EPF withdrawal without filling form 15G and my PAN. As a result, 34.6% tax was deducted on total PF amount. How can I get tax refund?**

— Manoj Rathor

The amount deducted and deposited as TDS by the payer of consideration gets reflected in the Form 26AS of the person from whose income TDS has been

deducted. In a case where TDS deducted exceeds the tax liability of a person for the year, such a person can claim refund of such excess tax while filing the income-tax return, referring the Form 26AS. Thus, TDS deducted by your

employer on PF withdrawal would reflect in your Form 26AS and basis the same, you can claim refund of excess tax.

● **Can my NRI son transfer ₹ 15,000 per month from his NRO account to my NRI daughter's Non-Resident Ordinary (NRO) account to pay her mutual fund SIP installment?**

— Dolly Moga

Yes, transfer between two NRO accounts is permissible. And yes, a resident can transfer same amount in her account and this is permissible subject to certain conditions such as the transferee and transferor must be relatives in terms of Section 2(77) of Companies Act. This transfer will be treated as transfer overseas and has to comply with the Liberalized Remittance Scheme norms.

● **If I buy a property for ₹ 80 lakh, do I have to deduct 1% TDS?**

— Nikhil Sood

Tax has to be deducted at the rate of 1% as purchase price exceeds threshold limit of ₹ 50 lakh. Tax is required to be deducted at the time of credit of such sum or payment to the seller, whichever is earlier. It to be deposited electronically through challan-cum-statement in Form No. 26QB within seven days from the end of the month in which the deduction is made.

*The writer is director, Nangia Advisors LLP.*

*Send your queries to*

*fepersonalfinance@expressindia.com*



**Chirag Nangia**

### Gift of capital asset to spouse is not chargeable to tax

● I and my wife jointly own a flat in Mumbai. The EMI is paid by me. My wife has received some proceeds from selling a flat which was purchased by her. I want to sell the Mumbai flat to her at market price by paying due registration and stamp duty charges. Can I sell a flat to wife who is also joint owner of the property?

—Alok Sheopurkar

Your wife is a 50:50 owner in the flat, but she did not pay any money for its purchase. Now you want to sell your share in the flat to your wife at market price. Any transfer of capital asset entails capital gain chargeable to tax. However, gift of capital asset to spouse is not chargeable to tax. Accordingly, if the purpose is to transfer the ownership of the flat to your wife such that she becomes the 100% owner of the said flat, you can consider gifting her your share without any consideration. The taxability of the gift shall remain tax-free, irrespective of the fact whether she has funded the purchase of the flat or not.



● If a person starts a business of real estate with ₹5-10 lakh capital and has no other income source, will it be considered business income and charged under Profits and Gains from Business and Profession (PGBP) or charged under capital gain? Also, will that be covered under Micro, Small and Medium Enterprises (MSME)?

—Ajaz Khan

The individual is starting a business as a proprietor, without forming any legal entity, viz., company or LLP. Further, the real estate purchased is done with the sole purpose of resale. Thus, it is evident that the individual shall be engaged in the business of real estate trade. Hence the provisions of PGBP shall be applicable. Benefits of MSME can be claimed by proprietors but only if the business is registered as an MSME.

● My brother works with a shipping company in Singapore. He stays in India for about 100 days. Will he be exempted for paying tax in India?

—Dolly Moga

If he is an Indian citizen working abroad or a member of a crew on an Indian ship, then he is considered as an Indian resident if he stays in India for more than 182 days during that financial year. Non-resident Indians are subject to tax in India only in respect of India sourced income (that is, income received, accruing or arising in India or deemed to be received, accrued or arisen in India). However, income which is received and earned outside India is not taxable in India

*The writer is director, Nangia Advisors LLP.*

*Send your queries to*

*fepersonalfinance@expressindia.com*