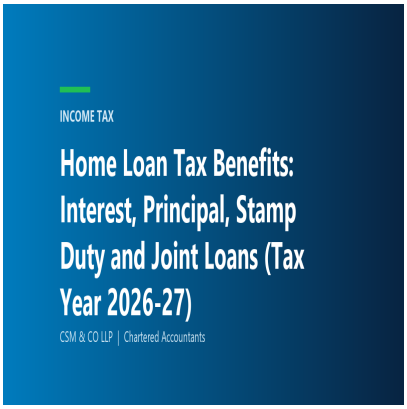

Home Loan Tax Benefits: Interest, Principal, Stamp Duty and Joint Loans (Tax Year 2026-27)

Description

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Quick summary

- A home loan can give four tax benefits: interest under section 22, principal repayment and stamp duty under section 123 (up to ?1,50,000 with other qualifying items), and the closed first-time buyer schemes in sections 130 and 131.
- In the old regime a self-occupied house gets up to ?2,00,000 of interest and ?1,50,000 under section 123; in the new regime only interest on a let-out house is allowed.
- Section 123 benefits are reversed if the house is sold within five years from the end of the tax year of possession.
- Co-owners who are also co-borrowers can each claim their own limits.

A home loan can reduce your tax in several ways, but each benefit has its own section, limit and regime. The Income-tax Act, 2025 has renumbered them (section 24(b) is now section 22, 80C is now section 123, and 80EE and 80EEA are now sections 130 and 131). This post puts them together.

The four benefits

Benefit	Section (2025 Act)	Limit	Old regime	New regime
Interest, self-occupied house	22(1)(b), 22(2)	?2,00,000 (?30,000 if conditions are not met)	Yes	No
Interest, let-out house	22(1)(b)	No limit	Yes	Yes

Benefit	Section (2025 Act)	Limit	Old regime	New regime
Principalrepayment, stampduty, registration	123, Schedule XV	?1,50,000 with other qualifying items	Yes	No
Extra interest for first-time buyers	130 (loan sanctioned 2016-17), 131 (loan sanctioned 2019-22)	?50,000 and ?1,50,000	Only for qualifying old loans	No

1. Interest (section 22)

Interest payable on capital borrowed to acquire, construct, repair, renew or reconstruct a house is deducted from its annual value. Our post on the home loan interest deduction explains the ?2,00,000 and ?30,000 limits, the five year completion condition, the lender's certificate and pre-construction interest, which is claimed in five equal instalments.

2. Principal repayment and stamp duty (section 123)

Section 123 allows a deduction, within **?1,50,000** for all items together, for the amount spent on purchase or construction of a residential house. Schedule XV, paragraphs 1(r) and 3, say this includes:

- instalments or part payments to a development authority, housing board or other authority selling houses on ownership basis;
- instalments to a company or co-operative society of which you are a shareholder or member, for a house allotted to you;
- **repayment of a loan** from the Central or a State Government, a bank (including a co-operative bank), LIC, the National Housing Bank, a housing finance company, a company or co-operative society engaged in house financing, or your employer if it is a public body or a company, university, local authority or co-operative society; and
- **stamp duty, registration fee and other expenses** of transferring the house to you.

It does **not** include the admission fee, cost of shares and initial deposit paid to become a member of a society or company, the cost of additions, alterations, renovation or repairs after the completion certificate was issued or after the house was occupied or let, or any expenditure that is deductible under section 22 (the interest).

Five year rule. If you transfer the house before **five years from the end of the tax year in which you took possession**, or you receive back any such sum, the deductions already allowed are added to your income of the year of transfer (Schedule XV, paragraph 4).

Section 123 shares its ?1,50,000 with provident fund contributions, life insurance premiums, tuition fees and other items, so a salaried person with an employee PF contribution may use up much of it before the home loan principal.

3. First-time buyer schemes (sections 130 and 131)

These are the old sections 80EE and 80EEA. They remain in the Act for loans that met their conditions and are old regime only:

Point	Section 130 (earlier 80EE)	Section 131 (earlier 80EEA)
Extra interest deduction	Up to ?50,000 a year	Up to ?1,50,000 a year
Loan sanctioned	01/04/2016 to 31/03/2017	01/04/2019 to 31/03/2022
Loan or property limit	Loan up to ?35 lakh; house value up to ?50 lakh	Stamp duty value up to ?45 lakh
Other conditions	You own no house on the date of sanction; loan from a bank or housing finance company	Same, and you are not eligible under section 130
Overlap	The same interest cannot be claimed under any other provision	The same

A loan sanctioned today cannot claim either section.

4. Old and new regime

In the new regime, the interest deduction on a self-occupied house, the section 123 deduction and sections 130 and 131 are not allowed (section 202(2)). Only the interest on a **let-out** house is, and any loss from house property cannot be set off against other income or carried forward. If a home loan is your main deduction, compare both regimes before you choose (our post on saving tax by salary level gives the break-even).

Joint loans

Co-owners with definite shares are taxed separately on their shares, and the relief for a self-occupied house is available to each of them (section 24). Co-owners who are also co-borrowers and pay their share of the EMI can each claim:

- interest up to ?2,00,000 on their share, and
- section 123 for the principal and stamp duty they paid, within their own ?1,50,000 limit.

A joint loan where only one person pays does not give the other any benefit. Keep the repayment record in each person’s bank account.

Worked example (old regime)

You buy a flat for self-occupation, with the loan sanctioned in 2026. In the first year you pay ?2,40,000 of interest, ?1,20,000 of principal and ?1,00,000 stamp duty and registration. You have no other section 123 items.

- Interest: limited to ?2,00,000, giving a loss from house property of ?2,00,000, set off against salary.
- Section 123: principal 1,20,000 + stamp duty 1,00,000 = 2,20,000, limited to **?1,50,000**.

- Total deductions: ?3,50,000.
- At a 30% slab, plus 4% cess, the tax saved is 3,50,000 × 30% × 1.04 = **?1,09,200**.

Documents to keep

- Lender's **interest and principal certificate** for each year.
- **Sale deed** and the **possession or completion certificate**.
- **Stamp duty and registration receipts**.
- **Bank statements** showing the EMIs paid from your account.
- For a co-owned property, the **share of each owner** in the deed.

Frequently asked questions

What are the tax benefits on a home loan?

Interest under section 22 (up to ?2,00,000 for a self-occupied house, the whole amount for a let-out house), principal repayment and stamp duty and registration charges under section 123 within ?1,50,000, and for some older loans an extra deduction under section 130 or 131.

Are home loan benefits available in the new tax regime?

Only interest on a let-out house. Interest on a self-occupied house and the section 123, 130 and 131 deductions are old regime items (section 202(2)).

Is stamp duty deductible?

Yes. Stamp duty, registration fee and other transfer expenses are part of the amount spent on purchasing a house that qualifies under section 123, in the year you pay them, within the ?1,50,000 limit shared with the other items.

What if I sell the house early?

If you transfer the house within five years from the end of the tax year in which you got possession, the section 123 deductions already allowed for it are added back to your income in the year of transfer (Schedule XV, paragraph 4).

Can I still claim the extra ?50,000 or ?1,50,000 interest?

Only if the loan was sanctioned in the window the section requires: 01/04/2016 to 31/03/2017 for section 130 (?50,000) and 01/04/2019 to 31/03/2022 for section 131 (?1,50,000), with the other conditions. A loan taken now does not qualify.

Can both spouses claim on a joint loan?

Yes, if each is a co-owner and a co-borrower and pays his or her share of the instalments. Each can claim the interest and section 123 limits for the share he or she owns and pays.

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 22, 24, 123, 130, 131, 202; Schedule XV paragraphs 1(r), 3 and 4)

Related reading

- Home Loan Interest Deduction: Section 22 Rules, Limits and How to Claim (Tax Year 2026-27)
- What are the 5 Heads of Income Tax?
- How to Save Tax Other Than 80C: Deductions and Exemptions for 2026-27

Disclaimer

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