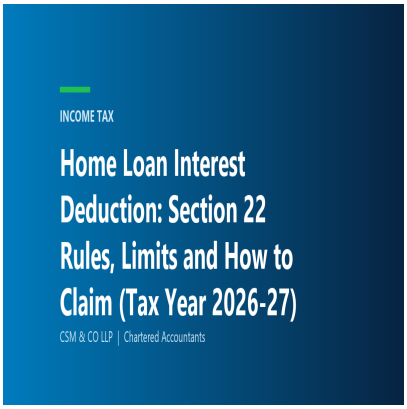

Home Loan Interest Deduction: Section 22 Rules, Limits and How to Claim (Tax Year 2026-27)

Description

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Quick summary

- Interest on a loan taken to buy, build, repair or renew a house is deductible under section 22(1)(b) of the Income-tax Act, 2025 (earlier section 24(b)); on a let-out house the whole interest is allowed.
- For a self-occupied house the limit is ?2,00,000 a year if the house is completed within five years from the end of the tax year in which the loan was taken and the lender gives a certificate; otherwise it is ?30,000.
- Interest paid before the year of completion (pre-construction interest) is claimed in five equal instalments from the year of completion, inside the same cap.
- Under the new regime, interest on a self-occupied house is not allowed, but interest on a let-out house is.

For most people, interest on a home loan is the biggest tax deduction they have. Under the Income-tax Act, 2025 the rule sits in section 22 (it was section 24(b) in the 1961 Act). This post covers who can claim how much, how pre-construction interest works, and what to give your employer and put in your return.

What qualifies

Under **section 22(1)(b)**, interest payable on capital borrowed for **acquiring, constructing, repairing, renewing or reconstructing** a property is deducted from the property's annual value. The deduction is for interest **payable**, whether or not you have paid it. Interest payable outside India is not allowed if tax has not been paid or deducted on it and there is no agent in India (section 22(6)).

Principal repayment is not part of this deduction. It is a separate old regime deduction (see our post on home loan tax benefits).

The limits

Property	Limit on interest in a year
Let-out house	No limit; the whole interest payable
Self-occupied house (section 21(6)), acquired or constructed with a loan and completed within five years from the end of the tax year in which the loan was taken, with the lender's certificate	**?2,00,000**
Self-occupied house in any other case (for example, delayed completion, or a loan for repairs, renewal or reconstruction)	**?30,000**
Total for all self-occupied houses	**?2,00,000** (section 22(5))

The five years: count from the **end of the tax year** in which you borrowed. A loan taken on 30/04/2026 falls in tax year 2026-27, which ends on 31/03/2027, so the house must be completed by **31/03/2032**. Some articles count only four years, so check your own dates.

Certificate: to claim ?2,00,000 you must furnish a certificate from the lender (section 22(2)(a)(ii)). It must show the interest payable on the capital borrowed and the interest on any **new loan** taken to repay the whole or part of the original loan (section 22(4)).

Pre-construction interest

While the house is under construction you cannot claim the interest. Interest payable for the period **before the tax year in which the property is acquired or completed** is claimed later (section 22(1)(c)):

- in **five equal instalments**, one in the tax year of acquisition or completion and one in each of the next four tax years;
- after reducing it by any amount already allowed under another provision of the Act (section 22(3)).

For a **self-occupied** house, the interest under clauses (b) and (c) together is subject to the ?2,00,000 cap (section 22(2), as amended by the Finance Act, 2026).

Example. You take a loan to build a house you will let out. The interest payable is ?90,000 in the first year and ?1,20,000 in the second year. The house is completed in the third year, when the interest is ?1,20,000.

- Pre-construction interest: 90,000 + 1,20,000 = ?2,10,000, so ?42,000 a year for five years.
- Deduction in the third year: 1,20,000 + 42,000 = **?1,62,000**.
- In the fourth to seventh years: the interest of that year plus ?42,000.

If the house is self-occupied and the interest of the year is ?2,10,000, plus ?42,000 of pre-construction interest, the total of ?2,52,000 is capped at **?2,00,000**.

Let-out house: no limit, but a loss may arise

On a let-out house the whole interest is deducted after the 30% deduction. If the interest is large, the result is a loss from house property. In the old regime up to ?2,00,000 of that loss can be set off against income such as salary; the rest carries forward for eight years against house property income. In the new regime the loss cannot be set off against other heads and is not carried forward (sections 109, 110 and 202). See our post on income from house property.

Old and new regime

Point	Old regime	New regime
Self-occupied house, interest under section 22(1)(b)	Up to ?2,00,000	Not allowed (section 202(2)(a)(v))
Let-out house	Whole interest	Whole interest
Loss set off against other heads	Up to ?2,00,000	Not allowed
Pre-construction instalment on a self-occupied house	Allowed, within the ?2,00,000 cap	Unclear; see below

Section 202(2)(a)(v) names only section 22(1)(b), not the pre-construction clause 22(1)(c). The prudent position is that the self-occupied interest claim is closed in the new regime, but the text does not say so for clause (c). Take advice before claiming pre-construction interest on a self-occupied house in the new regime.

Joint loans and co-owners

Co-owners with definite shares are taxed separately on their own shares of the property, and the relief for a self-occupied house is available to each of them individually (section 24). So each co-owner who is also a borrower and pays interest can claim up to ?2,00,000 on his or her share, which can give a larger total deduction than a single owner would get. You must be an owner, and the interest you claim should be what you are liable to pay.

How to claim

1. **Get the lender’s interest certificate** for the year, showing interest and principal, the loan sanction details and each borrower.
2. **Tell your employer.** Give Form 124 with the lender’s name, address and PAN (Rule 205) so TDS is calculated correctly. The employer may reduce TDS only for a loss from house property (section 392(4)(b)), not for other claims.
3. **Keep the possession or completion certificate**, to show the date the house was acquired or completed.
4. **Report in the return:** in the house property schedule, enter the property details, rent if any, taxes paid, 30% deduction and interest. Enter the pre-construction instalment together with the interest of the year.

Frequently asked questions

How much home loan interest can I claim?

On a let-out house, all the interest payable in the year. On a self-occupied house, up to ?2,00,000 in a year if the house is acquired or constructed with borrowed capital and completed within five years from the end of the tax year in which the loan was taken, and you hold the lender's certificate; in any other case, ?30,000.

When does the five year period start?

From the end of the tax year in which the loan was taken. For a loan taken on 30/04/2026 (tax year 2026-27), the house must be completed by 31/03/2032.

What is pre-construction interest?

Interest payable for the period before the tax year in which the house was acquired or completed. It is claimed in five equal instalments, one in the tax year of completion and one in each of the next four years (section 22(1)(c)).

Is the pre-construction interest over and above the ?2,00,000?

No. For a self-occupied house the total of the current interest and the pre-construction instalment in a year is capped at ?2,00,000 (section 22(2), as amended by the Finance Act, 2026).

Can I claim interest on a self-occupied house in the new regime?

No. Section 202(2) disallows the section 22(1)(b) interest on houses covered by section 21(6) in the new regime. Interest on a let-out house is allowed.

What if the loan is refinanced?

Interest on a new loan taken to repay the earlier loan is also deductible, and the lender's certificate should show it separately (section 22(4)).

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 21, 22, 24, 202, 392)
- Income Tax Department: Income-tax Rules, 2026 (Rule 205, Form 124)

Related reading

- Can You Claim Both HRA and Home Loan Interest Deduction?
- Section 80EE: Extra Deduction of Up to ?50,000 on Home Loan Interest
- Section 80C of Income Tax Act: 80C Deduction List, Limit and Examples

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