



OWNERSHIP **VS** RENT

FOREWORD



With the current regime of the lowest home loan interest rates, CLSS benefits & other tax benefits, it is practically the best time to own someone's first home.

All these factors will tend to change with time. To make it easier to understand & believe,

we have shown calculations comparing the difference in the effective money that a person needs to shell out every month in case he/she is rented a flat and if he/she goes for a home loan to purchase his/her first property.



METHODOLOGY

To show the computation we have assumed the following

Property Type: Affordable within 45 Lacs
(Maximum Carpet Area-200 Sq Mt /2,152.78 Sq Ft)

Occupation: Salaried

Salary: Rs.1,06,666/Month Or
Rs.12,80,000/Annum

Rental

Rent: Rs.20,000/Month Or Rs.2,40,000/Annum

Ownership

Home Loan Amount: Rs.36 Lacs (80% of 45 Lacs)

Rate of Interest: 7.25%

Tenure: 25 Years



Tax Benefits:

80C (Maximum benefit of Rs.1.50 Lacs)

24(B) (Maximum benefit of Rs.2 Lacs)

80EEA (Maximum benefit of Rs.1.50 Lacs.

Valid till 31.03.21)

CLSS Benefits: Maximum of Rs.2.30 Lacs. Valid till 31.03.21

Effective Loan Amount: Loan Amount – CLSS Benefit
 $\text{Rs.36,00,000} - \text{Rs.2,30,000} = \text{Rs.33,70,000}$

Monthly EMI: Rs.24,359

Effective Monthly EMI: Rs.21,046

INDIVIDUAL LIVING IN RENTAL PROPERTY

COMPUTATION FOR FY 2020-2021 (AY 2021- 22)

	AMOUNT (RS.)	AMOUNT (RS.)
Basic Salary	10,00,000	
House Rent	2,00,000	
Travelling Allowance	50,000	
Other Allowances (Medi)	30,000	
Gross Salary		12,80,000
Less:-		
Exemption U/s 10(13A) HRA	1,40,000	
Standard Deduction	40,000	
Professional Tax	2,400	1,82,400

Income from Salary		10,97,600
Interest On Home Loan		—
GROSS TOTAL INCOME		10,97,600
Less:- Deductions		
80C		
80D	20,000	
80EEA		20,000
Total Taxable Income		10,77,600
Total Tax		1,35,780
Education Cess		5,431
Total Tax Deductible		1,41,211

Rent Paid 240000	Rent -10% of Basic *140000	50%Gross Salary 500000
HRA 200000	Exemption In HRA 140000	

***LOWEST OF THESE IS TAKEN**

PURCHASE OF PROPERTY WITHIN 45 LACS

COMPUTATION FOR FY 2020-2021 (AY 2021- 22)

	AMOUNT (RS.)	AMOUNT (RS.)
Basic Salary	10,00,000	
House Rent	2,00,000	
Travelling Allowance	50,000	
Other Allowances (Medi)	30,000	
Gross Salary		12,80,000
Less:-		
Exemption U/s 10(13A) HRA	—	
Standard Deduction	40,000	
Professional Tax	2,400	42,400

Income from Salary		12,37,600
Interest On Home Loan		2,00,000
GROSS TOTAL INCOME		10,37,600
Less:- Deductions		
80C	49,605	
80D	20,000	
80EEA	42,698	1,12,303
Total Taxable Income		9,25,297
Total Tax		97,559
Education Cess		3,902
Total Tax Deductible		1,01,461

Annual EMI Payment		2,92,303
Monthly EMI	2,92,303 /12= 24,359	
Tax Benefit	Difference of the Total Deductible Taxes (1,41,211 - 1,01,461)	39,750
Monthly Benefit	39,750 /12= 3,313	



CONCLUSION

The calculations suggest the monthly EMI for home loan is **Rs. 24,359** and the tax benefit calculated per month is **Rs. 3,313**. After considering the tax benefits, the effective monthly EMI comes to **Rs. 21,046** which is just **Rs. 1,046** more than the monthly rent.

The major takeaway here is that despite paying rent for 25 years, you do not own anything. On the other hand, by paying an additional small amount for 25 years, you become the owner of a property.



We hope this document clears out all the ambiguity for a first time home buyer, regarding home loans. It is for both the category of people – the ones who are thinking of owning a property and those who have not considered that option because they think that they cannot afford the monthly EMIs.

So, it's time you re-evaluate your rent and make a smart choice. Remember, the right time to own a home is NOW!



**THANK
YOU**