

STATEMENT OF PRACTICE (SP 11/15)

Interest Relief on Housing Loan

1. Section 27A of the Income Tax Act 1995 provides relief to a person by way of deduction from his net income, of the interest paid to banks and other specified institutions in respect of a housing loan secured by mortgage or fixed charge on immovable property and used exclusively for the purchase or construction of his house.
2. The following conditions apply –
 - the loan has been taken on or after 1 July 2006;
 - the person is not, at the time the loan is raised, the owner of a residential building or benefits from any housing scheme set up after January 2011;
 - the person is resident in Mauritius;
 - the total income (taxable and exempt) of the person or the spouse of the person does not exceed Rs 2,000,000.
3. It has been decided that claims for interest relief on housing loans for the construction or acquisition of a first house in the circumstances mentioned below be dealt with as hereunder :
 - (a) Taxpayer contracts a loan to complete his house and satisfies the Director-General that the house was not in a habitable state before the additional work was done. **Interest relief allowable**
 - (b) Taxpayer contracts loan to renovate/extend his residential building - **Interest relief NOT allowable**
 - (c) Construction on land/ residential building owned by parents. **Interest relief allowable** on condition that taxpayer satisfies the Director- General of the following :
 - (i) he has been granted “droit sur élévation” or he has been authorised in writing, to construct on the land/immovable property owned by his parents;
 - (ii) the building permit issued by relevant Municipality /District Council is in his name and specifies that the construction is for residential purpose;

- (iii) he is servicing the loan taken exclusively for the construction of his house; and
 - (iv) the utility bills are drawn in his name.
- (d) Taxpayer has contracted the loan for acquisition / construction of his own house; however he or his spouse has the bare ownership of an immovable property occupied by his /his spouse's parents, *provided that* he / his spouse has not been previously granted relief for interest on loan for construction / extension of the residential building owned by parents. ***Interest relief allowable.***
- (e) Re-financing of previous housing loan.
- (i) the loan being re-financed was contracted after 1 July 2006 and a new loan is wholly used to re-finance the outstanding balance on the previous loan - ***Interest relief allowable***
 - (ii) the new loan is used to settle an outstanding balance on a previous housing loan taken after 1 July 2006 and is used to complete the house, provided that the taxpayer satisfies the Director – General that the house was not in habitable state - ***Interest relief allowable***
 - (iii) the new loan is used partly to re-finance a housing loan taken after 1 July 2006 and partly for other purposes (e.g renovation/extension) - ***Interest relief allowable only on that part used to settle the outstanding balance of the previous loan.***