

Deductions for Property Buyers May Be Broadened

By [The Moscow Times](#)

April 26, 2012



The Finance Ministry is considering giving a full tax deduction to each owner of a piece of real estate. Above, a taxpayer submitting documents at a tax office. **Denis Grishkin**

The Finance Ministry is proposing in the draft of key tax policies for 2013-15 changes in the procedure for calculating the tax deduction for real estate acquisition and construction.

The property deduction is granted in the amount of expenditure on the purchase, with a maximum of 2 million rubles (\$68,500), of which up to 260,000 rubles can come from the budget.

At present, this amount is divided among all buyers in proportion to their share, and only once in a lifetime.

“The Finance Ministry is considering giving a deduction to each owner in full — 2 million rubles — even if it’s joint or partial ownership,” said deputy director of the ministry’s tax and

customs tariff policy department Sergei Razgulin.

Now it is unclear what happens if one of the owners receives their share of the deduction and the other does not, Razgulin said. Can that person expect a deduction when buying their next apartment? The Finance Ministry is proposing that the right to a full deduction be retained in this situation, so the buyer does not lose out.

“This is the basis of the concept of the change — that it should not be for the object, but for the owner,” Razgulin said.

Economic Development Ministry official Tatyana Ilyushnikova expressed support for the measure. Income tax is linked to the payer, the homebuyer’s deduction should be attached to the owner, not the object, she said. And if the property owner has two apartments, the total maximum deduction should be 4 million rubles, and 6 million for three, she added.

If the amendments are adopted, the number of co-owners of apartments could theoretically grow, Taxadvisor partner Dmitry Kostalgin said. Real estate could be divided so that each share was eligible for a deduction of 2 million rubles. But that is realistic only in large cities with very expensive real estate, he said, so the practice will not be widespread.

Ilyushnikova said the deduction would not be widely abused, since people are reluctant to share property ownership even with close relatives, and all those who take part in a scheme would lose the right to a deduction in the future.

Using the right to a deduction is not scheming, said Ilya Trunin, Finance Ministry tax and customs tariff policy department director.

Details will be discussed during the preparation of Tax Code amendments, in particular the rights of people who did not take advantage of the deduction when previously buying an apartment. That issue has to be addressed specifically in the law to avoid disputes, Trunin said.

The changes should improve the position of all taxpayers, Kostalgin said confidently.

Original url:

<https://www.themoscowtimes.com/2012/04/26/deductions-for-property-buyers-may-be-broadened-a14397>