



Blog by Paku Kalyanarama Sastry
CEO – THE HUB / Career HUB

<https://pakukalyanaramasastry.blogspot.com/>

HRA Exemption

Please note that the tax exemption of house rent allowance is not available in case you choose the new tax regime. Similarly, if you are paying rent to your spouse, you cannot claim the HRA Exemption

HRA for Salaried Individuals

Section 10 (13A), rule number 2A of the Income Tax Act allows salaried individuals to claim exemptions for House Rent Allowance (HRA). As this allowance is a significant part of an individual's salary, it is important to follow the company's policies regarding claiming of HRA.

To claim HRA exemption, you must meet the following conditions:

- ✚ Live in rented accommodation
- ✚ Receive HRA as part of your Salary Income
- ✚ Submit valid rent receipts and proof of rent payments.

The HRA exemption calculation

The HRA exemption calculation will depend on various factors like salary, rent paid, HRA received by the employee and city of residence of employee.

The lowest of the following amounts can be claimed as HRA exemption:

- ✚ Actual HRA received
- ✚ 50% of [basic salary + DA] for those living in metro cities
 - Delhi, Kolkata, Mumbai, or Chennai
- ✚ 40% of [basic salary + DA] for those living in non-metros
- ✚ Actual rent paid (-) 10% of basic salary + DA

Can I Claim HRA and Deduction on Home Loan Interest?

Yes, you may claim both HRA exemption and home loan interest deduction.

Note: In case the rented and the owned property are in the same city, the deductions on both are not available for HRA tax exemptions. The employee will have to prove that their property is located far away from the job location and cannot be used for residential purposes to avail of the tax benefit as an HRA exemption.

When Do You Need a Landlord's PAN?

- ✚ If you have taken a house on rent and are making a payment of over Rs.1 lakh annually – remember to provide the landlord's PAN.
- ✚ Else, you may lose out on the HRA exemption.



Blog by Paku Kalyanarama Sastry CEO – THE HUB / Career HUB

<https://pakukalyanaramasastry.blogspot.com/>

Tenants paying rent to NRI landlords

Tenants paying rent to NRI landlords must remember to deduct TDS of 30% before making the payment towards rent.

How to Claim HRA When Living with Parents?

Yes, can pay rent to her parents and claim the allowance provided that you have to enter into a rental agreement with her parents and transfer money to them every month through Bank. Also, parents need to report the rent received as their income in their income tax return.

What If I Don't Receive an HRA? Or HRA for Self-Employed Individuals

- ✚ Individuals who are self-employed cannot claim HRA.
- ✚ Self Employed Individuals can avail tax deductions towards the rented accommodation under Section 80GG.

If you pay rent for living in a residential accommodation but do not receive an HRA from your employer, you can still claim the deduction under Section 80GG.

Conditions that must be fulfilled to claim this deduction:

- ✚ You are self-employed or salaried
- ✚ You have not received HRA at any time during the year for which you are claiming 80GG
- ✚ You or your spouse or your minor child or HUF of which you are a member – do not own any residential accommodation at the place where you currently reside, perform duties of office, or employment or carry on business or profession.
- ✚ If you own any residential property other than the place mentioned above, you should not claim the benefit of that property as self-occupied. The other property would be deemed to be let out to claim the 80GG deduction.

The least of the following will be exempted from tax:

- ✚ Rs.5,000 per month
- ✚ 25% of adjusted total income
- ✚ Actual rent should be less than 10% of adjusted total income*

Adjusted total income is calculated as below:

- ✚ Total income minus (i) long-term capital gain minus (ii) short-term capital gain under Section 111A minus (iii) income under Section 115A or 115D minus (iv) deductions 80C to 80U (except deduction under Section 80GG).