

All about House Rent Allowance (HRA)

House Rent Allowance (HRA) is one of the most relevant claimed allowances by the salaried class employees. The write up deals with some of the commonly asked questions.

Can we say all of the salaried individuals are eligible to claim HRA?

No, only those individuals who are availing the services of a rented accommodation are allowed to claim exemption of HRA. The individuals who are not living in rented accommodation, for them, this allowance is fully taxable under head salaries.

What are the benefits of HRA?

HRA is an allowance that reduces the tax liability since the part of HRA is exempt from tax as per the provisions of income tax act.

What are the details to be submitted by the employee?

Taxpayer i.e an employee is required to submit rent receipts duly signed by the house owner with the employer. Where the amount of rent paid is more than one lakh rupees, an employee is additionally required to submit PAN of the house owner.

How to compute HRA exemption?

Section 10(13A) of income tax act provides for the amount to be claimed as HRA exemption. As per the section, Least of the following amount is allowed to be claimed as exemption-

- a) Actual HRA received
- b) 50% of (basic salary + DA) for individuals living in metro cities
(40% for individuals living in non metro cities)
- c) Actual rent paid - 10% of (basic + DA)

How to claim HRA exemption?

Taxpayers are required to claim HRA at the time of filing ITR. Choose the respective form for instance in form ITR 1, the income details sheet contains a separate column for allowances exempt u/s 10, select the appropriate allowance from the drop down and enter the corresponding figure.

Can a taxpayer claim HRA and deduction for interest paid on house loan simultaneously?

Yes, the act nowhere bars a taxpayer from claiming HRA and deduction of interest paid on home loan. Both can be claimed easily.

Is there any other deduction that can be claimed by a taxpayer where no HRA is received from the employer?

Yes, a section 80GG has been prescribed where rent is paid for accommodation purposes where no HRA is received from the employer on fulfilment of conditions specified.

Example

Miss A is employed in Mumbai, has taken a property on rent with annual rent paid of Rs 2,40,000 for FY 19-20. Basic salary and DA is Rs 27,000 pm. HRA received Rs is Rs 1 lac during the year.

S.No	Particulars		Amount (Rs)
1	Actual HRA received		1,00,000
2	50% of basic + DA	50% (27000*12)	1,62,000
3	Actual rent paid- 10%(salary+DA)	2,40,000- 10%(27000*12)	2,07,600

Exempt HRA will be lower of the above i.e 1,00,000.