

Claiming HRA Tax Exemption in Different Rental Situations

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House Rent Allowance (HRA) is a part of most Employees' Salary Structures. To avail the HRA exemption, you need to submit Rent receipts or the Rent Agreement with the house Owner to your employer. Quoting the landlord's Permanent Account Number (PAN) is Mandatory if the Rent paid is more than Rs.1 lakh annually, i.e., Rs.8, 333 a month, to avail the full benefit of HRA exemption.

However, it might not be that easy for everyone to claim tax exemption on HRA. This is especially true in the case of those who have relocated during a financial year and younger Employees staying away from home.

Here are three scenarios young earned are likely to face while claiming tax exemption on HRA and how they can deal with it:

i. Monthly Rent is more than Rs. 8,333 but annual Rent paid is less than Rs. lakh. Do you still need to quote landlord's PAN?

Let us say you have been staying with your parents and in the middle of the financial year you relocate to a different city and start living on your own. At this rented accommodation, you start paying more than Rs. 8,333 a month as Rent.

Abhishek Soni, CEO Tax2win.in, a tax-filing website says, "As per a CBDT (Central Board of Direct Taxes) circular, if annual Rent paid by the Employee exceeds Rs.1 lakh per annum, it is mandatory for the Employee to report PAN of the landlord to the employer. Therefore, In this case, PAN of landlord is not required if annual Rent does not exceed Rs. 1 lakh."

ii. Living in a shared accommodation with friends

If you're living with your friends and are splitting the Rent, having a clearly defined Rent Agreement will help. For this, get a Rent Agreement made which has the names of all the lessees and the amount of Rent paid mentioned against individual names.

In the Absence of an Agreement which shows the splitting up of Rent clearly, a declaration from the landlord specifying the amount of Rent (i.e., your contribution to the total Rent) you're paying, can also help.

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"To Claim the HRA Tax Exemption, one must have the Rent receipts and Rent Agreement. If someone is living in a shared accommodation, then it is advisable to have the Rent Agreement with the name of all the friends living in the accommodation, the same goes for Rent receipts as well. Besides, it is preferable if you pay Rent via cheque or Net banking, since it also serves as proof for the payment towards Rent," explains Soni.

iii. Job relocation and changing accommodation twice or thrice in one FY

Getting your Rent receipts monthly instead of asking for them collectively at the end of an FY, helps in this scenario. Elaborating on this situation, Soni says, "In this case where the Employee has paid Rent to different house owners. It is advisable to have the PAN of all Landlords if annual Rent exceeds Rs. 1 lakh. To claim the HRA, one must have the Rent receipts and Rent Agreement. As mentioned earlier, paying Rent via cheque or online banking is recommended.

Let us say you lived in Delhi for 6 months of a financial year and paid Rs. 10,000 as monthly Rent and the other 6 months in Pune at Rs.5,000, the total Rent paid in the fiscal is Rs. 90,000 (60,000 + 30,000) which is less than a lakh, you do not need landlord's PAN.

However, if you've had paid Rs. 15,000 monthly rent in Delhi for 6 months, and Rs. 10,000 in Pune for the remaining 6 months of the year, the annual Rent paid adds up to Rs. 1.5 lakh (90,000 + 60,000). So, if the Rent paid exceeds Rs. 1 lakh, it would be advisable to get The PAN of Landlords.