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ThinkStock PhotosThe HRA exemption amount is deducted from the total income before arriving on taxable income. For most employees, the House Rent Allowance (HRA) is part of their wage structure. Although this is part of your salary, the HRA, unlike your base salary, is not fully taxed. Under certain conditions, part of the HRA is exempt under section 10 (13A) of the Income Tax Act 1961. The amount of exemption from HRA is deducted from the total income before receiving taxable income. This helps the employee save tax. But keep in mind that the HRA received from your employer is fully tax-deductible if the employee lives in his own home, or if he does not pay the rent. Who can take advantage of the HRA? This tax benefit is only available to individuals who have a HRA component as part of its salary structure and are in rented accommodation. Self-employed professionals cannot take advantage of the deduction. Click here to use our HRA calculator How much is released? The exemption from the HRA allowance is minimal: (i) Actual HRA received (ii) 50% of the salary if living in metro cities, or 40% for non-metro cities; and iii) Excess rent is paid annually to more than 10% of the annual salary to calculate the goal, the salary is considered the basic salary. If the Care Allowance (DA) (if it is part of the pension benefits) and the commission received based on the turnover of sales is applicable, they are also added to calculate the minimum HRA exemption available. The tax benefit is available to the person only for the period in which the rented house is located. Read also: How to qualify for an exemption from the HRA when filing the ITR Example of the calculation of HRA Let's say a person, with a monthly base salary of 15,000 rupees, receives HRA 7000 rs and pays Rs 8400 rent for living in the city's metro. The tax rate applied to a person is 20 per cent of his income. To take advantage of the HRA, the least of the following amount (annually) is exempt, the holiday is taxed: i) Actual HRA received 84,000 yen 2) 50% of salary (city metro) - 90,000 rupees (50% of 1 80,000 rupees) iii) Excess rent, paid annually more than 1,80,000 rupees 10% of the annual salary - 82,800 rupees (1 00 800 rupees - (10% of 1,80,000 rupees)) that of the 84,000 rupees actually received as HRA, Rs 82800 receives tax exemption and only the balance of Rs 1200 is added to the employee's income, on which the tax of 240 rupees (20 percent of the plate) receives payables. HRA exception documents can only be used when submitting a rental receipt or a lease agreement with the homeowner. Worker is required to report the master pan card if the rent is more than 1,000,000 rupees a year. Special cases may be special scenarios in claiming HRA tax breaks, such as: 1. Paying rent to family members Rented premises should not belong to a person claiming tax exemption. So if you stay with your parents and pay pay to them, you can argue that for tax deductions like HRA. However, you cannot pay your spouse's rent. As a relationship opinion, you should take housing together. Thus, these transactions can offer a check from the Income Tax Department. Even if you are renting a house from your parents, make sure that you have documentary evidence as evidence that financial transactions regarding the lease are going on between you and your parent. So watch out for bank transactions and rental receipts because your claim can be rejected by the tax department if they are not convinced of the authenticity of the transactions. Recently there was a case where the HRA's claim of a taxed taxpayer was rejected by the Mumbai Income Tax Court because the claim for HRA does not appear genuine to tax officials. READ ALSO: Tax credits need proof of rent paid to relatives Read also: 10 things to make sure HRA's claim isn't rejected 2. Own a home, but staying in another city can take advantage of the simultaneous benefit of the deduction available for a mortgage against interest paid and basic repayment and HRA in case your own home is rented out or you work in another city. Individuals who do not receive HRA but pay rent There may be some employees who may not have a HRA component in their salary structure. In addition, a non-hire person may pay rent. Section 80 (GG) of the Income Tax Act offers assistance for them. A person who pays rent for furnished/furniture-free housing may claim to deduct the rent paid under section 80 (GG) of the I-T Act, provided that he is not paid by the HRA as part of his salary by providing Form 10B. How much less is available for tax exemption under section 80GG: (i) The rent is paid over 10% of the total income (ii) 25% of the total income (iii) Rs 5000 per month (according to this section, the total income is calculated as gross total income per deduction of long-term capital gains, short-term capital in which the securities transaction tax (STT) was paid, and deductions available under sections 80C to 80U, excluding section 80GG. Terms claiming the tax deduction It should be remembered that a person himself or his/her spouse, or a minor child, or as a member of a Hindu undivided family (HUF) should not own any housing. In addition, if a person owns any residential property anywhere and earns rent from him, no deduction is allowed. You can take advantage of the simultaneous benefit of the deduction available for mortgage loan vs interest, and basic repayment and HRA in case your own home is rented out or you work in another city. However, the same is not true in the case of section 80GG. (Featuring Sunil Dhawan) Download the Economic Times News App to get daily market updates and Live Business News. Do you know you, Can you claim income tax deductions against the rent you pay even if the HRA is not part of your pay packet? While employees may claim deductions under Section 10 (13A) if the HRA is part of their pay package, individuals whose salary does not include HRA may qualify for tax rebates under Section 80GG Act. In this article we will discuss in detail how to qualify for tax credits under Article 10 (13A) and Section 80GG of the Income Tax Act. How to claim a tax deduction if the HRA is not part of your pay packet? The provisions of Section 80GG of the Income Tax Act will apply if the HRA is not part of your salary. However, there are certain other conditions that the taxpayer must meet to take advantage under section 80GG. What conditions do you have to meet to qualify for a discount under section 80GG? Under Article 80GG, income tax deductions are offered to individuals in respect of rent to meet certain conditions. Self-employed, employees and Hindu undivided families (HUFs) may claim deductions under this Section. Companies are not entitled to claim a deduction under Article 80GG. HRA should not be part of their pay packet. A person, his spouse or his minor child should not own property in the city where they occupy the rented accommodation for which they intend to claim deductions. Their rented home should also not be used for any business/work activities. The taxpayer will also not be able to claim the deduction under section 80GG if he owns self-employed property in another city. The section excludes owners of property whose value is determined under article 23 (2) (a) and section 23 (2) (b) of tax law. Since both of these sections relate to self-in-half property, the taxpayer can claim a deduction if the property is released or is deemed to release the property. The discount, however, will not apply if you enjoy the tax deductions on a home loan under section 24. How to calculate the tax deduction under Section 80GG? The taxpayer can claim the least of the three components mentioned below: 25% of the total income, excluding long-term and short-term capital gains The actual rent is paid minus 10% of the total income of 60,000 rupees per year (5000 rupees per month) Note: Until 2016-17, this limit was Rs 24,000 per year. To achieve these percentages of this, long-term and short-term capital gains deductions under Article 80C to 80U and income of a foreign company deducted from the gross income of the population. The example of 1Reena Mehra earns Rs 50,000 per month and pays Rs 15,000 as a monthly rent. In her case, the deduction will be less than three amounts: 25% of her total income: Rs 12500 Fax rent minus 10% of income: 15,000 rupees- Rs 5,000 Standard limit: Rs 5,000 Deduction Mehra can claim: 60,000 rs per year The minimum amount in her case is 5000 rupees a month. Mehra can claim 60,000 rupees a year as tax tax against its total rental costs of Rs 1.80 lakh. What information do you need to fill out to qualify for HRA? To qualify for benefits under section 80GG, the taxpayer must complete Form 10BA. Details you need to fill out in Form 10BA1. Tenant's name 2. Tenant's address 3. NUMBER PAN Tenant 4. Monthly rents 5. Payment mode 6. Landlord's name 7. Landlord's address 8. Landlord PAN room (if the rent is higher than Rs 1 lakh/year) Finish the Form 10BA format here. Why is the 80GG deduction limit low? Compared to the tax credits offered under Article 10 (13A), the limit under section 80GG is quite low. In most cases, taxpayers are unable to claim more than 60,000 rupees as a deduction per year under this section because the average rent has risen exponentially in Indian cities, including Tier II and Tier-III cities. Data available Housing.com show that the average monthly rent in some fast-growing small towns is up to 15,000 rupees per month. Unlike Section 10 (13A), in which changes can be made by notification, an amendment to the tax legislation will be required to increase the deduction limit under Article 80GG. This restriction has kept the discount under this section much lower than the average spent by tenants in India. How to maximize the benefit under section 80GG? Taxpayers living with their parents can claim deductions under Section 80GG if they sign a formal lease agreement that shows 60,000 rupees as their annual rental costs. This rental income, however, will be taxed in the hands of your parents. The advantage may be higher if you are the parents of retired seniors. Note here that you will notice being able to qualify for HRA in case you co-own along with any of your parents. How do I qualify for a tax deduction if the HRA is part of your pay packet? Only small-scale companies do not offer HRA as part of the employee pay component; the same is not true for medium and large enterprises. Now let's learn how to qualify for tax deductions if the HRA is part of your salary. The income tax deduction for rent paid in such cases is proposed under Article 10 (13A). Under this section, much higher deductions can be claimed by valuations as no upper limit has been set under the law. What conditions do you have to meet to qualify for a discount under Section 10 Only employees can claim deductions under this section. To qualify for the benefit, the tenant will have to provide an actual rent payment, also How to calculate the tax deduction under Section 10 (13A)? The taxpayer can claim the least of the three components mentioned below: 50% of your basic salary if you live in Delhi, Mumbai, Kolkata and and or 40% of your basic salary if you live in any other city except the four cities mentioned above rent minus 10% of the basic wage Of the HRA - Basic wage means includes a basic salary along with an expensive allowance. The example of 2Delhi-based Kajal Tiwari basic salary is 50,000 rupees per month and she receives 18,000 rs as HRA. She pays 15,000 rupees for rented accommodation as a monthly rent. In her case, the deduction will be less than three amounts: 50% of her basic salary: Rs 25,000 Factual HRA: Rs 18,000 Factual rent minus 10% of the base salary: 10,000 rupees Interest deduction: 1.20 rs 3lucknow-based Stuti Kashyap earns 20,000 rupees as its basic salary. While her HRA is 7,000 rupees, she pays 6,000 rupees for her rented accommodation. In her case, the deduction would be the least of the three amounts: 40% of her basic salary: Rs 8,000 Factual HRA: Rs 7,000 Actual rent minus 10% of base salary: 4,000 January deduction: Rs 48,000 Why the information you have to fill out HRA under Section 10 (13A)? Details you must provide to your employers to claim HRA Address Rent paid Tenure Landlord's NAME Landlord's PAN (if the rent exceeds 1 hp per year) Rent receipts Copy of the lease agreements As to maximize the benefit under Section 10 (13A)? As in section 80GG, taxpayers can also claim the deduction if they live with their parents and pay them rent and can produce rental receipts to prove the same. However, this scheme does not work in the case of spouses. Those who own property in another city or whose property is rented out may simultaneously claim deductions for the principal debt on the home loan (section 80C) and interest (section 24) of payment together with the HRA. Frequently asked questions about HRA Yes, if you live in rented accommodation in the city where you work, you can enjoy the tax deductions for a home loan on property you own in another city along with a deduction for HRA under Section 10 (13A). If you apply for HRA benefits under Section 80GG, however, you cannot claim tax credits on property you own in another city. The HRA will be taxed as part of your total income. The taxpayer can pay the rent to one of their parents and claim this amount as a HRA deduction under Section 10 (13A) or Section 80GG. The parent, however, must declare this rental income as part of their annual income when filing a declaration. While deductions may be claimed for the production of rent receipts and leases, the taxpayer living in such an arrangement must history of banking transactions to substantiate their claims. There have been several cases in the past where the I-T department has rejected such claims because they have no authenticity. You cannot claim a HRA deduction against the rent paid to your spouse. If you need to submit a copy of your landlord's PAN card in case you pay more than Rs 1 lakh as rent. The discount may be claimed under section 80GG of the Income Tax Act if it is not part of your pay packet. This can be allowed if the taxpayer has a genuine reason to stay away from his own home. In a city like Mumbai, for example, where daily travel can be very long from one part of the city to another, the taxpayer may be able to claim deductions for his rented home, say, in downtown Mumbai and his own property, say, Navi Mumbai. Under section 10 (13A), the lowest amount of the following is tax-free: Actual HRA received Rent is paid minus 10% of the base salary of 50% of the base salary if you live in Delhi, Mumbai, Kolkata and Chennai, or 40% of the base salary if you live in any other city. According to section 80GG, the lowest amount of the following is tax-free: 25% of total income, excluding long-term and short-term capital gains - Actual rent is paid minus 10% of total income - 60,000 rupees per year (5,000 rupees per month). The Income Tax Act does not allow this. A what. section 10(13a) of income tax act 1961. section 10(13a) of income tax act for ay 2020-21. section 10(13a) of income tax act for 1961 pdf. section 10(13a) of income tax act calculator. section 10(13a) of income tax act for ay 2019-20. section 10(13a) of income tax act 1961 bare act. section 10 13a of income tax act india. hra is exempted under section 10 (13a) of the income-tax act 1961

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