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New rule lowers HRA exemption claim limit

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If you are a salaried taxpayer claiming [HRA](#) (house rent allowance) deduction, watch out. The

central government has lowered the exemption limit for reporting the rent received. Salaried taxpayers claiming HRA exemption and paying a rent of over Rs 1 lakh per year have to give landlord's [PAN](#) (permanent account number). Till now, if the total rent paid was less than Rs 15,000 a month there was no need to submit the landlord's PAN details. The new rule effectively lowers the rent limit from Rs 15,000 a month to Rs 3,000 a month for claiming HRA exemption without making any disclosures.

"Further, if annual rent paid by the employee exceeds Rs 1,00,000 per annum, it is mandatory for the employee to report PAN of the landlord to the employer," the [Central Board of Direct Taxes](#) said in its latest circular. "In case the landlord does not have a PAN, a declaration to that effect from the landlord along with the name and address of the landlord should be filed by the employee," it said.

Though incurring actual expenditure on payment of rent is a pre-requisite for claiming deduction under section 10(13A) of the 1-Tax Act, it has been decided as an administrative measure that salaried employees drawing HRA up to Rs 3,000 per month will be exempted from production of rent receipt.

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The new rule is aimed at people claiming HRA exemption for living in their own house. "It has to be noted that only the expenditure actually incurred on payment of rent in respect of residential accommodation occupied by the assessee subject to the limits laid down in the circular qualifies for exemption from income-tax," CBDT said in its circular.

Thus, HRA granted to an employee who is residing in a house/flat owned by him is not exempt from income-tax. "The disbursing authorities should satisfy themselves in this regard by insisting on production of evidence of actual payment of rent before excluding the house rent allowance or any portion thereof from the total income of the employee," CBDT said.

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