

Often, people have to relocate for their jobs. This adds up to their expenses since accommodation can cost a lot. To ease the pressure, organisations often pay their employee's extra salary, above their basic pay, for their accommodation.

Although, HRA is eligible for tax exemption. It helps reduce your taxable income.

## What is HRA?

In terms of salary, HRA stands for Housing Rent Allowance. It is a sum of money that an employer gives to a worker to cover the cost of living at the workplace. Although HRA is eligible for a deduction under Section 10(13A) of the Income Tax Act, it may also be partially/entirely taxable.

Factors that play a role in calculating the HRA -

- Location of employment
- Salary
- Rent
- Designation

Self-employed individuals can also benefit from HRA.



Now that we have an idea of [what is HRA](#), let's find out who all falls under the umbrella of HRA.

An employee is eligible for HRA under section Section 10(13A) if the employee meets the following criteria -

- The individual should be a paid employee or self-employed.
- The individual should be living in a rented house. HRA cannot be sanctioned to someone living in their own house.
- Official proof of rent payment is supposed to be verified by the company.

## What is HRA Exemption Rule?

[HRA exemption rule](#)- When the question is raised - what is HRA? There is not a one-liner answer. HR has many aspects that need attention.

There are certain rules in HRA Exemption -

- If the employee lives in a metropolitan city, they are eligible for a 50% HRA exemption. (metropolitan cities- Delhi, Mumbai, Kolkata, Chennai).
- In the case of a different city, a 40% HRA exemption is provided.
- The rent employee pays monthly, minus 10% of their salary.
- In exceptional cases, where the rent exceeds 1 lakh, HRA exemption can be claimed by providing the landlord's PAN details along with the rent receipt.

## Documentation needed for HRA Exemption

To avail HRA exemption, these documents are supposed to be submitted -

- Photocopy of rent agreement
- Duration of stay at the rented accommodation
- Revenue stamp
- PAN details of the landlord
- Address of rented accommodation
- Name of tenant
- Name and number of landlord

After understanding what is HRA, let's see how HRA exemption is calculated.

## HRA Calculation

Certain factors must be kept in mind while calculating HRA, including -

- Salary
- Actual rent you pay
- If you live in a metro city or not
- HRA you receive from your employer

Tax that can be claimed over HRA is the least of the following -

- Real rent minus 10% of basic salary, or
- HRA offered by the employer, or
- If residing in a metropolitan city (Mumbai, Delhi, Chennai, Kolkata), then 50% of the salary. Otherwise, 40% of the salary.

## Example

Ms Heidi lives in a rented apartment as a salaried employee in Jaipur. Her monthly rent is 12,000, and she receives an HRA of Rs. 15,000 monthly. Let's find out what is HRA tax deduction in this scenario.

The table shows the salary structure of Ms Heidi -

Salary Component	Amount (Rs.)
Basic	23,000
HRA	15,000
Conveyance	3,000
Medical Allowance	1,250
Special Allowance	2,300
Total	44,550

Claimable tax deduction will be the least of the following -

- (Actual rent paid) - (10% of the basic salary) = Rs. 12,000 - (10% of Rs. 23,000) = Rs. 9,700; or
- Actual HRA offered by the employer = Rs. 15,000; or
- 50% of basic salary = 50% of Rs. 23,000 = Rs. 11,500.

The least of these three is the amount paid as rent, minus 10% of the basic salary.  
Hence, Ms Heidi will receive an HRA exemption of Rs. 9,700 on her income.



**NOTE:** Use the [Income Tax Department's HRA calculator](#) to get in-depth knowledge about what is HRA and easy calculation of your HRA deduction.

### **Claim your HRA While Living with Parents**

If the salaried employee lives with their parents, they can still claim an HRA exemption. The only condition is that the employee shouldn't own the house. The house should be in the parent's/ someone else's name. Proof of rent payment is also essential (payment receipt).

### **To Conclude**

In this article, we learned the benefits of HRA if you are a salaried employee. Having a clear idea of your rights is essential. When HRA is provided, it does not include any extra expenses, i.e., electricity, water, etc.

If you are married and working, both the partners can claim HRA, the only condition being, it should not be more than Rs.20,000.

When we think about 'what is HRA', it seems like a tough road, but it's extremely simple. In a corporate world, it's easy to get misguided, but knowledge is key.

Knowing what you can claim will help you live and work with a healthy mindset.