ITR filing: Key points taxpayers should know about HRA claims

ITR filing season HRA claims under lens, experts urge salaried taxpayers to keep rent records accurate and complete to avoid Income Tax Department scrutiny.



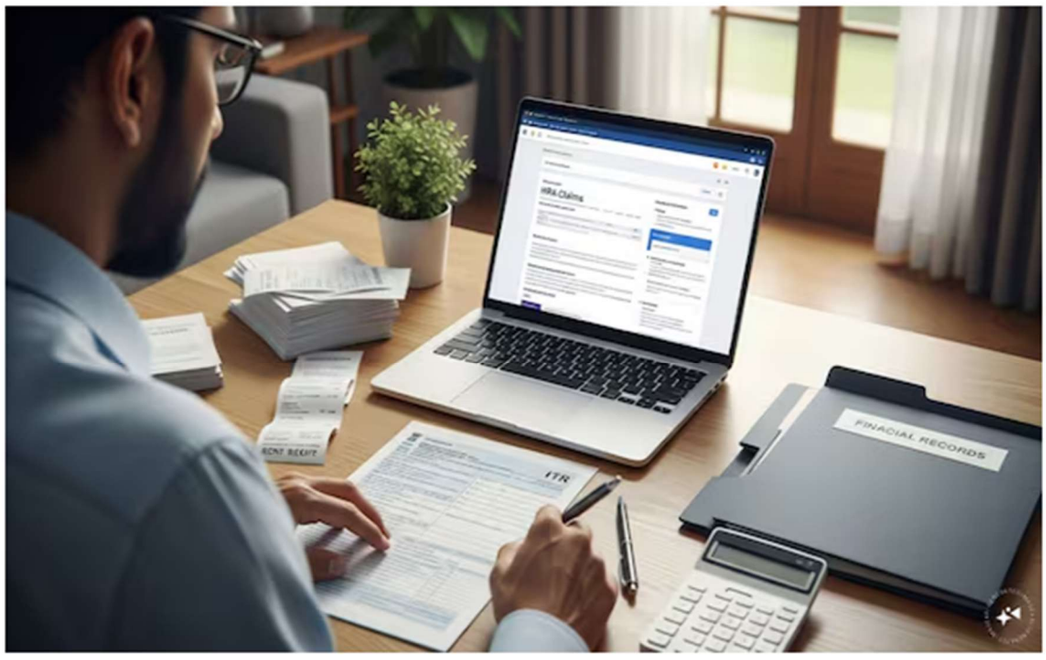
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With the ITR filing season underway, tax experts advise salaried taxpayers to review House Rent Allowance (HRA) claims carefully to avoid discrepancies and potential scrutiny from the Income Tax Department.

According to S Ravi, Promoter & Managing Partner, Ravi Rajan & Co. LLP, a boutique Chartered Accountancy and financial services firm, one of the most common misconceptions is that HRA received as part of salary automatically qualifies for exemption.

“The exemption is available only if the employee actually pays rent and satisfies the prescribed conditions,” he says.

Experts say inadequate documentation remains a major issue during tax filing. Taxpayers are advised to maintain rent receipts, rental agreements, proof of rent payments, and the landlord’s PAN where annual rent exceeds ₹1 lakh. They also recommend ensuring consistency between Form 16, salary records, AIS disclosures, and the details reported in the ITR.

Sarika Shetty, Co-founder & CEO, RentenPe, a Mumbai-based fintech startup and rent payment platform, says inaccurate rent details and unsupported claims continue to be common mistakes.

“Transparent and well-documented claims significantly reduce the likelihood of tax notices,” she says.

Scrutiny around incorrect claims

Tax professionals note that the Income Tax Department uses data analytics and information matching to identify inconsistencies in returns.

Claims involving self-owned accommodation, inflated rent amounts, or rent payments shown to relatives without a genuine tenancy arrangement may attract scrutiny.

Ashwini Kumar, Advocate & Founder, My Legal Expert (MLE), an AI-powered litigation startup based in Gurugram, Haryana, says taxpayers should ensure that HRA claims accurately reflect actual rental arrangements. “Proper record-keeping and truthful disclosures remain the best safeguards against future disputes or notices from the tax authorities,” he says.

HRA and home loan benefits

Experts also clarify that taxpayers may claim both HRA exemption and home loan-related deductions simultaneously if they satisfy the conditions applicable to each benefit.

This typically applies in cases where an individual owns a house in one city while living in rented accommodation in another city for work-related reasons.

“HRA requires actual payment of rent and supporting documents, while home loan deductions require proof of loan repayment and interest certificates,” Ravi says.

Tax experts also caution that exemptions available under the old tax regime, including HRA in most cases, may not be available under the new tax regime. They advise taxpayers to assess both regimes carefully before filing returns.