

## Frequently Asked Questions

### House Rent Allowance (HRA) Section 10(14)

**Q. What is the formula for calculation of exemption of HRA?**

**A.** The following will be exempt:

<b><i>Mumbai/Kolkata/Delhi/Chennai</i></b>	<b><i>Other Cities (Gurgaon, Noida etc.)</i></b>
Allowance actually received	Allowance actually received
Rent paid less 10% of salary	Rent paid less 10% of salary
50 per cent of salary	40 per cent of salary

**Q. Is there any requirement for PAN declaration of the landlord?**

**A.** PAN Card or proof of PAN (mandatory) along with name and address of the landlord needs to be declared if the rent paid is more than ₹ 1 lakh.

*(As per Form 12BB notification, PAN details are to be submitted on a mandatory basis. No declaration is to be entertained.)*

**Q. Can I claim HRA and home Loan together?**

**A.** There are no restriction as per Income Tax Act and hence, Home Loan deduction and HRA can be claimed together.

But there are many contradicting view from company if both the houses are in the same cities.

But both can be claimed only if the individual have genuine reasons for having 2 accommodation in same cities.

The claim can easily be claimed if the both the houses are in different cities.

**Q. Can I claim maintenance expenses paid to landlord under HRA?**

**A.** As per section 10(13A) “ HRA is an allowance granted to an employee by his employer to meet expenditure incurred on payment of **rent** in respect of residential accommodation occupied by the assessee.” As per the above extract of Income Tax, it clearly states that the exemption is provided only for rental expense paid for self-accommodation and not any other expenses. Thus no maintenance expenses can be claimed under HRA.

**Q. I work in Chennai and I am staying here in rental apartment. Also my family staying in my home town in rental apartment for which I am paying rent. Can I claim both rental value under HRA?**

**A.** As per section 10(13A) “ HRA is an allowance granted to an assessee by his employer to meet expenditure incurred on payment of rent in respect of residential accommodation occupied by the assessee.”

HRA is provided to support employee financially to cover up the cost of near-by accommodation for the office. Thus the employee can only claim the rental cost which he or she is paying for self-occupied rental property and not for rent paid for family accommodation.

## **Leave Travel Allowance (LTA) Section 10(5)**

**Q. Can I claim last year bill this year as the block year is the same?**

**A.** As per section 4 of Income tax Act, income-tax shall be charged for any assessment year

Section 3 of Income Tax act defines “previous year” as period of twelve months commencing on the 1st day of April every year.

As Section 3 and 4 are the definition section and supersedes all other section. Thus after reading section 3 and 4, tax is calculated for a period of for previous year only i.e. from 1st April to March 31.

For LTA section 10(5) is read with rule 2B of Income Tax, provides the rules how to claim LTA each year for TAX exemption calculation.

This rule provide 2 trips can be availed in a block of 4 years. Also where such travel concession or assistance is not availed of by the individual during any such block of four calendar years, an amount in respect of the value of the travel concession or assistance, if any, first availed of by the individual during first calendar year of the immediately succeeding block of four calendar years shall be eligible for exemption.

This line doesn't mean that any 2 trips can be claimed at any given time. This is just rule for the claim.

**Note: Income tax is always read in totality and not as per single section or single lines.** Thus, Section 10(5) reading with section 4 and 3, if the travel is undertaken in the financial year then the same needs to be submitted by that year for proper tax calculation as well.

**Note: Current block year is 1st January 2018 to 31st Dec 2021.**

## Previous Employer Income

**Q. I changed employment during the Financial Year (1 April 2019 to 31 March 2020). How should I disclose the Previous Employer Details?**

**A.** Submit your F&F statement tax computation with company seal and authorised person signature, or Form 12BA (Self declaration submitted by employee).

*Note: It's always better to provide the details of previous employer income in the current company so that proper taxes are calculated by the year end and there is no tax payable during the income tax return filing. Any amount payable at time of filing may attract interest penalty for delayed payment.*

**Q. Why ADP is not taking my 80C deduction while computing tax along with previous employer income.**

**A.** For previous employer income computation, the income is to taken after section 10 only. The investment claim is made under 80's which can be submitted it the current company where the same is validated and the claim is taken for proper tax exemption and tax calculation.

**ADP will not take any previous 80C or any section claim to avoid mis-calculation or double exemption.**

## Loss/Income from House Property

**Q. What does the employee have to submit for loss from house property or income from house property?**

**A.** Employee has to submit the following details to the respective employer for each property:

- (a) Gross annual rent/value (in **case of let-out**)
- (b) Municipal Taxes paid, if any (in **case of let-out**)
- (c) Deduction claimed for interest paid, if any
- (d) Other deductions claimed
- (e) Address of the property
- (f) Amount of loan, if any; and
- (g) Name and address of the lender (loan provider)

**Q. What is the maximum deduction on account of interest allowed for self-occupied?**

**A.**

<i>S. No</i>	<i>Purpose of borrowing capital</i>	<i>Date of borrowing capital</i>	<i>Maximum Deduction allowable</i>
1	Repair or renewal or reconstruction of the house	Any time	₹ 30,000
2	Acquisition or construction of the house	Before 01.04.1999	₹ 30,000
3	Acquisition or construction of the house	On or after 01.04.1999	₹ 2,00,000

Conditions for availing maximum deduction of ₹ 2,00,000:

1. The **house so acquired or constructed** should be **completed within 5** years from the end of the FY in which the capital was borrowed.
2. The **completion certificate** of the house property against which deduction is claimed either from the builder or through self-declaration from the employee.
3. **Certificate** specifying the amount of **interest payable**.

Note: In case of Joint Property, the co-owner's declaration needs to be submitted.

**Q. If I have more than two house properties (not rented), what will be the tax treatment?**

**A.** Up to 2 properties that are not rented out (where there is no rental income) can be treated as a self-occupied property. This covers any property that is self-occupied property or vacant or occupied a relative not paying rent. Any third or further property that is self-occupied/vacant or occupied by a relative not paying rent is to be considered as deemed let-out and a nominal value of rental income must be calculated.

**Note:** The maximum limit for claiming loss of all properties combined remains unchanged at Rs.2 Lakh.

**Q. I have taken loan from relative can I claim the benefit of interest and principle paid?**

**A.** For claiming such loan the individuals have to go to the notary to draft a home loan agreement. **A simple document signifying a personal loan agreement between the two parties will not hold good.**

If a proper home loan agreement is prepared by authorized notary and the document provides details of provisional interest and principal, then it is valid.

**Note:** In such cases where loan is taken from a friend and relative then only interest can be claimed and not the principal amount. As per Section 80C, principal paid for home loan can be claimed only if loan is taken from approved banking institution.

**Q. What amount of loss on house property can be adjusted against income from other heads?**

**A.** Calculation of loss from home loan would be adjusted up to a limit of ₹ 2 lakh for the entire house property holding. Please find the sample formula below:

Type of House Property	Self Occupied	Let Out	Deemed Let Out
Gross annual Value	NIL	XXX	XXX
Less: Municipal Taxes or Taxes paid to local authorities	Not Applicable	XXX	XXX
Net Annual Value(NAV)	Nil	XXX	XXX
Less: Standard Deduction	Not Applicable	30% of NAV	30% of NAV
<b>Less: Interest on Housing Loan</b>	<b>Restricted to Rs 2 Lakhs</b>	<b>No Limit</b>	<b>No Limit</b>
Income / (Loss ) from House Property	(XXX)	(XXX)	(XXX)
<b>Total Loss which can be adjusted</b>	<b>(From FY 2017-18 restricted to Rs 2 Lakhs)</b>		

Example along the same lines would be:

Type of House Property	Self Occupied	Let Out
Gross annual Value	NIL	240,000.00
Less: Municipal Taxes or Taxes paid to local authorities	Not Applicable	(10,000.00)
Net Annual Value(NAV)	Nil	230,000.00
Less: Standard Deduction	Not Applicable	(69,000.00)
<b>Less: Interest on Housing Loan</b>	<b>(100,000.00)</b>	<b>(500,000.00)</b>
<b>Income from House Property</b>	<b>(100,000.00)</b>	<b>(339,000.00)</b>
<b>Total Loss which can be adjusted</b>	<b>200000</b> <b>(Balance 239000 of loss would be adjusted for next 8 years)</b>	

**For example:** House completed on 01/06/2019. Pre-construction period interest will be treated before 01/04/2019 i.e. the period before the financial year in which house is completed.

**Q. What is the computation methodology for calculating rental income / loss from house property?**

**A. Calculation of Net Income from House Property:**

<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>
Rental Income =  1. Expected rent = Municipal Value or Fair Rental value but can't exceeds standard rent) 2. Actual rent if it is higher than expected rent.	A	
Less :  Actual Municipal Taxes Paid ( any or many years)	B	
<b>Annual Value(A-B) (As per Section 23 of IT Act)</b>		<b>C</b>
<b>Less :</b> Deductions u/s 24 of IT Act  1. 30 % of Annual Value (of C) 2. Interest	D  <u>E</u>	F=(D+E)
<b>Net Income (C-F)</b>		<b>G</b>

## House property additional Deduction – 80EE

**27. When can I claim the additional benefit of ₹ 50,000 interest claim for self-occupied house property?**

**A:** If the following conditions are met:

- First time home buyer in FY 2016-17 i.e. assessee doesn't own any house property on the loan sanction date.
- Loan was sanctioned in between 1 April 2016 and 31 March 2017.
- Loan sanction amount doesn't exceed ₹ 35,00,000.
- Value of house property doesn't exceed ₹ 50,00,000.

**28. Can 80EE be claimed during FY 2019-20?**

**A:** As long as the employee satisfies all the above four conditions (in Question 27), the employee can claim 80EE benefit for FY 2019-20 and the subsequent year thereof.

**Note:** 80EE is over and above section 24 of interest deduction.

That simply means, if you have claimed Rs.2lac of self-occupied interest deduction under section 24, you can claim Rs.50,000 additionally if you are paying interest for the year of Rs.2.5 Lac and above.

## Section 80C Deduction

### *House Loan Principal Repayment*

**Q. What type of amount can be considered for claiming deduction of House Loan principal u/s 80C?**

**A:** The following can be considered for claiming deduction of House Loan principal u/s 80C:

1. Stamp duty
2. Registration fee
3. Other expenses incurred for the purpose of transfer shall also be covered.

**Q. Is every expense allowed as deduction for repayment of House loan principal?**

**A.** No, every expense is not allowed. The following expenses are not allowed

1. Admission fee
2. Cost of share, or
3. Initial deposit, or
4. The cost of any addition or alteration to, or, renovation or repair of the house property which is carried out after the issue of the completion certificate by competent authority or
5. After the occupation of the house by the assessee or after it has been let out.

**Q. Is there any time limit for holding house property in respect of which deduction is already taken u/s 80C as repayment of housing loan principal?**

**A.** Yes, five years from the end of the financial year in which possession of such property is obtained, failed to which amount allowed as deduction during previous year, will be added to the total income in the year of default.

### ***Tuition Fees***

**Q. Is tuition fee allowed for part-time education or full-time education?**

**A.** Tuition fees is allowed only for full-time education.

**Q. Is tuition fees allowed for play-school activities, pre-nursery and nursery classes?**

**A.** Yes, tuition fees is allowed for play-school activities, pre-nursery and nursery classes.

**Q. I am paying tuition fee for 3 children. Is there any restriction in respect to no. of children?**

**A.** Yes, there is restriction. Tuition fee is allowed only for 2 children.

**Q. Can coaching fee paid for private tuitions be considered as tuition fees for deduction?**

**A.** No, tuition fee is allowed only for full-time education. Fee paid for **private tuitions is not allowed as deduction.**



**Q. Are transport charges, hostel charges, mess charges, library fees, scooter/cycle/car stand charges incurred for education allowed as deduction?**

**A.** No, the above payments are not allowed as deduction for tuition fees head.

**Q. Is distance learning course fee allowed as deduction for tuition fees?**

**A.** No, distance learning courses are not allowed as deduction for tuition fees head. Full-time education includes any educational course offered by any university, college, school or other educational institution to a student who is enrolled full-time for the said course.

**Q. Is tuition fees payment allowed for studies abroad?**

**A.** Tuition fees is not allowed for studies abroad. It is only allowed for studies in India.

## National Pension Scheme (NPS)

**Q. What is the treatment of National Pension Scheme (NPS)?**

**A.**

Particulars	Taxability at time of contribution	Deduction for contribution	Considered in over limit of 1.5 Lakh
<b>Employee Contribution{section 80CCD (1)}</b>	No Tax treatment	Contribution or 10% of salary whichever is lower restricted to ₹ 1.5 Lakh	Yes
<b>Employer Contribution{section 80CCD (2)}</b>	Taxable as income first	Contribution or 10% of salary whichever is lower	No
<b>Individual Contribution{section 80CCD (1B)}</b>		Contribution of ₹ 50,000	No

**Note:** Employer NPS contribution must be first shown as income and then as deduction.

**Q. What is meant by salary for purpose of employer contribution as an additional deduction?**

**A.** The meaning of Salary for purpose of 10% limit for employer contribution is: "Salary" includes only "basic + dearness allowance", if the terms of employment so provide, but excludes all other allowances and perquisites.

## Mediclaime – 80D

**Q. What are the limits for Mediclaime premium deduction allowed u/s 80D?**

**A.** The limits are:

1. Preventive Health Check-up – Maximum ₹ 5,000. Can be paid by any mode.
2. Medical Premium – Maximum ₹ 25,000 (Inclusive of Preventive Health Check-up). Shall be paid by any mode other than cash.

S. No	Self, spouse, dependent children	Maximum Eligible in ₹	Parents	Maximum Eligible in ₹	Maximum Eligible Deduction (inclusive of preventive check-up)
1	Senior Citizen	50,000	Senior Citizen	50,000	50,000 + 50,000 = 100,000
2	Other than Senior Citizen	25,000	Senior Citizen	50,000	25,000 + 50,000 = 75,000
3	Other than Senior Citizen	25,000	Other than Senior Citizen	25,000	25,000 + 25,000 = 50,000

**Q. If I don't pay Medical Premium, can it be claimed on due basis?**

**A:** No, Medical Premium can only be availed if premium is paid, due basis not allowed.

**Q. If I have made premium payment in advance for consecutive years, then how can I claim the benefit?**

**A.** In general basis, the receipt of any investment is to be taken for the year in which such payment was received.

**But 80D has inserted a new clause wherein the advance made in and after 2018 can be divided per annum wise w.e.f. 1<sup>st</sup> April 2019.**

The act states “Where premium amount is paid in lump sum in the previous year to effect or to keep in force an insurance on the health of any person specified therein for more than a year: such amount shall be allowed for each of the relevant previous year, a deduction equal to the appropriate fraction of the amount.”

This simply means, the individual can claim a deduction equal to the appropriate fraction of the amount of total premium paid (dividing the lump sum premium paid, by the number of years of the policy.), under Section 80D, this would again be subject to the limits of Rs25000 or Rs.50000 as the case may be.

**Q. What is preventive health check-up and how can I claim it?**

**A.** Preventive health check-up is expenses incurred on master health check-up or full body health check-up. This doesn't include specific check-up for heart or any other organ.

**Note:** The bill submitted for such claim, must clearly indicate the expense was made for full body routine check-up.

## Medical Treatment for Disability

**Q. What are the conditions for claiming 80DD/80U?**

**A:** Here are the conditions for claiming 80DD/80U:

Particulars	80DD	80U
<b>Eligible Person</b>	Resident Individual or HUF	Resident Individual
<b>Allowable for</b>	Spouse, children, parents, brothers/ sisters of employee or any of them dependent on him	Self
<b>Disability</b>	₹ 75,000	₹ 75,000
<b>Severe disability</b>	₹ 1,25,000	₹ 1,25,000
<b>Requirement</b>	Incurred any expenditure or paid /deposited any amount as specified	Certificate from the medical authority

It may be noted that employer should ensure that employee has submitted Form No. 10-IA for claiming deduction u/s 80DD or 80U.

**Q. How many dependent I can claim for under section 80DD.**

**A.** An individual can claim of any number of dependent (as defined by income tax act). Each dependent can be claimed as 75000/125000 respectively depending on the disability case.

## **Educational Loan – 80E**

**Q. If I have taken Educational Loan for my brother, will it be allowed as deduction?**

**A.** No, Educational loan is allowed only for spouse or children or the student for whom he is the legal guardian.

Deduction will be allowed for first year and next 7 years i.e. deduction allowed for 8 years

**Q. Is there any restriction on amount of claim allowed for Educational Loan?**

**A.** No, there is no restriction. Any amount can be claimed. However, it should be noted that only interest component can be allowed as deduction.

## **Rajiv Gandhi Scheme – 80CCG**

### **IMPORTANT:**

- The section below is discontinued from FY 2017-18 for any new investors.
- Also the carry forward value cannot be claimed from this year.

**Thus from April 2019, Section 80CCG doesn't exist.**

## **Standard Deduction**

**Q. What is standard deduction?**

**A.** As per Finance Act, 2018, new section 16(ia) has been inserted where the standard deduction is allowed while computing income chargeable under the head salaries. It is available to all class of employees irrespective of the nature of employer. Standard Deduction is also available to pensioners. Amount of Standard Deduction is Rs.50,000 or amount of salary/pension, whichever is lower.

**Q. Is standard deduction applicable to family pensioners?**

**A.** Standard deduction was introduced for class of person whose income is chargeable to tax under head salary. Family Pension is taxable under the head income from other sources. Hence standard deduction is not applicable in case of Family Pension.

**Q. If I change 2 companies will I get two time deduction value for standard deduction? A.**

Standard deduction is an annual value. Thus irrespective how many company an individual has changed there would be only one complete deduction of standard deduction from the total taxable income of both the companies combined. Note: The current company must properly calculate taxes on taxable income excluding the standard deduction provided.

## **General**

**Q. Can GST value paid along with premium or any other payment is allowed to be claimed under chapter VI A?**

**A:** Yes as per income tax act total premium value or total interest paid is allowed as exemption. As GST or any other taxes are very much part of the premium and interest deduction, the same can be claimed. But no late penalty or default fees would be claimed under this section.

**Q. What should I do in case my employer is not satisfied or doesn't accept claim of proof?**

**A.** As per circular issued by CBDT (Income Tax Department), in case the DDO (employer) is not satisfied about the genuineness of the employee's claim regarding any deposit/ subscription/ payment made by the employee, he should not allow the same, and the employee would be free to claim the deduction/ rebate on such amount by filing his return of income and furnishing the necessary proof etc., therewith, to the satisfaction of the Assessing Officer.

**Q. What happens if I don't submit my TDS to my company?**

**A.** In case of no PAN Section 206AA will apply without any exception.  
The company must deduct TDS at a **higher rate**.

- TDS rate prescribed in the Act
- Rate of Tax in force
- At 20%

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