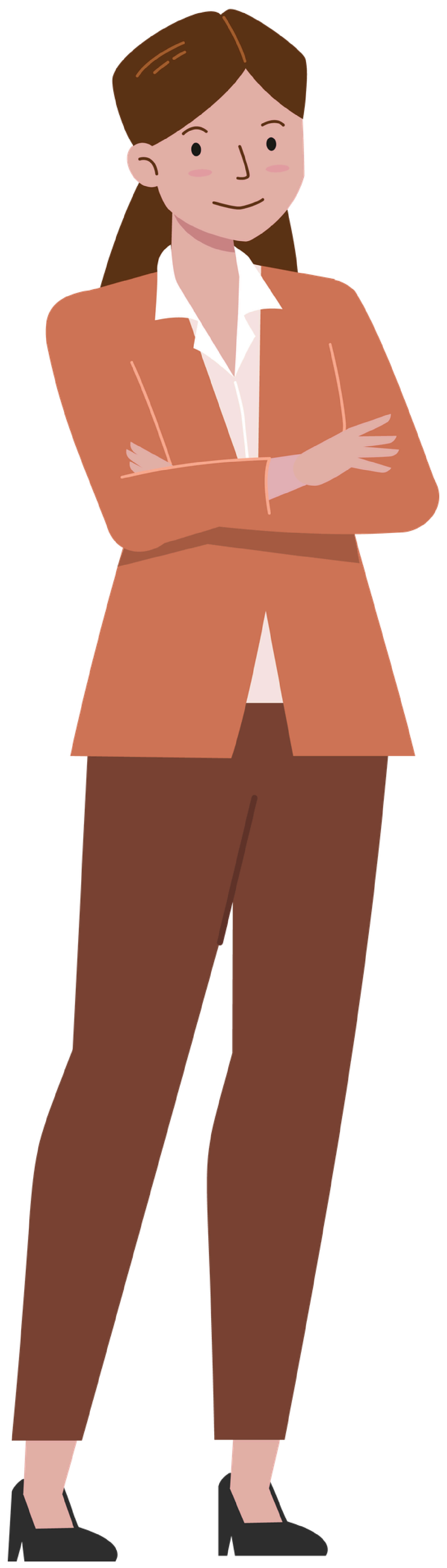


Situation 1 Her employer gives House rent allowance (HRA) as part of the salary

Meet Saritha. She just moved to Bengaluru, excited about her new job and her new city. Her salary structure:

Basic + DA — ₹25,000/month

HRA — ₹25,000/month

Total CTC — ₹50,000/month

She rents a flat and pays ₹15,000 every month to her landlord.

Since HRA is part of her salary, she can claim an exemption under the Income Tax Act, 2025. Not the full ₹25,000 — but the least of these three:

① Actual HRA received — ₹25,000 × 12 = ₹3,00,000

② Rent paid – 10% of salary* — ₹1,80,000 – ₹30,000 = ₹1,50,000

③ 50% of salary* (Bengaluru is now a metro city) — 50% × ₹3,00,000 = ₹1,50,000

The least is ₹1,50,000. That is her exempt amount. The remaining ₹1,50,000 is added to her taxable income. ₹1,50,000 saved. Just by submitting rent receipts.

*Salary for HRA = Basic + DA + commission as fixed % on turnover. Special allowances are excluded.

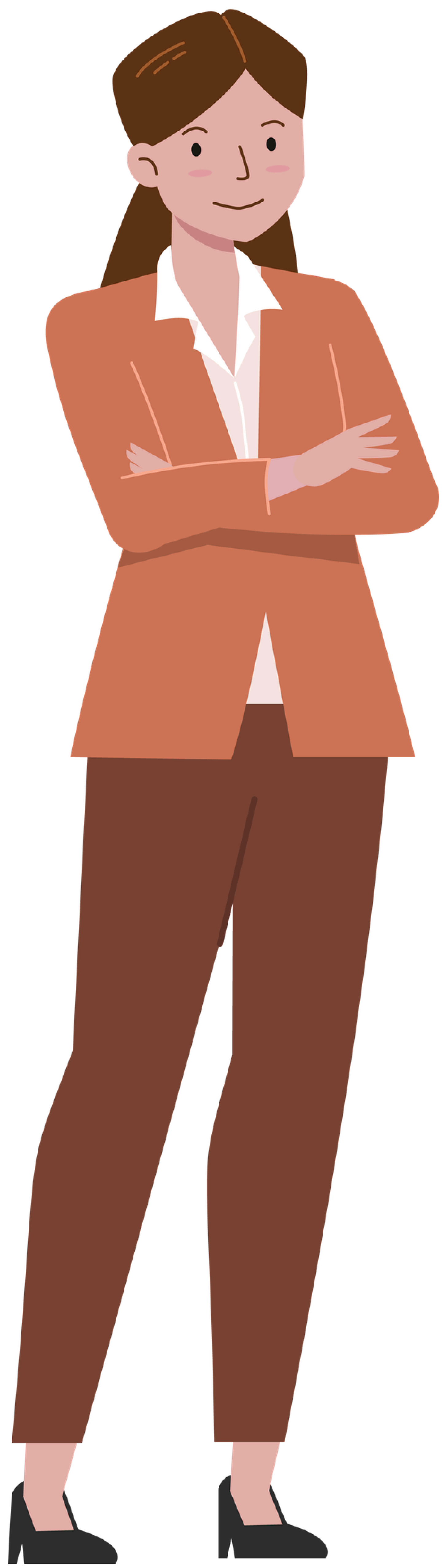
Available under old tax regime only. New regime — entire HRA is taxable.

Situation 2 — Her employer gives her accommodation instead

Same Saritha. No HRA anymore. Her CTC has Basic + DA - INR 25000 Special allowance - INR 25000

Her employer provides her a company-owned flat in Bengaluru and recovers just ₹2,000 from her salary every month.

She thinks — I am paying towards rent, so maybe it is tax free? Not quite.



This is a perquisite — a benefit provided by the employer. The taxable value is computed as follows:

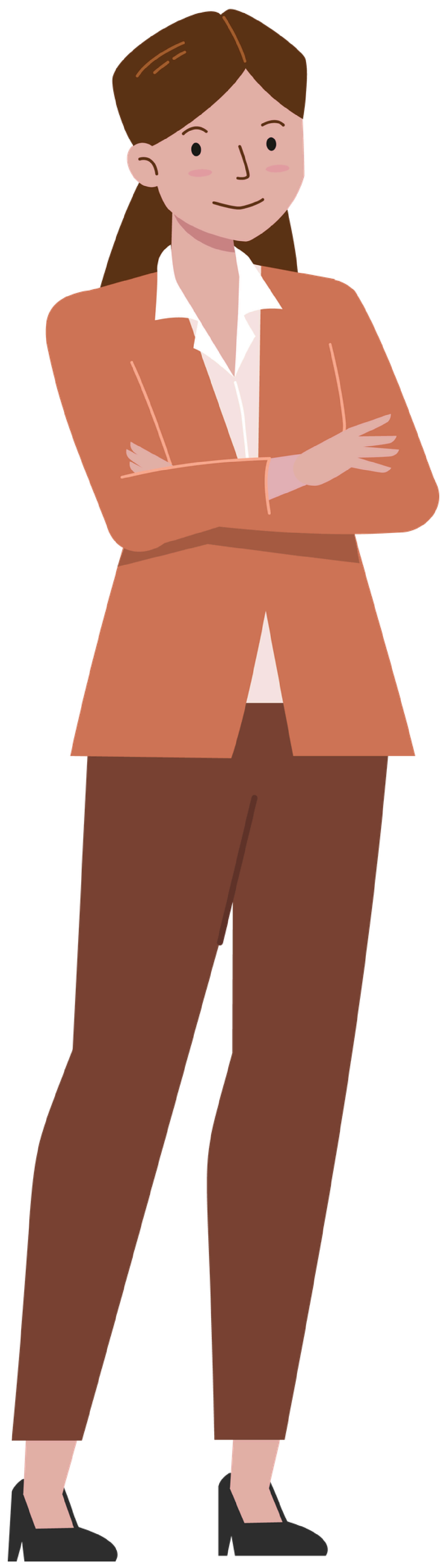
Taxable perquisite = 10% of salary – rent paid by Saritha = 10% of ₹6,00,000 – (₹2,000 × 12) = ₹60,000 – ₹24,000 = ₹36,000 added to her taxable income

She pays less rent. But ₹36,000 gets taxed.

The lower the rent recovery, the higher the perquisite. If her employer recovered nothing — the full ₹60,000 would be taxable.

*"Salary" for perquisite valuation includes: basic pay, DA (if counted for retirement benefits), taxable allowances, and bonus — but excludes PF contributions, exempt allowances, perquisites themselves, and retirement lump sums.

Unlike HRA, perquisite valuation applies under both old and new tax regimes.



Situation 3 — Saritha leaves her job and starts consulting

No salary. No HRA. No employer accommodation. But she still rents an apartment for ₹10,000 a month. Does she get no benefit at all just because she is now self-employed?

Enter Section 134 of the Income Tax Act, 2025. A deduction available to individuals who pay rent but do not receive HRA. Let us say her annual consulting income is ₹6,00,000.

Deduction = least of:

① Rent paid – 10% of total income — ₹1,20,000 – ₹60,000 = ₹60,000

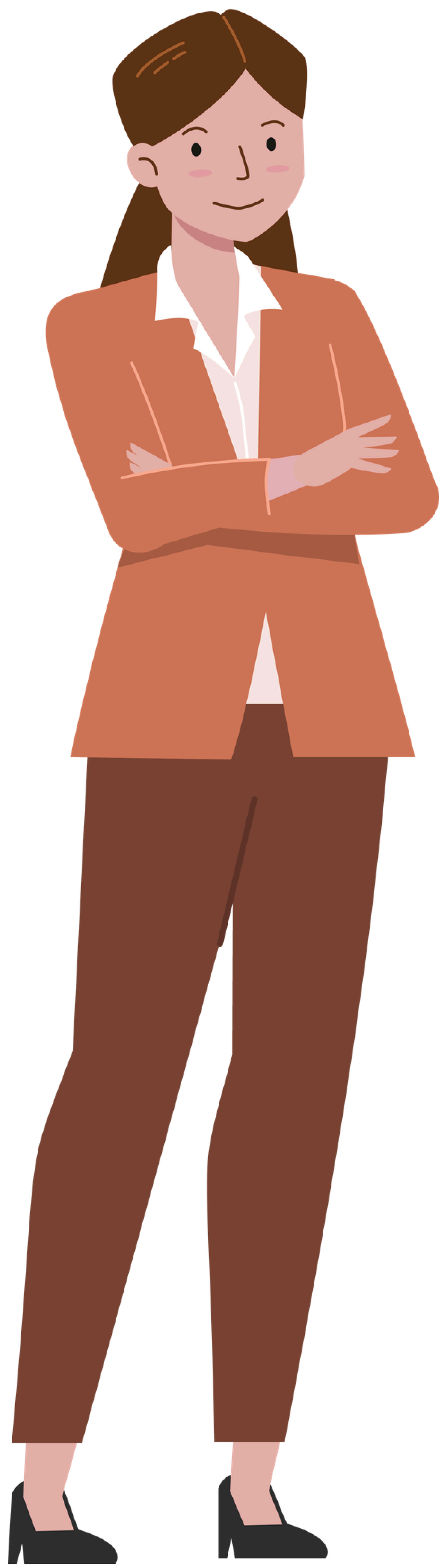
② 25% of total income — 25% × ₹6,00,000 = ₹1,50,000

③ ₹5,000 per month — ₹60,000 per year

The least is ₹60,000. That is her deduction.

*But there is a catch — Saritha, her spouse, or minor child should not own a residential property in Bengaluru. She also needs to file a declaration in Form No. 31.

Available under old tax regime only.



Quick summary — three situations, one city, one person

Situation	Provision	Regime
Gets HRA, pays rent	HRA exemption — Sch. III Sl. 11.	Old regime only
Gets company accommodation	Perquisite — Sec 17(1)(a)	Both regimes
No HRA, pays rent herself	Sec 134 deduction	Old regime only

The takeaway?
It is not just about how much rent you pay. It is about how your compensation is structured — and which provision of the law applies to your situation.
Same city. Same person. Completely different tax outcomes.

Note: Perquisite valuation varies based on multiple factors — leased vs owned property, city population, hotel accommodation, and more. Each situation has its own computation.