

# RAIPUR BRANCH

## OF CENTRAL INDIA REGIONAL COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

MAY - JUNE 2013

FOR MEMBERS ONLY



*Chairman  
Writes...*



### EDITORIAL BOARD

Editor : CA Prafulla Pendse  
Member : CA Sanjay Jain

Dear Professional Colleagues,

As the new financial year has already begun we set out own targets for the coming year and analyse the achievements of the previous year and during the process of this analyses we try to seek reasons for the deviations and try to correct the same.



The Union Budget 2013 has already been presented and the general debate, deliberation and discussions are ongoing. The time has come where we need to sit, ponder and analyse the changes brought in which affects our area of practice and activity. Let us update ourselves.

During the previous month i.e. March 2013 the Raipur Branch successfully conducted a seminar on Bank Branch Audit and Companies amendment Bill 2012 on 16<sup>th</sup> March 2013. The faculties CA Anil Saxena on Bank Branch Audit and CA Manu Agrawal on Companies Amendment Bill 2012 both from Kanpur made the session interactive and knowledgeable. The suggestive answers for Ghosh and Jilani Committee reportings have been hoisted on the Branch's website. The members may find it useful while discharging their report and attest function.

Holi Milan was celebrated jointly with Income-tax bar Association on 24<sup>th</sup> March 2013 at Rotary Maitri Bhavan. The festival of colours was celebrated with the family members in musical environment. The programme was followed by dinner.

Raipur Branch has also successfully conducted ISA PT classes. In total 39 members participated in these classes. The Eligibility Test (ET) would be held on 11<sup>th</sup> May 2013. The details would be updated shortly on the website.

CIRC has organised Chairman Meet on 27<sup>th</sup> and 28<sup>th</sup> of April 2013 at Bhopal. I request the members to share with us if there are any suggestions, concerns or issues which needs to be discussed or raised at a broader platform.

The process and task of drawing up Map for the proposed branch building has already been started and we have started collecting required information and data for the same. We request the members to contribute in this process by way of their suggestion.

*Coming together is a beginning, Keeping together is progress, Working together is success,* so said American industrialist Henry Ford. We also request the members to give us continuous feedback on the branch activities and programmes so that we can deliver in more efficient and emphatic manner which we are expected to do.

**CASidharth Parakh**  
(Chairman)





## NEWS LETTER



### House Rent Allowance – A Tax planning tool for Salaried

Compiled by : CA Sunil Agrawal

House Rent Allowance (HRA) is second component which is found in each pay slip after basic salary. This is the major contributor in tax relief for the employee who reside in rented house during his/her employment.

Generally employee submits Rent receipt and rent deed to his employer to claim exemption of tax on account of HRA however recently CBDT vide circular :08/2013 dated 10 Oct 2013 has made mandatory that If annual rent paid by the employee to his/her land lord exceeds Rs 1,00,000 per annum, he/she will have to report PAN of the landlord to the employer. In case the landlord does not have a PAN, a declaration to this effect from the landlord along with the name and address of the landlord should be filed by the employee.

Apart from this new requirement, there are so many doubts & questions arise while calculating & claiming exemption of tax from HRA which I am trying to summaries here in "question-answer form" in my following lines:-

**Q. What is objective to claim exemption for House Rent Allowance? under Sec.10 (13A).**

**A.** To meet expenditure actually incurred by an employee on account of payment of rent in respect of residential accommodation.

**Q. Which section HRA exemption has been granted?**

**A.** Section 10(13A) of the Income Tax Act, 1961 provides for the exemption from HRA.

**Q. What are condition to claim exemption?**

**A.** An employee must fulfill following conditions to avail exemption:-

1. He/she must stay in rented House during the period for which claiming exemption i.e. he/she does not stay in own house (property in his/her name)
2. He/she must have actually incurred expenditure for payment of rent.

**Q. How shall exemption from HRA be calculated?**

**A.** Calculation of HRA exemption is regulated by the Rule 2A of the Income tax Rules, 1962 which says that minimum amount of the following three shall be exempt :-

(a) Actual amount of HRA received,

(b) Rent actually paid minus 10% of salary

(c) 50% of salary if stayed in Delhi/Mumbai/Chennai/Kolkata or 40% of salary if stayed in other place.

**Q.** If HRA received during the Financial year is more than the least of amount calculated, what would be consequence?

**A.** Excess amount shall be taxable and be treated as part of gross salary.

**Q. What does mean by salary for the calculation of HRA exemption?**

**A.** It includes three components (i) Basic Salary, (ii) DA if considered for Retirement purposes and (iii) Commission forming part of Salary as a Fixed Percentage of Turnover achieved by the employee.

**Q. What will happen if employee stayed in two places during the financial year?**

**A.** If he stays in two different places in same city, nothing will change however if he stay in different cities, it may affect if staying in Delhi/Mumbai/Chennai/Kolkata for one period and in other place for other period.

**Q. What will happen if employee pays rent less than 10% of his salary?**

**A.** Whole of the HRA amount received will be taxable.

**Q. If place of stay is different from place of employment, how HRA exemption shall be calculated?**

**A.** The exemption must be calculated on the basis of the place where residential accommodation is situated because HRA exemption is for expenditure actually incurred for Rent even in relation the employment.

**Q. HRA exemption should be calculated on monthly basis or for whole of the year?**

**A.** Exemption is for the period in which rental expenditure actually incurred and rental accommodation is occupied by the employee during the financial year therefore if there is no change in place or rent paid during the year, it can be calculated for whole year but if there is a change in any of the two during the year then it must be calculated on monthly basis and for the month in which rental accommodation occupied by the employee.

Further calculation of HRA exemption depends upon Salary or HRA actually received also thus if there is any change in salary or HRA amount in the period it must be calculated separately for that period.

**Q. If employee stay at parent house, can he claim exemption for HRA?**

**A.** Yes, if he paid the rent actually to his parent.



## NEWS LETTER



**Q. What will happen if employee is paying rent to his/her spouse?**

**A.** Relationship of husband-wife is not supposed to be commercial therefore it is better that no exemption should be claimed in such transaction.

**Q. Do employee need to submit any proof for payment of rent to claim HRA exemption?**

**A.** Payment of actual rent is pre requisite for claiming HRA exemption and Assessing Authority may ask for proof of payment at the time of regular assessment but employee drawing HRA upto Rs.3000/- per month shall be exempted from production of rent receipt while submitting his claim to employer.

**Q. Whether exemption of HRA is part deduction allowed u/s 80C?**

**A.** No, HRA exemption is different from deduction u/s 80C and it does not be included in the amount eligible for deduction u/s 80C.

**Q. Can an employee avail tax benefit of HRA and Home loan both together?**

**A.** Yes, Tax treatment of both is under different sections and both can be availed simultaneously.

**Resource:-**

- (i) Section 10(13A) read with Rule 2A of the Income Tax Act, 1961
- (ii) Circular : No. 90 [F. No. 275/79/72-ITJ], dated 26-6-1972 by CBDT
- (iii) Letter : F. No. 12/19/64-IT(A-I), dated 2-1-1967 By CBDT
- (iv) Circular : No. 9/2003, dated 18-11-2003/[Para 5.2-(9)].
- (v) **CIRCULAR NO : 08/2013 dated 10<sup>th</sup> Oct 2013**

RAIPUR BRANCH OF CIRC OF ICAI			
Reports of Activities carried out by RAIPUR BRANCH			
IN THE MONTH OF MAY, 2013			
SR.NO	DATE	PROGRAMME	TOPICS
1	03.05.2013	Teleconference	Companies Bill & Society's expectation from Auditors
2	03.05.2013	Lecture Meeting	Survey Proceedings under IT Act
3	10.05.2013	Study Circle Meeting	ITR Jan & Feb
4	17.05.2013	Teleconference	Role of Internal Auditor in Corporate Compliance & Peer Review
	17.05.2013	Lecture Meeting	Amendment in Fin Bill
5	18.05.2013	Half Day Seminar	Finance Act, 2012 & Companies Amendment Bill, 2012
6	20.05.2013	CPT Mock Test Paper	
7	25&26.05.2013	Workshop	"Enabling on Service Tax"
8	29.05.2013	Teleconference	CA – Detection of Frauds" & "Forensic Audit
9	31.05.2013	Study Circle Meeting	ITR March'13



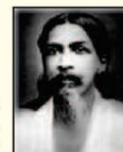
## NEWS LETTER



RAIPUR BRANCH OF CIRC OF ICAI			
Reports of Activities carried out by RAIPUR BRANCH			
IN THE MONTH OF June, 2013			
SR.NO	DATE	PROGRAMME	TOPICS
1	01.06.2013 To 15.06.2013	GMCS-I	
2	01.06.2013 To 29.06.2013	ITT Class	
3	07.06.2013	Teleconference	E-filing of Tax Audit Report etc.& changes in New TDS Statements,TDS Certificates,ITR"s
4	08.06.2013	Half Day Seminar	"Service Tax Voluntary Compliance Scheme & Other
5	14.06.2013	Lecture Meeting Organised By Raipur Branch with IT Bar	Sec.40 (ia) Income Tax Act,1961
6	10.06.2013 To 14.06.2013	OTC	
7	16.06.2013 To 30.06.2013	GMCS-I	
8	16.06.2013 To 20.06.2013	OTC	
9	19.06.2013	Teleconference	"Independent Auditor's Report " & "Auditors Rotation & Restricted Advisory services
10	21.06.2013	Lecture Meeting Organised By Raipur Branch with IT Bar	Discuusion on ITR April & May 2013
11	26.06.2013	Teleconference	"Service Tax Voluntary Compliance Scheme & Other
12	29.06.2013	Workshop	One Day Professional Training Workshop on Members in Practice

### . . . MEMORABLE INDIANS . . .

#### Sri Aurobindo Ghosh 1872 - 1950



The crest jewel of renascent India, the bravest among the patriots, the sharpest among the intellectuals, and the subtlest among the seers, Sri Aurobindo fulfilled the glorious purpose of demonstrating to the world that real India, the India of the Vedic seers, could survive and absorb into herself all alien cultures, and that at the hands of one who knew the proper synthesis, Eastern and Western cultures could find their happy blend, without necessarily having to antagonize one another.

Great Revolutionary, Nationalist, Scholar, Editor, Poet, Philosopher, Yogi, A Visionary And A Multifaceted Personality Who Had Command Over Several Languages like Greek, French, Italian, German, Latin, Spanish, English, Hindi & Bangla.

The design of and the logo of the Institute of Chartered Accountants of India was suggested by him and he also suggested the motto for the logo from a sloka of the Kathopanisada 'ya esa suptesu jagarti which was adopted by the Institute on 15.08.1950 which happened to be his 78<sup>th</sup> Birth Anniversary.

***" India does not rise as other countries do, for self or when she is strong, to trample on the weak. She is rising to shed the eternal light entrusted to her over the world. India has always existed for humanity and not for herself and it is for humanity and not for herself that she must be great."***