



Saurabh Giri

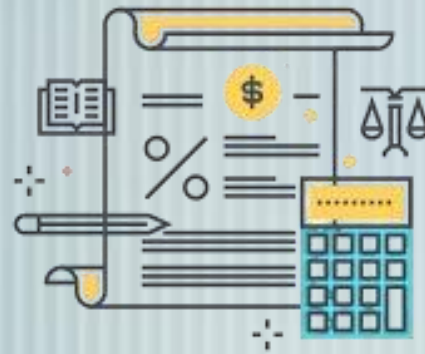


**"Paying Rent to a Relative?
The Taxman's Watching
Closely!"**



Increased scrutiny alert!

If you're paying rent to a **relative** and claiming **HRA exemption** or **deducting TDS u/s 194-IB**, the **Income Tax Department** is watching closely. Many salaried employees are now receiving notices or facing refund delays due to **data mismatches**.



TAX LAW





How Is the Tax Department Figuring It Out?

The department is using **data analytics** and **cross-verification** to match:



TDS return (Form 26QC)



PAN of landlord (often your relative)



HRA claim in your ITR



Landlord's ITR (showing no rent income)



TAX LAW



⚠ If things don't match up, you're in for a notice.

💡 Important Threshold:



TAX LAW

If you're paying **rent above ₹50,000/month**, you're required to deduct **TDS u/s 194-IB**, even as a salaried individual. Failing to do so can **trigger scrutiny or delay refunds.**





Case Law You Should Know:



Delhi ITAT Ruling: Relief Allowed

An assessee claimed **HRA exemption** for rent paid to his wife.



AO rejected it, suspecting a sham due to the close relationship.



But ITAT Delhi allowed the exemption because:

- A valid **rent agreement** existed
- **Bank transfer records** supported payment
- The wife **declared the rent as income** in her ITR



TAX LAW





Mumbai ITAT Ruling: Exemption Denied

Case: Bajrang Prasad Ramdharani v. ITO
(ITA No. 2568/Mum/2016)

Here, the assessee claimed HRA for rent paid to his **mother**.

✗ AO denied the exemption due to:

- **No rent agreement**
- **Cash payments** (not verifiable)
- **No solid proof** of genuine transaction



TAX LAW



ITAT upheld AO's view, stressing that the **burden of proof lies with the taxpayer** to prove the legitimacy of such claims.





Takeaway:

Look — even **rent paid to a close relative** was allowed when **backed by proper documentation**, but on the other hand, **lack of proof** led to **outright rejection**.



TAX LAW



In tax, paperwork isn't optional — it's everything!



✓ If Your Claim is Genuine, Keep These 3 Documents Ready



1. Registered Rent Agreement

— Clearly state rent amount, duration, signatures, and address.



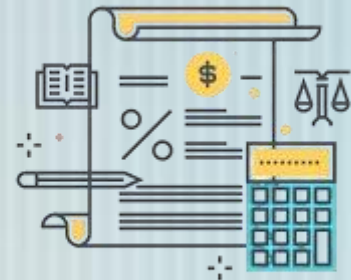
2. Rent Paid via Bank/UPI

— Avoid cash. Use bank transfer, cheque, or UPI for trail.



3. TDS Documents

- Form 26QC (filed by you) and
- Form 16C (TDS certificate issued to landlord)



📌 Without these, refunds are being delayed or denied.



Key Takeaway: Be Transparent & Keep Records

 Paying rent to relatives isn't illegal. But **transparency, documentation, and compliance** are a must.

So, before the ITD comes knocking—

- ✓ Get your rent agreement
- ✓ Pay through bank
- ✓ Deduct TDS (if applicable)



TAX LAW



Thank you for reading !!



Saurabh Giri

