

Paying rent in cash without a rent receipt? Know why your HRA claim may be rejected, and you may get an income tax notice

"The penalty for failure to comply with the provisions of Section 269ST is a sum equal to the amount of such receipt," says Neeraj Agarwala, Partner, **Nangia Andersen India**, a tax and business consultancy company.

Hence as per the law, landlords can accept rental income in cash up to the limits specified in Section 269ST. However, the landlords have to offer this rental income for income tax.

Rent receipts and/or rental agreement not given by Landlord: Rent receipts are official documents provided by landlords to tenants upon receiving rent payment. Similarly rental agreements are also insisted upon by some employers. Sometimes it may also help prove the situation if there is any income tax scrutiny on you.

"While there are no restrictions or penalty levied on tenants to make payment in cash, however, a penalty is levied in the hands of the landlord for failure to comply with the provisions of section 269ST. In case the landlord does not provide the tenant a rent receipt the tenant may not be able to claim HRA exemption," says Agarwala.