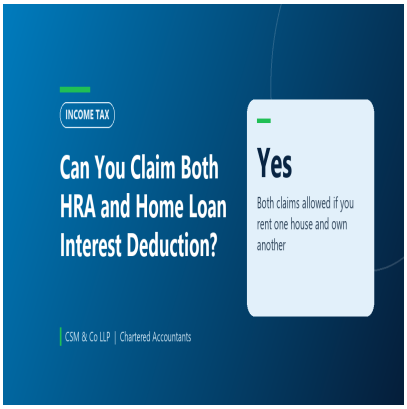


Can You Claim Both HRA and Home Loan Interest Deduction?

Description

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Quick summary

- Yes, you can claim the HRA exemption and home loan interest together if you pay rent for a house you do not own and also have a home loan on another house.
- The HRA rule needs that the house you live in is not owned by you and that you actually pay rent for it. It does not stop you owning a different house.
- Interest on a self-occupied house is limited to ?2 lakh; interest on a let-out house has no such cap on the interest itself.
- Both claims need genuine proof and, for HRA, the old tax regime. In the new regime, HRA and self-occupied house interest are not allowed.

Many people think they must choose between HRA and a home loan. They do not. The two work on different houses and different heads of income, so they can be claimed together if you meet the conditions of each. Both are claimed in the old tax regime.

The HRA conditions

The HRA exemption is in section 10(13A) of the Income-tax Act, 1961 up to FY 2025-26, and in Schedule III (Table Sl. No. 11) of the Income-tax Act, 2025 from Tax Year 2026-27. It needs:

- an HRA granted to you by your employer for rent,
- the house you occupy is not owned by you, and
- you actually pay rent for that house.

The exemption is the lowest of the HRA received, 50% (eight metro cities) or 40% of salary, and rent paid less 10% of salary (Rule 279 of the Income-tax Rules, 2026).

Nothing in these conditions stops you owning another house elsewhere.

The home loan conditions

Interest on a loan taken to buy or build a house is a deduction from house property income: section 24(b) of the 1961 Act, section 22(1)(b) of the 2025 Act.

- For a self-occupied house the interest is limited to ?2 lakh a year, if the house is bought or built within five years from the end of the year in which the loan was taken. Otherwise the limit is ?30,000.
- Interest paid before the house is completed is claimed in five equal parts from the year of completion.
- For a let-out house the interest is deducted in full, but the loss from house property that you can set off against other income is limited to ?2 lakh a year.
- Principal repaid is a separate section 80C (section 123) deduction.

Four common situations

Situation	HRA and interest together?	Note
Own a house in another city and rent a house where you work	Yes	The usual case.
Own a house in the same city but rent another for a genuine reason, such as distance to work or a school	Yes, if genuine	Keep full proof of both.
Bought an under-construction flat and live on rent	Yes	Pre-completion interest is claimed in five equal parts after completion.
Rent out your own loan-financed house and live in a rented house elsewhere	Yes	The rent you receive is taxed as house property income, and the interest is deducted against it.

A house kept vacant, or used by your family, is generally treated as self-occupied for the interest limit.

Example

Aryan works in Gurgaon, pays rent of ?10,000 a month and gets an HRA of ?15,000 a month. His basic salary is ?40,000 a month. He has a home loan for a house in Bengaluru where his parents live, with interest of ?20,000 a month.

HRA exemption (monthly): the lowest of ?15,000 (HRA received), ?16,000 (40% of basic, as Gurgaon is not one of the eight metro cities) and ?6,000 (rent ?10,000 less ?4,000, which is 10% of basic). So ?6,000 a month, ?72,000 a year, is exempt and ?9,000 a month is taxable.

Interest: ?2,40,000 a year, but for a self-occupied house the deduction is limited to ?2,00,000.

New tax regime

In the new regime neither HRA nor interest on a self-occupied house is allowed. Interest on a let-out house is still allowed against the rent received.

Proof you need

- Rent agreement, rent receipts or bank proof, and the landlord’s PAN if rent is above ?1,00,000 a year.
- The lender’s interest certificate, the loan agreement and the possession or completion papers.
- The declaration to your employer in Form 124 (earlier Form 12BB).

Frequently asked questions

Can I claim HRA and home loan interest together?

Yes, if you live in a rented house that you do not own, pay rent, and have a home loan on a different house, in the old tax regime.

Can I claim both if the loan house is in the same city?

The law does not bar it, but the claim must be genuine, for example because the house is let out, too far from work or under construction. Keep full proof.

What is the limit on home loan interest?

?2 lakh a year for a self-occupied house, if construction or purchase is completed within five years of the year the loan was taken. Otherwise ?30,000.

Is this available in the new tax regime?

No. HRA and the interest on a self-occupied house are not allowed in the new regime. Interest on a let-out house is allowed.

Official sources

- Income Tax Department: Income-tax Act, 2025 (as amended by Finance Act 2026), section 22 and Schedule III
- Income-tax Rules, 2026 (Rule 279)
- Income Tax Department: e-Filing portal

Related reading

- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27
- Section 80C of Income Tax Act: 80C Deduction List, Limit and Examples
- How to Save Tax Other Than 80C: Deductions and Exemptions for 2026-27

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