



Getting a living allowance while working abroad? You might have to pay tax on it in India

Any allowance that compensates you for expenses incurred in the course of your employment is exempt from tax under the Income Tax Act. This is irrespective of whether it is for services rendered in India or overseas. But the allowance must be backed by bills or a declaration from the employee that the money was used for the intended purpose.



“Salary, including related allowances, is deemed to be earned at the place where the actual physical services are rendered. So, if these are earned by a non-resident Indian in a foreign country, they will be taxable in that country,” says Chandak. *(see table for more details on who qualifies as a resident and non-resident Indian)*

In the context of salary (income from employment), Neeraj Agarwala, Partner at Nangia Andersen India, a tax firm, highlights that for NRIs and RNORs, only income received by them for services rendered in India while being physically present in India will be taxed in India.