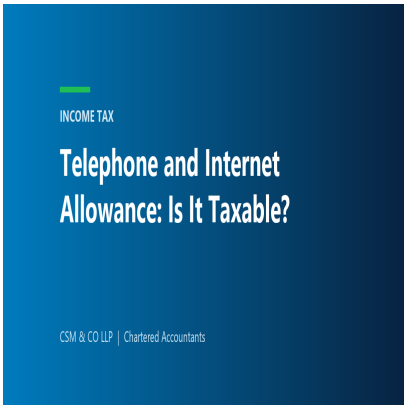

Telephone and Internet Allowance: Is It Taxable?

Description

Last updated: 28 September 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- When the employer reimburses or pays your telephone and mobile phone expenses, the payment is not taxed as a perquisite.
- A fixed telephone or internet allowance paid in your salary, without bills, is part of salary and is taxable.
- There is no separate rupee limit for the reimbursement in the rule, but it should be for official use and reasonable for your role.
- The perquisite rule is the same in the old and new tax regimes.

With work from home and hybrid working, many employers pay for telephone and internet. Whether the payment is taxable depends on how it is paid: as a fixed allowance in your salary, or as a reimbursement of the bills you submit.

Reimbursement of bills

When the employer pays or reimburses the actual cost of your telephone or mobile phone bills, the benefit is not taxed as a perquisite. The perquisite valuation rules (rule 3 of the Income-tax Rules, 1962, and the corresponding rule in the Income-tax Rules, 2026) value “any other benefit or amenity” provided by the employer but exclude expenses on telephones, including a mobile phone.

- Keep the bills in your own name, or as your employer asks.
- The use should be for official work.
- There is no limit in the rule on the reimbursement amount, but your employer will usually fix a reasonable cap by your role.

Fixed allowance

If the employer pays a fixed amount every month, for example ?1,500 as “telephone and internet allowance”, with no bills, it is part of your salary and is taxed at your slab rate. The exemption for reimbursement is not

available.

What about internet and broadband?

The rule is worded around telephones, including mobile phones. Employers commonly extend the same treatment to broadband and mobile data used for work. If you get a reimbursement for broadband, follow your employer’s policy and keep the bills and the employer’s certificate that it was for official use.

Old or new regime?

The same treatment applies in both regimes, because it is a perquisite valuation rule and not an exemption that the new regime withdraws.

Example

Ms K gets ?1,200 a month fixed as “mobile and internet allowance”. It is taxable salary of ?14,400 a year. Her colleague submits his actual mobile bills of ?1,200 a month to the company, which reimburses them. The reimbursement is not taxed.

Tips

- Prefer a reimbursement structure if your employer offers it, as it is the more tax-efficient route.
- Do not claim a reimbursement for personal use or for bills you did not pay.
- Keep copies of bills, as the employer or the department may ask for them.

Frequently asked questions

Is a telephone allowance taxable?

A fixed telephone allowance paid with your salary is taxable. A reimbursement of your actual phone bills by the employer is not taxed as a perquisite.

Is there a limit on tax-free reimbursement?

The rules do not set a rupee limit. It should be for official use and reasonable for your job.

Is internet or broadband covered?

The rules refer to expenses on telephones, including a mobile phone. Many employers treat broadband

used for work in the same way, so check how your employer treats it and keep the bills.

Does it depend on the tax regime?

No. Perquisite valuation applies to both the old and the new regime.

Official sources

- Income-tax Rules, 2026 (valuation of perquisites)
- Income Tax Department: e-Filing portal
- Income Tax Department: Income-tax Act, 2025 (as amended by Finance Act 2026)

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