



CHAPTER - 2

RESIDENCE AND SCOPE OF TOTAL INCOME



Lecture 1

When become a person
Resident (ROR/RNOR)
or Non Resident?

How to Compute/meaning of Total Income
(It means maximum income is chargeable to
tax in the hands of R/NR)

Most Important point

Total Income of an Assessee is based on the Residential status of a person.

Section 5 to Section 9

Section 5 - Scope of Total Income

Section 6 - Residential status

Section 7 - Income deemed to be Received in India. (will discuss under salary chapter)

Section 8 - Not Relevant

Section 9 - Income Deemed to be accrue or arise in India

Section 6

Before Reading the Section 6 let's understand the basic points about Residential status.

(Burden)
The Incidence of tax of an assessee depends upon residential status of an assessee.

For all the purpose of Income Tax, Tax payers (Individual or HUF) are classified into the broad categories on the basis of their Residential status :-



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- 1] Resident and ordinary Resident in India (ROR)
- 2] Resident but not ordinary Resident in India (RNOR)
- 3] Non-Resident (NR)

Tax payers (other than Individual or HUF) are classified into Two categories on the basis of their Residential status :-

- a) Resident
- b) Non-Resident

The Residential status of an assessee must be ascertained to EACH PREVIOUS YEAR. A person who is ROR in one year may be RNOR or NR in another year or vice-versa.

→ A person may be Resident for more than one country in one P.Y.

→ Citizenship, origin ship, R.S, these are all separate Concept, it means :-

- Person Foreign citizen but may be Resident in India.
- Person Indian origin but may be Non-Resident
- Person Foreign Citizen & Foreign origin but may be Resident in India.

→ Residential status is determined for each year category of person separately.
(Different Rules for Individual, HUF, Co., Firm etc.)



Let's start section 6

* An Individual is said to be Resident in India in Any previous year if he satisfy ANY ONE of the following Two BASIC CONDITIONS

1) He has been in India during the Relevant P.Y. for a Total period of 182 days or more

or

2) He has been in India during the Relevant P.Y. for a Total period of 60 days or more and 365 days or more in 4 immediately preceding the relevant P.Y.

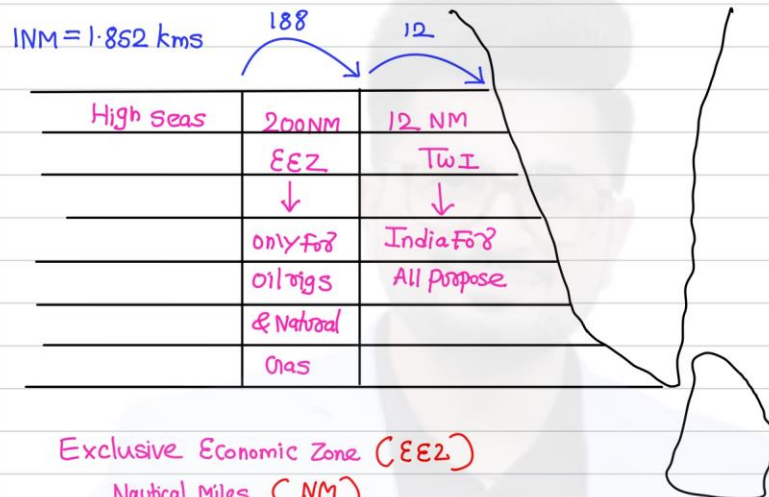
* Individual = Male, Female, minor, major, married, unmarried, IC, FC, IO, FO etc.

BC-1	BC-2	
✓	X	R
X	✓	R
✓	✓	R
X	X	NR

Individual India में रहा हो
 कहीं पर भी रहा हो,
 कैसे भी रहा हो,
 किसी भी Purpose के लिये रहा हो
 अगर कोई भी ek Condition से
 फ़ाँव करेगा तो Resident माना जाएगा।



Meaning of India - For Income Tax Purpose.



Exclusive Economic Zone (EEZ)

Nautical Miles (NM)

Territorial waters of India (TWI)

Date of Departure & arrival → Deemed to be stay in India.

India Includes TWI it means stay in TWI Deemed as stay in India.



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Question 1. Mr. VG is a Foreign citizen, he reside in USA since 1940, the visit in India 100 days every year. Determine his R.S for AY 25-26.

Ans :- Resident in India since he satisfied 2nd B.C.

Question 2. Mr. VG is a Foreign citizen, he visit in India on 25/1/2025 for 240 days. His total stay in 4 I.P.P.Y was 400 days determine his R.S for AY 25-26?

Ans :- Resident in India since he satisfied 2nd B.C.

Question 3. Mr VG is an Indian citizen, he left India for the 1st time on 18/7/24 to see Buj Khalifa and return to India 15/4/25. Determine his R.S for AY 25-26

Ans :- Resident in India since he satisfied 2nd B.C.

Question 4. Mr X is an Indian citizen he left India and visit in India as per the following dates :-

left India	visit India
18/5/2024	15/3/2024
18/11/2024	18/12/2024
5/1/2025	14/2/2025

His total stay in last 4 I.P.P.Y = 280 days

Determine his R.S and Days stay in India during the PY 24-25?

Ans :- Person is a Non Resident he failed to satisfy both B.C.
Stay in India during 24-25 = 178 days



Hw

Q1. Mr. V G is a Foreign citizen, resides in USA Since 1990 but during the PY 24-25 he visits in India and left India as per the following dates

Visit India	left India
15/7/2024	18/10/2024
15/11/2024	5/1/2025
3/2/2025	31/3/2025

His total stay in 4 IPY = 320 days
Determine his RS & Days stay in India.

Solution :-

July 17
Aug 31
Sep 30
Oct 18
96 Days

Nov 16
Dec 31
Jan 5
52 Days

Feb 26
March 31
57 Days

Total 205 Day

Mr. V G is a Resident in India as he satisfies 1st B.C.



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Q2. Mr. X is an Indian citizen he left India on 8/7/2024 for 181 days, his total stay in last 4 I.P.P.Y was 380 days. Determine his R.s for AY 25-26.

Ans:- Mr. X is a Resident in India as he satisfies Both the B.C



Lecture 2

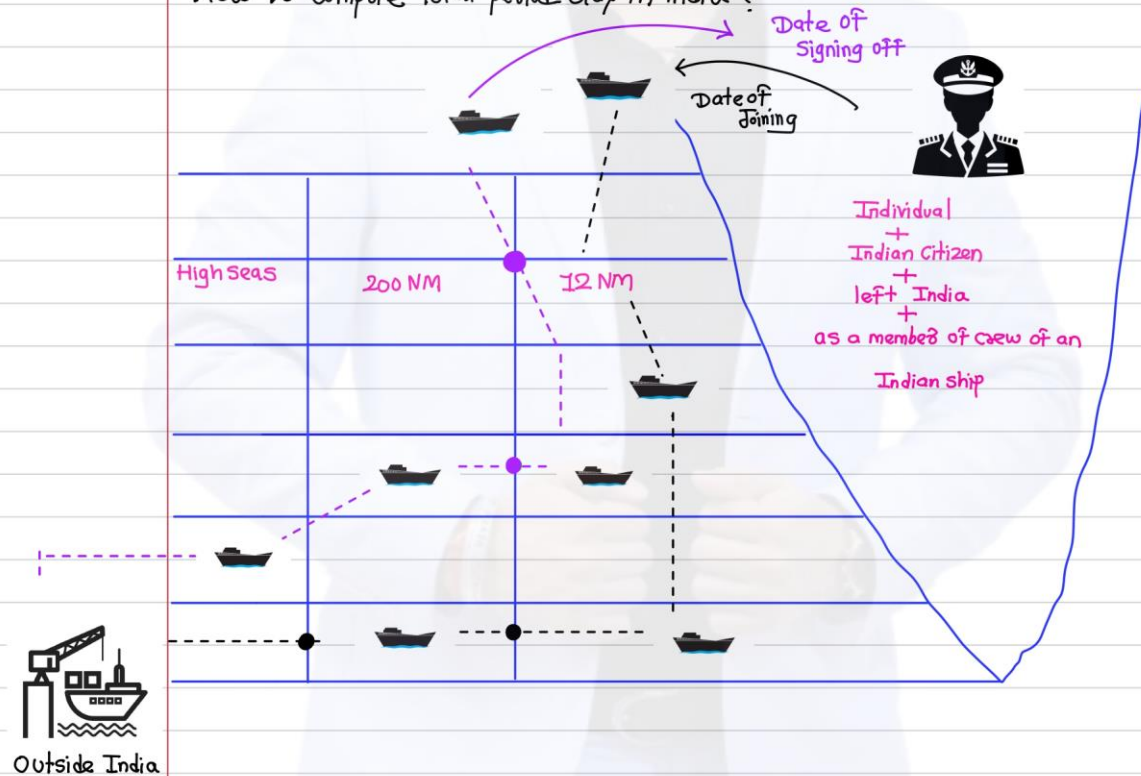
Normal Basic Conditions shall not be taken into Consideration in the following 5 Cases.

Case I

An Individual being an Indian citizen who leaves India in any previous Year as a member of crew of an Indian ship :-

Such individual will be Treated as Resident in India only If his total period of stay in India during the such p.y. 182 days or more.

How to Compute Total period stay in India ?



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Deemed o/s India → From the date of joining to the Date of Signing.

Days stay in India

$365 - (\text{Deemed o/s India})$



Difference



182 days
or more

less than
182



Resident



NR

In Normal Case

बाहर से आने and बाहर
जाने दोनों दिन India
में Count होने हैं

In Crew member Case
आने & जाने के दोनों o/s
India ही माने जायेंगे

Case

An Individual being an Indian Citizen, leaves India in any p.y.,
"For the purpose of employment" → Such individual will be
treated as Resident in India during such p.y. if 182 days or more

stay in India including stay in TWI

For the purpose of Employment = Case 2 Apply

In the Course of Employment = Case 2 Not Apply, Normal
B.C Apply



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Person of Indian origin :-

If he either of his parents, either of his grand parents are born in undivided India (i.e. before 1947)

* DADA, DADI, NANA, NANI

* India, Pakistan, Bangladesh

Indian citizen :-

1) Birth on or after 26/1/1950 but before 1/7/1987

⇒ Citizen of India BY BIRTH

2) Birth on or after 1/7/1987 but before 3/12/2004

⇒ Citizen of India if either of his/her Parents was a Citizen of India at the time of birth

3) Birth on after 3/12/2004 upto till date

⇒ Citizen of India if Both of their Parents was Citizen of India at the time of birth.



Lecture 3

Case 3

An Individual being an Indian citizen or person of Indian origin, who is settled outside India, visit in India and his Total Income except Foreign Source Income is upto ₹ 15 Lakh, he shall be treated as Resident only if his total stay in India in such P.Y 182 days or more.

Case 4

An Individual being an Indian citizen or person of Indian origin, settled outside India, visit in India, and his TOTAL INCOME EXCEPT Foreign Source Income More than ₹ 15 Lakh, he shall be treated as Resident in India only if he satisfies ANY ONE of the Following Two Condition :-

a) 182 days or more in R.P.Y

or

b) 120 days or more in R.P.Y

and

365 days or more in I.P.P.Y.



How to Compute total Income other than Foreign Source Income upto 15L (or) more than 15 Lakh ?

	Particulars	Whether Included in ₹15 lakh limit or Not ?
1.	Income arise in India	
2.	Income deemed to be arise in India	✓
3.	Income received in India	✓
4.	Income deemed to be received in India	✓
5.	Income arise outside India and received outside India but business Controlled From India	✓
6.	Income arise outside India and received outside India but professional set up in India	✓
7.	Income arise & Received outside India and business Control & profession set up outside India.	✗



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If Question given :-

Income arise India & received outside India = Deemed as Foreign Source Income.

Case s (Section 6(1A) — Deemed Resident)

An Individual, being an Indian Citizen, his total Income other than Foreign Source income MORE THAN 15 Lakh and he is not liable to pay Tax in Any other Country / Territory, he shall be DEEMED as RESIDENT in India in that PY (Irrespective of the Total Number of days stay in India)

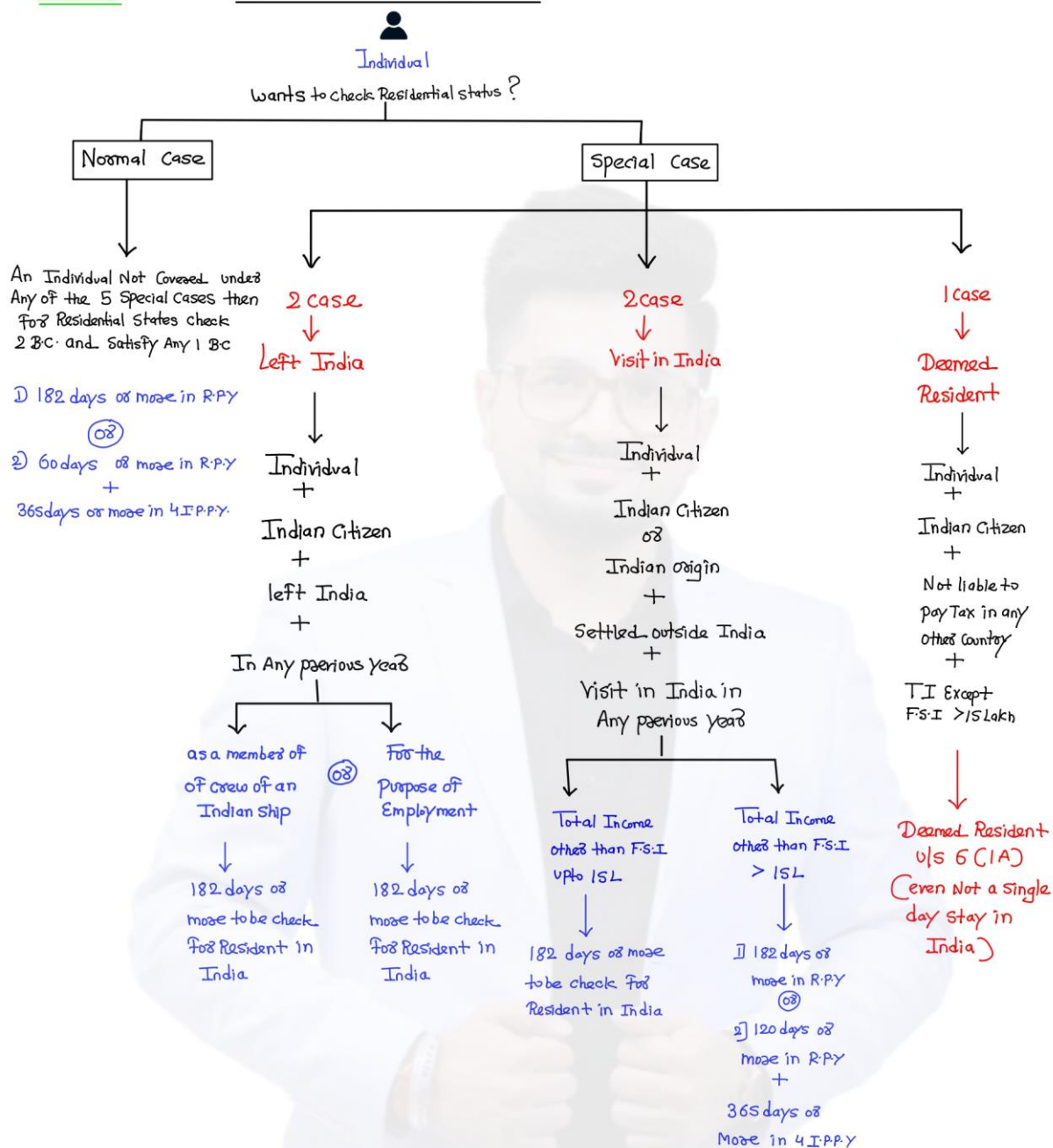
Important Point

It is here by declared that section 6(1A) Not Apply where section 6(1) Apply.



CRUX

Section - 6(C) & 6(CIA)



Home work

- Q 1. Mr. VG is an Indian citizen, he settled in USA since 1980, he visits in India to see laxmi Naga and chandni chowk and other place in delhi for 190 days on 18/12/2024. Determine his Residential status for AY 25-26 his total income except F.S.I.

1] 12,00,000

2] 15,00,000

Solution:-

Individual, being an Indian citizen, settled outside India, visits India, in Relevant previous year shall be treated as Resident in India if :

a) In case his Total Income excluding Foreign source income is upto 15 lakh : he has been in India in Relevant previous year for a total period of 182 days or more

b) In case his Total Income excluding Foreign source income exceeds 15 lakh : he has been in India for a total period of

I. 180 days in Relevant previous year ;
or

II. 120 days or more in Relevant previous year and 365 days or more in 4 years immediately preceding previous year.

Computation of Stay in India :

Dec 2024	14
Jan 2025	31
Feb 2025	28
Mar 2025	31
	<u>104 Days</u>



For Case given under ① :

Total Income except foreign source income : 12,00,000
Number of days stay in India : 104 days

Hence, non-Resident under sec 6 CD

For case given under ② :

Total Income except foreign source income : 18,00,000
Number of days stay in India : 104 days

Hence, non-Resident under sec 6 CD

Q2. Mr. X is an Indian citizen, settled in Japan and work in Japan, he visit in India on 18/11/2024 for the business purpose, his total stay in last 4 I.P.P.Y was 390 days his income during the PY 24-25 as follows :-

Income arise in India = 800000

Income arise & received outside India = 1200000

Income arise outside India but business
Controlled from India = 700000

Determine mine his Residential status for AY 25-26 ?



Solution:- Individual, being an Indian citizen or person of Indian origin, settled outside India, visiting India in the Relevant previous year having a Total Income excluding Foreign Source Income upto ₹ 15,00,000, shall be treated as Resident in India if he has been in India for a total period of 180 days in Relevant previous year.

Facts of the case

Stay in India in relevant previous year 134 days

Nov 24	13
Dec 24	31
Jan 25	31
Feb 25	28
Mar 25	31
	<u>134 Days</u>

Stay in India in 4 years preceding Relevant previous year
390 days.

Total Income excluding Foreign Income Foreign Source Income
= 15,00,000 (8L + 7L)

Considering the above mention provision & Facts, Mr. Ravi having total Income (excluding Foreign Source Income) of upto 15,00,000 and total stay in India in Relevant previous year of less than 182 days shall be treated as a Non-Resident in India.



Q3. Mr. James is a foreign citizen but person of Indian origin, he visits in India in P.Y 24-25 for 40 days and his total stay in last 4 P.Y. = 390 days and he is not liable to pay TAX in any other Country and his Total Income except F.S.I = 1800000

Solution : Individual, being an Indian citizen or person of Indian origin, settled outside India, visiting India in the Relevant previous year having a total income excluding foreign source income exceeds ₹ 15,00,000, shall be treated as resident in India.

I. If he has been in India for a total period of 180 days in Relevant previous years.

or

II. 120 days or more in Relevant previous year and 365 days or more in 4 years immediately preceding previous year.

Computation of Days stay in India

40 Days in P.Y 2024-2025
and

Stay in India in 4 years preceding Relevant previous year
390 days.

In given case Mr. James is Non-Resident he does not Satisfies any of the Condition given there under.



Q4. Mr. Rahul is an Indian citizen settled in USA and visits in India on 25/1/2025 to see RAM Mandir in Ayodhya, his total Income except FSI was ₹ 17,00,000 and he is not liable to pay tax in USA, What will be your Ans if Total Income other than FSI was ₹ 9,00,000.

Solution

Provision

Section 6(1A) provides for Deemed Resident It states that, any individual being an Indian Citizen whose Total Income other than Foreign Source Income exceeds 15,00,000 ₹ and he is not liable to pay tax in any Country / territory, he shall be deemed Resident in India for the relevant previous Year.

Facts of the case :

Mr. Rahul Total Income other than Foreign Source Income is 17,00,000 (Assuming Not liable to pay tax else where also) Mr. Rahul is Indian Citizen.

Conclusion :

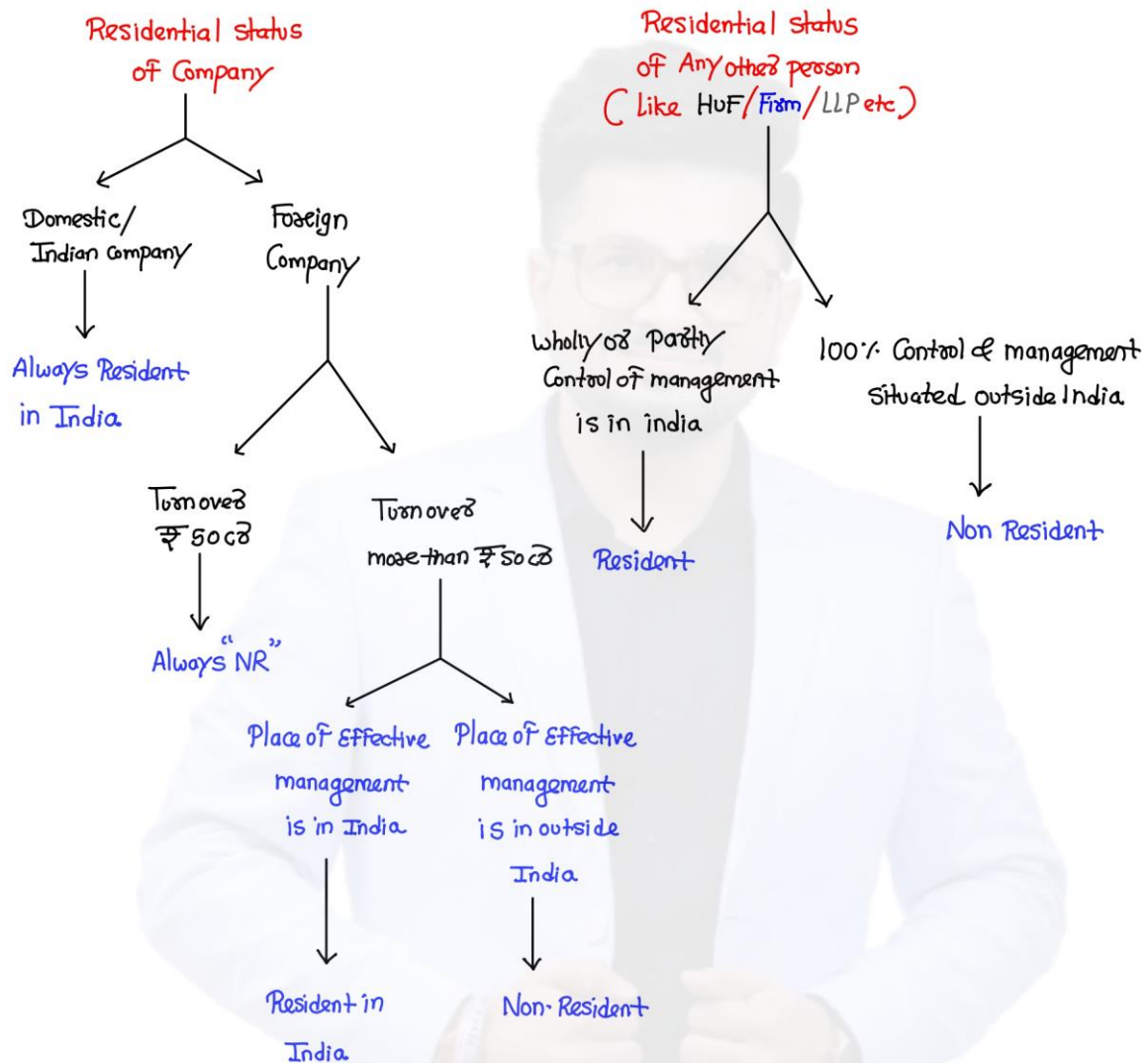
Mr. Rahul shall be deemed Resident under Sec 6(1A) as he satisfies Condition given there under.

Further IF Total income excluding foreign source income is ₹ 9,00,000, he will Not be Deemed Resident under 6(1A) as his total Income excluding foreign income is not in excess of ₹ 15,00,000.



Lecture 4

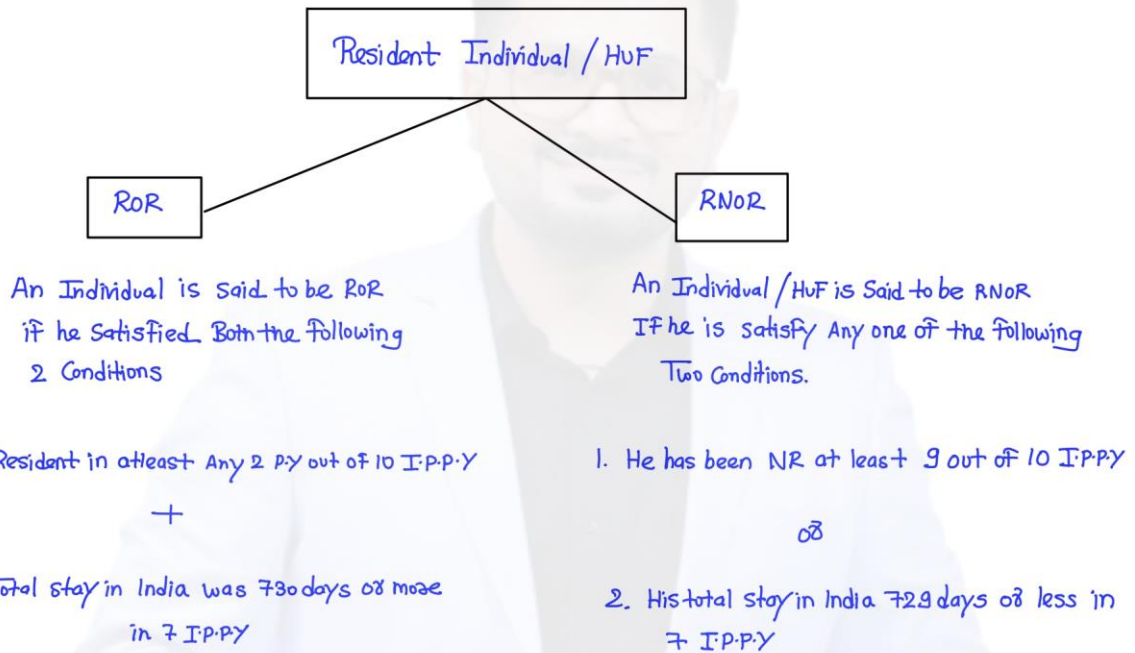
Residential status of HUF/Firm/LLP/Society/Company, etc.



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Important Points section 6(C)/6(C)

1. If a person is resident in India in a py relevant to an assessment year in respect of any source of income, he shall be deemed to be resident in India in the py relevant to A.Y in respect of any other source of income.
2. After become resident there is 2 category of Resident in case of Individual or HUF i.e. RoR or RNOR



Ye kabhi bhi RoR Nahi Ban Sakte

Important Point

- Following 2 cases deemed to be treated as RNOR
1. An Individual treated as Resident due to 120 days or more condition
 2. Deemed Resident u/s 6(1A)



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* In Case of HUF → karta / manager will satisfy above condition

All other person other than Individual or HUF may be R or NR (There is no further 2 Category of R)

Example :-

Assume Mr. VGR is Resident in India during the PY 24-25

Determine whether he is R or NR in the following cases :-

In past 10 I.P.P.Y	9NR 1R	8NR 2R	6NR 4R	10NR	10NR	9R 1NR	10NR
In past 7 I.P.P.Y	740 days	278 days	740 days	750 days	660 days	760 days	720 days
Answer	RNR	RNR	ROR	RNR	RNR	ROR	RNR



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Home work

P.g 2.5 Q1 Q2 Q3 Q4
2.28 Q1 Q2

Example :-

	100% Control outside India	80% Control in India, 20% outside India	50% Control in India, 50% outside India	10% Control in India, 90% outside India
HUF				
Kahta	ROR	RNoR	NR	ROR
HUF status	NR	RNoR	कुछ भी हो सकती है ROR or RNoR Depend kahta he kahta he.	ROR
HUF	100% Control In India			
Kahta	RNoR			
HUF status	RNoR			



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Lecture 5

Section-5 Scope of Total Income

	Particulars	R/ROR	RNoR	NR
A)	Income accrue or arise in India (Whether received in India or Not)	Taxable	Taxable	Taxable
B)	Income deemed to be accrue or arise in India (Whether received in India or Not)	Taxable	Taxable	Taxable
C)	Income received in India (Whether arise in India or Not)	Taxable	Taxable	Taxable
D)	Income deemed to be received in India (Whether arise in India or Not)	Taxable	Taxable	Taxable
E)	Income accrue or arise outside India from a business control or profession set up in India but Income received outside India	Taxable	Taxable	Not Taxable
F)	Income arise & Received outside India and business control or profession set up outside India	Taxable	Not Taxable	Not Taxable



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G)	Income exempt under Any provision of Income TAX Act, 1961	Not Taxable	Not Taxable	Not Taxable
H)	Past UNTAXED Profit	Not Taxable	Not Taxable	Not Taxable



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		RoR	RNoR	NR
		10,000	5,000	5,000
		20,000	1,0000	2,0000
		20,000	20,000	20,000
		5,000	0	0
		40,000	20,000	20,000
		70,000	70,000	40,000
		15,000	15,000	15,000
		50,000	0	0
		12,000	12,000	12,000
		8,000	8,000	8,000
		26,000	26,000	26,000
		16,000	0	0
		0	0	0
		18,000	0	0
		3,10,000	1,96,000	1,66,000



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Q 1. Compute his total Income in the following cases :-
Assume he is ROR / RNoR / NR

1) Income from business in Kenya, received in Thailand = 1,00,000

2) Income from property situated in Bihar, 50% Received = 50,000
in Bihar & Balance 50% in USA

3) Salary from employer & Employer business in USA & Received = 80,000
in India

4) Income from Business in Canada, received in Canada, 50% = 90,000
business controlled from India

5) Agriculture Income arise in Haryana and Received = 1,00,000
in Haryana

Solution :-

	R / ROR	RNoR	NR
	1,00,000	0	0
	50,000	50,000	50,000
	80,000	80,000	80,000
	90,000	45,000	0
	0	0	0
Total Income	320,000	175,000	1,30,000



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Home work

Q1. Compute Total Income if Mr. V is ROR/RNOR/NR

Income from business in Japan, Controlled from Delhi & 30% → 3,00,000
Received in India.

Income from property situated, in India, Received → 1,50,000
in USA

Past untaxed profit → 40,000

Agricultural Income arise in Japan, Received in Haryana → 90,000

Income from service rendered in USA and received there → 80,000

Income from Business in China, received in Delhi, 50% Controlled → 200,000
From India

Dividend from US Company, received in India → 40,000



Solution :-

	R/RoR	RNoR	NR
	3,00,000	3,00,000	90,000
	1,50,000	1,50,000	1,50,000
	0	0	0
	90,000	90,000	90,000
	80,000	0	0
	200,000	200,000	2,00,000
	40,000	40,000	40,000
Total Income	8,60,000	7,80,000	5,70,000



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Q2. Mr. Vn is a Foreign Citizen and reside in USA since 1980, his parents was born in 1950 in USA, his Grand mother was born in 1935 in China and Grand Father was born in 1937 Lahore (Pakistan). he visit in India on 18/11/2024 to see many places in India his total stay in 4 I.P.P.Y was 370 days. He was Resident in 3 out of 10 I.P.P.Y and 745 days in 7 I.P.P.Y. He arise Income during the p.y as follows :-

→ Income from business in Delhi, Received in USA = 6,00,000

→ Income from business in USA, Controlled From Delhi & received in U.S.A = 7,00,000

→ Income arise & Received in USA = 6,00,000

→ Income from property situated in U.S.A 50% Received in India. = 6,00,000

Determine his R.S & Total Income on the basis of R.S.



Solution :- (I) Determination of Residential status :

Person of Indian origin :-

An Individual be said as a person of Indian origin if any of his parents or grandparents were born in undivided India (i.e. before 1947)

In this case since Mr. RGN's grandmother was born before 1947 (i.e. in 1937) he shall be a person of Indian origin.

Determination of Resident / Non-Resident :

An Individual, being an Indian citizen or person of Indian origin, settled outside India, visits in India in Relevant previous year, having a Total Income excluding Income from Foreign source of ₹ 15,00,000 or more shall be treated as Resident in India if he satisfies any one of the following two conditions :

- i) he has been in India in Relevant previous year for a total period of 182 days or more ; or
- ii) he has been in India in Relevant previous year for a Total period of 120 days or more and 365 days or more in 4 preceding the relevant previous year.

In the given case ; Mr. RGN is a person of Indian origin

- His Total Income excluding Foreign sources income is ₹ 16,00,000 (6,00,000 + 7,00,000 + 3,00,000)
- His stay in India in Relevant previous year → 134 days

Nov 2024	13
Dec 2024	31
Jan 2025	31
Feb 2025	28
Mar 2025	31
	<hr/>
	134 Days



- His stay in India in 4 years immediately preceding the relevant previous year
→ 370 days

Thus, he will be treated as Resident in India for Relevant previous year for satisfying (ii) Condition.

Determination of ordinary Resident Not-ordinary Resident :

Person becoming Resident in India for Relevant previous year by virtue of 120 days Condition shall always be treated as "Resident but not ordinary Resident".

Residential status of Mr. Vn → RNOR
Resident but not-ordinary Resident.

(II)

Determination of Total Income :

Total income of a person who is "Resident but not-ordinary Resident" shall include all Income from whatever source which is

- received / deemed to be received in India during Relevant previous year, or
- accrues or arises / deemed to be accrue or arise in India during Relevant previous year.
- accrued / arises to him outside India only if the business is controlled or profession is setup in India



	Particulars	Amount (₹)
1)	Income from business in Delhi, Received in USA	6,00,000
2)	Income from business in USA, Controlled from Delhi & received in U.S.A	7,00,000
3)	Income arise & Received in USA	—
4)	Income from property situated in U.S.A 50% Received in India.	3,00,000
Total Income		16,00,000



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Lecture 6

Section - 9 Income deemed to be accrue or arise in India

1] Income accrue or arise outside India, directly or Indirectly through or from

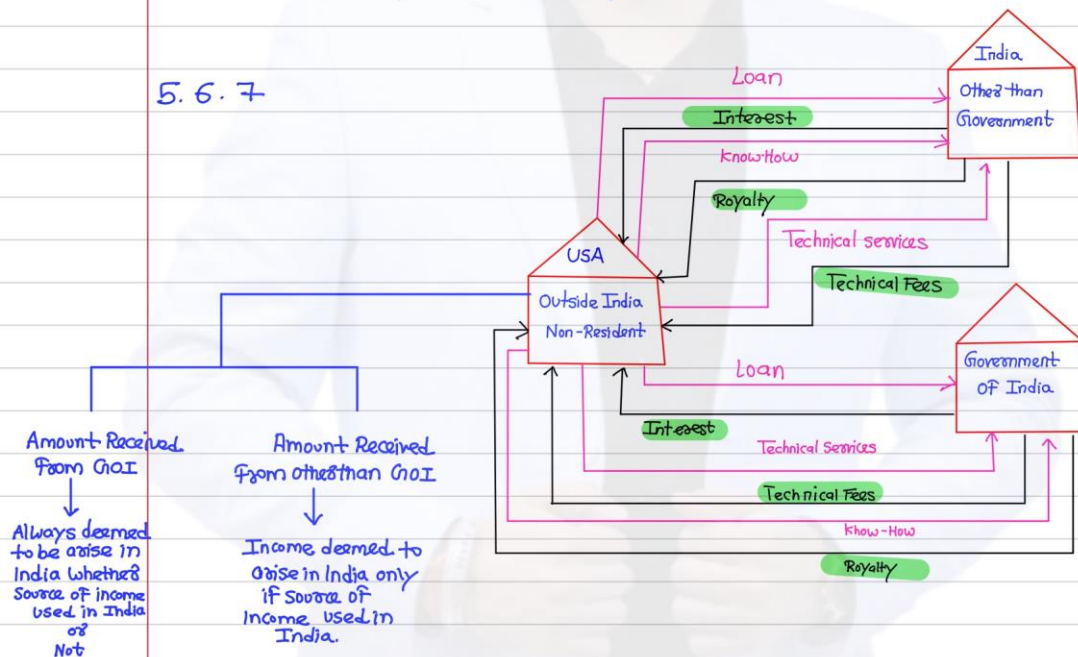
- Any Business Connection in India.
- Any property / Asset situated in India.
- Transfer of Capital Asset situated in India.

2] Salary Earned for services rendered in India.

3] Salary from Govt of India to an Indian Citizen even if service rendered outside India.

4] Dividend paid by an Indian Company.

5. 6. 7



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* In case of Non-Resident the following shall not be deemed to be accrue or arise in India even if business connection from India :-

- 1) Purchase of Goods in India for the purpose of Export.
- 2) shooting of film in India but Transmission outside India.
- 3) Collection of News in India but transmission outside India
- 4) Activities confined to display of rough diamonds in SNZ
↳ Special Notified Zone.

With presentation

Q 1. Mr. VG is a Foreign Citizen but Indian origin left India on 22/8/2024 to work as an officer of company in Japan, his total stay in last 4 I.P.P.Y 380 days he arise following incomes during the P.Y. 24-25 :-

- 1) Income from business in Japan, Controlled from Delhi = 3,00,000
- 2) Income from business in Bombay, received in U.S.A = 8,00,000
- 3) Income from property situated in Delhi, received in Delhi = 4,00,000

Determine his R.S & Compute T.I on the basis of R.S

He was R in 4 p.y. out of 10 I.P.P.Y and Two days in last 7 I.P.P.Y.



Solution :- Provision related to Q1.

As per Section 6(1), An Individual is said to be resident in India in any p.y., if he satisfies Any one of the following 2 Condition :-

- a) He has been in India during the p.y. for a total period of 182 days or more
- b) He has been in India during the p.y. for a total period of 60 days or more and Total period of 365 days or more in 4 Immediately preceding the relevant p.y.

In Section 6(1) there is some exceptions of above provision but in above case Mr. V is a foreign citizen hence Not Covered under any exception

During the p.y. 24-25, Mr. V's Total stay in India was :-

April = 30
 May = 31
 June = 30
 July = 31
 Aug = 22
 144 days

and 380 days in last Immediately preceding previous year (i.e. 365 or more)

Conclusion

Since Mr. V satisfies 2nd Condition of Section - 6(1) hence he is Resident in India and he is 4 times Resident in out of 10 Immediately preceding previous years and 740 days in last 7 Immediately preceding previous years therefore he is resident and ordinary resident in India during the p.y. 24-25.



As per the above Residential status Computation of Total Income as follows :-

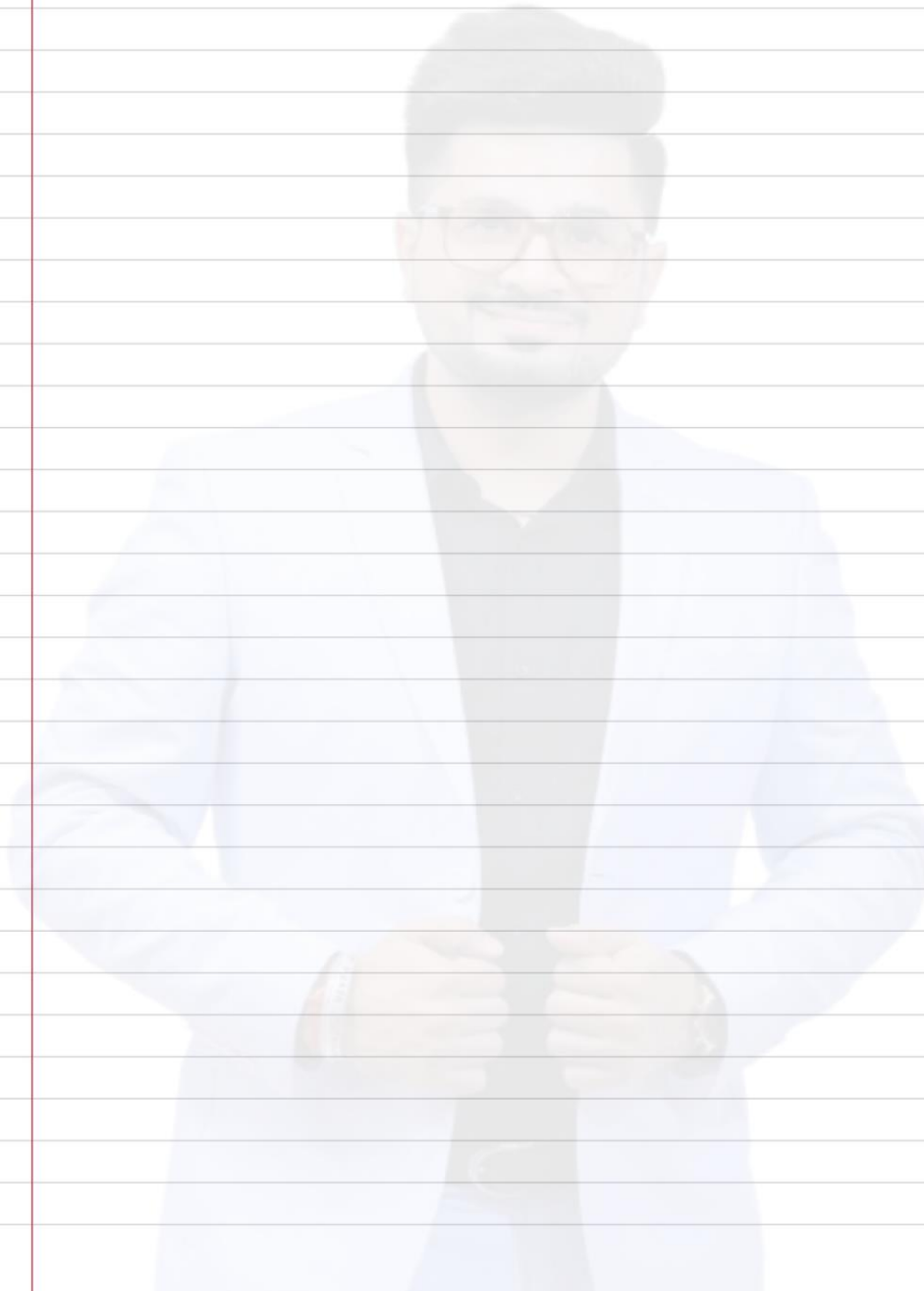
	Particulars	Income
1]	Income From business in Japan, Controlled From Delhi	3,00,000
2]	Income From business in Bombay, received in U.S.A	8,00,000
3]	Income From property situated in Delhi, received in Delhi	4,00,000
	Total Income	15,00,000

Mr. Ravi is a Indian Citizen, reside USA Since 1980. he visit in India For 1st time on 22/4/2024 and left India 25/5/2024. his total stay in last 4 Immediately preceding previous year = 390 days
his total stay in last 7 Immediately preceding previous year = 740 days he was 4 times Resident in 10 Immediately preceding previous year.

He is not liable to pay tax in U.S.A. Determine his R.S.

- Solution :-
1. Assume Total Income except foreign source income upto 15L
He is NR since he does not satisfy any Condition given u/s 6(C)
 2. Assume Total Income except foreign source income exceeds 15L
He is Deemed as Resident u/s 6(CA) and he is deemed as RNR.





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