



Chapter 2

Residential Status & Scope of Income

Q 1

ICMAI Study Material

Sam came to India first time during the P.Y. 20XX-XY. During the previous year, he stayed in India for

1. 50 days;
2. 183 days;
3. 153 days.

Determine his residential status for the A.Y. 20XY-XZ.

Answer

- i. Since Sam resides in India only for 50 days during the P.Y. 20XX-XY, he does not satisfy any of the conditions specified in sec. 6(1). He is, therefore, a non-resident in India for the P.Y. 20XX-XY.
- ii. Since Sam resides in India for 183 days during the previous year 20XX-XY, he satisfies one of the conditions specified in sec. 6(1). He is, therefore, a resident in India for the P.Y. 20XX-XY.
- iii. Sam resides in India only for 153 days during the previous year 20XX-XY. Though he resided for more than 60 days during the previous year but in 4 years immediately preceding the previous year (as he came to India first time), he did not reside in India. Hence, he does not satisfy any of the conditions specified in sec. 6(1). Thus, he is a non-resident for the P.Y. 20XX-XY.

Q 2

ICMAI Study Material

Andy, a British national, comes to India for the first time during 2020-21. During the financial years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25, he was in India for 55 days, 60 days, 80 days, 160 days and 70 days respectively. Determine his residential status for the assessment year 2025-26

Answer

During the previous year 2024-25, Andy was in India for 70 days & during 4 years immediately preceding the previous year, he was in India for 355 days as shown below:

Year	2020-21	2021-22	2022-23	2023-24	Total
No. of days stayed in India	55	60	80	160	355

Thus, he does not satisfy Sec.6(1) & consequently, he is a non-resident in India for the P.Y. 2024-25.

Q3 ICMAI Study Material

Miss Pal, an Indian citizen, left India for first time on 1st April, 20XX for joining job in Tokyo. She came to India on 11th Jan, 20XY for only 170 days. Determine her residential status for P.Y. 20XX-XY.

Answer

Number of days Miss Pal stayed in India can be calculated as under:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
XX-XY	1	-	-	-	-	-	-	-	-	21	28	31	61
XY-XZ	30	31	29	-	-	-	-	-	-	-	-	-	90

Since she left India for employment purpose, hence for becoming resident she has to stay in India for at least 182 days. However, she is in India for only 81 days during the previous year, thus she is a non-resident for the P.Y. 20XX-XY.

Q4 ICMAI Study Material

Mr. X, aged 19 years, left India for first time on May 31, 20XX. Determine his residential status for the previous year 20XX-XY if:

- He left India for employment purpose
- He left India on world tour

Answer

During the previous year 20XX-XY, Mr. X was in India for 61 days as shown below –

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
XX-XY	30	31	-	-	-	-	-	-	-	-	-	-	61

- During the previous year 20XX-XY, X stayed in India for 61 days. Further, he was in India for more than 365 days during 4 years immediately preceding the relevant previous year (as he left India for first time).
- Since he left India for employment purpose, condition of sec. 6(1)(c) shall not be applicable on such assessee. He will be treated as resident in India, if and only if, he resided in India for at least 182 days during the previous year. Hence, Mr. X is a non-resident in India for the previous year 20XX-XY.

2.2 |Practice Questions



Q5

ICMAI Study Material

X came to India for first time on July 24, 2020. From July 24, 2020 to December 25, 2021, he was in India. Again, he came to India on August 5, 2024 for employment purpose & left India on November 25, 2024 permanently. Determine his residential status for the previous year 2024-25 assuming -

- He is a foreign citizen
- He is an Indian citizen

Answer

During the previous year 2024-25, X was in India for 113 days as shown below:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
XX-XY	-	-	-	-	27	30	31	25	-	-	-	-	113

Further, he was in India for more than 365 days during 4 years immediately preceding the previous year as shown below:

Year	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
20-21	-	-	-	8	31	30	31	30	31	31	28	31	251
21-22	30	31	30	31	31	30	31	30	25	-	-	-	269
22-23	-	-	-	-	-	-	-	-	-	-	-	-	-
23-24	-	-	-	-	-	-	-	-	-	-	-	-	-

As he satisfies conditions given in sec. 6(1)(c), he is a resident in India.

Further, he was resident during 2 out of 10 years immediately preceding the relevant previous year but he was in India only for 520 days in 7 years immediately preceding the relevant previous year. As he is not satisfying dual conditions of sec. 6(6), he is a resident but not ordinarily resident in India for the previous year 2024-25.

Note: His status shall remain same in both the cases as -

- Foreign citizens are not covered by 'exceptions to sec. 6(1)(c)'.
- Coming in India for employment purpose is not covered by 'exceptions to sec. 6(1)(c)'.



Q6

ICMAI Study Material

X, a foreign citizen, resides in India during the previous year 2024-25 for 83 days. Determine his residential status for previous year 2024-25 assuming his stay in India during the last few previous years are as follows -

Year	Days	Year	Days	Year	Days	Year	Days
2009-10	220	2013-14	36	2017-18	137	2021-22	175
2010-11	15	2014-15	115	2018-19	265	2022-23	15
2011-12	257	2015-16	123	2019-20	310	2023-24	67
2012-13	110	2016-17	65	2020-21	121		

Answer

During previous year 2024-25, X was in India for 83 days & during 4 years immediately preceding the previous year, he was in India for 378 days as shown below:

Year	2020-21	2021-22	2022-23	2023-24	Total
No. of days stayed in India	121	175	15	67	378

Thus, he satisfies one of the conditions specified u/s 6(1) & consequently, he becomes resident in India in the P.Y. 2024-25. Further, to determine whether X is an ordinarily resident or not, he needs to satisfy both conditions laid down u/s 6(6).

Year	Presence in India (In Days)	Resident or Non resident	Condition satisfied to become a resident
2023-24	67	Resident	6(1)(c)
2022-23	15	Non-Resident	None
2021-22	175	Resident	6(1)(c)
2020-21	121	Resident	6(1)(c)
2019-20	310	Resident	Both
2018-19	265	Resident	Both
2017-18	137	Non-Resident	None
2016-17	65	Resident	6(1)(c)
2015-16	123	Resident	6(1)(c)
2014-15	115	Resident	6(1)(c)

Condition (i) of sec. 6(6) requires that an individual should be resident in India for at least 2 out of 10 years preceding the relevant previous year. X was resident in India for 8 out of 10 years immediately preceding the previous year. Thus, he satisfies this condition.

Condition (ii) of sec. 6(6) requires that an individual should be present in India for at least 730 days during 7 years preceding to relevant previous year. X was in India for 1090 days during 2017-18 to 2023-24. Hence, he satisfies this condition also.

2.4 |Practice Questions



X satisfies condition (ii) of sec. 6(1) as well as both the conditions of sec. 6(6). Thus, he is a resident and ordinarily resident in India for the previous year 2024-25.

Q7

ICMAI Study Material

Ram provides following details of income, calculate the income which is liable to be taxed in India for the A.Y 20XY-XZ, assuming that –

1. He is an ordinarily resident
2. He is not an ordinarily resident
3. He is a non-resident.

Particulars	Amount
Salary received in India from a former employer of UK	1,40,000
Income from tea business in Nepal being controlled from India	10,000
Interest on company deposit in Canada (1/3rd received in India)	30,000
Profit from a business in Mumbai controlled from UK	1,00,000
Profit for the year 2013-14 from a business in Tokyo remitted to India	2,00,000
Income from a property in India but received in USA	45,000
Income from a property in London but received in Delhi	1,50,000
Income from a property in London but received in Canada	2,50,000
Income from a business in Zambia but controlled from Turkey	10,000

Answer

Calculation of income liable to be taxed in India of Ram for the AY 20XY-XZ

Particulars	Resident & Ordinarily resident	Resident but not ordinarily resident	Non-resident
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	Nil
Interest on company deposit in Canada – - 1/3rd received in India	10,000	10,000	10,000
- 2/3rd received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past Profit from a business in Tokyo remitted to India	Nil	Nil	Nil



Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Zambia but controlled from Turkey	10,000	Nil	Nil
Income liable to tax in India	7,35,000	4,55,000	4,45,000

Q8

ICMAI Study Material

Miss Monica, a foreign national, comes India every year for 90 days since 2008-09.

1. Determine her residential status for the previous year 2024-25.
2. Will your answer differ, if she comes India for 100 days instead of 90 days every year.

Answer

1. Since Miss Monica stayed for 90 days during the previous year 2023-24 and for 360 days (90 days x 4 years) during the 4 years immediately preceding the previous year, hence, she is not satisfying any of the conditions of sec. 6(1). Thus, she is a non-resident for the previous year 2023-24.
2. Since Miss Monica stayed for 100 days during the previous year 2023-24 and for 400 days (100 days X 4 years) during the 4 years immediately preceding the previous year, hence, she is satisfying sec. 6(1)(c). Thus, she is resident for the previous year 2023-24. Further, she resides for only 700 days (100 days x 7 years) during the 7 years immediately preceding the previous year. Hence, she does not satisfy one of the conditions of sec. 6(6). Thus, she is resident but not ordinarily resident for the previous year 2023-24.

Q9

ICMAI Study Material

Mr. Sid, a British national, joined XYZ Co. Ltd. as an engineer in India on 1st May, 2014. On 31st December, 2015, he went to Sri Lanka on deputation. On 1st April, 2020, he came back to India and left for Sri Lanka again on 31st May, 2020. He returned to India and joined his original post on 1st July, 2024. Determine his residential status for the A.Y. 2025-26.

Answer

Number of days Mr. Sid stayed in India in past few years can be calculated as under:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
24-25	-	-	-	31	31	30	31	30	31	31	28	31	274

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23-24	-	-	-	-	-	-	-	-	-	-	-	-	-
22-23	-	-	-	-	-	-	-	-	-	-	-	-	-
21-22	-	-	-	-	-	-	-	-	-	-	-	-	-
20-21	30	31	-	-	-	-	-	-	-	-	-	-	61
19-20	-	-	-	-	-	-	-	-	-	-	-	-	-
18-19	-	-	-	-	-	-	-	-	-	-	-	-	-
17-18	-	-	-	-	-	-	-	-	-	-	-	-	-
16-17	-	-	-	-	-	-	-	-	-	-	-	-	-
15-16	30	31	30	31	31	30	31	30	31	-	-	-	275
14-15	-	31	30	31	31	30	31	30	31	31	28	31	335

On the basis of data drawn, residential status of Mr. Sid in last few years can be decided as under:

Year	Previous Year	Presence in India (In Days)	Resident or Non resident	Condition satisfied to become a resident
1	2023-24	0	NR	None
2	2022-23	0	NR	None
3	2021-22	0	NR	None
4	2020-21	61	NR	None
5	2019-20	0	NR	None
6	2018-19	0	NR	None
7	2017-18	0 = 61	NR	None
8	2016-17	0	NR	None
9	2015-16	275	R	6(1)(a)
10	2014-15	335	R	6(1)(a)

Since assessee resided in India for 274 days in the previous year 2023-24, hence he satisfies sec. 6(1)(a). Therefore, he is resident in India.

Further, since he is resident in India for 2 years out of 10 years preceding the previous year (as shown in above working), but resided in India for less than 730 days out of 7 immediately preceding years, hence he does not satisfy one of the conditions of sec. 6(6), therefore, he is resident but not ordinarily resident.

Conclusion: Resident but not ordinarily resident.

**Q 10**

ICMAI Study Material

What will be the tax liability of a resident individual, 52 years, having total income of:

- (a) ₹ 2,40,000 (b) ₹ 3,40,000 (c) ₹ 4,50,000 (d) ₹ 8,70,000 (e) ₹ 12,20,000 (f) ₹ 61,57,000
(g) ₹ 1,41,50,000

Answer

- (a) Nil (b) Nil (c) Nil (d) ₹ 89,960 (e) ₹ 1,85,640 (f) ₹ 18,98,582 or ₹ 18,98,580 (g) ₹ 48,52,770

Q 11

ICMAI Study Material

1. Mr. X, a foreign citizen, came in India for the first time on July 24, 2020. From July 24, 2020 to December 25, 2021, he was in India. Again, he came to India on August 5, 2024 for employment purpose and left India on November 25, 2024 permanently. Determine his residential status for the assessment year 2025-26.
2. Determine the residential status of the following person for the assessment year 2025-26:

Mr. Balm came to India from England on 30th June, 2018 and after staying for three years in India he went to Germany on 1st July 2021. On 1st April, 2022, he again came back to India and stayed in India upto 31st July, 2023. On 1st August, 2023, he went to Denmark at a monthly salary of ₹ 8,00,000. He transferred to India on 1st January, 2025 and joined Delhi office of the same organization and started staying in India since then.
3. Brown, a citizen of Bahama, came to India for the first time on 10th August, 2019 and stayed up to 5th March, 2020. Subsequently, he stayed in India during 2020-21, 21-22, 22-23, 23-24 and 24-25 for 120 days, 110 days, 100 days, 85 days and 62 days respectively. Determine his residential status for the A.Y. 2025-26

Answer

1. Resident but not ordinarily resident;
2. Resident and ordinarily resident;
3. Resident but not ordinarily resident



Q 12

ICMAI Study Material

Mr. Rupankar Roy, an Indian Citizen, left India for the purpose of employment in USA for the first time on 1st October, 20XX. He came back to India on 30th March, 20XY for a visit and returned back to the USA after staying 20 days in India. During the previous year 20XX-XY, he earned the following Income:

1. Interest earned in the USA ₹ 5,00,000 and credited in the USA.
2. Interest received in India out of Fixed Deposit in Bank ₹ 1,20,000.

Determine his residential status and Tax Incidence in India for the A.Y. 20XY-XZ

Answer

Resident and ordinarily resident; ₹ 6,20,000/-

Q 13

ICMAI Study Material

Mr. Ajnabi provides following information regarding his income of P.Y. 20XX-XY. Compute income liable to be charged in India in the following cases:

1. He is an ordinarily resident
2. He is not an ordinarily resident.
3. He is a non-resident

Particulars	Amount
Business income from USSR received in India	10,000
Business income earned in India received in Pakistan	20,000
Salary income from a company of UK situated in India	15,000
Interest on German Development Bond (2/5th received in India)	60,000
Income from agriculture in Nepal received there but later on remitted to India	1,81,000
Income from property in Jakarta received outside India	86,000
Income earned from business in UAE which is controlled from Delhi (₹ 15,000 received in India)	65,000
Past untaxed profit of 15-16 brought to India during previous year	10,43,000
Profit from a business in Madras and managed from outside India	27,000
Profit on a sale of a building in India but received in Sri Lanka	14,80,000
Pension from a former employer in India received in USSR	36,000

**Answer**

1. ₹ 19,80,000;
2. ₹ 16,77,000;
3. ₹ 16,27,000

Q 14**ICMAI Study Material**

Arun, a citizen of India residing in Germany for the past 10 years, came back to India for the first time during January, 20XY. During the financial year 20XX-XY, he received the following income:

- He works in a company in Germany and earns a salary of Euro 1000 p.m.
- He owns agricultural land near Bangalore and a residential house in Delhi, which has been let out.

While the agricultural income is being remitted to his account in Germany every year, the rental income of ₹ 84000 is being deposited in his bank account at Delhi; and

- He also owns shares in various Indian companies and receives dividend every year, which has been regularly deposited in his bank account at Delhi. During the year ₹ 22,000 has been credited on account of dividend. He seeks your advice in relation to the following:

- a. What will be his residential status for the previous year 20XX-XY?
- b. What will be his taxable income?

Answer

- a. During the relevant previous year, Mr. Arun neither satisfies sec.6(1)(a) (i.e. not resided for 182 days in India) nor satisfies sec.6(1)(c) (i.e. not resided in India for 365 days or more during 4 years immediately preceding the previous year), hence he is a non resident.
- b. Computation of income of Arun is as follow

Particulars	Working	Amount
Salary	As neither earned nor received in India	Nil
Agricultural Income	Exempt u/s 10(1)	Nil
Income From Let Out Indian House Property	As reduced by standard deduction @ 30%	58,800
Dividend		22,000
Total Income		80,800



Q 15

ICMAI Study Material

Mr. X is an Indian Citizen. He went to Japan on 1.1.2022 for employment in a Japanese Company for 3 years. On 1.10.2023, he came to India for a visit of 45 days. After the completion of the tenure of his service, he came back to India permanently from Japan on 03.01.2025. Determine his residential status for the A.Y. 2025-26

Answer

Resident and Ordinarily Resident

Q 16

ICMAI Study Material

Multiple Choice Questions (Answers are in bold)

1. A person is said to be a person of Indian origin if –
 - i. He or either of his parents were born in undivided India
 - ii. He or either of his siblings were born in undivided India
 - iii. He or either of his parents or either of his grandparents were born in undivided India**
 - iv. He was born in India
2. Income received in India in the previous year is taxable in the hands of –
 - i. Resident
 - ii. Non-Resident
 - iii. All assessee irrespective of residential status**
 - iv. Not Ordinarily resident
3. An individual is said to be resident in India if –
 - i. He has a house in India
 - ii. He is in India in the previous year for a period of 182 days or more**
 - iii. He is in India for a period of 30 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
 - iv. His parents are Indian citizen



4. An individual is said to be resident in India if –
- Residential status of the assessee**
 - Accommodation of the assessee
 - Citizenship of the assessee
 - Marital status of the assessee
5. An individual (aged 28 Years) born in India left for first time for employment in France on 30.10.20XX. His visit outside India is for the first time. His residential status for the assessment year 20XY-XZ will be --
- Resident and ordinarily resident**
 - Resident but not ordinarily resident
 - Non-resident
 - Residential Status is not applicable
6. Income of ₹ 3,00,000 is received in Sri Lanka by an ordinarily resident of India. But later on ₹50,000 is remitted to India –
- ₹ 3,00,000 will be taxable**
 - ₹ 3,50,000 will be taxable
 - It is not taxable at all
 - ₹ 50,000 will be taxable
7. An individual is said to be a resident in India in the previous year (in which the Feb month has 29 days) if he is in India in that year for a period of ____.
- 182 days or more**
 - 183 days or more
 - 70 days or more
 - 150 days or more

Q 17

PTP Dec 22

Determine the residential status in the following independent cases:

- Albert born and brought up in India left India on 05.11.2023 for the purpose of employment to Malaysia. He did not visit India up to 31.03.2024.
- Chander born and brought up in India was employed in Singapore since 01.04.2019. He stayed in India in every financial year for 70 to 80 days.
- Dilip a foreign citizen came to India for the purpose of employment in X Co. Ltd. and stayed in India from 05.06.2023 and remained in India up to 31.03.2024.

2.12 | Practice Questions

**Answer**

- (i) His status is resident and ordinarily resident.
- (ii) His status would be non-resident.
- (iii) His status is resident but not ordinarily resident.

Q 18

PTP June 23 (Old)

With reasons determine the residential status in the following cases:

- (a) Ram an Indian citizen employed in a foreign country came to India on 1st November, 20XX and remained in India up to 5th March, 20XY. His total income is ₹27 lakh for the previous year ended 31st March, 20XY which included income in India of ₹15,20,000. He visits India every year for a stay of 125 days. He paid income-tax in respect of his foreign income in the said country.
- (b) Laxman a foreign citizen (not being a person of Indian origin) came to India for the first time on 20th November, 20XX and remained in India up to 31st March, 20XY. His total income is ₹26 lakh for the previous year ended 31st March, 20XY which included income in India of ₹14,50,000.
- (c) Dr. Bharat an Indian citizen living outside India came to India on 5th April, 20XX and remained in India up to 10th August, 20XX. During his stay in India, he earned income of ₹16,50,000. His stay in India was 60 days each in earlier financial years. There is no income-tax in the country in which he is a resident.

Answer

- (a) Determination of residential status of Ram

During the previous year 20XX-XY, he remained in India for 125 days. Therefore, Ram does not satisfy the first basic condition of section 6(1)(a).

Since he is a person of Indian origin comes on a visit to India, the second condition must be read as stay of 365 days in 4 previous years preceding the previous year 20XX-XY and stay exceeding 120 days where the income in India exceeds ₹15 lakh.

Where the income does not exceed ₹15 lakh it should be read as 182 days.

His income in India (other than income from foreign sources) exceeds ₹15 lakh and his aggregate stay in 4 previous years preceding the previous year must exceed 365 days and his stay in previous year 20XX-XY must also exceed 120 days to satisfy second basic condition - Clause (b) of Explanation 1 to section 6(1).

His aggregate stay in 4 previous years has exceeded 365 days since it is stated in the question that he stayed for 125 days in every previous year. He satisfies the second basic condition.

Therefore, he is a resident.

Further, as per section 6(6)(c) since he is a person of Indian origin having total income other than income from foreign sources (Indian income) exceeding ₹15 lakhs and has stayed for more than 120 days but less than 182 days, his status would be resident but not ordinarily resident (RNOR).

(b) Determination of residential status of Laxman

During the previous year 20XX-XY, Laxman remained in India for 132 days. Therefore, he does not satisfy the first basic condition of section 6(1) (a).

As regards the second basic condition, since he came to India for the first time in the previous year 20XX-XY he does not satisfy the second basic condition also.

Therefore, his status would be non-resident.

(c) Determination of residential status of Dr. Bharat

During the previous year 20XX-XY, Bharat remained in India for 128 days. Therefore, he does not satisfy the first basic condition of section 6(1)(a).

Since he has stayed for only 60 days in the earlier financial years, he would not satisfy the second basic condition also (i.e. 365 days in 4 immediately preceding previous years)

However, as per section 6(1A) an individual being a citizen of India having total income other than income from foreign sources (Indian income) exceeding ₹15 lakh during the previous year shall be deemed to be resident in India in that previous year, if he is not liable to tax in any other country or territory.

Explanation to section 6(1A) says that for the removable of doubts, it is hereby declared that clause (1A) shall not apply in case of individual who is resident under section 6(1).

Therefore, applying section 6(1A) Bharat is a deemed resident in India for the previous year 20XX-XY as his income in India exceeds ₹15 lakhs and he is not liable to tax in any other country by reason of his domicile or residence.

However, as per section 6(6)(d) a person citizen of India who is deemed resident under 6(1A) shall be “resident but not ordinarily resident”. Therefore, the residential status of Bharat shall be “resident but not ordinarily resident”.

Q 19

PTP June 23 (New)

Miss Dhvani, an individual and Indian citizen living in Singapore since year 2008 and never came to India for a single day since then. She earned the following incomes during the previous year

	Particulars	₹
(i)	Income accrued and arisen in India	8,00,000
(ii)	Income deemed to accrue and arise in India	6,00,000
(III)	Income arising in Singapore from a profession set up in India	5,00,000
(iv)	Income accrued and arisen in Singapore but she is not liable to tax in Singapore	10,00,000

Examine & determine the residential status of Miss Dhvani along with taxable income for the A. Y. Assuming no other income arise during the previous year.

Answer

Miss Dhvani is an Indian citizen living in Singapore since 2008 who never came to India for a single day since then, she would not be a resident in India for the previous year on the basis of number of days of her stay in India as per section 6(1).

However, since she is an Indian citizen

2.14 |Practice Questions



- (a) having total income, other than the income from foreign sources, of ₹ 19 lakh, which exceeds the threshold of ₹15 lakh during the previous year; and
- (b) not liable to tax in Singapore

She would be deemed resident in India for the previous year 2022-2023 by virtue of section 6(1A). A deemed resident is always a resident but not ordinarily resident in India (RNOR).
Total income = ₹ 19,00,000

Q 20

MTP June 23 (New)

Sri Sen went to England from India for higher education on 1st December, 2020. So long he was in England, he had a residence in India. In winter vacations, he came twice to India. First time he came on 1st January, 2022 and stayed for 20 days, and second time he came on 15th December, 2022 and stayed for 25 days. After completing the education, he came back to India forever on 30th December, 2023. Determine the residential status of Sri Sen for the A.Y. 2024-25.

Answer

During past few previous years, Sri Sen was in India as under:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
23-24	-	-	-	-	-	-	-	-	2	31	28	31	92
22-23	-	-	-	-	-	-	-	-	17	8	-	-	25
21-22	-	-	-	-	-	-	-	-	-	20	-	-	20
20-21	30	31	30	31	31	30	31	30	1	-	-	-	245
19-20 and back	30	31	30	31	31	30	31	30	31	31	28 or 29	31	365 or 366

Accordingly, his residential status can be decided as under:

Previous Year	Presence in India (In Days)	Resident (R) or Non-resident (NR)	Condition satisfied to become a resident
2023-2024	92	R	6(1)(c)
2022-2023	25	NR	None
2021-2022	20	NR	None
2020-2022	245	R	None
2019-2020 & back	365 or 366	R	Both

From the above working, it is apparently clear that Sri Sen is satisfying sec. 6(1) and both conditions of sec. 6(6). Hence, he is resident and ordinarily resident in India.

Conclusion: Resident and ordinarily resident



21

MTP Dec 23 (New)

Joshi discloses his income earned during the financial year:

- (i) Interest on German Development Bonds (1/6 received in India) ₹ 30,000
- (ii) Income from house property in India but received in Australia ₹40,000
- (iii) Income from agriculture in America but received in India ₹60,000
- (iv) Income from business in Canada but controlled from India ₹ 75,000
- (v) Income from business in Singapore but controlled from Sri Lanka ₹ 80,000

Compute his taxable income, if he is:

- (A) Resident and ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non- resident in India for the assessment year.

Particulars	Resident and ordinarily resident (OR) (₹)	Resident but not ordinarily resident (NOR) (₹)	Non- resident (NR) (₹)
Interest on German Development Bonds (1/6)	5,000	5,000	5,000
Interest on German Development Bonds (5/6)	25,000	-	-
Income from house property in India but received in Australia	40,000	40,000	40,000
Income from agriculture in America but received in India	60,000	60,000	60,000
Income from business in Canada but controlled from India	75,000	75,000	-
Income from business in Singapore but controlled from Sri Lanka	80,000	-	-
Taxable Income	2,85,000	1,80,000	1,05,000

22

PTP Dec 23 (New)

Savitri (aged 48 years) has following incomes for the previous year 20XX-XY:

S.No.	Particulars	₹
(i)	Rent from property let out in London (UK) credited to bank account in Singapore	3,00,000
(ii)	Salary income in Singapore credited to bank account in Chennai	7,00,000
(iii)	Bank interest in respect of fixed deposits with SBI, Chennai	1,20,000
(iv)	Dividend from Indian companies credited to bank account in India	70,000

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(v)	Interest on deposits with Indian companies credited to bank account outside India	30,000
(vi)	Royalty income from United Inc. USA credited to bank account in Singapore	5,00,000

Calculate the Gross Total Income for Assessment Year 20XY-XZ assuming that she is

- (i) Resident and ordinarily resident;
- (ii) Resident but not ordinarily resident;
- (iii) Non-resident.

Answer

Total income of Savitri for the assessment year 20XY-XZ:

(i)	Resident and ordinarily resident	₹ 17,20,000
(ii)	Resident but not ordinarily resident	₹ 9,20,000
(iii)	Non-resident	₹ 9,20,000

Q 23

MTP June 24

Mr. Rupankar Roy, an Indian Citizen, left India for the purpose of employment in USA for the first time on 1st October, 2023. He came back to India on 30th March, 2024 for visit and returned back to USA after staying 20 days in India. During the previous year 2023-24, he earned the following Income:

- (i) Salary earned in USA ₹ 5,00,000 and credited in USA.
- (ii) Interest received in India out of Fixed Deposit in Bank ₹ 1,20,000.

Determine his residential status and Tax Incidence in India for the A.Y. 2024-25.

Answer

During the previous year, Mr. Roy was in India as under

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
23-24	30	31	30	31	31	30	1	-	-	-	-	2	186

Since, Mr. Roy resided in India for 186 days (as shown above) in the previous year 2023-24, hence he satisfies condition of sec. 6(1)(a). He is, therefore, a resident in India for the A.Y. 2024-25.

Further, he is leaving India for the first time, hence he is also satisfying both the conditions mentioned u/s 6(6). Thus, his residential status for the year is resident and ordinarily resident. Accordingly, tax incidence are as follow:

	Particulars of income	₹
(i)	Salary earned in USA	5,00,000
(ii)	Interest of fixed deposit in bank	1,20,000
(iii)	Income liable to be taxed in India	6,20,000


Q 24

ICMAI Study Material

Vijay, a software engineer born and brought up at Chennai, left for employment on 20th August, 2019 to Country X. He returned to India on 05.06.2023 and joined ABC Ltd. as CEO. He has the following incomes for the financial year 2023-24:

	Particulars of income	₹
(i)	Income from salary (computed)	9,00,000
(ii)	Interest on bank fixed deposits in India	30,000
(iii)	Interest on bank deposits in Country X	50,000
(iv)	Income from rubber estate in Sri Lanka	2,00,000
(v)	Income from business in Malaysia	4,50,000
(vi)	Royalty income from a company in Dubai	1,20,000

Answer

Residential status of Vijay	
During the financial year 2023-24, Vijay remained in India for more than 182 days or more.	
His stay in India during 4 previous years preceding the previous year 2023-24 was 142 days. He does not satisfy the second basic condition.	
He was non-resident in F.Y.2020-21, F.Y.2021-22 and F.Y.2022-23 and does not satisfy the status of being non-resident in 9 out of 10 previous years preceding the previous year 2023-24.	
Also, his stay in India was not less than 729 days in 7 previous years preceding the previous year 2023-24.	
He satisfies both the additional conditions.	
Therefore, his residential status is 'resident and ordinarily resident'.	
	₹
Total Income	17,50,000

Q 25

MTP Dec 24

Joshi discloses his income earned during the financial year 2023-24:

- (i) Interest on German Development Bonds (1/6 received in India) ₹30,000
- (ii) Income from house property in India but received in Australia ₹40,000
- (iii) Income from agriculture in America but received in India ₹60,000
- (iv) Income from business in Canada but controlled from India ₹75,000
- (v) Income from business in Singapore but controlled from Sri Lanka ₹ 80,000

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Calculate his taxable income, if he is:

- (A) Resident and ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non- resident in India for the assessment year 2024-25.

Answer

Particulars	Resident and ordinarily resident (OR) (₹)	Resident but not ordinarily resident (NOR) (₹)	Non- resident (NR) (₹)
Interest on German Development Bonds (1/6)	5,000	5,000	5,000
Interest on German Development Bonds (5/6)	25,000	-	-
Income from house property in India but received in Australia	40,000	40,000	40,000
Income from agriculture in America but received in India	60,000	60,000	60,000
Income from business in Canada but controlled from India	75,000	75,000	-
Income from business in Singapore but controlled from Sri Lanka	80,000	-	-
Taxable Income	₹2,85,000	₹1,80,000	₹1,05,000

Q 26

PTP Dec 24

Briefly discuss with reference to Income Tax Act, 1961 whether the followings are capital / revenue receipts/ expenditure for the Assessment Year 2024-25:

- (i) Mr. Ratan was employed with a start-up company. The company paid ₹12 lakh as salary to him out of the capital account balance.
- (ii) Miss Sunita entered into a bond with her employer company whereby the employer company paid her salary in advance for 3 years, ₹30 lakh, on 30.06.2023.
- (iii) Mr. Desai purchased a car for the purpose of his business from Mr. Dhawal, who is a car dealer.
- (iv) Miss Shreya operates her profession from a rented office. She got this office painted and spent ₹ 1,00,000 on such painting. The paint will last for 5 years.
- (v) M/s ABC Ltd. entered into a purchase agreement with the builder of a factory building. On 31st October, 2023, the builder paid ₹10 lakh to M/s ABC Ltd. as compensation for delay in giving possession of the factory building. This compensation was decided as per the terms of the agreement between them.

**Answer****Nature of expenditure and receipts**

- (i) Even though the salary is paid out of the capital account balance by the company, it will be treated as revenue expenditure in the hands of the company and it is a revenue receipt in the hands of the employee.
- (ii) Whether any income is received in lumpsum or in instalments, it will not make any difference as regards its nature. Thus, for the employee receiving lumpsum salary, it will be a revenue receipt.
- (iii) The amount spent on purchase of car by Mr. Desai is a capital expenditure for him and whereas the receipt from sale of car by Mr. Dhawal is a revenue receipt for him.
- (iv) Even if the benefit will last for more than one accounting year, such expenditure will be treated as revenue expenditure in the hands of Shreya.
- (v) The damages/ compensation is directly linked with the procurement of a capital asset, i.e., factory building. It is not a receipt in the course of profit earning process. Therefore, the amount received by ABC Ltd. is a capital receipt.

Alternative answer:

Since there is a view that the compensation received is a benefit arising from business taxable under section 28(iv) if any candidate answers with such reason that it is a revenue receipt due credit of 1 mark has to be given.

However, for the builder, it will be a revenue expenditure.