3 RESIDENTIAL STATUS AND TAX INCIDENCE

LEARNING OBJECTIVE

After studying this chapter, you should be able to:

- Understand the concept of residential status in India
- Describe the residential status of different taxable entities in India.
- Understand the criteria for Indian income
- Define the meaning of receipt of income
- Understand the difference between actual receipt and deemed receipt

KEY TERMS

This chapter features these terms which you should strive to do more research about:

Residential Status	Non Resident	Indian Income
Tax Incidence	Accrual Receipt	Deemed Receipt

CONCEPT OF RESIDENTIAL STATUS

Tax incidence on an assessee depends on his residential status. For instance, whether an income, accrued to an individual outside India, is taxable in India depends upon the residential status of the individual in India. Similarly, whether an income earned by a foreign national in India (or outside India) is taxable in India depends on the residential status of the individual, rather than on his citizenship. Therefore, the determination of the residential status of a person is very significant in order to find out his tax liability.

Following norms have to be kept in mind:

1. **Different Taxable Entities:** All taxable entities are divided in the following categories for the purpose of determining residential status:
   a. An individual;
   b. A Hindu undivided family;
   c. A firm or an association of persons;
   d. A joint stock company; and
   e. Every other person.
2. **Different Residential Status:** An assessee is either: (a) resident in India, or (b) non-resident in India.

   However, a resident individual or a Hindu undivided family has to be (a) resident and ordinarily resident, or (b) resident but not ordinarily resident. Therefore, an individual and a Hindu undivided family can either be:
   a. Resident and ordinarily resident in India; or
   b. Resident but not ordinarily resident in India; or
   c. Non-resident in India

   All other assesses (viz., a firm, an association of persons, a joint stock company and every other person) can either be:
   a. Resident in India; or
   b. Non-resident in India.

   The table given below highlights these points

Category	Individual / Hindu undivided family		Firm, association of persons, joint stock company and every other person
Category 1	Resident in India	Ordinarily resident	Resident in India
		Not-ordinarily resident	
Category 2	Non-resident in India		Non-resident in India

3. **Residential Status for each Previous Year:** Residential status of an assessee is to be determined in respect of each previous year as it may vary from previous year to previous year.
4. **Different Residential Status for different Assessment Years:** An assessee may enjoy different residential status for different assessment years. For instance, an individual who has been regularly assessed as resident and ordinarily resident has to be treated as non-resident in a particular assessment year if he satisfies none of the conditions of section 6(1).
5. **Resident in India and abroad:** It is not necessary that a person, who is "resident" in India, cannot become "resident" in any other country for the same assessment year. A person may be resident in two (or more) countries at the same time. It is, therefore, not necessary that a person who is resident in India will be non-resident in all other countries for the same assessment year.

RESIDENTIAL STATUS OF AN INDIVIDUAL

As per section 6, an individual may be (a) resident and ordinarily resident in India, (b) resident but not ordinarily resident in India, or (c) non-resident in India.

Resident and Ordinarily Resident

As per section 6(1), in order to find out whether an individual is "resident and ordinarily resident" in India, one has to proceed as follows:

Sept 1	First find out whether such individual is "Resident" in India.
Step 2	If such individual is "resident" in India, then find out whether he is "ordinarily resident" in India. However, if such individual is a "non-resident" in India, then no further investigation is necessary.

Basic conditions to test as to when an individual is resident in India

Under section 6(1) an individual is said to be resident in India in any previous year, if he satisfies at least one of the following basic conditions:

Basic Condition (a)	He is in India in the previous year for a period of 182 days or more
Basic condition (b)	He is in India for a period of 60 days or more during the previous year and 365 days or more during 4 years immediately preceding the previous year

Note: In the following two cases, an individual needs to be present in India for a minimum of 182 days or more in order to become resident in India:

1. An Indian citizen who leaves India during the previous year for the purpose of taking employment outside India or an Indian citizen leaving India during the previous year as a member of the crew of an Indian ship.
2. An Indian citizen or a person of Indian origin who comes on visit to India during the previous year (a person is said to be of Indian origin if either he or any of his parents or any of his grandparents was born in undivided India).

Additional conditions to test as to when a resident individual is ordinarily resident in India

Under section 6(6), a resident individual is treated as "resident and ordinarily resident" in India if he satisfies the following two additional conditions:

Additional Condition (i)	He has been resident in India in at least 2 out of 10 previous year [according to basic condition noted above] immediately preceding the relevant previous year.
Additional Condition (ii)	He has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year.

In brief it can be said that an individual becomes resident and ordinarily resident in India if he satisfies at least one of the basic conditions [i.e., (a) or (b)] and the two additional conditions [i.e., (i) and (ii)].

It will be worthwhile to note the following propositions:

1. It is not essential that the stay should be at the same place. It is equally not necessary that the stay should be continuous. Similarly, the place of stay or the purpose of stay is not material.
2. Where a person is in India only for a part of a day, the calculation of physical presence in India in respect of such broken period should be made on an hourly basis. A total of 24 hours of stay spread over a number of days is to be counted as being equivalent to the stay of one day.

If, however, data is not available to calculate the period of stay of an individual in India in terms of hours, then the day on which he enters India as well as the day on which he leaves India shall be taken into account as stay of the individual in India.

Resident but not Ordinarily Resident

As per section 6(1), an individual who satisfies at least one of the basic conditions [i.e., condition (a) or (b) mentioned in Para 2.3.1a] but does not satisfy the two additional conditions [i.e., conditions (i) and (ii) mentioned in Para 2.3.1b], is treated as a resident but not ordinarily resident in India.

In other words, an individual becomes resident but not ordinarily resident in India in any of the following circumstances:

Case 1	If he satisfies at least one of the basic conditions [i.e., condition (a) or (b) but none of the additional conditions [i.e., (i) and (ii)]
Case 2	If he satisfies at least one of the basic conditions [i.e., condition (a) or (b) and one of the two additional conditions [i.e., (i) and (ii)]

Non-Resident

An individual is a non-resident in India if he satisfies none of the basic conditions [i.e., condition (a) or (b) as above]. In the case of non-resident, additional conditions [i.e. (i) and (ii) as above] are not relevant.

Example: Ravi left India for the first time on May 20, 2018. During the financial year 2020-21, he came to India once on May 27 for a period of 53 days. Determine his residential status for the assessment year 2021-22.

Solution: Since Ravi comes to India only for 53 days in the previous year 2020-21, he does not satisfy any of the basic conditions laid down in above [section 6(1)]. He is, therefore, non-resident in India for the assessment year 2021-22.

Example: Mr. Srinivas an Indian citizen left India on 22nd September, 2020 for the first time to work as an officer of a company in Australia. Determine the residential status of Srinivas for the A.Y. 2021-22

Solution: Mr. Srinivas is an Indian citizen who left India during the previous year for employment outside India. For him the basic condition no.2 is not applicable. Hence, for being resident in India, he should be in India for 182 days or more during the previous year. In this case, Mr. Srinivas was in India only for 175 days during the previous year i.e., from 1st April, 2020 to 22nd September, 2020. Since he does not satisfy the minimum criteria of residence of 182 days during the previous year, hence, he is a non-resident for A.Y. 2021-22.

In short, if a person was in India for at least 182 days in the previous year, he will be 'resident' for that year. Otherwise, he will be 'non -resident'.

RESIDENTIAL STATUS OF A HUF, FIRM, AOP, COMPANY & OTHERS

Residential Status of a Hindu Undivided Family

As per section 6(2), a Hindu Undivided Family (like an individual) is either resident in India or non-resident in India. A resident Hindu undivided family is either ordinarily resident or not ordinarily resident.

HUF-Resident or Non-Resident: A Hindu Undivided Family is said to be resident in India if control and management of its affairs is wholly or partly situated in India. A Hindu Undivided Family is non-resident in India if control and management of its affairs is wholly situated outside India.

Control and management means de facto control and management and not merely the right to control or manage. Control and management is situated at a place where the head, the seat and the directing power are situated.

HUF-When ordinarily resident in India: A resident Hindu undivided family is an ordinarily resident in India if the Karta or manager of the family (including successive Karta's) satisfies the following two additional conditions as laid down by section 6(6)(b):

Additional condition (i)	Karta has been resident in India in at least 2 out of 10 previous years [according to the basic condition mentioned above] immediately preceding the relevant previous year
Additional condition (ii)	Karta has been present in India for a period of 730 days or more during 7 years immediately preceding the previous year

If the Karta or manager of a resident Hindu undivided family does not satisfy the two additional conditions, the family is treated as resident but not ordinarily resident in India.

Residential Status of Firm and Association of Persons

As per section 6(2), a partnership firm and an association of persons are said to be resident in India if control and management of their affairs are wholly or partly situated within India during the relevant previous year. They are, however, treated as non-resident in India if control and management of their affairs are situated wholly outside India.

Residential Status of a Company

As per section 6(3), an Indian company is always resident in India. A foreign company is resident in India only if, during the previous year, control and management of its affairs is situated wholly in India. However, a foreign company is treated as non-resident if, during the previous year, control and management of its affairs is either wholly or partly situated out of India.

Residential Status of Every other Person

As per section 6(4), every other person is resident in India if control and management of his affairs is, wholly or partly, situated within India during the relevant previous year. On the other hand, every other person is non-resident in India if control and management of its affairs is wholly situated outside India.

CRITERIA FOR INDIAN INCOME

Residential Status and Incidence of Tax: As per section 5, incidence of tax on a taxpayer depends on his residential status and also on the place and time of accrual or receipt of income.

Indian and Foreign Income: In order to understand the relationship between residential status and tax liability, one must understand the meaning of “Indian income” and “Foreign income”.

Indian Income

Any of the following three is an Indian income

1. If income is received (or deemed to be received) in India during the previous year and at the same time it accrues (or arises or is deemed to accrue or arise) in India during the previous year.
2. If income is received (or deemed to be received) in India during the previous year but it accrues (or arises) outside India during the previous year.
3. If income is received outside India during the previous year but it accrues (or arises or is deemed to accrue or arise) in India during the previous year.

Illustration - The above provisions may be explained in brief as follows:

Whether income is received (or deemed to be received) in India during the relevant year	Whether income accrues (or arises or is deemed to accrue or arise in India during the relevant year	Status of the income
Yes	Yes	Indian income
Yes	No	Indian Income
No	Yes	Indian Income
No	No	Foreign Income

Incidence of Tax for Different Taxpayers

Tax incidence of different taxpayers is as follows

Individual and Hindu undivided family			
	Resident and ordinarily resident in India	**Resident but not ordinarily resident in India**	**Non-resident in India**
Indian Income	Taxable in India	Taxable in India	Taxable India
Foreign Income	Taxable in India	Not Taxable in India	Not Taxable in India
If it is business income and business is controlled wholly or partly from India.	Taxable in India	Taxable in India	Not taxable in India
If it is income from profession which is set in India	Taxable in India	Taxable in India	Not taxable in India
If it is business income and business is controlled from outside India	Taxable in India	Not taxable in India	Not taxable in India
If it is income from professional which is set up outside India	Taxable in India	Not taxable in India	Not taxable in India
Any other foreign income (like salary, rent interest, etc.)	Taxable in India	Not taxable in India	Not taxable in India

Any other taxpayer (like company, firm, co-operative society, association of persons, body of individual, etc.		
	RESIDENT IN INDIA	**NON-RESIDENT IN INDIA**
Indian Income	Taxable in India	Taxable in India
Foreign Income	Taxable in India	Not taxable in India

The following broad conclusions can be drawn

1. Indian income - Indian income [see Para 2.8.1a for meaning] is always taxable in India irrespective of the residential status of the taxpayer.
2. Foreign income - Foreign income [see Para 2.8.1b for meaning] is taxable in the hands of resident (in case of a firm, an association of persons, a joint stock company and every other person) or resident and ordinarily resident (in case of an individual and a Hindu undivided family) in India. Foreign income is not taxable in the hands of non-resident in India.

In the hands of resident but not ordinarily resident taxpayer, foreign income is taxable only if it is (a) business income and business is controlled from India, or (b) professional income from a profession which is set up in India. In any other case, foreign income is not taxable in the hands of resident but not ordinarily resident taxpayers.

Meaning of Receipt of Income

Income received in India is taxable in all cases irrespective of the residential status of an assessee. The following points are worth mentioning in this respect:

Receipt vs. Remittance: The "receipt" of income refers to the first occasion when the recipient gets the money under his control. Once an amount is received as income, any remittance or transmission of the amount to another place does not result in "receipt" at the other place.

Actual Receipt vs. Deemed Receipt: It is not necessary that an income should be actually received in India in order to attract tax liability. An income deemed to be received in India in the previous year is also included in the taxable income of the assessee. The Act enumerates the following as income deemed to be received in India:

- Interest credited to recognized provident fund account of an employee in
- Excess of 9.5 per cent.
- Excess contribution of employer in the case of recognized provident fund (i.e.,
- The amount contributed in excess of 12 per cent of salary).
- Transfer balance.
- Contribution by the Central Government to the account of an employee under
- A pension scheme referred to in section 80CCD.
- Tax deducted at source.
- Deemed profit under section 41.

Meaning of Accrual of Income

Income accrued in India is chargeable to tax in all cases irrespective of residential status of an assessee. The words "accrue" and "arise" are used in contradiction to the word "receive". Income is said to be received when it reaches the assessee; when the right to receive the income becomes vested in the assessee, it is said to accrue or arise.

Meaning of Income Deemed to Accrue or Arise in India

In some cases, income is deemed to accrue or arise in India under section 9 even though it may actually accrue or arise outside India. Section 9 applies to all assessees irrespective of their residential status and place of business. The categories of income which are deemed to accrue or arise in India are as under:

Nature of Income	Whether income is deemed to accrue or arise in India
Income from business connection in India	Yes
Income from any property, asset or source of income in India	Yes
Capital gain on transfer of a capital asset situated in India	Yes
Income from salary if service is rendered in India	Yes
Income from salary (not being perquisite / allowance) if service is rendered outside India (Provided the employer is Government of India and the employee is a citizen of India)	Yes
Income from salary if service is rendered outside India (not being a case stated above)	No

Payments Made by Indian Company

Nature of Income	From whom income is received	Payer's source of income	Whether income is deemed to accrue or arise in India
Interest	Government of India	Any	Yes
Interest	A person resident in India	Borrowed capital is used by the payer for carrying on business / profession outside India or earning any income outside India	Yes
Interest	A person resident in India	Borrowed capital is used by the payer for any other purpose	Yes

Nature of Income	From whom income is received	Payer's source of income	Whether income is deemed to accrue or arise in India
Interest	A person non-resident in India	Borrowed capital is used by the payer for carrying on business / profession in India	Yes
Interest	A person non-resident in India	Borrowed capital is used by the payer for any other purpose	No
Royalty / fees for technical services	Government of India	Any	Yes
Royalty / fees for technical services	A person resident in India	Payment is relatable to a business or professional or any other source carried by the payer outside India	No
Royalty / fees for technical services	A person resident in India	Payment is relatable to any other source of income	Yes
Royalty / fees for technical services	A person non-resident in India	Payment is relatable to a business or profession or any other source carried by the payer in India	Yes
Royalty / fees for technical services	A person non-resident in India	Payment is relatable to any other source of income	No

Illustration: For the assessment year 2021-22 (previous year 2020-21), X is employed in India and receives Rs. 24,000 as salary. His income from other sources includes:

Dividend received in London on June 3, 2020: Rs. 31,000 from a foreign company; share of profit received in London on December 15, 2020 from a business situated in Sri Lanka but controlled from India: Rs. 60,000; remittance from London on January 15, 2021 out of past untaxed profit of FY 2017-18 earned and received there Rs. 30,000, and interest earned and received in India on May 11, 2021: Rs. 76,000.

Find out his gross total income, if he is:

(a) Resident and ordinarily resident,
(b) Resident but not ordinarily resident, and
(c) Non-resident for the assessment year 2021-22.

Solution:

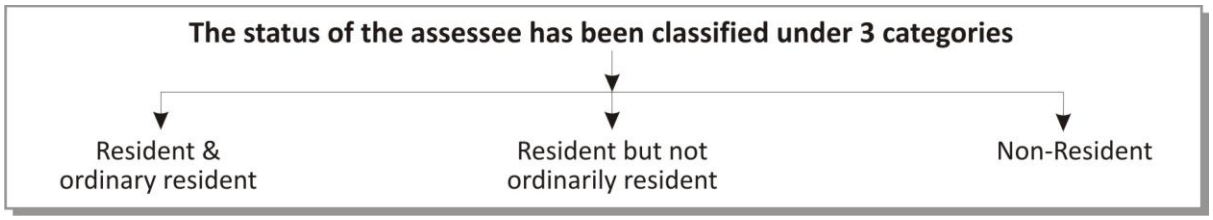
(a) If X is resident and ordinarily resident, his gross total income will be Rs. 1, 15,000 (i.e., Rs. 24,000 + Rs. 31,000 + Rs. 60,000).
(b) If X is resident but not ordinarily resident, his gross total income will work out to be Rs. 84,000 (i.e., Rs. 24,000 + Rs. 60,000).
(c) If X is non-resident, his gross total income will come to Rs. 24,000.

Notes:

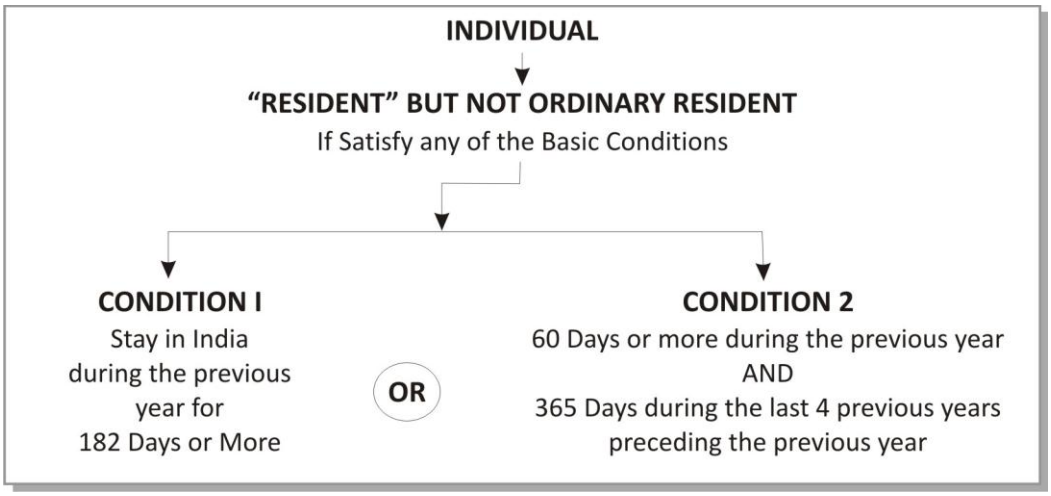
1. The remittance from London of Rs. 30,000 is not taxable in the previous year 2018-19 because it does not amount to "receipt" of income.
2. Although the interest of Rs. 76,000 earned and received in India is taxable, it is not included in the total income of the assessment year 2021-22, as it is not earned or received in the previous year 2020-21. It will, therefore, be included in the total income of X for the previous year 2021-22.

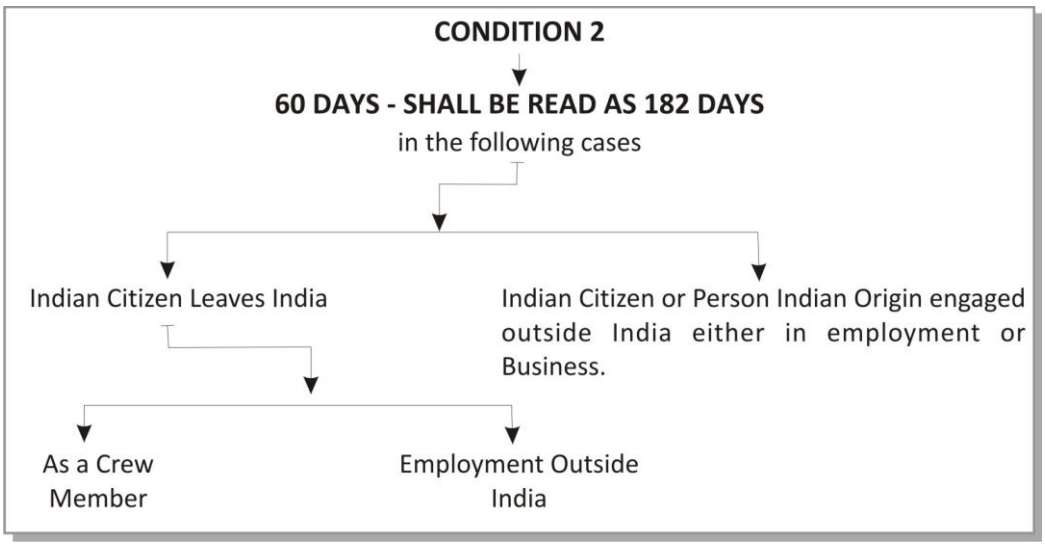
Residential Status

Whether a particular Income of any person is taxable or not in India is depends upon his/her/its residential status

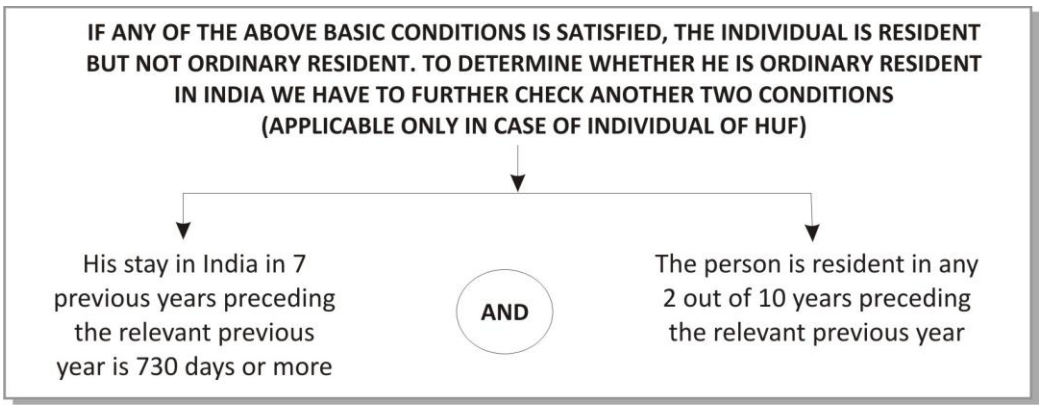


NOTE: Residential Status is to be checked for each assessment year





Person is said to be Indian origin if either of his Parents or Grand Parents was born in undivided India.



HUF: A HUF would be resident in India if the control and management of its affairs is situated

Firm & Association of Person

A Firm & AOP will be resident in India if the Control & Management of its affairs is situated wholly or partly in India.

Artificial Person

"Artificial Person" would be resident in India if the Control and Management of its affairs is situated wholly or partly in India.

PRACTICE SESSION

Q.1. Income accruing in India in previous year is taxable for:

A. Resident
B. Not ordinarily resident
C. Non-resident
D. All of the above.

Ans. D

Q.2. Income accruing from agriculture in a foreign country is taxable in the case of an assessed that is:

A. Resident
B. Not-ordinarily resident
C. Non-resident
D. None of the above.

Ans. A

Q.3. Foreign income received in India during the previous year is taxable in the case of:

A. Resident
B. Not-ordinarily resident
C. Non-resident
D. All of the above.

Ans. D

Q.4. Every year, the residential status of an assesse

A. May change
B. Will certainly change
C. Will not change
D. None of the above.

Ans. A

Q.5. Residential status is to be determined for:

A. Previous Year
B. Assessment Year
C. Accounting Year

Ans. A

Q.6. Total Income of a person is determined on the basis of his:

A. Residential status in India
B. Citizenship in India
C. None of the above
D. Both of the above

Ans. A

Q.7. Determine the residential status of Mr. X for the AY 2019-20, who stays in India during various financial years as under:

Previous Years	Stay
2020-21	100
2019-20	200
2018-19	91

Previous Years	Stay
2017-18	90
2016-17	89
2015-16	87
2014-15	82
2013-14	91
2012-13	90
2011-12	88
2010-11	89
2009-10	86

Solution:

Years	Status
2020-21	Resident
2019-20	Resident
2018-19	Non-Resident
2017-18	Non-Resident
2016-17	Non-Resident
2015-16	Non-Resident
2014-15	Non-Resident
2013-14	Non-Resident
2012-13	Non-Resident
2011-12	Non-Resident
2010-11	Non-Resident
2009-10	Non-Resident

He stay in India during last 7 year is 730 days but he is non-resident in 9 years out of 10 years preceding the relevant year, so he will be NOR.

Q8. Mr. X, a Japanese citizen left India after a stay of 10 years on 01/06/2018 during the financial year 2019-20, he comes to India for 46 days. Later, he returns to India for 1 year on 10/10/2020. Determine his residential status for the AY 2021-22.

Solution:

During the previous year 2020-21, Mr. X was in India for 174 days (i.e. 22 + 30 + 31 + 31 + 29 + 31 days). His stay in the last 4 years is:

2017-1816 - 46 days
2016-17 - 62 days (i.e. 30 + 31 + 1)
2015-16 - 365 (since he left India 0n 01/06/2016 after 10 years)
2014-15 - 365 (since he left India on 01/06/2016 after 10 years)
839 days

Mr. is a resident since his stay in the previous year 2020-21 is 174 days and in the last 4 years in more than 365 days.

Since stay in 7 years preceding the relevant year is more than 729 days and in the last 4 years is more than 365 days and he is not resident in 9 years preceding the relevant previous year, he will be considered to be ROR.

Q9. Bret Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. Find out his residential status for the AY 2021-22.

Solution:

An individual is said to be resident in India in any PY, if he complies with at least one of the following conditions:

a. He is in India in that year for a period amounting in all to 182 days or more
b. He is in India in that year for a period amounting in all to 60 days or more and also for 365 days or more during four years preceding the relevant previous year.

Since, Brett Lee has complied with the second condition he is resident.

Furthermore, an individual shall be considered to be not ordinarily resident in India in case his stay in India is 729 days or less during preceding seven years or he is non-resident in at least 9 years during preceding 10 years.

Q.10. Mr. X has income as under:

1. He has income from business in Germany amounting to Rs. 3, 00,000/- and half of it was received in India.
2. He has interest income of Rs. 1, 00,000/- from UK Development Bond and entire interest income was credited to a bank account in UK. Subsequently, the amount was transferred in India.
3. He has a business in Bombay and entire income of Rs. 3, 00,000/- was received in UK
4. He has one house property in Ghaziabad and income of Rs. 5, 00,000/- was received in UK
5. He has received salary income of Rs. 5, 00,000/- (computed) in India and half of the services were rendered in UK and half of in India.

Compute his income presuming that he is NOR, NR and ROR.

Solution:

	ROR	NOR	NR
1. Income Received in India	1,50,000	1,50,000	1,50,000
Income accruing/arising abroad and received abroad	1,50,000	XXX	XXX
2. Income accruing/arising abroad and received abroad	1,00,000	XXX	XXX
3. Income accruing/arising in India	3,00,000	3,00,000	3,00,000
4. Income accruing/arising in India	5,00,000	5,00,000	5,00,000
5. Income received in India	5,00,000	5,00,000	5,00,000
TOTAL	17,00,000	14,50,000	14,50,000

Q.11. A is an Indian citizen and is a practicing advocate. He leaves India for his case in UK on 18th September, 2020.Determine his residential status.

Solution:

Determination of Residential status of A for Previous Year 2020-21 (Assessment Year 2021-22):

A falls under exception to basic conditions as he goes for employment purposes outside India during relevant previous year. Therefore, in A's case only 1st basic condition would be checked.

Stay of A in India during PY 2020-21: 1st April, 2020 to 18th September, 2020 : 171 days (30 + 31 + 30 + 31 + 31 + 18 days)

A does not satisfy first basic condition as his stay during relevant PY is less than 182 days.

Therefore, A is Non Resident in India.

Note: Residential status of spouse is irrelevant for determining residential status of Individual.

Q12. A is a foreign citizen. His father was born in Delhi in 1952 and his mother was born in England in 1953. His grandfather was born in Pakistan in 1917. He comes to attend his friends' marriage on 9th December, 2018 and stays in India for 261 days thereafter. Determine his residential status.

Solution:

Determination of Residential status of A for Previous Year 2020-21 (Assessment Year 2021-22):

A falls under exception to basic conditions as he is a person of Indian origin (as his grandfather was born in undivided India), and he comes on a visit to India during the relevant PY. Therefore, in A's case, only 1st basic condition would be checked.

Stay of A in India during PY 2018-19: 9th December, 2020 to 31st March, 2021: 113 days (23 + 31 + 28 + 31 days)

A does not satisfy first basic condition as his stay during relevant PY is less than 182 days.

Therefore, A is Non Resident in India.

Q.13. Mr. A is a foreign citizen. His father was born in Delhi in 1954 and mother was born in England in 1960. His grandfather was born in Delhi in 1932. Mr. A is coming to India to see Taj Mahal and visit other historical places in India. He comes to India on 1st November, 2020 for 200 days. He has never come to India before. Determine his residential status for AY 2021-22.

Solution:

Mr. A falls in exception to basic conditions as he is a Person of Indian Origin (as his grandfather was born in undivided India), and he comes on a visit to India during relevant previous year. Therefore, only first basic condition of 182 days during relevant previous year would be checked.

Stay during relevant PY 2020-21 = 1st Nov, 2020 to 31st March, 2021 = 30 + 31 + 31 + 28 + 31 = 151 days

Mr. A is Non-resident in India for PY 2020-21 as he does not satisfy first basic condition.

Q.14. ABC HUF's whole affairs of business are completely controlled from India. Determine its Residential status for:

AY 2019-20 (a) if Karta is ROR in India for that year (b) If Karta is NR in India but he satisfies both the additional conditions (c) If Karta is RNOR in India.

Solution:

HUF would be Resident in India as Control and Management is wholly situated in India.
Determination of whether

HUF is ROR or RNOR:

(a) HUF is ROR in India as Karta would be satisfying both the additional conditions (because he is ROR).
(b) HUF is ROR in India as Karta is satisfying both the additional conditions. Karta's residential status during relevant previous year (i.e. resident/non-resident) is irrelevant.
(c) HUF is RNOR as Karta does not satisfy both the additional conditions.

Q.15: Mr. A earns the following income during the previous year ended 31st March, 2020. Determine the income liable to tax for the assessment year 2021-22 if Mr. A is

(a) Resident and ordinarily resident in India,

(b) Resident and not ordinarily resident in India and (c) non-resident in India during the previous year ended 31st March, 2020.
- Profits on sale of a building in India but received in Holland - Rs. 20,000
- Pension from former employer in India received in Holland - Rs. 14,000
- Interest on U.K. Development Bonds (1/4 being received in India) - Rs. 20,000
- Income from property in Australia and received in U.S.A. - Rs. 15,000
- Income earned from a business in Ethiopia which is controlled from Jullundur (Rs. 30,000 received in India) - Rs. 70,000
- Dividend on shares of an Indian company but received in Holland [not qualifying for exemption under Section 10(34)] - Rs. 10,000
- Profits not taxed previously brought into India - Rs. 40,000
- Profits from a business in Nagpur which is controlled from Holland - Rs. 27,000

Solution: Computation of income liable to tax:

Particular	*Resident & Ordinarily*	*Resident but not Ordinarily Resident*	NON-Resident
Profits on sale of a building in India but received in Holland	20,000	20,000	20,000
Pension from former employer in India received in Holland	14,000	14,000	14,000
Interest on U.K. Development Bonds (1/4th taxable on receipt basis)	5,000	5,000	5,000
Interest on U.K. Development Bonds (3/4th taxable on receipt basis)	15,000	Nil	Nil
Income from property in Australia and received in U.S.A.	15,000	Nil	Nil
Income earned from a business in Ethiopia which is controlled from Jullundur	70,000	70,000	70,000
Dividend on shares of an Indian company but received in Holland	10,000	10,000	10,000
Profits not taxed previously brought into India (Not an income so not taxable)	Nil	Nil	Nil
Profits from a business in Nagpur which is controlled from Holland	27,000	27,000	27,000
Total	1,76,000	1,46,000	1,06,000

Q.16. If Mr. Sharma has stayed in India in the P.Y. 2020-21 for 181 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 420 days in all in the 7 years immediately preceding the current previous year, What would be his residential status for the A.Y. 2021-22?

A. Non-resident
B. Resident and Ordinarily Resident
C. Resident but not Ordinarily Resident
D. None of the above

Ans. C