

## CHAPTER 2 - RESIDENTIAL STATUS

**Q1.** Savitri (aged 48 years) has following incomes for PY 24-25:

[Dec 23 - 7 marks]

SN	Particulars	Amount
(a)	Rent from property let out in London (UK) credited to bank account in Singapore	3,00,000
(b)	Salary income in Singapore credited to bank account in Chennai	7,00,000
(c)	Bank interest in respect of fixed deposits with SBI, Chennai	1,20,000
(d)	Dividend from Indian companies credited to bank account in India	70,000
(e)	Interest on deposits with Indian companies credited to bank account outside India	30,000
(f)	Royalty income from United Inc. USA credited to bank account in Singapore	5,00,000

Calculate GTI for AY 2025-26 assuming that she is a (a) ROR (b) RNOR (c) NR.

**Answer:**

Particulars	ROR	RNOR	NRI
Rent from property in London received in Singapore	3,00,000	-	-
[Accrued & received outside India, thus it is Foreign Income]			
Salary from Singapore credited in Chennai	7,00,000	7,00,000	7,00,000
[Accrued outside India but received in India, thus it is an Indian Income]			
Bank Interest i.r.o. fixed deposits with SBI, Chennai	1,20,000	1,20,000	1,20,000
[Accrued & received in India, thus it is an Indian Income]			
Dividend from Indian companies credited to bank account in India	70,000	70,000	70,000
[Accrued & received in India, thus it is an Indian Income]			
Interest on deposits of Indian companies credited to bank a/c outside India	30,000	30,000	30,000
[Accrued in India but received outside India, thus it is an Indian Income]			
Royalty Income from United Inc. USA credited to bank account in Singapore	5,00,000	-	-
[Accrued outside India & Received outside India, thus it is Foreign Income]			
Taxable Income	17,20,000	9,20,000	9,20,000

**Q2.** Mr. Barun furnishes you the following information for the year ended 31 March 2025:

[Dec 18 - 9 marks]

SN	Particulars	Rs.
1	Pension received in India from a former employer in United Kingdom (UK)	1,80,000
2	Income from business in Singapore (Controlled from India)	1,00,000
3	Interest on company deposit in Singapore (credited in bank account held there)	80,000
4	Profit from business in Kolkata controlled from UK	2,00,000
5	Income from tea cultivation in Sri Lanka	3,00,000
6	Income from property in Singapore but received in Malaysia	2,50,000

Compute the total income of Mr. Barun assuming that she is a (a) ROR (b) RNOR (c) NR.

**Answer: Computation of total Income of Mr. Barun for AY 25-26**

Particulars	ROR	RNOR	NR
Pension received in India from a former employer in UK	1,80,000	1,80,000	1,80,000
[Accrued Outside India but received in India, thus it is an Indian Income]			
Income from business in Singapore (Controlled from India)	1,00,000	1,00,000	-
[POEM is in India. Thus, it is Indian Income]			
Interest on company deposit in Singapore	80,000	-	-
[Accrued & received outside India, thus it is Foreign Income]			
Profit from business in Kolkata controlled from UK	2,00,000	2,00,000	2,00,000
[Business Set up in India, thus it is Indian Income]			
Income from tea cultivation in Sri Lanka	3,00,000	-	-
[Accrued & received outside India, thus it is Foreign Income]			
Income from property in Singapore but received in Malaysia	2,50,000	-	-
[Accrued & received outside India, thus it is Foreign Income]			
<b>Total Income</b>	<b>11,10,000</b>	<b>4,80,000</b>	<b>3,80,000</b>

**Q3. Rahman provides following details of income: [Dec 21 - 8 marks]**

SN	Particulars	Amount
1	Salary received in India from a former employer of UK	2,30,000
2	Interest on company deposit in Canada: Total amount of interest 66,000, 1/3 <sup>rd</sup> received in India & the balance was credited to his bank account held outside India.	
3	Profit from a business in Mumbai controlled from Singapore	5,00,000
4	Profit for PY 22-23 from a business in Australia (income tax paid in Australia) remitted to India	6,00,000
5	Income from a property in India but received in UK	80,000
6	Income from a property in Malaysia but received in Delhi	3,60,000
7	Income from a property in UK but received in Australia	7,60,000
8	Income from a business in Nigeria but controlled from USA	96,000

Calculate the total income for AY 5-26 assuming that: assuming that he is a (a) ROR (b) RNOR (c) NR

**Answer: Computation of Total Income of Rahman for AY 25-26**

SN	Particulars	ROR	RNOR	NR
1	Salary received in India from a former employer of UK	2,30,000	2,30,000	2,30,000
	[Accrued Outside India but received in India, thus it is Indian Income]			
2	Interest on company deposit in Canada	66,000	22,000	22,000
	[1/3 <sup>rd</sup> amount of interest is received in India, thus 1/3 <sup>rd</sup> is Indian Income]			
3	Profit from a business in Mumbai controlled in Singapore	5,00,000	5,00,000	5,00,000
	[Business Set up in India, thus it is Indian Income]			
4	Past Profit in Australia (remitted to India during PY)	Nil	Nil	Nil
	[Income remitted from Australia to India, thus not taxable]			

5	Income from a property in Malaysia but received in Delhi [Accrued Outside India but received in India, thus it is an Indian Income]	3,60,000	3,60,000	3,60,000
6	Income from a property in UK but received in Australia [Accrued & received outside India, thus it is Foreign Income]	7,60,000	Nil	Nil
7	Income from a business in Nigeria but controlled in USA [POEM is outside India, thus it is Foreign Income]	96,000	Nil	Nil
<b>Total Income</b>		<b>20,12,000</b>	<b>11,12,000</b>	<b>11,12,000</b>

**Q4.** Miss Dhvani, an individual & Indian citizen living in Singapore since year 2009 & never came to India for a single day since then. She earned the following incomes during the PY 24-25: **[June 23 - 4 marks]**

SN	Particulars	Rs.
1	Income accrued & arisen in India	8,00,000
2	Income deemed to accrue & arise in India	6,00,000
3	Income arising in Singapore from a profession set up in India	5,00,000
4	Income accrued & arisen in Singapore but she is not liable to tax in Singapore	10,00,000

Examine & determine residential status of Miss Dhvani along with taxable income for AY 25-26. Assuming no other income arises during the PY.

**Answer:**

As per **Section 6(1)** of the Income Tax Act, an individual is **Resident in India** if:

- (1) She stays in India **for  $\geq 182$  days** in the PY; OR
- (2) She stays in India **for  $\geq 60$  days in the PY &  $\geq 365$  days in the preceding 4 PYs.**

Exception of 2<sup>nd</sup> Basic Condition Applicable here is, Indian citizens or persons of Indian origin **visiting India in the PY.**

Miss Dhvani did **not come to India even once since 2009**, not even in PY 24–25. Hence, **she is a NR.**

#### Computation of Total Income of Miss Dhvani

SN	Particulars	ROR
1	Income accrued & arisen in India	8,00,000
2	Income deemed to accrue & arise in India	6,00,000
3	Income arising in Singapore from a profession set up in India	5,00,000
<b>Total Income</b>		<b>19,00,000</b>

**Q5.** X Ltd is an Indian company. However, it carries on business in USA. All shareholders are residents of USA. Board Meetings & AGM are held outside India. What is the residential status of X Ltd? **[Dec 15 - 2 marks]**

**Answer:** A company is said to be a resident in India in any PY if:

- (1) It is an Indian Company or
- (2) Its Place of Effective Management (POEM) is in India during the relevant PY.

**X Ltd is an Indian Company.** Therefore, X Limited is resident in India even if board meetings, AGMs & the business is carried on outside India.

**Q6.** Mr. Ramesh, an Indian citizen, gives you the following information for the PY 24-25:

Business income in Mumbai	2,50,000
Rental income from property let out in London (Converted in INR)	5,40,000
Fixed deposit interest in India from LMN Bank	60,000
Fixed deposit interest from Bank of England (Converted in INR)	40,000
Business consultancy income from Essex Ltd. in Hampshire (England), being a company incorporated in Delhi having branch office in England. The business is managed from Delhi. (Converted in INR)	75,000
Agricultural income from land located in Malaysia (Converted in INR)	90,000
Income from nursery at Alwar, Rajasthan	1,40,000

Mr. Ramesh returned to India on 15.06.2024 after remaining in England for 10 years. During last 4 PYs, he was in India for 100 days. Determine the residential status of Mr. Ramesh for AY 25-26 & compute his total income. **[June 17- 8 marks]**

**Answer:**

- Stay in India during PY 24-25 (From 15.06.2024 – 31.03.2025) = 290 Days. Thus 1<sup>st</sup> basic condition is satisfied & he is a Resident in India during PY 24-25.
- Since no additional condition is satisfied as he was not in India during Last 10 years (given in question). he is a RNOR.
- Taxability in the hands of RNOR: Indian Income & 2 foreign Incomes are only taxable (i.e Income from business controlled from India & Income from profession set up in India).

**Computation of Total Income of Mr. Ramesh for AY 25-26**

Particulars	Rs.
Rent from property let out in London	-
[Income accrued & received outside India, thus it is Foreign Income which is not taxable in case of RNOR]	
Business Income in Mumbai	2,50,000
[Income Accrued & received in India, thus it is Indian Income]	
Business consultancy income from Essex Ltd. in Hampshire England [Managed from Delhi]	75,000
[POEM is in India, thus it is Indian Income]	
Fixed Deposit interest from Bank in India from LMN Bank	60,000
[Income received in India, thus it is Indian Income]	
Fixed Deposit interest from Bank of England	-
[Income accrued & received outside India, thus it is Foreign Income which is not taxable in case of RNOR]	
Agricultural income from land located in Malaysia	-
[Income accrued & received outside India, thus it is Foreign Income which is not taxable in case of RNOR]	
<b>Total Income</b>	<b>3,85,000</b>

**Q7.** Mr. Ram kumar, a citizen of India employed by the Government of India, left India for the first time on 10.02.2024 to USA for foreign assignment. He did not visit India during PY 24-25. He has been paid Rs. 5,00,000 towards allowances in USA. Discuss, with brief reason, the taxability under the Income-tax Act. **[Dec 16 - 2 marks]**

**Answer:**

- As per Section 10(7), any **allowances or perquisites** paid or allowed **outside India** by Government of India to a citizen of India for **rendering services outside India** shall be **exempt** from tax.
- Therefore, allowance of Rs. 5,00,000 paid by Govt. of India for rendering services outside India would not taxable.

**Q8.** Following are the transactions related to Mr. Kiran Kumar, RNOR in India during PY 24-25. Compute Gross Total Income of Mr. Kiran Kumar for AY 25-26. **[June 16 - 5 marks]**

Particulars	Rs.
Income from agriculture in Sri Lanka (received in Sri Lanka & subsequently remitted to India)	4,00,000
Arrears of salary received in India from a former employer in USA	2,50,000
Rent from HP located outside India & received outside India (Rs. 2,00,000 is used in Bahrain for educational expenses of his son studying there & balance Rs. 3,00,000 subsequently remitted to India)	5,00,000
Income from business in Japan which is managed & controlled from India (Rs. 90,000 received in India & balance Rs. 3,10,000 received outside India)	4,00,000

**Answer:** **Computation of GTI of Mr. Kiran Kumar, RNOR for AY 25-26**

Particulars	Rs.
Income from agriculture in Sri Lanka managed & controlled in Sri Lanka [Remittance of income is not taxable as per the provision of Sec 5(1)]	-
Arrear of salary received in India from a former employer in USA. [Income received in India, thus it is Indian Income]	2,50,000
Income from HP located outside India [Income accrued outside India is not taxable in case of RNOR]	-
Income from business in Japan which is managed & controlled from India [POEM is in India, thus it is Indian Income]	4,00,000
<b>Gross Total Income</b>	<b>6,50,000</b>

**Q9.** Mr. Bharat, an engineering graduate, born & brought up in India, got employment in USA in Aug 2024. By what date he should leave India, in order to become a non-resident? By that, what tax advantage he will get? **[June 15 - 3 marks]**

**Answer:**

- A person who leaves India for employment if stays in India < 182 days during the PY of leaving, will be NR.
- Mr. Bharat must leave India before 29 September 2024 to be NR in PY 24-25.
- When he plans his departure in such a way that he becomes NR, his income accruing or arising outside India will not be subjected to tax in India. His income accruing or arising in India alone will be taxable in India.

**Q10.** Mr. David, a citizen of Spain came to India for the first time in PY 20-21 & stayed for 100 days in that year. During the PY 21-22, 22-23, 23-24 & 24-25 he stayed in India for 120 days, 110 days, 80 days & 90 days respectively. What is the residential status of Mr. David for AY 25-26? **[Dec 15 - 2 marks]**

**Answer:**

- As per section 6, an individual is a resident in India if he fulfils any one of two basic conditions:  
**Basic Condition 1:** Stay in India during PY ≥ 182 days  
**Basic Condition 2:** Stay in India during PY ≥ 60 days & stay in last 4 preceding PYs ≥ 365 days.

**In this question:**

- Stay in India during PY 24-25 = 90 days. So, basic condition 1 is not satisfied.
- Total stay in Last 4 PYs: PY 20-21 = 100 days; PY 21-22 = 120 days; PY 22-23 = 110 days; PY 23-24 = 80 days = 410 days.

**Condition 2 is satisfied:** stayed for > 60 days in PY 24-25 & more than 365 days in last 4 PYs.

Therefore, Mr. David is a **Resident** in India for AY 25-26.

**Q11.** Determine the residential status in the following independent cases:

- (1) Albert born & brought up in India left India on 05.11.2024 for the purpose of employment to Malaysia. He did not visit India upto 31.03.2025.
- (2) Chander born & brought up in India was employed in Singapore since 01.04.2020. He stayed in India in every financial year for 70 to 80 days.
- (3) Dilip a foreign citizen came to India for the purpose of employment in X Co. Ltd. & stayed in India from 05.06.2024 & remained in India up to 31.03.2025. [Dec 22 - 8 marks]

**Answer:**

- (1) Albert **left India on 05.11.2024** for **employment** outside India (to Malaysia).

Stay in India during PY 24–25 = **219 days**

Albert stayed for 219 days in PY 24–25 which is more than 182 days [Basic Condition 1 is satisfied.]

So, Albert is a **Resident** in India for AY 25–26.

**Additional Condition 1:** Stay in India  $\geq$  730 days in preceding 7 PYs

**Additional Condition 2:** Resident in 2 out of 10 preceding PYs,

Since Albert was born and brought up in India, it is reasonable to assume that he stayed in India for more than 730 days in last 7 PYs. & was resident in atleast 2PYs out of last 10 PYs.

Therefore, Albert is a **Resident and Ordinarily Resident (ROR)** for **AY 25–26**.

- (2) Chander **left India on 01.04.2020** for **employment** outside India (Singapore).

Stay in India during PY 24–25 = **70-80 days**

Chander stayed for 70-80 days in PY 24–25 which is less than 182 days [Basic Condition 1 is not satisfied.]

Basic Condition 2 is not applicable in this case as Chander is leaving India for employment.

Therefore, Chander is a **Non-Resident** in India for AY 25–26.

- (3) Dilip **came to India on 05.06.2024** for **employment** in India.

Stay in India during PY 24–25 = 300 days

Dilip stayed for 300 days in PY 24–25 which is more than 182 days [Basic Condition 1 is satisfied.]

So, Dilip is a **Resident** in India for AY 25–26.

**Additional Condition 1:** Stay in India  $\geq$  730 days in preceding 7 PYs

**Additional Condition 2:** Resident in 2 out of 10 preceding PYs,

Since Dilip is a foreign citizen, it is reasonable to assume that he did not stay in India for more than 730 days in last 7 PYs. & was not resident in 2PYs out of last 10 PYs.

Therefore, Dilip is a **Resident and Resident Not Ordinarily Resident (RNOR)** for **AY 25–26**.

**Q12.** Mohit left India on 07.04.2024 to United Kingdom for employment. He returned to India on 07.11.2024, after resigning his job. He commenced a business on 01.12.2024 & his turnover was Rs. 32 lakhs up to 31.03.2025. All payments for the sales were received through crossed account payee cheques. He wants to declare income u/s 44AD.

His salary income in the United Kingdom was Rs. 6,56,000. When he remained outside India, he invested in equity shares of Vodafone UK Inc. He earned dividend from Vodafone UK Inc. (foreign company) Rs. 60,000 during the PY 24-25. He borrowed Rs. 2,00,000 from Mr. Narain of Chennai to invest in the shares of the foreign company & paid interest of Rs. 20,000 for PY 24-25. Determine his residential status for AY 25-26 & compute his total income. [June 19 - 9 marks]

**Answer:**

Mohit Left India on 07-Apr-2024 to UK for employment. Returned to India on 07-Nov-2024 (after resigning)

Stay in India during PY 24-25 (From 07-Nov-2024 to 31-Mar-2025) = **145 days**

**Basic Condition 1:** Stay in India during PY  $\geq$  182 days or

**Basic Condition 2:** Stay in India during PY  $\geq$  60 days &  $\geq$  365 days in preceding 4 years.

Mohit's stay in India during PY 24-25 = 145 days which is  $<$  182 days

[Basic condition 1 not satisfied]

Basic Condition 2 is not applicable as this case depicts the exception, Indian Citizen leaving India for employment.

Therefore, Mohit is a **Non-Resident**.



## Computation of Total Income of Mohit for AY 25-26

Particulars	Rs.
Income from Salary Earned outside India	Nil
[Income accrued & received outside India, thus not taxable to NR]	
Income from business - Rs. 32 lakhs @ 6%	1,92,000
[Income accrued & received in India, thus Indian Income]	
Dividend from Vodafone UK Inc.	Nil
[Income accrued & received outside India, thus not taxable to NR]	
Interest on borrowed Money	Nil
[Borrowed Money for the purpose of investment in Company outside India is not Taxable to NR]	
<b>Total Income</b>	<b>1,92,000</b>

**Q13.** Vijay, a software engineer born & brought up at Chennai, left for employment on 20 August 2020 to Country X. He returned to India on 05.06.2024 & joined ABC Ltd. as CEO. He has the following incomes for PY 24-25:

SN	Particulars	Amount
(a)	Income from salary (computed)	9,00,000
(b)	Interest on bank fixed deposits in India	30,000
(c)	Interest on bank deposits in Country X	50,000
(d)	Income from rubber estate in Sri Lanka	2,00,000
(e)	Income from business in Malaysia	4,50,000
(f)	Royalty income from a company in Dubai	1,20,000

Assume that incomes given above have been computed with eligible deductions. Ignore section 115BAC of the Income Tax Act, 1961. Determine the residential status of Vijay for AY 25-26 & compute his total income. **[June 24 - 7 marks]**

**Answer:**

Vijay Left India on 20-08-2020 to country X for employment. He returned to India on 5-06-2024 (after resigning).

Stay in India during PY 24-25 = **300 days**

Vijay's stay in India during PY 24-25 = 300 days which is > 182 days

**[Basic condition 1 satisfied]**

Therefore, Vijay is a **Resident in India During PY 24-25.**

**Checking Additional Conditions:**

Since, Vijay is born & brought up in Chennai it is reasonable to assume that he stayed in India before 20 Aug 2020. Stay in India in preceding 7 PYs will obviously be more than 730 days. Therefore, Vijay is a Resident Ordinarily Resident (ROR) for PY 24-25. As Vijay is a ROR, both foreign & Indian Incomes of him will be taxable.

Computation of Total Income of Vijay for AY 25-26	Rs.
Income from salary (computed)	9,00,000
Interest on bank fixed deposits in India	30,000
Interest on bank deposits in Country X	50,000
Income from rubber estate in Sri Lanka	2,00,000
Income from business in Malaysia	4,50,000
Royalty income from a company in Dubai	1,20,000
<b>Total Income</b>	<b>17,50,000</b>

