

Topic: Residential Status, Clubbing, Setoff & Deduction

Total Marks: 68 Marks
Time Allowed: 120 minute

Answers:

Part-A Multiple Choice Questions

[Total 36 Marks]

1. Answer : C
2. Answer : A
3. Answer : D
4. Answer : B
5. Answer : B
6. Answer : C
7. Answer : A
8. Answer : A
9. Answer : D
10. Answer : B
11. Answer : D
12. Answer : B
13. Answer : C
14. Answer : B
15. Answer : B
16. Answer : C
17. Answer : A
18. Answer : D

Part- B Descriptive Questions

[Total 32 Marks]

Solution 1:

Computation of gross total income of Mrs. Rosy and Mrs. Mary for the A.Y.2026-27

S. No.	Particulars	Mrs. Rosy (Non-resident)	Mrs. Mary (ROR)
		₹	₹
(I)	Salaries Pension received from State Govt. ₹ 60,000		

S. No.	Particulars	Mrs. Rosy (Non-resident)	Mrs. Mary (ROR)
		₹	₹
	Less: Standard deduction u/s 16(ia) ₹ 50,000	-	10,000
	Pension received from Canadian Government is not taxable in the case of a non-resident since it is earned and received outside India	-	-
		-	10,000
(II)	Income from house property		
	Rent received from house property at Mumbai (assumed to be the annual value in the absence of other information i.e. municipal value, fair rent and standard rent)	60,000	30,000
	Less: Deduction under section 24(a)@30%	18,000	9,000
		42,000	21,000
(III)	Capital gains		
	Long-term capital gain on sale of land at Mumbai	1,00,000	1,00,000
	Short term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,50,000
		1,20,000	3,50,000
	Gross Total Income [(I)+(II)+(III)]	1,62,000	3,81,000

Solution 2:

As per section 6(1), an Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India would be resident in India if he or she stays in India for a period of 182 days or more during the relevant previous year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs. However, if such person has total income, other than the income from foreign sources, exceeding ₹ 15 lakhs, he would also be a resident if he has been in India for at least 120 days during the relevant previous year and has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more. In such a case, he would be resident but not ordinarily resident in India.

Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.

In this case, total income, other than the income from foreign sources, of Mr. Dhanush for P.Y. 2025-26 would be

Particulars	₹	₹
Salary from XYZ Inc., USA received in USA (Not included in total income, since it is income from foreign source)		-
Dividend from Indian companies (Included in total income, since it is deemed to accrue or arise in India)		5,50,000
Agricultural income from land situated in Punjab [Exempt u/s 10(1)]		-

Particulars	₹	₹
Rent received/receivable from house property in Lucknow (Included in total income, since it is deemed to accrue or arise in India)	4,00,000	
Less: 30% of 4 lakhs	1,20,000	2,80,000
Profits from a profession in USA, which was set up in India, received there		6,00,000
Total Income, Other than income from foreign Sources		14,30,000

Since, Mr. Dhanush is an Indian citizen who comes on a visit to India only for 121 days in the P.Y. 2025-26 and his total income, other than income from foreign sources does not exceed ₹15 lakhs, he would be non-resident for the A.Y. 2026-27.

A non-resident is chargeable to tax in respect of income received or deemed to receive in India and income which accrues or arises or is deemed to accrue or arise to him in India. Accordingly, his total income would be as follow—

Particulars	₹	₹
Salary from XYZ Inc., USA received in USA (Not included in total income, since it is income from foreign source)		-
Dividend from Indian companies (Included in total income, since it is deemed to accrue or arise in India)		5,50,000
Agricultural income from land situated in Punjab [Exempt u/s 10(1)]		-
Rent received/receivable from house property in Lucknow (Included in total income, since it is deemed to accrue or arise in India)	4,00,000	
Less: 30% of 4 lakhs	1,20,000	2,80,000
Profits from a profession in USA, which was set up in India, received there		-
Gross Total Income/Total Income		8,30,000

Solution 3:

(i) She did not visit India during the F.Y. 2025-26

Swetha is a citizen of India who is not liable to tax in Country A. She will be a deemed resident under section 6(1A) if her total income, other than the income from foreign sources, exceeds ₹15 lakhs during the previous year.

Computation of total income, other than the income from foreign sources

Particulars	₹
Remuneration from CA firm as partner [Accrued or arisen in India]	16,00,000
Income from providing accounting services in Country A and received in Country A [Income from a foreign source, hence, to be excluded]	-
Dividend from companies incorporated in Country A and received in Country A [Income from a foreign source, hence, to be excluded]	-
Income from a business in Country A but controlled from Chennai (To be included since the business is controlled from India, even though such income accrued and received outside India)	7,00,000
Total income (excluding income from foreign sources)	23,00,000

Since Swetha has total income excluding income from foreign sources exceeding ₹15 lakhs, she is a deemed resident and resident but not ordinarily resident in India by default. Her total income would be ₹23 lakhs as computed above.

(ii) She visits and stays in India for 200 days every year since 12 preceding years including F.Y. 2025-26

Swetha is a resident in India since she stayed in India for 182 days or more during the P.Y. 2024-25. She is a resident and ordinarily resident in India since her stay in 7 previous years immediately preceding the P.Y. 2025-26 exceeds 279 days and she is resident in 2 or more previous years out of 10 previous years preceding P.Y. 2025-26.

In such case, her global income is taxable in India. Accordingly, her total income would be as follows:

Particulars	₹
Remuneration from CA firm as partner	16,00,000
Income from providing accounting services in Country A and received in Country A	5,00,000
Dividend from companies incorporated in Country A and received in Country A	8,00,000
Income from a business in Country A but controlled from Chennai	7,00,000
Total income	36,00,000

(iii) She did not visit India during the P.Y. 2025-26 and her income from profession in India is ₹4 lakhs instead of ₹16 lakhs.

In such case, Swetha's total income excluding income from foreign sources would be ₹11 lakhs (₹4 lakhs + ₹7 lakhs) which is not exceeding ₹15 lakhs. Accordingly, she will be a non-resident in India during the P.Y. 2024-25. Her total income would be ₹4 lakhs comprising of income from profession only.

Solution 4:

Computation of total income of Mr. Suraj, Mrs. Megha and minor son Dev for A.Y. 2026-27

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
Income from house property			
Annual Value [As per section 27, Mrs. Megha is the deemed owner of the house property transferred to minor son, Dev without consideration though such property is acquired from her "Stridhan"] [₹35,000 x 12]		4,20,000	
Less: Deduction @30% of NAV		1,26,000	
		2,94,000	
Brought forward loss from House A [Not allowed to be set-off against income from other heads]	-		
Current year loss of Mr. Suraj from House – B [Not allowed to be set-off against income from other heads since Mr. Suraj is paying tax under default tax regime]	-		
Profits and gains from business or profession			
Salary from partnership firm	6,15,000		
Less: As per section 70, set off of current year loss from business of ₹8,10,000 to the extent of [Current year loss	6,15,000		

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
from business of his wife is allowed to be set off in the hands of Mr. Suraj since funds for business is gifted by him]			
Income from Other Sources	-		
Interest on enhanced compensation [Taxable in the year it is received]	2,00,000		
Less: Deduction @50%	1,00,000		
	1,00,000		
Gift from grandfather's sister [Taxable under section 56(2)(x), since grandfather's sister is not a relative and the amount of gift exceeds ₹50,000]	1,25,000		
Dividend on shares (gross)	50,000		
Maturity proceeds from LIC [Exempt under section 10(10D) since the annual premium payable does not exceed 10% of sum assured]	-		
	2,75,000		
Less: Set off of remaining business loss of ₹1,95,000	1,95,000		
Gift of house property from Mrs. Megha to Dev [Exempt since the gift is from a relative i.e., from his mother]	80,000		Nil
Taxable Income	80,000	2,94,000	-

Solution 5**Computation of Gross Total Income of Mrs. Surbhi for the A.Y. 2026-27 as per the optional tax regime**

Particulars	₹	₹
Income from House Property (Self-occupied Property)		
Annual Value	-	
Less: Deductions under section 24(b)	(30,000)	
Interest on loan for repair of self-occupied property (Restricted to ₹ 30,000)	(30,000)	
Profit and gains of business or profession		
Remuneration from partnership firm	9,70,000	
Share of loss from partnership firm [Not allowed for set-off as it is from exempt source]	-	
Less: Set off of loss from House Property [Alternatively, loss from house property can be set off from advance forfeited.]	(30,000)	9,40,000
Capital Gain		

Particulars	₹	₹
Long-term capital gain on sale of property	9,20,000	
Less: Brought forward long-term capital loss on sale of unlisted shares	(3,80,000)	5,40,000
Income from Other Sources		
Income from owning and maintaining race horse	7,00,000	
Less: Brought forward loss of owning and maintaining race horse	(25,000)	
	6,75,000	
Advance forfeited as the buyer could not comply with the conditions of the sale agreement	5,00,000	
FD received from Father-in-Law [Sine Father- in-law falls within the definition of relative, the gift will not be taxable in her hands]	-	
As per section 64(1)(vi), interest on fixed deposit (Since fixed deposit was gifted by father-in law, interest on FD will be clubbed in the hands of Father-in-law)	-	11,75,000
Gross Total Income		26,55,000
Losses to be carried forward to A.Y. 2027-28		
Loss from speculative business		4,00,000
Loss from speculation business (intra day trading in shares) cannot be set off against any income other than profit and gains of another speculation business. Such loss can, however, be carried forward to A.Y. 2027-28 for set off against income from speculation business of that year.		
Loss on betting		-
Loss from betting cannot be set off or carried forward for future years.		

Computation of Gross Total Income of Mrs. Surbhi for the A.Y. 2026-27 as per the default tax regime

Particulars	₹	₹
Gross Total Income as per optional tax regime	26,55,000	
<i>Add:</i> Loss from House Property [Interest under section 24(b) is not allowable in respect of self-occupied house property while computing total income as per section 115BAC]	<u>30,000</u>	
Gross Total Income as per default tax regime		26,85,000