Chapter 3 - Residential Status and Scope of Total Income

TP: 1 Residential Status of Individual [Section 6(1)]

Question: 1

Determine residential status in following cases:

#	Name	Stay in India during P.Y. 2025-26	Stay in India during past 4 PYs	Status
1.	Ravish	183	40	
2.	Lavish	181	370	
3.	Kavish	65	380	
4.	Rabish	59	400	
5.	Vashish	82	364	

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year **and** also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

Accordingly, residential status shall be as follow:

Ravish – Resident, Lavish – Resident, Kavish – Resident, Rabish – Non-Resident, Vashish – Non-Resident.
(Write full explanation in exam which means write section 6(1), then number of days stay in India for each case and then conclusion)

Question: 2 [ICAI Mat]

Mr. B, a Canadian citizen, comes to India for the first time during the P.Y. 2021-22. During the financial years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26, he was in India for 55 days, 60 days, 90 days, 150 days and 70 days, respectively. Determine his residential status for the A.Y. 2026-27.

Solution:

During the P.Y. 2025-26, Mr. B was in India for 70 days and during the 4 years preceding the P.Y. 2025-26, he was in India for 355 days (i.e. 55+ 60+ 90+ 150 days). Thus, he does not satisfy the basic condition under section 6(1). Therefore, he is a non-resident for the P.Y. 2025-26.

Question: 3

Mr. Mohan has a flat in Delhi where he normally resides while he visits India. On 02.07.2025, he visited India and stays in Hotel in Mumbai for some personal purpose. Determine his residential status for A.Y. 2026-27. He claims that he shall be treated as non-resident since he has not stayed at usual place of residence. Comment.

Solution:

Under section 6(1), an individual is said to be resident in India in any previous year if he satisfies any one of the following conditions
(i) He has been in India during the previous year for a total period of 182 days or more, or
(ii) He has been in India for a period of 60 days or more during the relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.

Since total stay of Mr. Mohan is 273 days, he shall be treated as resident in India for A.Y. 2026-27.

Moreover, it does not matter whether the stay is at usual place or not. Therefore Mr. Mohan is not correct in his claim.

TP: 2 Explanation to section 6(1)

Question: 4 [ICAI Mat]

Miss Monika, an Indian citizen, leaves India on 22.09.2025 for the first time, to work as an officer of a company in France. Determine her residential status for the A.Y. 2026-27.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year **and** also for 365 days or more during 4 years preceeding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

Also, as per explanation to section 6(1), any individual who is a citizen of India and has left India for taking up any business or profession or employment outside India will be considered to be resident only if they stay in India for 182 days or more during the relevant previous year.

During the previous year 2025-26, Miss Monika, an Indian citizen, stayed in India for 175 days (i.e. 30 + 31+ 30 + 31 + 31 + 22 days). Therefore, she does not satisfy the minimum criteria of 182 days. Also, since she is an Indian citizen leaving India for the purposes of employment, the second condition under section 6(1) is not applicable to her. Therefore, Miss Monika is a non-resident in India for the A.Y. 2026-27.

Question: 5

Mr. Hansraj, an Indian Citizen, has business in India and has left India on 29.06.2025 to USA for a business deal. He came back to India on 05.04.2026. His total stay in India during past 4 PYs is 380 days. Determine his residential status for A.Y. 2026-27.

Solution:

Under section 6(1), an individual is said to be resident in India in any previous year if he satisfies any one of the following conditions
(i) He has been in India during the previous year for a total period of 182 days or more, or
(ii) He has been in India for a period of 60 days or more during the relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.

In the case of Indian citizens leaving India for employment, the period of stay during the previous year must be 182 days to become resident. However, if any person has business or profession in India and he is going out of India in connection with business or profession, then both the conditions need to be checked.

During the previous year 2025-26, Mr. Hansraj, an Indian citizen, was in India for 90 days (i.e. 30 + 31 + 29 days) and his total stay during 4 PYs preceding relevant PY is 380 days. Therefore, he is a resident for the A.Y. 2026-27.

Question: 6

Mr. Alok and Mrs. Alok are settled outside India for the purpose of employment and they came to India on 15.10.2025 on a visit for 7 months. Both of them are Indian citizens. In the earlier years they were in India as follows:

Year	Mr. Alok	Mrs. Alok
2024 – 2025	235 Days	365 Days
2023 – 2024	330 Days	30 Days
2022 – 2023	Nil	28 Days
2021 – 2022	118 Days	120 Days

Find out the residential status of Mr. Alok and Mrs. Alok for the assessment year 2026-27.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year **and** also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

Also, as per explanation to section 6(1), any individual who is a citizen of India or is a person of Indian origin and is having business or profession or employment outside India comes on a visit to India during relevant previous year will be considered to be resident only if they stay in India for 182 days or more during the relevant previous year.

Stay of Mr. Alok in India during previous year 2025-26 is 168 Days {17 + 30 + 31 + 31 + 28 + 31} and stay of Mrs. Alok in India during previous year 2025-26 is 168 Days {17 + 30 + 31 + 31 + 28 + 31}. Since they are employed outside Indian and has come to visit India during P.Y. 2025-26, they will be resident only if their stay in India in relevant previous year is 182 days or more, hence they are non–resident.

Question: 7 **[ICAI Mat] [RTP Nov 2020]**

You are required to determine the residential status of Mr. Kamal, a citizen of India, for the previous year 2025-26. Mr. Kamal is a member of crew of a Singapore bound Indian ship, carrying passengers in the international waters, which left Kochi port in Kerala, on 16th August, 2025.

Following details are made available to you for the previous year 2025-26:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Kamal	16th August, 2025

Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Kamal	21st January, 2026

In June, 2025, he had gone out of India to Dubai on a private tour for a continuous period of 27 days. During the last four years preceding the previous year 2025-26, he was present in India for 425 days. During the last 7 previous years preceding the previous year 2025-26, he was present in India for 830 days.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.

Also, as per explanation to section 6(1), any individual who is a citizen of India and has left India as a member of crew of an Indian ship will be considered to be resident only if they stay in India for 182 days or more during the relevant previous year. Moreover, the time period mentioned in Continuous Discharge Certificate (CDC) shall be considered to be the period of stay outside India and remaining time period shall be considered to be stay in India.

Hence, the period from 16th August, 2025 and ending on 21st January, 2026 has to be excluded for computing the period of stay of Mr. Kamal in India. Accordingly, the period of 159 days [16+30+31+30+31+21] has to be excluded for computing the period of his stay in India during the P.Y. 2025-26. Further, since Mr. Kamal had also gone out of India to Dubai on a private tour for a continuous period of 27 days in June, 2025, such period has also to be excluded for computing his period of stay in India during the P.Y. 2025-26.

Consequently, the period of stay in India during the P.Y. 2025-26 would be 179 days [i.e., 365 days – 159 days – 27 days], which is less than 182 days. Thus, Mr. Kamal would be a non-resident for A.Y. 2026-27.

Note: *Since the residential status of Mr. Kamal is "non-resident" for A.Y. 2026-27 consequent to his number of days of stay in India in P.Y. 2025-26, being less than 182 days, his period of stay in India in the earlier previous years become irrelevant.*

Question: 8

Mr. Alok and Mrs. Alok are settled outside India for the purpose of employment and they came to India on 15.10.2025 on a visit for 7 months. Both of them are Indian citizens. In the earlier years they were in India as follows:

Year	**Mr. Alok**	**Mrs. Alok**
2024 – 2025	235 Days	365 Days
2023 – 2024	330 Days	30 Days
2022 – 2023	Nil	28 Days
2021 – 2022	118 Days	120 Days

Find out the residential status of Mr. Alok and Mrs. Alok for the assessment year 2026-27 assuming that Mr. Alok and Mrs. Alok has total income from India of ₹16,00,000 and 14,00,000 respectively during P.Y. 2025-26.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

Also, as per explanation to section 6(1), any individual who is a citizen of India or is a person of Indian origin and is having business or profession or employment outside India comes on a visit to India during relevant previous year will be considered to be resident only if they stay in India for 182 days or more during the relevant previous year.

Also, in case of an individual who is "a citizen of India or is a person of Indian origin and is having business or profession or employment outside India comes on a visit India during relevant previous year" having income other than income from foreign sources exceeding ₹15 lakhs during the previous year will be treated as resident in India if:
(i) He stays in India for 182 days or more during the relevant previous year; or
(ii) He stays in India for 120 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.

Further as per section 6(6)(c), he will be NOR if his stay is less than 182 days during relevant previous year

Stay of Mr. Alok in India during previous year 2025-26 is 168 Days {17 + 30 + 31 + 31 + 28 + 31} and stay of Mrs. Alok in India during previous year 2025-26 is 168 Days {17 + 30 + 31 + 31 + 28 + 31}.

Therefore, Mr. Alok having Indian income of ₹16,00,000 would be treated as NOR during A.Y. 2026-27 and Mrs. Alok is non-resident.

TP: 4 Resident and ordinarily resident (ROR) and Not-ordinarily resident (NOR) [Section 6(6)]

Question: 9 **[ICAI Mat]**

Mr. Dey, a non-resident, residing in US since 1990, came back to India on 1.5.2024 for permanent settlement. What will be his residential status for assessment year 2026-27?

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

As per section 6(6)(a) of the Act, an individual who is **resident** of India shall be considered to be **NOR** if he has complied with at least one of the conditions given below:
(i) If such individual has during the **7 previous years** preceding the relevant previous year been in India for a period of **729 days or less**, or;
(ii) If such individual has been **non-resident** in India in **9 years out of 10 previous years** preceding the relevant previous year.

Mr. Dey is a resident in A.Y. 2026-27 since he has stayed in India for a period of 365 days (more than 182 days) during the P.Y. 2025-26.

For the A.Y. 2026-27, his status would be "Resident but not ordinarily resident" since he has stayed in India only for 336 days (i.e., less than 729 days) in 7 previous years immediately preceding the P.Y. 2025-26.

Question: 10

Mr. James Bond an American citizen has come to India for the first time on 10.07.2021, as an employee of a multinational company. The particulars of his arrival and departure are as given below:

Date of Arrival	Date of Departure
10.07.2021	07.08.2022
07.10.2022	27.11.2023
01.03.2024	01.02.2025
10.05.2025	30.03.2026
Not yet returned	

Determine his residential status for previous year 2021-22 to 2025-26 assuming that the provisions for A.Y. 2026-27 were applicable during prior years as well.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

As per section 6(6)(a) of the Act, an individual who is **resident** in India shall be considered to be **NOR** if he has complied with at least one of the conditions given below:
(i) If such individual has during the **7 previous years** preceding the relevant previous year been in India for a period of **729 days or less**, or;
(ii) If such individual has been **non-resident** in India in at least **9 years out of 10 previous years** preceding the relevant previous year.

Previous Year 2021-22:
Days of stay in India are 265.
Since his stay in India is more than 182 days during the P.Y. 2021-22, hence he is resident and his stay during 7 years is Nil hence, he is NOR.

Previous Year 2022-23:
Days of stay in India are 305.
Since his stay in India is more than 182 days during P.Y. 2022-23, hence he is resident and his stay during 7 years is 265 days hence, he is NOR.

Previous Year 2023-24:
Days of stay in India are 272.

Since his stay in India is more than 182 days during P.Y. 2023-24, hence he is resident and his stay during 7 years is 570 days hence, he is NOR.

Previous Year 2024-25:
Days of stay in India are 307.
Since his stay in India is more than 182 days during P.Y. 2024-25, hence he is resident and his stay during 7 years is more than 729 days hence he is not able to comply with first condition of section 6(6)(a) and he is not able to comply second condition also i.e. non-resident in at-least 9 years out of 10 years preceding the relevant previous year. Hence, he is ROR.

Previous Year 2025-26:
Days of stay in India are 325.
Since his stay in India is more than 182 days during P.Y. 2025-26, hence he is resident and his stay during 7 years is more than 729 days hence he is not able to comply with first condition of section 6(6)(a) and he is not able to comply second condition of section 6(6)(a) also i.e. non-resident in atleast 9 years out of 10 years preceding the relevant previous year. Hence, he is ROR.

Question: 11 **[May 1998]**

Mr. Madhav, an American citizen, is appointed by a multi-national company to its branch in Mumbai in 2022. Mr. Madhav has never been to India before this appointment. He arrives in Delhi on 15th April, 2022 and joins the Mumbai office on 20th April, 2022. His wife and children join him in India on 20th October, 2022. The company allotted him a leased residence for purposes of his stay. This residence is occupied by him from the beginning of October, 2022.
On 10th February, 2023, he is transferred by his employer, on deputation basis, to be the Regional Chief of his employer's operations in South East Asia having headquarters in Hongkong. He leaves Mumbai on 11th February and arrives in Hongkong on 12th February, 2023. Mr. Madhav leaves behind his wife and children in India till 14th August, 2024, when they leave along with him for Hongkong. Mr. Madhav had come to India earlier on 15th June, 2024, on two months' leave. The members of the family occupied the residence till date of departure to Hongkong.
At the end of the period of deputation, Mr. Madhav is reposted to India and joins the Mumbai office of his employer as Chief of Indian operations on 2nd February, 2026.
In what residential status Mr. Madhav will be assessable, for the various years, to income tax in India?

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

As per section 6(6)(a) of the Act, an individual who is **resident** of India shall be considered to be **NOR** if he has complied with at least one of the conditions given below:
(i) If such individual has during the **7 previous years** preceding the relevant previous year been in India for a period of **729 days or less,** or;
(ii) If such individual has been **non-resident** in India in **9 years out of 10 previous years** preceding the relevant previous year.

The period of stay of Mr. Nixon for various years is given below:

P.Y. 2022-23
Period of stay - 303 days.
He will be a resident under the basic conditions. Since his stay in seven years preceding the relevant previous year is Nil i.e. 729 days or less, Hence, he will be NOR.

P.Y. 2023-24
Period of stay – Nil.
He has not been in India at all, he will be a non-resident for this year.

P.Y. 2024-25
Period of stay - 61 days.
He has been in India for 61 days and for 303 days in 4 years preceding the relevant previous year hence he will be non-resident.

P.Y. 2025-26
Period of stay - 58 days.
He has been in India for 58 days, he will be non-resident.

TP: 5 Residential Status of HUF [Section 6(2)]

Question: 12 **[ICAI Mat]**

The business of a HUF is transacted from Australia and all the policy decisions are taken there. Mr. E, the Karta of the HUF, who was born in Kolkata, visits India during the P.Y. 2025-26 after 15 years. He comes to India on 01.04.2025 and leaves for Australia on 01.12.2025. Determine the residential status of Mr. E and the HUF for A.Y. 2026-27.

Solution:

(a) During the P.Y. 2025-26, Mr. E has stayed in India for 245 days (i.e. 30 + 31 + 30 + 31 + 31 + 30 + 31 + 30 + 1 days). Therefore, he is a resident. However, since he has come to India after 15 years, he does not satisfy the condition for being ordinarily resident. Therefore, the residential status of Mr. E for the P.Y. 2025-26 is resident but not ordinarily resident.

(b) Since the business of the HUF is transacted from Australia and policy decisions are taken there, it is assumed that the control and management is in Australia i.e., the control and management is wholly outside India. Therefore, the HUF is a non-resident for the P.Y. 2025-26.

Note – If the control and management is in India, even partially, then, the HUF would be resident in India. In such a case, the residential status of HUF would be resident but not ordinarily resident, since the Karta's stay in India is for less than 730 days in the 7 previous years immediately preceding the relevant previous year.

Question: 13

One HUF is controlled and managed from India. The Karta of the Hindu Undivided Family comes to India every year for minimum 60 days and maximum 91 days. Determine residential status of the Hindu Undivided Family and also that of the Karta for the assessment year 2026-27.

Solution:

Hindu Undivided Family is resident since it is controlled and managed from India. Since, the total stay of the Karta during seven years can be maximum 637 days, hence, Hindu Undivided Family shall be considered to be resident but not ordinarily resident. Total stay of Karta during PY is maximum 91 days and during 4 preceding PYs is 364 days therefore, in his individual capacity is non-resident because he cannot comply with even one of the two conditions given under section 6(1).

Question: 14

One Hindu Undivided Family is being managed partly from Mumbai and partly from Nepal. Mr. Sam (a foreign citizen), Karta of Hindu Undivided Family, comes on a visit to India every year since 1982 in month of April for 105 days. Determine residential status of the Hindu Undivided Family and also that of the Karta in his individual capacity for the assessment year 2026-27.

Solution:

For the previous year 2025-26, the control and management of the affairs of Hindu Undivided Family is being partly managed from India. Hence Hindu Undivided Family is resident but Mr. Sam cannot comply with any of the conditions of section 6(6)(b), hence Hindu Undivided Family is resident and ordinarily resident. Karta shall be considered to be resident and ordinarily resident because his stay during 7 years is 735 days. Also, he will not be non-resident in nine years out of ten years preceding the relevant previous year.

TP: 6 Residential Status of a Company [Section 6(3)]

Question: 15

POPULAR Inc., a Swedish company headquartered at Stockholm, not having a permanent establishment in India, has set up a liaison office in Mumbai in April, 2025 in compliance with RBI guidelines to look after its day-to-day business operations in India, spread awareness about the company's products and explore further opportunities. The liaison office takes decisions relating to day-to-day routine operations and performs support functions that are preparatory and auxiliary in nature. The significant management and commercial decisions are, however, in substance made by the Board of Directors at Sweden. Determine the residential status of POPULAR Inc. for A.Y. 2026-27.

Solution:

As per Section 6(3), a company would be resident in India in any previous year, if-
(i) it is an Indian company; or
(ii) its place of effective management, in that year, is in India.

In this case, POPULAR Inc. is a foreign company. Therefore, it would be resident in India for P.Y. 2025-26 only if its place of effective management, in that year, is in India.

Explanation to section 6(3) defines "place of effective management" to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

In the case of POPULAR Inc., its place of effective management for P.Y. 2025-26 is not in India, since the significant management and commercial decisions are, in substance, made by the Board of Directors outside India in Sweden. POPULAR Inc. has only a liaison office in India through which it looks after its routine day to day business operations in India. The place where decisions relating to day-to-day routine operations are taken and support functions that are preparatory or auxiliary in nature are performed are not relevant in determining the place of effective management.

Hence, POPULAR Inc., being a foreign company is a non-resident for A.Y. 2026-27, since its place of effective management is outside India in the P.Y. 2025-26.

Question: 16

Adani Ltd. an Indian company has most of its business outside India. Determine its residential status.

Solution:

An Indian company shall always be considered to be resident in India.

Question: 17

Best Ltd., a foreign company and it carries on majority of its operations and decision making activities from Calcutta and Assam but some part of operational activities and few decisions are being taken from the place at which registered office of Best Ltd. is located, i.e. Dhaka. Determine its residential status for the assessment year 2026-27.

Solution:

Best Ltd. is a foreign company and its place of effective management is in India. Hence Best Ltd. is resident in India for the assessment year 2026-27.

Comprehensive on Residential Status

Question: 18 **[ICAI Mat]**

Brett 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.
(a) Find out his residential status for the assessment year 2026-27.
(b) Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?
(c) What would be your answer if Srinath had visited India for 120 days instead of 100 days every year, including P.Y. 2025-26?

Solution:

(a) Determination of Residential Status of Mr. Brett Lee for the A.Y. 2026-27
As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year and also for 365 days or more during 4 years preceding the relevant previous year.
If the individual does not satisfy any one of the above two conditions, he is a non-resident.

Period of stay during previous year 2025-26 = 100 days
Period of stay during 4 preceding previous years (100 x 4 = 400 days)

Mr. Brett Lee has been in India for a period more than 60 days during previous year 2025-26 and for a period of more than 365 days during the 4 immediately preceding previous years. Therefore, since he satisfies one of the basic conditions under section 6(1), he is a **resident** for the assessment year 2026-27.

As per section 6(6)(a) of the Act, an individual who is **resident** of India shall be considered to be **NOR** if he has complied with at least one of the conditions given below:
(i) If such individual has during the **7 previous years** preceding the relevant previous year been in India for a period of **729 days or less,** or;
(ii) If such individual has been **non-resident** in India in **9 years out of 10 previous years** preceding the relevant previous year.

Period of stay during 7 preceding previous years = 100 x 7 = 700 days

Since his period of stay in India during the past 7 previous years is less than 730 days, he is a not-ordinarily resident during the A.Y. 2026-27. Therefore, Mr. Brett Lee is a resident but not ordinarily resident during the previous year 2025-26 relevant to the assessment year 2026-27.

(b) If the above facts relate to Mr. Srinath, an Indian citizen, who residing in Australia, comes on a visit to India, he would be treated as non-resident in India, irrespective of his total income (excluding income from foreign sources), since his stay in India in the current financial year is, in any case, less than 120 days.

(c) In this case, if Srinath's total income (excluding income from foreign sources) exceeds ₹15 lakh, he would be treated as resident but not ordinarily resident in India for P.Y. 2025-26, since his stay in India is 120 days in the P.Y. 2025-26 and 480 days (i.e., 120 days x 4 years) in the immediately four preceding previous years.

If his total income (excluding income from foreign sources) does not exceed ₹15 lakhs, he would be treated as non-resident in India for the P.Y. 2025-26, since his stay in India is less than 182 days in the P.Y. 2025-26.

Note: In case of an individual who is "a citizen **of India** or **is a person of Indian origin** and is having **business or profession or employment outside India** comes on a visit India during relevant previous year" having income other than income from **foreign sources** exceeding ₹15 lakhs during the previous year will be treated as resident in India if:
(i) He stays in India for 182 days or more during the relevant previous year;
(ii) He stays in India for **120 days or more** during relevant previous year **and** also for 365 days or more during 4 years preceding the relevant previous year.

Further as per section 6(6)(c), he will be NOR if his stay is less than 182 days during relevant previous year.

Question: 19 **[RTP May 2024] [MTP May 2025]**

Ms. Rita, an Indian citizen and an MBA from Howard University, was employed in AFL LLP of Country A since June, 2018. She came to India on 15.11.2025 and joined as CEO of Autofit Ltd. Ms. Rita was in India before she left for overseas education in May, 2014 and was subsequently employed outside India and never visited India thereafter.
There is no income-tax in Country A. She has earned interest income of ₹2,40,000 (net) in Country A and salary income from AFL LLP of ₹15 lakhs up to the date of her return to India in the financial year 2025-26.
Salary income (computed) of Ms. Rita from Autofit Ltd. up to 31.03.2026 is ₹13,50,000 and she earned dividend of ₹3,00,000 from shares of an Indian company.
What would be the residential status of Ms. Rita and her total income for the A.Y. 2026-27?

Solution:

Determination of residential status of Ms. Rita for the A.Y. 2026-27

As per section 6(1), in order to be a resident of India in the P.Y. 2025-26, Ms. Rita should satisfy either of the following two conditions -
(1) Her stay in India should be for a period of 182 days or more in the P.Y. 2025-26; or
(2) Her stay in India should be for a period of 60 days or more in the P.Y. 2025-26 and for a period of 365 days or more in the four immediately preceding previous years.
Ms. Rita's stay in India in the P.Y. 2025-26 is 137 days (i.e., 16 days + 31 days +31 days + 28 days + 31 days). She left India in May, 2014 and never visited India thereafter. Her stay in India in the four immediately preceding previous years would be Nil.
Therefore, she does not satisfy either condition (1) or condition (2) for being a resident.

As per section 6(1A), an individual who is a citizen of India would be deemed to be a resident of India if his total income, other than income from foreign sources, exceed ₹15 lakh during the relevant previous year and he is not liable to tax in any other country by reason of his domicile or residence or any other criteria of similar nature.

Ms. Rita's total income, other than income from foreign sources, would be ₹16,50,000 for A.Y. 2026-27 as shown below –

Particulars	**₹**
Salary income from Autofit Ltd. (Computed) [Accrues or arises in India]	13,50,000
Dividend from shares of an Indian company [Accrues or arises in India]	3,00,000
	16,50,000

Since Ms. Rita is a citizen of India who is not liable to pay income-tax in Country A and her total income, other than income from foreign sources, exceed ₹15 lakhs, she would be deemed resident in India under section 6(1A) for A.Y. 2026-27. A deemed resident is, by default, a resident but not ordinarily resident.

In case of a resident but not ordinarily resident, income accrues or arises, deemed to accrue or arise and received or deemed to be received in India, is taxable. In addition, Income which accrues or arises outside India would also be taxable if it is derived from a business controlled in or a profession set up in India.

Ms. Rita's total income for A.Y. 2026-27

Particulars	**₹**
Salary income from AFL LLP [Not taxable since it accrues or arises outside India]	
Salary income from Autofit Ltd. [Computed]	13,50,000
Interest income in Country A [Not taxable since it accrues or arises outside India]	
Dividend from shares of an Indian company	3,00,000
Total Income	**16,50,000**

TP: 12 Meaning of Income deemed to accrue in India [Sec 9(1)]

Question: 20 **[ICAI Mat] [MTP Jan 2025]**

Mr. Manmohan, an Indian citizen aged 45 years, a government employee serving in the Ministry of External Affairs, left India for the first time on 31.03.2025 due to his transfer to High Commission of Singapore. He did not visit India any time during the previous year 2025-26. He has received the following income for the Financial Year 2025-26:

S. No.	Particulars	₹
(i)	Salary (Computed)	5,00,000
(ii)	Foreign Allowance [not included in (i) above]	4,00,000
(iii)	Interest on fixed deposit from bank in India	1,00,000
(iv)	Income from agriculture in Nepal	2,00,000
(v)	Income from house property in Nepal	2,50,000

Compute his Gross Total Income for Assessment Year 2026-27.

Solution:

As per section 6(1), Mr. Manmohan is a non-resident for the A.Y. 2026-27, since he was not present in India at any time during the previous year 2025-26.

As per section 5(2), a non-resident is chargeable to tax in India only in respect of following incomes:
(i) Income received or deemed to be received in India; and
(ii) Income accruing or arising or deemed to accrue or arise in India.

In view of the above provisions, income from agriculture in Nepal and income from house property in Nepal would not be chargeable to tax in the hands of Manmohan, assuming that the same were received in Nepal. Income from 'Salaries' payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India as per section 9(1)(iii). Hence, such income is taxable in the hands of Mr. Manmohan, even though he is a non-resident.

However, allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India is exempt under section 10(7). Hence, foreign allowance of ₹4,00,000 is exempt under section 10(7) in the hands of Mr. Manmohan.

Gross Total Income of Mr. Manmohan for A.Y. 2026-27

Particulars	₹
Salaries (computed)	5,00,000
Income from other sources (Interest on fixed deposit in India)	1,00,000
Gross Total Income	6,00,000

Question: 21 **[May 2006]**

Mr. Ram, left for USA on 01.05.2025. He has not visited India thereafter. Mr. Ram borrows money from his friend Mr. Laxman, who left India one week before Mr. Ram's departure, to the extent of ₹10 lakhs and buys shares in Ram

Ltd., an Indian company. Discuss the taxability of the interest charged @ 10% in Mr. Laxman's hands where the same has been received in New York.

Solution:

Stay of Mr. Ram and Mr. Laxman during the previous year 2025-26 is less than 60 days hence both of them are non-residents as per section 6(1).

As per section 9(1)(v), if any non-resident has taken loan from outside India and the loan was utilized in India in any source other than business or profession, interest received by the person who has given the loan shall not be considered to be accruing/ arising in India and is not taxable in India. In the given case, loan amount was invested in the shares of an Indian company hence interest received by Mr. Laxman shall not be considered to be income accruing/arising in India.

Question: 22 **[May 2011] [ICAI Mat]**

Miss Vivitha paid a sum of $5000 to Mr. Kulasekhara, a management consultant practicing in Colombo, specializing in project financing. The payment was made in Colombo. Mr. Kulasekhara is a non-resident. The consultancy related to a project in India with possible Ceylonese collaboration. Is this payment chargeable to tax in India in the hands of Mr. Kulasekhara, since the services were used in India?

Solution:

As per section 9(1)(vii), if any non-resident has provided any patent right or any managerial, technical services and such patent right etc. was used in India, in such cases any royalty or fee received by non-resident shall be considered to be income accruing/arising in India and shall be taxable and it do not matter that the non-resident do not have residence or place of business or business connection in India i.e. there is no territorial nexus or non-resident has not rendered services in India. In the instant case, since the services were utilized in India, the payment received by Mr. Kulasekhara, a non-resident, in Colombo is chargeable to tax in his hands in India, as it is deemed to accrue or arise in India.

Question: 23 **[Nov 2020]**

Mr. Mark, a non-resident and citizen of Japan entered into following transactions during the previous year ended 31.03.2026.
Examine the tax implications in the hands of Mr. Mark for the Assessment Year 2026-27 as per Income Tax Act, 1961. (Give brief reasoning)
(1) Interest received from Mr. John, a non-resident, outside India (The borrowed fund is used by Mr. John for investing in Indian company's debt fund for earning interest)
(2) Received ₹10 lakhs in Japan from a business enterprise in India for granting license for computer software (not hardware specific).
(3) He is also engaged in the business of running news agency and earned income of ₹10 lakhs from collection of news and views in India for transmission outside India.
(4) He entered into an agreement with SKK & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Denim Jeans manufacturing plant, in Surat (India). He charged ₹10 lakhs for these services from SKK & Co.

Solution:

(1) As per section 9(1)(v), if loan has been taken by a non-resident, interest income shall be accruing/ arising in India only if loan amount has been utilised in India in business/ profession but if loan amount is utilised in any other source in India or it has been used outside India, interest income shall be accruing / arising abroad. In the given case, loan amount is used for investing in Indian company debt fund for earning interest and not for business purpose hence interest income shall not be considered to be accruing arising from India and shall not be taxable in India.

(2) As per section 9(1)(vi)/(vii), if any income is accruing and arising in India relating to royalty or technical fees etc., it will be taxable in India even if the person receiving income is non-resident and even if such non-resident does not have any Territorial Nexus with India i.e., such non-resident does not have a residence or place of business or business connection in India and also the non-resident has not rendered services in India. In the given case, income received for granting licence for computer software shall be deemed to be income accruing arising in India and shall be taxable in India.

(3) As per section 9(1)(i), if any non-resident has the business of running a news agency or of publishing newspapers, magazines or journals etc. outside India, no income shall be deemed to accrue or arise in India to him from activities which are confined to the collection of news and views in India for transmission out of India. In the given case, income is from transmission outside India hence income shall not be deemed to accrue arise in India and shall not be taxable in India.

(4) As per section 9(1)(vii), income by way of fees for technical services payable by a person who is a non-resident, where the fees are payable in respect of services utilised in a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India. In the given case, services utilized in a business in India hence income shall be accruing arising from India and same shall be taxable in India.

Question: 24 **[ICAI Mat]**

Examine the correctness or otherwise of the statement - "Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus".

Solution:

This statement is correct. As per Explanation to section 9, income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of clauses (v), (vi) and (vii) of section 9(1), shall be included in the total income of the non-resident, whether or not –
(i) non-resident has a residence or place of business or business connection in India; or
(ii) the non-resident has rendered services in India.
In effect, the income by way of fees for technical services, interest or royalty from services utilised in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India and irrespective of whether the non-resident has a residence or place of business or business connection in India.

Question: 25 **[Nov 2009] [RTP May 2018]**

Determine the taxability of income of US based company Been Ltd., in India on entering following transactions during the financial year 2025-26:
(i) ₹5 lacs received from an Indian domestic company for providing technical know-how in India.
(ii) ₹6 lacs from an Indian firm for conducting the feasibility study for the new project in Finland.
(iii) ₹4 lacs from a non-resident for use of patent for a business in India.
(iv) ₹8 lacs from a non-resident Indian for use of know-how for a business in Singapore.
(v) ₹10 lacs for supply of manuals and designs for the business to be established in Singapore.

Explain the rate of tax applicable on taxable income for US based company, Been Ltd., in India.

Solution:

A non-resident is chargeable to tax in India in respect of following incomes:
(i) Income received or deemed to be received in India.
(ii) Income accruing or arising or deemed to accrue or arise in India.

In view of the above provisions, taxability of income is determined in following manner:

	Transaction details	**Amount**
(i)	Amount received from an Indian domestic company for providing technical know-how in India is taxable in India	5 Lacs
(ii)	Conducting the feasibility study for the new project in Finland for the Indian firm is not taxable in India as it is for the business outside India.	Nil
(iii)	Money received from a non-resident for use of patent for a business in India is taxable in India	4 Lacs
(iv)	Money received from a non-resident Indian for use of know-how for a business in Singapore is for the business outside India, therefore not taxable in India	Nil
(v)	Payment received for supply of manuals and designs for the business to be established in Singapore is not taxable in India	Nil
	Total Income in India	**9 Lacs**

The basic normal rate applicable for the US based company who is a foreign company is 35%. In case the taxable income is more than 1 crore but upto ₹10 crore in the previous year, the surcharge @ 2% is applicable. The HEC is payable @ 4%.

Comprehensive on Scope of Total Income

Question: 26

Ramrahim Pvt. Ltd., an Indian company has an income of ₹30 lakhs from a business in India. This company has a business income of ₹12 lakhs from outside India. Out of which 7 lakhs were received in India and balance outside India. Compute gross total income of the Indian company for the assessment year 2026-27.

Solution:

As per section 5(1), total income of ROR would include-
(i) income accruing/ arising in India during the PY;
(ii) income deemed to accrue/ arise in India during the PY;
(iii) income received in India during the PY even if accruing/arising outside India;
(iv) income deemed to be received in India during the PY even if accruing/arising outside India;
(v) income accruing/ arising outside India even if it is not received or brought into India during the PY.

As per section 6, an Indian company is always considered to be resident in India.

Income from business in India	30,00,000
Income from outside India	12,00,000
Income under the head Business/Profession	42,00,000

Gross Total Income	42,00,000

Question: 27

Mr. Rohan earns the following incomes during the financial year 2025-26.

1	Profits from a business in Japan, controlled from India, (half of the profits received in India)	40,000
2	Income from property in Bombay, received in UK	70,000
3	Income from a property in USA, received there but subsequently remitted to India	2,00,000
4	Income from property in USA, received there (₹50,000 remitted in India)	80,000
5	Salary received in India for services rendered in USA	50,000
6	Income from profession in Paris, which was set up in India, received in Paris	80,000
7	Interest from deposit with an Indian company, received in Japan	9,000
8	Income from profession in Bombay received in Paris	30,000
9	Profits of business in Iran, deposited in a bank there, business controlled from India (out of ₹4,00,000, ₹1,00,000 is remitted in India)	4,00,000
10	Interest on German development bonds, half of which is received in India	10,000
11	Income from property in Canada, one-fifth is received in India	50,000

(Presume all the above incomes are computed income i.e. all the exemptions and deductions have already been allowed) Determine the gross total income of Mr. Rohan if he is (i) resident and ordinarily resident, (ii) resident but not ordinarily resident, (iii) non-resident in India, during the financial year 2025-26.

Solution:

Computation of gross total income for A.Y. 2026-27

Particulars	ROR	NOR	NR
(1) Income accruing/arising outside India from a business controlled in India, half of the income received in India	40,000	40,000	20,000
(2) Income accruing/arising in India	70,000	70,000	70,000
(3) Income accruing/arising outside India and received outside India	2,00,000	---	---
(4) Income accruing/arising outside India and received outside India	80,000	---	---
(5) Income received in India	50,000	50,000	50,000
(6) Income accruing/arising and received outside India, but profession set up in India	80,000	80,000	---
(7) Income accruing/arising in India	9,000	9,000	9,000
(8) Income accruing/arising in India	30,000	30,000	30,000
(9) Income accruing/arising outside India and received outside India, but business controlled from India	4,00,000	4,00,000	---
(10) Income accruing/arising outside India, half received outside India and half in India	10,000	5,000	5,000
(11) Income accruing/arising outside India, 4/5th received outside India and 1/5th in India	50,000	10,000	10,000
Gross Total Income	10,19,000	6,94,000	1,94,000

Question: 28

Determine the total income from the following incomes in the hands of a resident and ordinarily resident, resident but not ordinarily resident, and non-resident for the A.Y. 2026-27 assuming he opts for old tax regime.

Particulars	Amount (₹)
(1) Interest on UK Development Bonds, 50% of interest received in India	10,000
(2) Income from a business in Chennai (50% is received in India)	20,000
(3) Profits on sale of shares of an Indian company received in London	20,000
(4) Profits on sale of plant at Germany 50% of profits are received in India	40,000
(5) Income earned from business in Germany which is controlled from Delhi (₹40,000 is received in India)	70,000
(6) Profits from a business in Delhi but managed entirely from London	15,000
(7) Income from property in London deposited in an Indian Bank at London, brought to India	50,000
(8) Interest for debentures in an Indian company received in London.	12,000
(9) Fees for technical services rendered in India but received in London	8,000
(10) Profits from a business in Bombay managed from London	26,000
(11) Pension for services rendered in India but received in Burma	4,000
(12) Income from property situated in Pakistan received there	16,000
(13) Past foreign untaxed income brought to India during the previous year	5,000
(14) Income from agricultural land in Nepal received there and then brought to India	18,000
(15) Income from profession in Kenya which was set up in India, received there but spent in India	5,000
(16) Gift received on the occasion of his wedding	20,000
(17) Interest on savings bank deposit in State Bank of India	10,000
(18) Income from a business in Russia, controlled from Russia	20,000
(19) Agricultural income from a land in Rajasthan	15,000

Solution:

Computation of Gross Total Income for the A.Y. 2026-27:

Particulars	ROR	NOR	NR
(1) Interest on UK Development Bonds, 50% of interest received in India	10,000	5,000	5,000
(2) Income from a business in Chennai (50% is received in India)	20,00	20,000	20,000
(3) Profits on sale of shares of an Indian company received in London	20,000	20,000	20,000
(4) Profits on sale of plant at Germany 50% of profits are received in India	40,000	20,000	20,000
(5) Income earned from business in Germany which is controlled from Delhi, out of which ₹40,000 is received in India	70,000	70,000	40,000
(6) Profits from a business in Delhi but managed entirely from London	15,000	15,000	15,000
(7) Income from property in London deposited in a Bank at London, later on remitted to India	50,000	-	-
(8) Interest for debentures in an Indian company received in London	12,000	12,000	12,000
(9) Fees for technical services rendered in India but received in London	8,000	8,000	8,000
(10) Profits from a business in Bombay managed from London	26,000	26,000	26,000
(11) Pension for services rendered in India but received in Burma	4,000	4,000	4,000
(12) Income from property situated in Pakistan received there	16,000	-	-

(13) Past foreign untaxed income brought to India during the previous year	-	-	-
(14) Income from agricultural land in Nepal received there and then brought to India	18,000	-	-
(15) Income from profession in Kenya which was set up in India, received there but spent in India	5,000	5,000	-
(16) Gift received on the occasion of his wedding [not an income]	-	-	-
(17) Interest on savings bank deposit in State Bank of India	10,000	10,000	10,000
(18) Income from a business in Russia, controlled from Russia	20,000	-	-
(19) Agricultural income from a land in Rajasthan [it is exempt u/s 10(1)]	-	-	-
Gross Total Income	**3,44,000**	**2,15,000**	**1,80,000**
(-) Deduction u/s. 80TTA (Interest on saving bank account)	10,000	10,000	10,000
Total Income	**3,34,000**	**2,05,000**	**1,70,000**

Question: 29

Calculate taxable income of an individual on the basis of the following information, for the assessment year 2026-27, if he is: (a) Ordinarily Resident (b) Not Ordinarily Resident; and (c) Non-Resident

(i)	Profit from business in Japan received in India.	10,000
(ii)	Income from agriculture in Pakistan – it is all spent on the education of children there	5,000
(iii)	Income accrued in India but received in England	10,000
(iv)	Income from house property in Pakistan deposited in a bank there	2,000
(v)	Profits of business in America deposited in a bank there. This business is controlled from India	50,000
(vi)	Profits earned from business in Meerut	12,000
(vii)	Past untaxed foreign income brought into India during the previous year	10,000
	(Presume that all the incomes are computed incomes)	

Solution:

Computation of Gross total income for A.Y. 2026-27:

	Particulars	ROR	NOR	NR
(i)	Income accruing/arising outside India but received in India	10,000	10,000	10,000
(ii)	Income accruing/arising outside India and also received abroad.	5,000	-	-
(iii)	Income accruing/arising in India	10,000	10,000	10,000
(iv)	Income accruing/arising outside India and also received abroad.	2,000	-	-
(v)	Income accruing/arising outside India and also received outside India but from a business controlled from India	50,000	50,000	-
(vi)	Income accruing/arising in India	12,000	12,000	12,000
(vii)	Past profits	-	-	-
	Taxable Income	89,000	82,000	32,000

Question: 30

Mr. Ram earns the following income during the previous year 2025-26. Compute his gross total income for assessment year 2026-27 if he is (i) resident and ordinarily resident. (ii) resident but not ordinarily resident. (iii) non-resident.

(1)	Income from agricultural land in Bhutan received there and remitted to India later on	40,000
(2)	Pension for service rendered in India, but received in Paris	15,000
(3)	Past untaxed profits of 2024-25 brought into India in 2025-26	50,000
(4)	Profits from business in Paris, deposited in bank there	1,00,000
(5)	Profits from business in Canada, controlled from India, profits received there	1,75,000
(6)	Interest on saving bank deposit in Punjab National Bank, in India	20,000
(7)	Capital gain on sale of a house in Delhi, amount received in Paris	2,00,000

Solution:

Computation of Gross total income for A.Y. 2026-27:

	Particulars	ROR	NOR	NR
(1)	Income accruing/arising outside India and received outside India	40,000	-	-
(2)	Income accruing/arising in India	15,000	15,000	15,000
(3)	Past profits	-	-	-
(4)	Income accruing/arising and received outside India	1,00,000	-	-
(5)	Income accruing/arising and received outside India, but business controlled from India	1,75,000	1,75,000	-
(6)	Income deemed to be accruing/ arising in India	20,000	20,000	20,000
(7)	Income deemed to be accruing/ arising in India	2,00,000	2,00,000	2,00,000
	Gross Total Income	5,50,000	4,10,000	2,35,000

Question: 31

Mr. Rahim earns the following income during the previous year 2025-26. Compute his Gross total income for assessment year 2026-27 if he is (i) resident and ordinarily resident. (ii) resident but not ordinarily resident. (iii) non-resident.

(1)	Profit on sale of machinery in India, but received in Japan	1,20,000
(2)	Profits from business in Bombay, managed from Japan	2,25,000
(3)	Profits from business in Japan, managed from there, received there	1,45,000
(4)	Income from house property in India	1,50,000
(5)	Income from property in Japan and received there	1,50,000
(6)	Income from agriculture in Japan being invested there	75,000
(7)	Fees for technical services rendered in India but received in Japan	65,000
(8)	Interest on Government securities accrued in India but received in Japan	80,000
(9)	Interest on Japan Government securities, received in India	40,000
	(Presume that all the incomes are computed incomes)	

Solution:

Computation of Gross total income for A.Y. 2026-27:

	Particulars	ROR	NOR	NR
(1)	Income accruing /arising in India	1,20,000	1,20,000	1,20,000
(2)	Income accruing/arising in India	2,25,000	2,25,000	2,25,000

(3)	Income accruing/arising and received outside India	1,45,000	-	-
(4)	Income accruing/arising in India	1,50,000	1,50,000	1,50,000
(5)	Income accruing/arising outside India and received outside India	1,50,000	-	-
(6)	Income accruing/arising outside India and received outside India	75,000	-	-
(7)	Income accruing/arising in India	65,000	65,000	65,000
(8)	Income accruing/arising in India	80,000	80,000	80,000
(9)	Income received in India	40,000	40,000	40,000
	Gross Total Income	**10,50,000**	**6,80,000**	**6,80,000**

Question: 32

Mr. Soham earns the following incomes during the financial year 2025-26.

(1)	Profits from a business in Japan, controlled from India, half of the profits received in India	60,000
(2)	Income from agriculture in Nepal, brought to India	10,000
(3)	Income u/h house property in Bombay, received in UK	1,70,000
(4)	Income u/h house property in USA, received there but subsequently remitted to India	2,20,000
(5)	Income u/h house property in USA, received there (₹50,000 remitted in India)	1,00,000
(6)	Salary received in India for services rendered in USA	60,000
(7)	Income from profession in Paris, which was set up in India, received in Paris	90,000
(8)	Interest from deposit with an Indian company, received in Japan	19,000
(9)	Income from profession in Bombay received in Paris	39,000
(10)	Profits of business in Iran, deposited in a bank there, business controlled from India (out of ₹4,80,000, ₹1,00,000 is remitted in India)	4,80,000
(11)	Interest on German development bonds, half of which is received in India	12,000
(12)	Income under the head house property in Canada, one-fifth is received in India	50,000

(Presume all the above incomes are computed income i.e. all the exemptions and deductions have already been allowed) Determine the gross total income of Mr. Soham if he is (i) resident and ordinarily resident, (ii) resident but not ordinarily resident, (iii) non-resident in India, during the financial year 2025-26.

Solution:

Computation of Gross total income for A.Y. 2026-27:

	Particulars	ROR	NOR	NR
(1)	Income accruing/arising outside India from a business controlled in India, half of the income received in India	60,000	60,000	30,000
(2)	Income accruing/arising outside India and received outside India	10,000	-	-
(3)	Income accruing/arising in India	1,70,000	1,70,000	1,70,000
(4)	Income accruing/arising outside India and received outside India	2,20,000	-	-
(5)	Income accruing/arising outside India and received outside India	1,00,000	-	-
(6)	Income received in India	60,000	60,000	60,000

(7)	Income accruing/arising and received outside India, but profession set up in India	90,000	90,000	-
(8)	Income accruing/arising in India	19,000	19,000	19,000
(9)	Income accruing/arising in India	39,000	39,000	39,000
(10)	Income accruing/arising outside India and received outside India, but business controlled from India	4,80,000	4,80,000	-
(11)	Income accruing/arising outside India, half received outside India and half in India	12,000	6,000	6,000
(12)	Income accruing/arising outside India, 4/5th received outside India and 1/5th in India	50,000	10,000	10,000
	Gross Total Income	**13,10,000**	**9,34,000**	**3,34,000**

Question: 33 **[May 2019]**

The following are the income of Shri Subhash Chandra, a citizen of India for the previous year 2025-26:
(i) Income from business in India ₹2,00,000. The business is controlled from London and ₹60,000 were remitted to London.
(ii) Profits from business earned in Japan ₹70,000 of which ₹20,000 were received in India. This business is controlled from India.
(iii) Untaxed income of ₹1,30,000 for the year 2022-23 of a business in England which was brought in India on 3rd March, 2026.
(iv) Royalty of ₹4,00,000 received from Shri Ramesh, a resident for technical service provided to run a business outside India.
(v) Agricultural income ₹90,000 in Bhutan.
(vi) Income of ₹73,000 from house property in Dubai, which was deposited in bank at Dubai.
Compute Gross total income of Shri Subhash Chandra for the A.Y. 2026-27, if he is –
(1) A resident and Ordinarily Resident, and
(2) A resident and Not Ordinarily Resident

Solution:

As per section 5(1), total income of ROR would include-
(i) income accruing/ arising in India during the PY;
(ii) income deemed to accrue/ arise in India during the PY;
(iii) income received in India during the PY even if accruing/arising outside India;
(iv) income deemed to be received in India during the PY even if accruing/arising outside India;
(v) income accruing/ arising outside India even if it is not received or brought into India during the PY.

However, in case of NOR, income accruing/ arising outside India and received outside India *but only from a business controlled from India or from a profession which was set up in India* are includible in total income.

	Particulars	**ROR**	**NOR**
(i)	Income from business in India, controlled from London	2,00,000	2,00,000
(ii)	Profit from business in Japan, controlled from India	70,000	70,000
(iii)	Past years untaxed foreign income brought to India	-	-
(iv)	Royalty Income from a resident for technical service to run business outside India (assumed amount received in India)	4,00,000	4,00,000
(v)	Agriculture Income from Bhutan (i.e. outside India) assumed received in Bhutan	90,000	-

(vi)	Income from house property in Dubai received in Dubai	73,000	-
	Gross Total Income	**8,33,000**	**6,70,000**

Note: Student can take assumption that royalty received outside India, in such case royalty shall be taxable in case of ROR only.

Note: In the above solution income of ₹73,000 is presumed to be computed income under the head house property. Student can also presume such amount as rent received (as the amount is deposited in bank account) and standard deduction u/s 24(a) @ 30% shall be allowed from ₹73,000 and taxable amount shall be ₹51,100.

Question: 34 **[May 2018]**

Compute the Gross Total Income in the hands of an individual for the A.Y. 2026-27, if he is: (a) a resident and ordinary resident; and (b) a non – resident

S. No.	Particulars	Amount
(i)	Interest from German Derivatives Bonds (1/3 received in India)	21,000
(ii)	Income from agriculture land situated in Malaysia, remitted to India	51,000
(iii)	Income earned from business in Dubai, controlled from India (₹20,000 received in India)	75,000
(iv)	Profit from business in Mumbai, controlled from Australia	1,75,000
(v)	Interest received from Mr. Ashok (NRI) on loan provided to him for business in India	35,000
(vi)	Profit from business in Canada controlled from Mumbai (60% of profits deposited in a bank in Canada and 40% remitted to India)	60,000
(vii)	Amount received from an NRI for the use of know-how for his business in Singapore	8,00,000
(viii)	Past years untaxed foreign income brought to India	50,000

Solution:

Computation of the Gross Total Income

	Particulars	ROR	NR
(i)	Interest from German Derivatives Bonds (1/3 received in India)	21,000	7,000
(ii)	Income from agriculture land situated in Malaysia, remitted to India	51,000	-
(iii)	Income earned from business in Dubai, Controlled from India (₹20,000 received in India).	75,000	20,000
(iv)	Profit from business in Mumbai, controlled from Australia	1,75,000	1,75,000
(v)	Interest received from Mr. Ashok (NRI) on loan provided to him for business in India	35,000	35,000
(vi)	Profit from business in Canada controlled from Mumbai (60% of profits deposited in a bank in Canada and 40% remitted to India)	60,000	-
(vii)	Amount received from an NRI for the use of know-how for his business in Singapore	8,00,000	-
(viii)	Past years untaxed foreign income brought to India	-	-
	Total	**12,17,000**	**2,37,000**

Question: 35 [Scope of total income, deduction] **[ICAI Mat]**

Mr. Ramesh & Mr. Suresh are brothers, and they earned the following incomes during the F.Y. 2025-26. Mr. Ramesh settled in Canada in the year 1996 and Mr. Suresh settled in Delhi. Compute the total income for the A.Y. 2026-27 assuming that both have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Sr. No.	Particulars	Mr. Ramesh (₹)	Mr. Suresh (₹)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	35,000	40,000
2.	Dividend from British company, received in London	28,000	20,000
3.	Profits from a business in Nagpur, but managed directly from London	1,00,000	1,40,000
4.	Short term capital gain on sale of shares of an Indian company, received in India	60,000	90,000
5.	Income from a business in Chennai	80,000	70,000
6.	Fees for technical services rendered in India, but received in Canada	1,00,000	---------
7.	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9.	Rent received in respect of house property at Bhopal	1,00,000	60,000
10.	Life insurance premium paid	--------	30,000

Solution:

Computation of total income of Mr. Ramesh & Mr. Suresh for the A.Y. 2026-27

S. No.	Particulars	Mr. Ramesh (Non Resident)	Mr. Suresh (Resident)
1.	Interest on Canada Development Bond (See Note 2)	17,500	40,000
2.	Dividend from British Company received in London (See Note 3)	------	20,000
3.	Profits from a business in Nagpur but managed directly from London (See Note 2)	1,00,000	1,40,000
4.	Short term capital gain on sale of shares of an Indian company received in India (See Note 2)	60,000	90,000
5.	Income from a business in Chennai (See Note 2)	80,000	70,000
6.	Fees for technical services rendered in India, but received in Canada (See Note 2)	1,00,000	-------
7.	Interest on savings bank deposit in UCO Bank, Delhi (See Note 2)	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh (See Note 4)	-------	--------
9.	Income from house property at Bhopal (See Note 5)	70,000	42,000
	Gross Total income	4,34,500	4,14,000
	Less: Deduction under Chapter VI-A Section 80C - Life insurance premium Section 80TTA (See Note 6)	 ------ 7000	 30,000 10,000
	Total Income	**4,27,500**	**3,74,000**

Notes:

1. Mr. Ramesh is a non-resident since he has been living in Canada since 1996. Mr. Suresh, is settled in Delhi, and thus, assumed as a resident and ordinarily resident.
2. In case of a resident and ordinarily resident, his global income is taxable as per section 5(1). However, as per section 5(2), in case of a non-resident, only the following incomes are chargeable to tax: (i) Income received or deemed to be received in India; and (ii) Income accruing or arising or deemed to accrue or arise in India. Therefore,

fees for technical services rendered in India would be taxable in the hands of Mr. Ramesh, even though he is a non-resident. The income referred to in Sl. No. 3, 4, 5 and 7 are taxable in the hands of both Mr. Ramesh and Mr. Suresh since they accrue or arise/ deemed to accrue or arise in India. Interest on Canada Development Bond would be fully taxable in the hands of Mr. Suresh, whereas only 50%, which is received in India, is taxable in the hands of Mr. Ramesh.

3. Dividend received from British company in London by Mr. Ramesh, a non-resident, is not taxable since it is accrued and received outside India. However, such dividend received by Mr. Suresh is taxable, since he is a resident and ordinarily resident.

4. Agricultural income from a land situated in India is exempt under section 10(1) in the case of both non-residents and residents.

5. Income from house property –

	Mr. Ramesh (Non Resident)	**Mr. Suresh (Resident)**
Rent received	1,00,000	60,000
Less: Deduction u/s 24(a) @30%	30,000	18,000
Net income from house property	70,000	42,000

The net income from house property in India would be taxable in the hands of both Mr. Ramesh and Mr. Suresh, since the accrual and receipt of the same are in India.

6. In case of an individual, interest upto ₹ 10,000 from savings account with, inter alia, a bank is allowable as deduction under section 80TTA.

Question: 36 **[ICAI Mat]**

Examine with reasons whether the following transactions attract income-tax in India in the hands of recipients:

(i) Salary payable by Central Government to Mr. John, a citizen of India of ₹7,00,000 for the services rendered outside India considering that he pays tax as per the provisions of section 115BAC.

(ii) Interest on moneys borrowed from outside India ₹ 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.

(iii) Post office savings bank interest of ₹ 19,000 received by a resident assessee, Mr. Ram, aged 46 years if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

(iv) Royalty paid by a resident to a non-resident in respect of a business carried on outside India.

(v) Legal charges of ₹ 5,00,000 paid in Delhi to a lawyer of United Kingdom who visited India to represent a case at the Delhi High Court.

Solution:

	Taxable/ Not Taxable	**Amount liable to tax**	**Reason**
(i)	Taxable	6,25,000	As per section 9(1)(iii), salaries payable by the Government to a citizen of India for service rendered outside India shall be deemed to accrue or arise in India. Therefore, salary paid by Central Government to Mr. John for services rendered outside India would be deemed to accrue or arise in India since he is a citizen of India. He would be entitled to standard deduction of ₹75,000 under section 16(ia).
(ii)	Taxable	5,00,000	As per section 9(1)(v)(c), interest payable by a non-resident on moneys borrowed and used for the purposes of business carried on by such person in India shall be deemed to accrue or arise in India in the hands of the recipient.

(iii)	Partly Taxable	5,500	The interest on Post office savings bank a/c would be exempt u/s 10(15)(i) only to the extent of ₹ 3,500 in case of an individual a/c. Further, interest upto ₹10,000, would be allowed as deduction u/s 80TTA from Gross Total Income. Balance ₹5,500 i.e., ₹19,000 - ₹3,500 - ₹10,000 would be taxable in the hands of Mr. Ram, a resident.
(iv)	Not Taxable	----	Royalty paid by a resident to a non-resident in respect of a business carried outside India would not be taxable in the hands of the non-resident provided the same is not received in India. This has been provided as an exception to deemed accrual mentioned in section 9(1)(vi)(b).
(v)	Taxable	5,00,000	In case of a non-resident, any income which accrues or arises in India or which is deemed to accrue or arise in India or which is received in India or is deemed to be received in India is taxable in India. Therefore, legal charges paid in India to a non-resident lawyer of UK, who visited India to represent a case at the Delhi High Court would be taxable in India.

Comprehensive Questions

Question: 37 [Residential status, Scope of total income]

Mr. John, a foreign citizen (not being a person of Indian origin) came to India for the first time on 2nd December, 2025 for a visit of 210 days. Mr. John had the following income during the previous year ended 31st March, 2026:

(1) Salary (computed) received in India for three months	1,00,000
(2) Income from house property in London (received there)	2,75,200
(3) Amount brought into India out of the past-untaxed profits earned in Germany	80,00
(4) Income from agriculture in Sri Lanka, received and invested there	12,300
(5) Income from business in Nepal, being controlled from India	35,000
(6) Income from house property in USA received in USA (₹76,000 is used in Canada for meeting the educational expenses of Mr. John's daughter and ₹10,000 is later on remitted in India)	86,000

You are required to compute his gross total income for the assessment year 2026-27.

Solution:

As per section 6(1), an Individual is said to be resident in India if he satisfies any of the following two conditions, namely:
1. His total stay in India is 182 days or more during the relevant PY; or
2. His total stay in India is 60 days or more during the relevant PY and 365 days or more during 4 PYs preceding the relevant PY.

Mr. John is a foreign citizen. He was in India during the previous year 2025-26 for 120 (30 + 31 + 28 + 31) days. Thus, he does not satisfy the first condition of 182 days. The second condition is also not satisfied as Mr. John came to India for first time during the previous year 2025-26. Mr. John is therefore non-resident in India.

As per section 5(2), total income of NR would include-
(i) income accruing/ arising in India during the PY;
(ii) income deemed to accrue/ arise in India during the PY;
(iii) income received in India during the PY even if accruing/arising outside India;
(iv) income deemed to be received in India during the PY even if accruing/arising outside India.

The total income of Mr. John for the assessment year 2026-27 will be:

1	Salary (computed) received in India for three months [Taxable on receipt basis]	1,00,000
2	Income from house property in London (received there) [Not taxable as income is accruing & arising outside India and is also received outside India]	-
3	Amount brought in India out of the past untaxed-profits earned in Germany [Not taxable as it is not income]	-
4	Income from agriculture in Sri Lanka being invested there [Income accrued and received outside India]	-
5	Income from business in Nepal, being controlled from India [Not taxable in the case of non- resident]	-
6	Income from house property in USA received in USA [Income accrued and received outside India]	-
7	Gross Total Income	1,00,000

Question: 38 [Residential status, Scope of total income] [RTP Nov 2019] [Nov 2018]

Mr. Surya, an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Mumbai airport on 15th May 2025 as stamped in the passport. He has been in India for less than 365 days during the 4 years immediately preceding the previous year and has not been in India for at least 60 days in the previous year.

Determine:

(A) Residential status of Mr. Surya and

(B) Gross total income for the assessment year 2026-27 from the following information:

(1) Short term capital gain on the sale of shares of Trena India Ltd. a listed Indian company amounting to ₹35,000. The sale proceeds were credited to his Swiss bank account.

(2) Interest on fixed deposit with State Bank of India (Mumbai) amounting to ₹8,000 was credited to his saving account.

Solution:

(A) As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:

(i) He *stays in India* for 182 days or more during the relevant previous year;

(ii) He *stays in India* for 60 days or more during relevant previous year **and** also for 365 days or more during 4 years preceding the relevant previous year.

If the individual satisfies any one of the conditions mentioned above, he is a resident, otherwise the individual is a non-resident.

In the given case his stay in India in the previous year is less than 60 days hence he will be Non-Resident.

(B) As per section 5(2), total income of NR would include-

(i) income accruing/ arising in India during the PY;

(ii) income deemed to accrue/ arise in India during the PY;

(iii) income received in India during the PY even if accruing/arising outside India;

(iv) income deemed to be received in India during the PY even if accruing/arising outside India.

Computation of Total Income for the A.Y. 2026-27

(1) Short term capital gains on the sale of shares of an Indian company is income accruing/arising in India but the amount is received outside India. As Income is accruing/ arising in India hence it is taxable in case of Non-Resident.

(2) Interest on Fixed Deposits with State Bank of India (Mumbai) is income accruing/arising in India hence taxable in case of Non-resident.

Short term capital gains	35,000
Interest on fixed deposits	8,000
Gross Total Income	43,000

Question: 39 [Residential status, Scope of total income] [RTP Nov 2022] [RTP May 2024] [MTP May 2025]

Mr. Dhanush, an Indian citizen aged 35 years, worked in ABC Ltd. in Mumbai. He got a job offer from XYZ Inc., USA on 01.06.2024. He left India for the first time on 31.07.2024 and joined XYZ Inc. on 08.08.2024. During the P.Y. 2025-26, Mr. Dhanush visited India from 25.05.2025 to 22.09.2025. He has received the following income for the previous year 2025-26.

Particulars	Amount
Salary from XYZ Inc., USA received in USA	7,00,000
Dividend from Indian companies	5,50,000
Agricultural income from land situated in Punjab	55,000
Rent received/receivable from house property in Lucknow	4,00,000
Profits from a profession in USA, which was set up in India, received there	6,00,000

Determine the residential status of Mr. Dhanush and compute his gross total income for the A.Y. 2026-27.

Solution:

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		Amount
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 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 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 the 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	Amount
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 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 deemed to accrue or arise in India) Less: 30% of ₹4 lakhs	4,00,000 1,20,000	2,80,000
Profits from a profession in USA, which was set up in India, received there Gross total income		- 8,30,000

Question: 40 [Residential Status, Scope of total income] [MTP May 2018]

Mr. Kunal is an Indian citizen and a member of the crew of a Thailand bound Indian ship engaged in carriage of passengers in international traffic departing from Port Blair on 10th July, 2025. His stay in India in the last 4 previous years (preceding P.Y. 2025-26) is 375 days and last seven previous years (preceding P.Y. 2025-26) is 729 days:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Kunal	10th July, 2024
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Kunal	21st January, 2025

He earned following income during the previous year 2025-26:

Dividend from Thailand Company received in Thailand	₹30,000
Short term capital gains on sale of shares of an Indian company	₹25,000
Interest on savings account with Post office	₹13,000
Past foreign untaxed income brought to India during the previous year	₹5,000
Cash gift received from non-relative	₹20,000
Income from agricultural land in Nepal received there and then brought to India	₹18,000
Interest received from a non-resident on moneys borrowed for the purpose of business in Delhi	₹1,50,000

From the above details for the P.Y. 2025-26, compute the total income of Mr. Kunal for A.Y. 2026-27 under old tax regime.

Solution:

In this case, the voyage is undertaken by an Indian ship engaged in the carriage of passengers in international traffic, originating from a port in India (i.e., the Port Blair) and having its destination at a port outside India (i.e., the Thailand port). Hence, the voyage is an eligible voyage for the purposes of section 6(1).
Therefore, the period beginning from 10th July, 2025 and ending on 21st January, 2026, being the dates entered into the Continuous Discharge Certificate in respect of joining the ship and signing off from the ship by Mr. Kunal, an Indian citizen who is a member of the crew of the ship, has to be excluded for computing the period of his stay in India. Accordingly, 196 days [22+31+30+31+30+31+21] have to be excluded from the period of his stay in India. Consequently, Mr. Kunal's period of stay in India during the P.Y. 2025-26 would be 169 days [i.e., 365 days – 196 days]. Since his period of stay in India during the P.Y. 2025-26 is less than 182 days, he is a non-resident for A.Y. 2026-27.

Based on the residential status, the total income of Mr. Kunal would be determined as follows:

Computation of total income of Mr. Kunal for the A.Y. 2026-27

S. No.	Particulars	₹
(i)	Dividend from Thailand Company received in Thailand (Note 2)	-
(ii)	Short term capital gain on sale of shares of an Indian company	25,000
(iii)	Interest on savings account with Post office (Note 3)	9,500
(iv)	Past foreign untaxed income brought to India during the previous year [Not taxable, since it does not represent income of the P.Y.2024 -25]	-
(v)	Gift received from non-relative [As per section 56(2)(x), cash gifts received from a non-relative would be taxable, if the amount exceeds ₹50,000 in aggregate during the previous year]	-
(vi)	Income from agricultural land in Nepal received there and then brought to India (Note 2)	-
(vii)	Interest received from a non-resident on moneys borrowed for the purpose of business in Delhi (Note 4)	1,50,000
	Gross Total income	1,84,500
	Less: Deductions under Chapter VIA Section 80TTA (In case of an individual, interest upto ₹10,000 from savings account with, inter alia, a post office is allowable as deduction under section 80TTA)	9,500
	Total Income	1,75,000

Notes:

(1) Since the residential status of Mr. Kunal is "non-resident" for A.Y. 2026-27 consequent to his number of days of stay in P.Y. 2025-26 being less than 182 days, his period of stay in the earlier previous years become irrelevant.

(2) As per section 5(2), only the following incomes are chargeable to tax in India, in case of a non- resident:

(i) Income received or deemed to be received in India; and

(ii)Income accruing or arising or deemed to accrue or arise in India.

Therefore, dividend from Thailand Company received in Thailand and Income from agricultural land in Nepal received there and then brought to India by Mr. Kunal, a non-resident, would not be taxable in India, since both the accrual and receipt are outside India.

(3) The interest on Post Office Savings Bank Account, would be exempt under section 10(15)(i), only to the extent of 3,500 in case of an individual account.

(4) As per section 9(1)(v)(c), interest payable by a non-resident on moneys borrowed and used for the purposes of business carried on by such person in India shall be deemed to accrue or arise in India in the hands of the recipient.

Question: 41 [Residential Status, Scope of Total Income] [MTP May 2021]

Determine the residential status and total income of Mr. Raghu for the assessment year 2026-27 under new tax regime from the information given below.

Mr. Raghu (age 62 years), an American citizen, is employed with a multinational company in Gurugram. Mr. Raghu holds a senior level position as researcher in the company, since 2014. To share his knowledge and finding in research, company gave him an opportunity to travel to other group companies outside India while continuing to be based at the Gurugram office.

The details of his travel outside India for the financial year 2025-26 are as under

Country	Period of stay
USA	25 August, 2025 to 10 November, 2025
UK	20 November, 2025 to 23 December, 2025
Germany	10 January, 2026 to 24 March, 2026

During the last four years preceding the previous year 2025-26, he was present in India for 380 days. During the last seven previous years preceding the previous year 2025 -26, he was present in India for 700 days. During the P.Y. 2025-26, he earned the following incomes:

(1) Salary ₹15,80,000. The entire salary is paid by the Indian company in his Indian bank account.

(2) Dividend amounting to ₹48,000 received from Treat Ltd., a Singapore based company, which was transferred to his bank account in Singapore.

(3) Interest on fixed deposit with Punjab National Bank (Delhi) amounting to ₹10,500 was credited to his saving account.

Solution:

Determination of residential status

Mr. Raghu would be a resident in India in P.Y. 2025-26, if he satisfies any one of the following conditions:

(i) He has been in India during the previous year for a total period of 182 days or more, or

(ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the previous year.

If he satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, he would be a non-resident.

During the P.Y. 2025-26 Mr. Raghu stayed in India for 179 days i.e., 365 days – 186 days [78 days + 34 days + 74 days] and 380 days i.e., more than 365 days during the 4 preceding previous years. He satisfies the second basic condition for being a resident. Hence, he is a resident in India for A.Y. 2026-27.

A person would be "Not ordinarily Resident" in India in any previous year, if such person, inter alia,:

(a) has been a non-resident in 9 out of 10 previous years preceding the relevant previous year; or

(b) has during the 7 previous years immediately preceding the relevant previous year been in India for 729 days or less.

For the previous year 2025-26, Mr. Raghu would be "Resident but not ordinarily resident" since he stayed for less than 729 days during the 7 previous years immediately preceding P.Y. 2025- 26.

Computation of total income of Mr. Raghu for A.Y. 2026-27

Particulars		**Amount (Rs.)**
Salary from Indian company received in a bank account in India *Less:* Standard deduction u/s 16(ia)	15,00,000 75,000	 14,25,000
Dividend of ₹48,000 received from Singapore based company transferred to his bank account in Singapore is not taxable in the hands of the resident but not ordinarily resident since the		Nil
Interest on fixed deposit with PNB credited to his savings bank account is taxable in the hands of Mr. Raghu as Income from other sources, since it has accrued and arisen in India and is also received in India.		10,500
Gross Total Income		**14,35,500**
Less: Deduction u/s 80TTB		NA
Total Income		**14,35,500**

Question: 42 [Residential Status, Scope of Total Income] [July 2021] [MTP Jan 2025]

Mrs. Riya, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2026:

S. No.	Particulars	Amount (in ₹)
1	Pension received from Russian Government	65,000
2	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000
4	Premium paid for self to Russian Life Insurance Corporation at Russia	75,000
5	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000

You are required to ascertain the residential status of Mrs. Riya and compute her total income in India for Assessment Year 2026-27 under old tax regime.

Solution:

An Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India (and whose total income, other than from foreign sources, does not exceed ₹15,00,000) would be resident in India only if he or she stays in India for a period of 182 days or more during the previous year. Even if his total income, other than from foreign sources, exceeds ₹15,00,000, he would be resident in India if stays in India for 120 days or more during the relevant previous year and 365 days or more during the 4 previous years immediately preceding the relevant previous year.

Since Mrs. Riya is a person of Indian origin who comes on a visit to India only for 60 days in the P.Y. 2025-26, she is non-resident for the A.Y. 2026-27.

A non-resident is chargeable to tax in respect of income received or deemed to be received in India and income which accrues or arises or is deemed to accrue or arise to her in India. Accordingly, her total income and tax liability would be determined in the following manner:

Computation of total income and tax liability of Mrs. Riya for A.Y. 2026-27

Particulars		Amt (₹)
Salaries Pension received from Russian Government [Not taxable, since it neither accrues or arises in India nor it is received in India]		Nil
Income from House Property Annual Value [Rental Income from house property in New Delhi since it is deemed to accrue or arise in India, as it accrues or arises from a property situated in India]	90,000	
Less: Deduction u/s 24(a) @ 30%	27,000	63,000
Capital Gains Long-term capital gains on sale of land at New Delhi [Taxable, since it is deemed to accrue or arise in India as it is arising from transfer of land situated in India]		3,00,000
Short-term capital gains on sale of shares of Indian listed companies in respect of which STT was paid [Taxable, since it is deemed to accrue or arise in India, as such income arises on transfer of shares of Indian listed companies]		60,000
Gross Total Income		4,23,000
Less: Deduction under Chapter VI-A		
Deduction under section 80C		63,000

Life insurance premium of ₹75,000 [Premium paid to Russian Life Insurance Corporation allowable as deduction. However, the same has to be restricted to gross total income excluding LTCG and STCG, as Chapter VI-A deductions are not allowable against such income chargeable to tax u/s 112 and 111A, respectively]	
Total Income	**3,60,000**

Question: 43 [Residential Status, Scope of Total Income] [Nov 2018] [RTP Nov 2019] [RTP Jan 2025]

Mr. Akshay (aged 59 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 20th April 2025 and returned on 15th October 2025. He has been in India for less than 700 days during the 7 years immediately preceding the previous year. Determine his residential status and his total income for the assessment year 2026-27 from the following information:
(1) Long term capital gain on sale of shares of Shama India Ltd., a listed Indian company, amounting to ₹1,12,000. The sale proceeds were credited to his bank account in UK. Dividend amounting to ₹40,000 (gross) received from RIL Ltd., an Indian company. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2nd April, 2025. Interest on the borrowed money for the P.Y. 2025-26 amounted to ₹10,000.
Interest on post office saving bank account amounting to ₹9,500. Mr. Akshay has shifted out of the default tax regime and wants to pay tax under normal provisions of the Act.

Solution:

Determination of residential status

An individual is said to be resident in India in any previous year, if he satisfies any one of the following conditions:
(i) He has been in India during the previous year for a total period of 182 days or more, or
(ii) He has been in India for at least 60 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.
If the individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non-resident.
Mr. Akshay, an Indian citizen, has satisfied the first basic conditions for being a resident, since he was in India for 188 days (20+17+30+31+31+28+31) during the previous year 2025-26. Hence, he is a resident in India for A.Y. 2026-27.
An individual would be resident but not ordinarily resident if he satisfies either one of the following conditions:
(i) He has been non-resident in India in any 9 out of 10 previous years preceding the relevant previous year, or
(ii) He has, during the 7 years immediately preceding the relevant previous year, been in India for a period of 729 days or less.
Since Mr. Akshay has been in India for less than 700 days during the 7 years immediately preceding the previous year, he would be a resident but not ordinarily resident for A.Y. 2026-27

Computation of total income of Mr. Akshay for A.Y. 2026-27

	Particulars		Amount
(1)	Long-term capital gain on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Akshay, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in UK.		1,12,000
(ii)	Dividend received from an Indian company taxable in the hands of the Akshay as Income from other sources since the income has accrued or arisen in India Less: Interest expenditure restricted to 20% of dividend	40,000 8,000	 32,000

(iii)	Interest on post office saving bank account is taxable in the hands of Mr. Akshay as Income from other sources, since it has accrued and arisen in India and is also received in India. Less: Exemption under section 10(15)	9,500 3,500	 6,000
Gross total Income			1,50,000
Less: Deduction under Section 80TTA			6,000
Total Income			1,44,000

Question: 44 [Residential Status, Scope of Total Income] [RTP Sept 2025]

Mr. Varun, an Indian citizen, engaged in consultancy business in India. He shifted to Dubai in the year 2020 to expand his consultancy business overseas. He visits India every year to supervise his office in Delhi. His stay in India for current as well as past years is as follows:
P.Y. 2021-22: 95 days
P.Y. 2022-23: 105 days
P.Y. 2023-24: 95 days
P.Y. 2024-25: 75 days
P.Y. 2025-26: 100 days
During the P.Y. 2025-26, he earned the following income:
1. Income from consultancy business in India – ₹10,00,000
2. Income from consultancy business in Dubai - ₹4,00,000
3. Agricultural income from land situated in Kerala - ₹70,000
4. Dividend from an Indian company, received in Dubai - ₹50,000
5. Interest expenditure on investment in above shares - ₹15,000
You are required to:
(a) Determine Mr. Varun's residential status for A.Y. 2026-27, assuming he is not liable to tax in Dubai.
(b) Compute the Total income of Mr. Varun for P.Y. 2025-26 if he opts out of the default tax regime.

Solution:

(a) Determination of residential status

As per section 6(1), an Indian citizen who, being outside India comes on a visit to India during the relevant previous year is said to be resident in India if he has been in India during the previous year for a total period of 182 days or more.
However, if his total income, other than the income from foreign sources exceeds ₹15 lakhs during the previous year, he will also be treated as resident in India if he has been in India for at least 120 days in the previous year and has been in India during the 4 years immediately preceding the relevant previous year for a total period of 365 days or more.
Mr. Varun visited India only for 100 days during the P.Y. 2025-26, hence he is a non-resident as per section 6(1) irrespective of whether his total income, other than the income from foreign sources exceeds ₹ 15 lakhs or not.
As per section 6(1A), an Indian citizen, having total income, other than the income from foreign sources, exceeding ₹15 lakhs during the previous year would be deemed to be resident in India in that previous year, if he is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

Computation of total income, other than the income from foreign sources, of Mr. Varun

Particulars	₹	₹
Income from consultancy business in India [Accrued or arisen in India]		10,00,000

Income from consultancy business in Dubai [Income derived from a profession set up in India]		4,00,000
Agricultural income from land in Kerela [Exempt u/s 10(1)]		
Dividend from Indian company	50,000	
Less: Deduction for interest expenses upto 20%	10,000	40,000
		14,40,000

Since Mr. Varun's total income, other than the income from foreign sources, does not exceed ₹15 lakhs, he is not deemed resident as per section 6(1A).
Thus, Mr. Varun is a non-resident for A.Y. 2026-27.

(b) Computation of total income of Mr. Varun, a non-resident, for A.Y. 2026-27

Particulars		**₹**
Income from consultancy business in India [Taxable as income accrued or arisen in India]		10,00,000
Income from consultancy business in Dubai [Not taxable since neither income accrued or arisen in India nor received in India]		-
Agricultural income from land in Kerela [Exempt u/s 10(1)]		-
Dividend from Indian company	50,000	
Less: Deduction for interest expenses upto 20%	10,000	40,000
		10,40,000

Question: 45 [Residential, Scope of Total Income, IFOS] [RTP May 2021]

Mr. Dhruv, a person of Indian origin and citizen of Country X, got married to Ms. Deepa, an Indian citizen residing in Country X, on 4th February, 2025 and came to India for the first time on 20-02-2025. He left for Country X on 12th August, 2025. He returned to India again on 20-01-2026 with his wife to spend some time with his parents-in law for 30 days and thereafter returned to Country X on 18.02.2026.
He received the following gifts from his relatives and friends of her wife during 01-04-2025 to 31-03-2026 in India:
- From parents of wife ₹1,01,000
- From married sister of wife ₹11,000
- From very close friends of his wife ₹2,82,000

(a) Determine his residential status and compute the total income chargeable to tax along with the amount of tax payable on such income for the Assessment Year 2026-27 under old tax regime.
(b) Will your answer change if he has received ₹16,00,000 instead of ₹2,82,000 from very close friends of his wife during the previous year 2025-26 and he stayed in India for 400 days during the 4 years preceding the previous year 2025-26?

Solution:

(a) Determination of residential status and computation of total income and tax payable of Mr. Dhruv Under section 6(1), an individual, being a person of Indian origin and who comes on a visit to India during the previous year and his total income other than the income from foreign source exceeds ₹15,00,000, is said to be resident in India, if he stayed in India for a total period of 120 days or more during that previous year and for 365 days or more during the 4 years immediately preceding the relevant previous year.
However, in case, the total income other than the income from foreign source does not exceed ₹15,00,000, the said individual is said to be resident in India, only if he stayed in India for a total period of 182 days or more during that previous year.

Since in the present case, total income other than from foreign source, of Mr. Dhruv, a person of Indian origin does not exceed ₹15,00,000, he would be said to be resident in India, only if he stayed in India for 182 days or more during the previous year 2025- 26 relevant to A.Y. 2026-27.
His stay in India during the previous year 2025-26 is: From 01.04.2025 to 12.08.2025 - 134 days and 20.01.2026 to 18.02.2026 - 30 days i.e. total 164 days.
Since Mr. Dhruv has stayed in India during the previous year for less than 182 days, he is said to be non-resident.

Computation of total income and tax payable of Mr. Dhruv for the A.Y. 2026-27

Particulars	₹
Income from other sources Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x) if the aggregate value of such gifts exceeds ₹50,000.	
₹1,01,000 received from parents of wife would be exempt, since parents of wife fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil
₹11,000 received from married sister-in-law is exempt, since sister of wife falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil
Gift received from close friends of his wife of ₹2,82,000 is taxable under section 56(2)(x) since the said sum exceeds ₹50,000.	2,82,000
Total Income	**2,82,000**
Tax on total income of ₹2,82,000	1,600
Add: Health and Education cess @ 4%	64
Total tax payable	1,664
Total tax payable (rounded off)	1,660

(b) Determination of residential status and computation of total income and tax payable of Mr. Dhruv (if he has received cash gifts from non-relative for ₹16,00,000):
Where an individual, being a person of Indian origin comes on visit to India and he is having total income other than income from foreign sources exceeding ₹15 lakhs during the previous year, such individual is said to be resident in India, if he stays in India during the previous year for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year. As per section 6(6), such individual whose stay in India is for 120 days or more but less than 182 days in the P.Y. 2025-26 would be resident but not ordinarily resident irrespective of his residential status or no. of days of stay in India in the immediately preceding PYs.
Mr. Dhruv is a person of India origin who has come on a visit to India during the previous year. Since his total income other than income from foreign sources exceeds ₹15,00,000; and his stay in India is for 164 days during the P.Y. 2025-26 and for 400 days during the 4 years immediately preceding the P.Y. 2025-26, he is resident but not ordinarily resident in India for the P.Y. 2025-26.

Computation of total income and tax payable of Mr. Dhruv for the A.Y. 2026-27

Particulars	₹
Income from other sources Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x) if the aggregate value of such gifts exceeds ₹50,000.	
₹1,01,000 received from parents of wife would be exempt, since parents of wife fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil
₹11,000 received from married sister-in-law is exempt, since sister of wife falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil

Gift received from close friends of his wife of ₹ 16,00,000 is taxable under section 56(2)(x) since the amount of cash gifts exceeds ₹ 50,000.	16,00,000
Total Income	16,00,000
Tax on total income of ₹16,00,000	2,92,500
Add: Health and Education cess @ 4%	11,700
Total tax payable	3,04,200

Question: 46 [Residential status, scope of total income, salary]

Mrs. Mehta is a citizen of India and is employed in Raj Ltd. in India and is getting salary of ₹60,000 p.m. and she was transferred out of India w.e.f. 01.09.2025 and for this purpose she left India on 01.09.2025 for the first time and she visited India from 27.12.2025 to 07.01.2026 and her salary for the month of Dec' 2025 was received in India. Employer and employee both have contributed @ 13% (each) of salary to the recognized provident fund and during the year interest of ₹50,000 was credited to the recognized provident fund @ 10% p.a.
(a) Compute her total income and tax liability in India for assessment year 2026-27 under old tax regime.
(b) Presume she was transferred w.e.f. 01.11.2025 and she left India on 01.11.2025 for the first time.

Solution (a):

As per section 6(1), in this case, Mrs. Mehta is covered in special category and her stay in India is less than 182 days hence she will be non-resident and her incomes taxable in India shall be:

Income under head Salary	
Income accruing/arising in India [60,000 * 5]	3,00,000
Income received in India [60,000 * 1]	60,000
Income deemed to be received in India Employer contribution [(60,000 * 12) * 1% (13% - 12%)]	7,200
Interest in excess of 9.5% [50,000/ 10% * 0.5% = 2,500]	
Interest on employer contribution [2,500 /2]	1,250
(Interest on employee contribution i.e. ₹1,250 shall be taxable under the head Other Sources)	
Gross Salary	3,68,450
Less: Standard Deduction u/s 16(ia)	50,000
Income under the head Salary	3,18,450
Income under the head Other Sources	
Interest on employee contribution	1,250
Gross Total Income	**3,19,700**
Less: Deduction u/s 80C Contribution to recognized provident fund [(60,000 * 12) * 13%]	93,600
Total Income	**2,26,100**

Computation of Tax Liability

Tax on ₹2,26,100 at slab rate	Nil
Tax Liability	Nil

Solution (b):

In this case, Mrs. Mehta is covered in special category and her stay in India is more than 182 days hence she will be ROR and her incomes taxable in India shall be:

Income under head Salary	
Income accruing/arising in India [60,000 * 7]	4,20,000
Income received in India [60,000 * 1]	60,000
Income accruing/ arising abroad/ received abroad [60,000 * 4]	2,40,000
Income deemed to be received in India Employer contribution [(60,000 * 12) * 1% (13% - 12%)]	7,200
Interest in excess of 9.5% [50,000 /10% * 0.5% = 2,500]	
Interest on employer contribution [2,500 /2]	1,250
(Interest on employee contribution i.e. ₹1,250 shall be taxable under the head Other Sources)	
Gross Salary	**7,28,450**
Less: Deduction u/s 16(ia)	50,000
Income under the head Salary	6,78,450
Income under the head Other Sources	
Interest on employee contribution	1,250
Gross Total Income	**6,79,700**
Less: Deduction u/s 80C Contribution to recognized provident fund [(60,000 * 12) * 13%]	93,600
Total Income	**5,86,100**

Computation of Tax Liability

Tax on ₹5,86,100 at slab rate	29,720
Add: HEC @ 4%	1,189
Tax Liability	30,909
Rounded off u/s 288B	30,910

Question: 47 [Residential status, Scope of total income, Salary, Other sources, Gift, Capital Gain]

Mr. Mohan is a citizen of India and is employed in Lenskart Ltd and is getting a salary of ₹60,000 p.m. He purchased one building in India on 1st May, 2025 for ₹10,00,000 and its market value is ₹22,00,000 and value for the purpose of charging stamp duty is ₹13,00,000. He purchased gold for ₹8,00,000 and its market value is ₹11,00,000. He was transferred out of India w.e.f. 1st Sept, 2025 and he left India on 1st Sept, 2025. One of his friends gifted him one colour TV on this occasion, market value ₹1,00,000.
He has gone out of India in earlier years also.
P.Y. 2024-25 100 days
P.Y. 2023-24 200 days
He visited India from 01.02.2026 to 14.02.2026 and salary for January, 2026 was received in India.
He has purchased one house property in USA in December 2025 and sold in March 2026 and there was short term capital gain of ₹6,00,000 and the amount was received in USA. Compute his tax liability for the A.Y. 2026-27 under new tax regime.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year **and** also for 365 days or more during 4 years preceding the relevant previous year.

If the individual does not satisfy any one of the above two conditions, he is a non-resident.

Also, as per explanation to section 6(1), any individual who is a citizen of India or is a person of Indian origin and is having business or profession or employment outside India comes on a visit India during relevant previous year will be considered to be resident only if they stay in India for 182 days or more during the relevant previous year.

Since Mr. Mohan is covered in special category and will be resident, if his stay in India in relevant previous year is 182 days or more, hence Mr. Mohan is a non-resident as his stay in India is less than 182 days and his income taxable in India shall be:

Income under the head Salary	
Income accruing/arising in India [(60,000 x 5)]	3,00,000
Income received in India [(60,000 x 1)]	60,000
Gross Salary	3,60,000
Less: Standard Deduction u/s 16(ia)	75,000
Gross Salary	2,85,000
Income under the head Other Sources	
Gift of gold (₹11,00,000 – ₹8,00,000)	3,00,000
Gift of building (₹13,00,000 – ₹10,00,000)	3,00,000
Income under the head Other Sources	6,00,000
Gross Total Income	8,85,000
Less: Deduction u/s 80C to 80U	NA
Total Income	**8,85,000**

Computation of Tax Liability

Tax on ₹8,85,000 at slab rate	28,500
Add: HEC @ 4%	1,140
Tax Liability	29,640

Note: STCG is received in USA is not taxable in India as the assessee is a non-resident.

Question: 48 [Residential status, scope of total income, Gift] [RTP May 2019]

Mrs. X is employed in ABC Ltd in India and she is an American citizen and is getting a salary of ₹2,00,000 p.m. She received gift of one painting in India from her friend on 01.07.2025 and its market value is ₹49,000 and she also received gift in cash of ₹49,000 from the same friend and gift of immovable property with value for the purpose of charging stamp duty is ₹51,000 from the same friend.
She purchased UK Development bond and interest equivalent of ₹2,00,000 was received in USA. She visited USA for 182 days during P.Y. 2025-26.
In the earlier year her stay in India was:

P.Y. 2024-25	110 Days
P.Y. 2023-24	120 Days
P.Y. 2022-23	300 Days
P.Y. 2021-22	182 Days
P.Y. 2020-21	185 Days
P.Y. 2019-20	200 Days
P.Y. 2018-19	300 Days

Compute her tax liability in India for the A.Y. 2026-27 under old tax regime.

Solution:

As per section 6(1), an individual is said to be resident in India in any previous year, if he satisfies any one of the following two conditions:
(i) He *stays in India* for 182 days or more during the relevant previous year;
(ii) He *stays in India* for 60 days or more during relevant previous year **and** also for 365 days or more during 4 years preceding the relevant previous year.

As per section 6(6)(a) of the Act, an individual who is **resident** of India shall be considered to be **NOR** if he has complied with at least one of the conditions given below:
(i) If such individual has during the **7 previous years** preceding the relevant previous year been in India for a period of **729 days or less,** or;
(ii) If such individual has been **non-resident** in India in **9 years out of 10 previous years** preceding the relevant previous year.

If he has not complied with even a single condition, he will be considered to be ROR.

In this case, Mrs. X stays in India for more than 182 days during the previous year 2024-25 and also, she is not able to comply with any of the conditions of section 6(6)(a), she will be considered to be ROR.

Her incomes taxable in India shall be:

Income under the head Salary	
Income accruing/arising in India [(2,00,000 x 12)]	24,00,000
Gross Salary	24,00,000
Less: Standard deduction u/s 16(ia)	50,000
Income under the head Salary	23,50,000
Income under the head Other Sources	
Gift From Friend (immovable property)	51,000
Interest from UK Development bond (Received in USA)	2,00,000
Income under the head Other Sources	2,51,000
Gross Total Income	**26,01,000**
Less: Deduction u/s 80C to 80U	Nil
Total Income	26,01,000

Computation of Tax Liability

Tax on ₹26,01,000 at slab rate	5,92,800
Add: HEC @ 4%	23,712
Tax Liability	6,16,512
Rounded off u/s 288B	6,16,510