

**Topic: Residential Status, Clubbing, Setoff & Deduction**

**Total Marks: 60 Marks**

**Time Allowed: 120 minutes**

**Questions**

**Part-A Multiple Choice Questions**

**[Total 32 Marks – 2 Marks for each MCQ]**

1. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2024-25 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2023-24	100
2022-23	125
2021-22	106
2020-21	83
2019-20	78
2018-19	37
2017-18	40

What shall be his residential status for the P.Y. 2024-25 if his total income (other than income from foreign sources) is ₹ 10 lakhs?

- (a) Resident but not ordinary resident  
(b) Resident and ordinary resident  
(c) Non-resident  
(d) Deemed resident but not ordinarily resident
2. Aashish earns the following income during the P.Y. 2024-25:
- Interest on U.K. Development Bonds (1/4th being received in India): ₹ 4,00,000
  - Capital gain on sale of a building located in India but received in Holland: ₹ 6,00,000

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2025-26?

- (a) ₹ 7,00,000

- (b) ₹ 10,00,000
- (c) ₹ 6,00,000
- (d) ₹ 1,00,000

3. Mr. Rajesh, aged 53 years, and his wife, Mrs. Sowmya, aged 50 years, are citizens of Country X. They are living in Country X since birth. They are not liable to tax in Country X. Both of them have keen interest in Indian Culture. Mr. Rajesh’s parents and grandparents were born in Country X. Mrs. Sowmya visits India along with Mr. Rajesh for four months every year to be with her parents, who were born in Delhi and have always lived in Delhi. During their stay in India, they organize Cultural Programme in Delhi-NCR. Income of Mr. Rajesh and Mrs. Sowmya from the Indian sources for the P.Y. 2024-25 is ₹ 18 lakhs and ₹ 16 lakhs, respectively.

What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y. 2025-26?

- (a) Both are resident and ordinarily resident in India
- (b) Both are non-resident in India
- (c) Mr. Rajesh is resident but not ordinarily resident in India and Mrs. Sowmya is non-resident
- (d) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is resident and ordinarily resident in India.

4. Who among the following will qualify as non-resident for the P.Y. 2024-25?

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2024 and left on 25.12.2024. For past four years, he visited India for dance competition and stayed in India for 120 days each year.
- Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is ₹ 15,20,000.
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2019 till 01.07.2024.

Choose the correct answer

- (a) Mr. Bob and Mr. Joseph
- (b) Mr. Samrat
- (c) Mr. Bob, Mr. Samrat and Mr. Joseph
- (d) None of the three

5. Mr. Sushant is a person of Indian origin, residing in Canada. During P.Y. 2024-25, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2024-25 and his period of stay in India during P.Y. 2023-24, P.Y.2022-23, P.Y. 2021-22 and P.Y. 2020-21 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2024-25:

Source of Income	Amount (₹)
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000

Income accruing or arising and received outside India from business controlled from India	5,50,000
Income accruing or arising and received outside India from business controlled outside India	6,50,000

What is the residential status of Mr. Sushant for A.Y. 2025-25 and his income liable to tax in India during A.Y. 2024-25?

- (a) Non-Resident; ₹ 6,25,000 is liable to tax in India
- (b) Resident and ordinary resident; ₹ 18,25,000 is liable to tax in India
- (c) Resident but not ordinarily resident; ₹ 11,75,000 is liable to tax in India
- (d) Non-Resident; ₹ 11,75,000 is liable to tax in India
6. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2025-26. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2025 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?
- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident.
- (b) Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India.
- (c) Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt.
- (d) Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable.
7. XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2016 and unit in DTA from 15.6.2019. Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and ₹ 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for P.Y. 2024-25 for-
- (a) ₹ 38,09,524
- (b) ₹ 19,04,762
- (c) ₹ 23,52,941
- (d) ₹ 11,76,471
8. If the converted property is subsequently partitioned among the members of the family, the income derived from such converted property as is received by the spouse of the transferor will be taxable -
- (a) as the income of the karta of the HUF
- (b) as the income of the spouse of the transferor
- (c) as the income of the HUF.
- (d) as the income of the transferor-member
9. Ram owns 500, 15% debentures of R Industries Ltd. of ₹ 500 each. Annual interest of ₹ 37,500 was payable on these debentures for P.Y. 2024-25. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2025-26, Shyam showed ₹ 37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income?

- (a) Yes, since interest income was transferred to Shyam, therefore, after transfer, it becomes his income.
- (b) No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam. It would be included in the hands of Ram.
- (c) Yes, if debentures are not transferred, interest income on debentures can be declared by anyone, Ram or Shyam, as taxable income depending upon their discretion.
- (d) No, since Shyam should have shown the income as interest income received from Mr. Ram and not as interest income earned on debentures.
10. Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution is ₹ 5 lakhs to the firm as on 1.4.2024 which includes ₹ 3.5 lakhs contributed out of gift received from Anurag. The firm paid interest on capital of ₹ 50,000 and share of profit of ₹ 60,000 during the F.Y.2024-25. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?
- (a) Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Shivani.
- (b) Share of profit is exempt but interest of ₹ 39,286 is includible in the income of Mr. Anurag and interest of ₹ 10,714 is includible in the income of Mrs. Shivani.
- (c) Share of profit is exempt but interest of ₹ 35,000 is includible in the income of Mr. Anurag and interest of ₹ 15,000 is includible in the income of Mrs. Shivani.
- (d) Share of profit to the extent of ₹ 42,000 and interest on capital to the extent of ₹ 35,000 is includible in the hands of Mr. Anurag.
11. Mr. Arvind gifted a house property to his wife, Mrs. Meena and a flat to his daughter in law, Mrs. Seetha. Both the properties were let out. Which of the following statements is correct?
- (a) Income from both properties is to be included in the hands of Mr. Arvind by virtue of section 64.
- (b) Income from property gifted to wife alone is to be included in Mr. Arvind's hands by virtue of section 64.
- (c) Mr. Arvind is the deemed owner of house property gifted to Mrs. Meena and Mrs. Seetha.
- (d) Mr. Arvind is the deemed owner of property gifted to Mrs. Meena. Income from property gifted to Mrs. Seetha would be included in his hands by virtue of section 64.
12. Pankaj gifted an amount of ₹ 3,00,000 to his wife, Pinky and ₹ 2,00,000 to his daughter, Rinky aged 20 years, on 1st April 2021. Both Pinky and Rinky invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands on Pinky for A.Y. 2025-26.
- (a) ₹ 4,473
- (b) ₹ 12,132
- (c) ₹ 33,000
- (d) ₹ 36,630
13. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3), shall be carried forward. The exceptions to this are -
- (a) Loss from specified business under section 73A
- (b) Loss under the head "Capital Gains" and unabsorbed depreciation carried forward u/s 32(2)
- (c) Loss from house property and unabsorbed depreciation carried forward under section 32(2)

- (d) Loss from speculation business under section 73
14. Brought forward loss from house property of ₹ 3,10,000 of A.Y. 2024-25 is allowed to be set-off against income from house property of A.Y. 2025-26 of ₹ 5,00,000 to the extent of –
- (a) ₹ 2,00,000  
 (b) ₹ 3,10,000  
 (c) ₹ 2,50,000  
 (d) ₹ 1,00,000

15. The details of income/loss of Mr. Kumar for P.Y.2024-25 are as follows:

Particulars	Amt. (in ₹ )
Income from Salary (computed)	5,20,000
Loss from self-occupied house property	95,000
Loss from let-out house property	2,25,000
Loss from specified business u/s 35AD	2,80,000
Loss from medical business	1,20,000
Long term capital gain	1,60,000
Income from other sources	80,000

What shall be the gross total income of Mr. Kumar for A.Y. 2025-26? Assume he opted out of section 115BAC.

- (a) ₹ 4,40,000  
 (b) ₹ 3,20,000  
 (c) ₹ 1,60,000  
 (d) ₹ 4,80,000
16. Mr. Arpit, an employee of MNO Ltd. has contributed ₹ 1,61,280 towards NPS and similar amount is contributed by his employer. His basic salary is ₹ 80,000 p.m. and dearness allowance is 40% of basic salary which forms part of retirement benefits. He also paid ₹ 55,000 towards LIC premium for himself and his wife and medical insurance premium of ₹ 35,000 by crossed cheque for his mother, being a senior citizen during the previous year 2024-25. How much deduction is available under Chapter VI-A while computing total income of Mr. Arpit for the A.Y. 2025-26 assume assessee opted out from 115BAC?
- (a) ₹ 3,46,280  
 (b) ₹ 3,69,400  
 (c) ₹ 3,19,400  
 (d) ₹ 3,96,280



**Part-B Descriptive Questions**

**[Total 28 Marks]**

1. Rosy and Mary are sisters, born and brought up at Mumbai. Rosy got married in 1982 and settled at Canada since 1982. Mary got married and settled in Mumbai. Both of them are below 60 years. The following are the details of their income for the previous year ended 31.3.2025:

S. No.	Particulars	Rosy ₹	Mary ₹
1.	Pension received from State Government	--	60,000
2.	Pension received from Canadian Government	20,000	--
3.	Long-term capital gain on sale of land at Mumbai	1,00,000	1,00,000
4.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	20,000	2,50,000
5.	Rent received in respect of house property at Mumbai	60,000	30,000

Compute the Gross Total income of Mrs. Rosy and Mrs. Mary for the Assessment Year 2025-26 and tax thereon. Assume both opted out from section 115BAC. **[5 Marks]**

2. You are required to determine the residential status of Mr. Dinesh, a citizen of India, for the previous year 2024-25.

Mr. Dinesh 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, 2024.

Following details are made available to you for the previous year 2024-25:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Dinesh	16th August, 2024
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Dinesh	21st January, 2025

In June, 2024, 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 2024-25, he was present in India for 425 days. During the last seven previous years preceding the previous year 2024-25, he was present in India for 830 days. **[5 Marks]**

3. M/s Rajveer, a proprietorship has two units namely, Unit X and Unit Y. Unit X located in Special Economic Zone and Unit Y in Domestic Tariff Area (DTA). The following are the details for the financial year 2024-25:

Particulars	Unit Y (₹)	M/s Rajveer (₹)
Total sales	50,00,000	85,00,000
Export sales	28,00,000	55,00,000
Domestic sales	12,00,000	30,00,000

Net Profit	4,00,000	10,00,000
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Total Sales of F.Y. 2024-25 include freight of ₹ 5 lacs for delivery of goods outside India with respect to Unit X.

Both the units were set up and started manufacturing from 20.6.2020. Compute the amount of deduction available to M/s Rajveer under section 10AA for the A.Y. 2025-25. Assume he is opted out from section 115BAC. **[5 Marks]**

4. Determine the residential status and gross total income of Mr. Raghu for the assessment year 2025-26 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 2009. 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 2024-25 are as under:

Country	Period of stay
USA	25 August, 2024 to 10 November, 2024
UK	20 November, 2024 to 23 December, 2024
Germany	10 January, 2025 to 24 March, 2025

During the last four years preceding the previous year 2024-25, he was present in India for 380 days. During the last seven previous years preceding the previous year 2024-25, he was present in India for 700 days. During the P.Y. 2024-25, he earned the following incomes, assume he opted out from section 115BAC.

- (1) Salary ₹ 15,00,000. 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. **[7 Marks]**

5. Mr. Samrat and his wife, Mrs. Komal, holds 12% voting power each in ABC (P) Ltd. Mr. Samrat and Mrs. Komal are working in ABC (P) Ltd. However, Mrs. Komal is not qualified for the job. From the following information given in respect of F.Y. 2024-25, you are required to compute the gross total income of Mr. Samrat and Mrs. Komal for the A.Y. 2025-26 assume both opt out from section 115BAC.

- (i) Dividend of ₹ 22,500 and ₹ 45,000 is received by Mr. Samrat and Mrs. Komal, respectively, from ABC (P) Ltd. Mr. Samrat has instructed the company to pay 50% of his dividend to Ms. Kajal, daughter of his deceased brother.
- (ii) Salary earned by Mr. Samrat and Mrs. Komal from ABC (P) Ltd. is ₹ 8,50,000 and ₹ 5,50,000, respectively.
- (iii) Business income earned by Mr. Samrat from his sole proprietary business is ₹ 15,60,000
- (iv) Interest on fixed deposit earned by Mrs. Komal of ₹ 9,00,000.
- (v) Their son, Akash, aged 10 years having PAN, received interest of ₹ 54,000 from bank on a fixed deposit created by his grandfather in his name. **[6 Marks]**