

TAXBOOK⁺

Working steps of solutions

B35 to End

Residential Status & Scope of Total Income

Build Your Confidence (BYC)

COMPREHENSIVE QUESTIONS

B35. Compute the gross total income in the hands of Vatsal, aged 45 years, if he is a ROR, RNOR or NR for AY 2022-23.

Particulars	Rs.	ROR	RNOR	NR
Interest on Hong Kong Development Bonds (40% of interest is received in India)	20,000	20,000	8,000	8,000
Income from a business carried on in Ahmedabad (30% income is received in India)	30,000	30,000	30,000	30,000
Long term capital gain on sale of shares of Tata Ltd., an Indian company. Income was received in Hong Kong	10,000	10,000	10,000	10,000
Dividend from a UK based company. It was credited in bank account maintained in London.	15,000	15,000	-	-
Short term capital gain on sale of building in Sri Lanka (70% of profits were received in India)	50,000	50,000	35,000	35,000
Income earned from business in Denmark. Business was controlled from Jaipur (Rs. 60,000 were received in India)	90,000	90,000	90,000	60,000
Profits from a business carried on in Jodhpur. It was wholly managed from Jakarta.	25,000	25,000	25,000	25,000
Income from house property situated in Canberra (computed). Income was deposited in a bank at Canberra and then remitted to India.	70,000	70,000	-	-
Interest on debentures in BCD Ltd., an Indian company. Interest was credited in bank account held in Poland.	22,000	22,000	22,000	22,000
Fees received in London for technical services rendered in India to the Government of India	17,000	17,000	17,000	17,000
Profits earned from a business carried on in Bangalore. Business was managed from Hong Kong.	35,000	35,000	35,000	35,000
Income from a house situated in Beijing. Income was received in Beijing (computed)	25,000	25,000	-	-
Past foreign untaxed income brought to India during the PY 2021-22	10,000	-	-	-
Income from agricultural land situated in Bhutan. Income was received in Bhutan and then remitted to India through authorized banking channel.	36,000	36,000	-	-
Income from a profession carried on in South Africa. The profession was setup in India. Income was received in South Africa but later spent in India.	45,000	45,000	45,000	-
Interest on savings bank deposit in Coimbatore branch of SBI	34,000	34,000	34,000	34,000
Income from a business carried on in Moscow and received there. The business was controlled from London.	20,000	20,000	-	-
Dividend from Reliance Petro Ltd., an Indian company, received in bank account held in London.	16,000	16,000	16,000	16,000
Agricultural income from a land situated in Rajasthan, received in Jaipur	15,000	-	-	-
Gross total income		5,60,000	3,67,000	2,92,000

B35a. CA2021(JUL) – Mr. Pratap earned following incomes during the FY 2021-22. He settled in Singapore in the year.....
Since Mr. Pratap settled in Singapore in the year 1997 and no further information is given regarding his stay in India during the PY, it is assumed that he is a non-resident.

Computation of total income of Mr. Pratap for AY 2022-23

#	Particulars	Rs.	Comment
1	Interest on Singapore Development Bonds (only 50% of interest received in India)	17,500	Taxable to the extent received in India. Balance not taxable as it accrues/arises and is received outside India.
2	Dividend from German company received in Germany	-	Not taxable as it accrues/arises and is received outside India.
3	Profits from a business in Kanpur, which is managed directly from Singapore	1,00,000	Taxable as deemed to accrue/arise in India.
4	Short term capital gain on sale of shares of an Indian company received in India	60,000	Taxable as deemed to accrue/arise in India since capital asset is situated in India (being shares of an Indian company) and further it is received in India
5	Income from business in Mumbai	80,000	Taxable as deemed to accrue/arise in India.
6	Fees for technical services rendered in India, but received in Singapore	1,00,000	Taxable as deemed to accrue/arise in India since services rendered in India
7	Agricultural income from land situated in Punjab	-	Exempt u/s 10(1)
8	Rent received from house property at Lucknow	70,000	Deemed to accrue/arise in India as property situated in India. Amount is taxable after providing standard deduction of 30% u/s 24(a) (para 80.5)
	Total income	4,27,500	

B35b. CA2021(J) - Discuss the taxability of the following items in the hands of different persons briefly explaining the....

1. Taxable in India as income from transfer of capital asset situate in India is deemed to accrue or arise in India u/s 9(1)(i).
2. Taxable in India as income from property in India is deemed to accrue or arise in India u/s 9(1)(i). This will be the case whether Mr. Arpit is a non-resident or resident.
3. Taxable in India as income from interest payable by Government is deemed to accrue or arise in India u/s 9(1)(v).
4. Not taxable in India as Mr. Bhavesh is a non-resident and salary is received outside India. It is not deemed to accrue or arise in India u/s 9(1)(ii) as services are rendered outside India.

B36. CA2013(M) (modified) – Devesh and Siddhant are brothers and they earned the following

Since Devesh < 60 days in India during PY 2021-22 and < 365 days in preceding 4 PYs, he is a NR*. Since Siddhant is in India for 11 months every year, he is a ROR.

Computation of gross total income of Devesh and Siddhant for AY 2022-23

#	Particulars	Devesh	Siddhant	Comment
1	Interest on American Development Bonds, 50% of interest received in India	23,000	18,000	Taxable for Devesh on receipt basis. Global income taxable for Siddhant.
2	Dividend from a Japanese company received in America	-	15,000	Not taxable for Devesh since accrual/receipt is outside India. Global income taxable for Siddhant.
3	Profit on sale of shares of an Indian company received in India	45,000	75,000	Accrues/arises and is received in India
4	Profit from a business in Mumbai but managed directly from America	10,000	-	Accrues/arises in India since business in India
5	Income from a business in Mumbai	32,000	28,000	Accrues/arises in India since business in India
6	Fees for technical services rendered in America and received in America. The services were, however, utilized in India	1,50,000	-	Deemed to accrue/arise in India since services utilized in India
7	Interest on savings bank deposit in State Bank of India, Mumbai	4,500	12,000	Accrues/arises in India
8	Rent received in respect of house property at Mumbai	67,200	38,500	Accrues/arises in India. Income from house property will be computed after providing 30% standard deduction u/s 24(a) (para 80.5)
	Gross total income	3,31,700	1,86,500	

*Stateless rule will not apply to Devesh.

B37. CA2019(M) – Mr. Bachhan has provided the following details of his income

Particulars	ROR	RNOR	NR	Comments
Short term capital gains on sale of shares in Indian company received in Japan	85,000	85,000	85,000	Accrues/arises in India as capital asset situated in India
Dividend from a Chinese company received in China	30,000	-	-	Accrues/arises outside India. Taxable on global basis for ROR
Rent from property in Bangladesh deposited in a bank at Dhaka, later on remitted to India through approved banking channels	67,200	-	-	Accrues/received outside India. Subsequent remittance not relevant. Taxable only for ROR. Income under head IHP needs to be computed after giving standard deduction of 30% u/s 24(a) (para 80.5)
Dividend from ABC Ltd., an Indian company	22,000	22,000	22,000	Accrues/arises in India.
Total income	2,04,200	1,07,000	1,07,000	

B38. CA2020(N) - Mr. Vinod, aged 45 years, earned the following incomes during the year ended on 31.3.2022.....

Particulars	ROR	RNOR	Comment
Agricultural income from Sri Lanka	25,000	-	Taxable only for ROR since accrues/arises outside India and assumed it is not received in India and that activity is not controlled in India. Also, not exempt u/s 10(1) since land situated outside India (para 28).
Long term capital gain on sale of property in Mumbai but received in Burma	30,000	30,000	Capital asset is situated in India; income deemed to accrue/arise in India. Taxable in India.
Profit from business in Dubai controlled from India	2,50,000	2,50,000	Accrues/arises outside India and is derived from business controlled from India. Taxable in India.
Rent from house property in Thailand received in India	70,000	70,000	Received in India. Taxable in India. Income from house property will be computed after giving standard deduction of 30% u/s 24(a) (para 80.5)
Interest on Savings account from bank in India	8,000	8,000	Bank account in India; income accrues/arises in India; taxable in India.
Past untaxed foreign income brought into India during the year	-	-	Remittance of past untaxed foreign income not taxable.
Gross total income	3,83,000	3,58,000	
Less: Deduction u/s 80TTA	(8,000)	(8,000)	Deduction is allowable u/s 80TTA on account of saving bank interest (para 203)
Total income	3,75,000	3,50,000	

B39. CA2015(M) - Explain with reasons whether the following transactions attract tax in India in the

#	Transaction	Taxable?	Reason
1	Salary paid to David, a citizen of India, of Rs. 15 lakh, by the Central Government for services rendered in Canada	Yes	Salary payable by Government to citizen of India for services rendered outside India is deemed to accrue or arise in India u/s 9(1)(iii).
2	Legal charges of Rs. 7.5 lakh paid to Johnson, a lawyer of London, who visited India to represent a case in the Supreme Court.	Yes	It accrues or arises and is received in India
3	Royalty paid to Rajeev, a non resident, by Mukesh, a resident, for a business carried on in Sri Lanka	No	Royalty payable by a resident is not deemed to accrue or arise in India u/s 9(1)(vi) where used for purposes of business carried on by resident outside India. It is assumed that royalty is received by non-resident outside India.
4	Interest received of Rs. 1 lakh, on money borrowed in France, By Dyana, a non resident, for the business at Bangalore.	Yes	Interest payable by NR is deemed to accrue or arise in India u/s 9(1)(v) if used for purposes of business carried on in India.

B40. CA2019(M) - Following are the incomes of Subhash, a citizen of India for PY 2021-22. Compute his GTI

Particulars	ROR	RNOR	Comments
Income from business in India of Rs. 2 lakh. Business is controlled from London and Rs. 60,000 were remitted to London.	2,00,000	2,00,000	Income accrues or arises from a business in India. Control of business from London not relevant
Profits from business earned in Japan of Rs. 70,000 of which Rs. 20,000 were received in India. Business is controlled from India.	70,000	70,000	<ul style="list-style-type: none"> Global income taxable for ROR. Income accruing or arising outside India from business controlled in India, taxable for RNOR.
Untaxed income of Rs. 1.3 lakh for the year 2020-21 of a business in England which was brought in India on 3 March 2021.	-	-	Income does not pertain to PY 2021-22
Royalty of Rs. 4 lakh received from Ramesh, a resident, for technical service provided to run a business outside India.	4,00,000	-	<ul style="list-style-type: none"> Global income taxable for ROR. Not deemed to accrue or arise in India u/s 9(1)(vii) as such income paid by resident for technical services used for purpose of business carried out by the payer outside India. Also, not received in India (assumed) or accrued in India (assumed that services rendered outside India). Hence, not taxable for RNOR.
Agricultural income of Rs. 90,000 in Bhutan.	90,000	-	Taxable only for ROR since accrues outside India. Also, not exempt u/s 10(1) (para 28)
Income of Rs. 73,000 from house property in Dubai, which was deposited in bank at Dubai.	51,100	-	<ul style="list-style-type: none"> Since income accrues/arises outside India and is also received outside India, only taxable for ROR. Since 73,000 is deposited, it is assumed to be rent received. Hence, IHP is computed after giving standard deduction of 30% u/s 24(a) (para 80.5). Alternatively, words in question 'Income from house property' can also be taken to be computed amount under the head IHP in which case entire 73,000 can also be stated to be taxable.
Gross total income	8,11,100	2,70,000	

B41. CA2018(N) - Following incomes are derived by Krishna Kumar during the year ended 31 March 2022.

#	Income	Amount	Resident	Non-resident
1	Pension received from US Government	3,20,000	Taxable for ROR, since global income is taxable. Not taxable for RNOR assuming it is received outside India and is for services rendered outside India.	Not taxable, since accrues or arises outside India, assuming it is received outside India.
2	Agricultural income from lands in Malaysia	2,70,000	Taxable for ROR, since global income is taxable. Not taxable for RNOR as it accrues or arises outside India and assuming it is received outside India. Further, it is not exempt u/s 10(1) as land is outside India (para 28).	Not taxable, since accrues or arises outside India, assuming it is received outside India.
3	Rent received from let out property in Colombo	4,20,000	Taxable for ROR, since global income is taxable. Standard deduction of 30% will be allowed u/s 24(a) (para 80.5). Not taxable for RNOR as it accrues or arises outside India and assuming it is received outside India.	Not taxable, since accrues or arises outside India, assuming it is received outside India.

Examiner comment – Many examinees could not substantiate their answers with proper reasoning.

B41a. Rupali, aged 60 years, is a citizen of Canada. She is employed with XYZ Ltd. in Mumbai since 2005. During the PY.....

During the PY 2021-22, stay in India is 110 days (365 – 179 – 76). She is present in India \geq 60 days in PY 2021-22 and \geq 365 days in preceding 4 PYs. Hence, she is a resident. Since her stay in India \leq 729 days in preceding 7 PYs, she is a RNOR.

Computation of gross total income of Rupali for AY 2022-23

Particulars	Rs.	ROR
Salary from XYZ Ltd. (computed)	4,80,000	Received in India
Interest on deposits with Mumbai branch of Bank of India	20,000	Accrued and received in India
Dividend from French company received in France	-	Accrued and received outside India
Gross total income	5,00,000	

B42. CA2018(M) - Compute the GTI in the hands of an individual

Particulars	Rs.	ROR	NR	Comment
Interest from German Derivative Bonds (1/3 rd received in India)	21,000	21,000	7,000	Global income taxable for ROR. Taxable for NR to the extent received in India.
Income from agricultural land situated in Malaysia, remitted to India	51,000	51,000	-	Global income taxable for ROR. Not taxable for NR since accrues/arises outside India. Subsequent remittance immaterial.
Income earned from business in Dubai, controlled from India (Rs. 20,000 received in India)	75,000	75,000	20,000	Global income taxable for ROR. Taxable for NR to the extent received in India since income accrues/arises outside India.
Profits from business in Mumbai, controlled from Australia	1,75,000	1,75,000	1,75,000	Taxable in India since accrues/arises in India.
Interest received from Ashok (NRI) on loan provided to him for business in India	35,000	35,000	35,000	Global income taxable for ROR. Taxable for NR since loan used for business in India, regardless of residential status of Ashok; deemed to accrue or arise in India u/s 9(1)(v).
Dividend from Brown Ltd., an Indian company	30,000	30,000	30,000	Taxable in India since paid by Indian company; deemed to accrue or arise in India u/s 9(1)(iv).
Profit from business in Canada controlled from Mumbai (60% deposited in bank in Canada and 40% remitted to India)	60,000	60,000	-	Global income taxable for ROR. Not taxable for NR since accrued/received outside India. Subsequent remittance immaterial.
Amount received from NRI for use of know-how for his business in Singapore	8,00,000	8,00,000	-	Global income taxable for ROR. Not taxable for NR since know-how used for business outside India, regardless of residential status of Ashok; not deemed to accrue or arise in India u/s 9(1)(vi).
Dividend received from a foreign company in India	25,000	25,000	25,000	Global income taxable for ROR. Taxable for NR as received in India.
Past years untaxed foreign income brought to India	50,000	-	-	Not taxable as does not relate to current AY. Subsequent remittance not relevant.
Gross total income		12,72,000	2,92,000	

B43. CA2016(N) – Rajneesh, a citizen of India, serving in the Ministry of Finance in India, was transferred

Since Rajneesh did not stay throughout the PY 2021-22, he is a non-resident. His gross total income is computed below:

Particulars	Rs.	Comments
Salary from Government of India	7,20,000	Salary, for service rendered outside India, paid by Government to citizen of India, is deemed to accrue/arise in India u/s 9(1)(iii).
Foreign allowance from Government of India	-	Exempt u/s 10(7)
Less: Standard deduction u/s 16(ia)	(50,000)	Refer para 73
Income from salary	6,70,000	
Rent from a house situated at London, received in London	-	Not taxable in India since income does not accrue/arise in India (or is deemed to be so) and is not received in India.
Interest accrued on National Saving Certificate during the year 2021-22	45,000	Taxable in India since income accrues/arises in India
Gross total income	7,15,000	

B44. CA2014(N) (modified) – Geetha and Leena are sisters and they earned the following income

Since Geetha is < 60 days in India during PY 2021-22 and < 365 days in preceding 4 PYs, she is a NR*. Since Leena is in India since 1995, she is a ROR.

Computation of gross total income of Geetha and Leena for AY 2022-23

#	Particulars	Geetha	Leena	Comment
1	Income from profession in Malaysia (set up in India) received there	Nil	-	Accrues or arises outside India
2	Profit from business in Delhi, but managed directly from Malaysia	40,000	-	Accrues or arises in India
3	Rent (computed) from property in Malaysia deposited in a bank at Malaysia, later on remitted to India through approved banking channels	Nil	-	Accrues or arises and is received outside India. Subsequent remittance not relevant.
4	Dividend from PQR Ltd., an Indian company	5,000	9,000	Accrue or arises in India
5	Dividend from a Malaysian company received in Malaysia	Nil	8,000	Accrues or arises outside India. Global income taxable for Leena.
6	Agricultural income from land in Maharashtra	Nil	Nil	Accrues or arises in India but exempt u/s 10(1) (para 28)
7	Past foreign untaxed income brought to India	Nil	-	Not pertaining to current AY. Subsequent repatriation not relevant.
8	Fees for technical services rendered in India received in Malaysia	25,000	-	Accrues or arises in India since service rendered in India
9	Income from a business in Pune (Geetha receives 50% of income in India)	12,000	15,000	Accrues or arises in India since business in India
10	Interest on debentures in an Indian company (Geetha received the same in Malaysia)	18,500	14,000	Accrues or arises in India
11	Short term capital gain on sale of shares of an Indian company	15,000	25,500	Accrues or arises in India
12	Interest on savings account with SBI in India	12,000	8,000	Accrues or arises in India
Gross total income		1,27,500	79,500	

*Stateless rule will not apply to Geetha.

B45. CA2018(N) (modified) - Surya, an Indian citizen, travelled frequently out of India for his business

Stay in India during PY is only 59 days. Hence, he is NR.*

Computation of gross total income of Surya for AY 2022-23

Particulars	Amount	Comment
Short term capital gain	58,000	Accrued/arisen in India as capital asset situated in India
Dividend	-	Neither accrued nor received in India
Interest on FD	9,500	Accrued and received in India
Gross total income	67,500	

*Stateless rule will not apply to Surya.

B46. CA2020(N) - Mr. Thomas, a non resident and citizen of Japan, entered into

#	Item	Tax implications
1	Interest received from Mr. Marshal	Not deemed to accrue or arise in India u/s 9(1)(v) since funds not used for the purpose of a business or profession carried on by the payer in India. Not taxable.
2	Grant of license	Consideration for use or right to use computer software (including granting of license) is treated as royalty. Taxable in India since it is payable by a resident (business enterprise in India) and license is not used in or for the purposes of a business or profession carried on by the payer outside India; or for the purposes of making or earning any income from any source outside India. Hence, deemed to accrue or arise in India u/s 9(1)(vi).
3	News agency	Not deemed to accrue or arise in India u/s 9(1)(i) since activities confined to the collection of news and

		views in India for transmission out of India. Not taxable
4	Set up services	Rs. 10 lakh taxable in India since it represents royalty/FTS payable by a resident and service is not used in or for the purposes of a business or profession carried on by the payer outside India; or for the purposes of making or earning any income from any source outside India. Hence, deemed to accrue or arise in India u/s 9(1)(vii).

B47. MASTER QUESTION - Compute the gross total income in the hands of Raghav, aged 45 years, if he is a ROR, RNOR or NR for AY 2022-23.

Particulars	Rs.	ROR	RNOR	NR
Interest on German Development Bonds (40% of interest is received in India)	10,000	10,000	4,000	4,000
Income from business carried out in Tokyo and controlled from Delhi. Income is received in Tokyo.	20,000	20,000	20,000	-
Income from profession carried out in Hong Kong and set up in India. 30% income is received in Gurgaon.	30,000	30,000	30,000	9,000
Interest credited on fixed deposits in bank account in London, later remitted to India.	15,000	15,000	-	-
Employer's contribution to recognized provident fund in India @ 15% of salary (deemed to be received u/s 7 in excess of 12%)	30,000	6,000	6,000	6,000
Income from business carried out in Germany and received there and further taken into account in the group balance sheet prepared in India. Business is controlled from Germany.	50,000	50,000	-	-
Rent from house property in Mumbai, received in Sydney and rent agreement executed in Sydney	14,000	14,000	14,000	14,000
Agricultural income from land situated in Malaysia, received in Malaysia	35,000	35,000	-	-
Income from sale of shares of Wipro Ltd., an Indian company, to a non-resident where consideration is received in the bank account in Japan	43,000	43,000	43,000	43,000
Salary received in US from Zed Ltd. for services rendered while in Chennai	45,000	45,000	45,000	45,000
Salary received in Tokyo from Government of India for working in Japan. Assume that Raghav is a citizen of India.	36,000	36,000	36,000	36,000
Dividend received from Tata Steel Ltd., an Indian company, in bank account in Canberra.	26,000	26,000	26,000	26,000
Dividend received from JSW, a US based company, in bank account held in London	14,000	14,000	-	-
Interest received from Government of India on money borrowed to fund project in Uganda. Interest was received in Dubai.	46,000	46,000	46,000	46,000
Interest received from Piyush, a resident, on loan taken which he used in his business carried out in France	23,000	23,000	-	-
Interest received from John, a non resident, on loan taken which he used to purchase a house property in Kolkata to gain from appreciation in value of property	65,000	65,000	-	-
Fees received from Government of India for providing engineering services for a project being carried out in Maldives	34,000	34,000	34,000	34,000
Royalty received from Suraj, a resident, for grant of license to use patent in production process in his factory in Chennai. Royalty was received in Thailand.	37,000	37,000	37,000	37,000
Fees received from Abraham, a non resident, for providing management consultancy which he used in the business carried on by him in South Korea. Services were rendered from UK and fee was received in UK.	40,000	40,000	-	-
Gross total income		5,89,000	3,41,000	3,00,000