

RESIDENTIAL STATUS AND SCOPE OF TOTAL INCOME

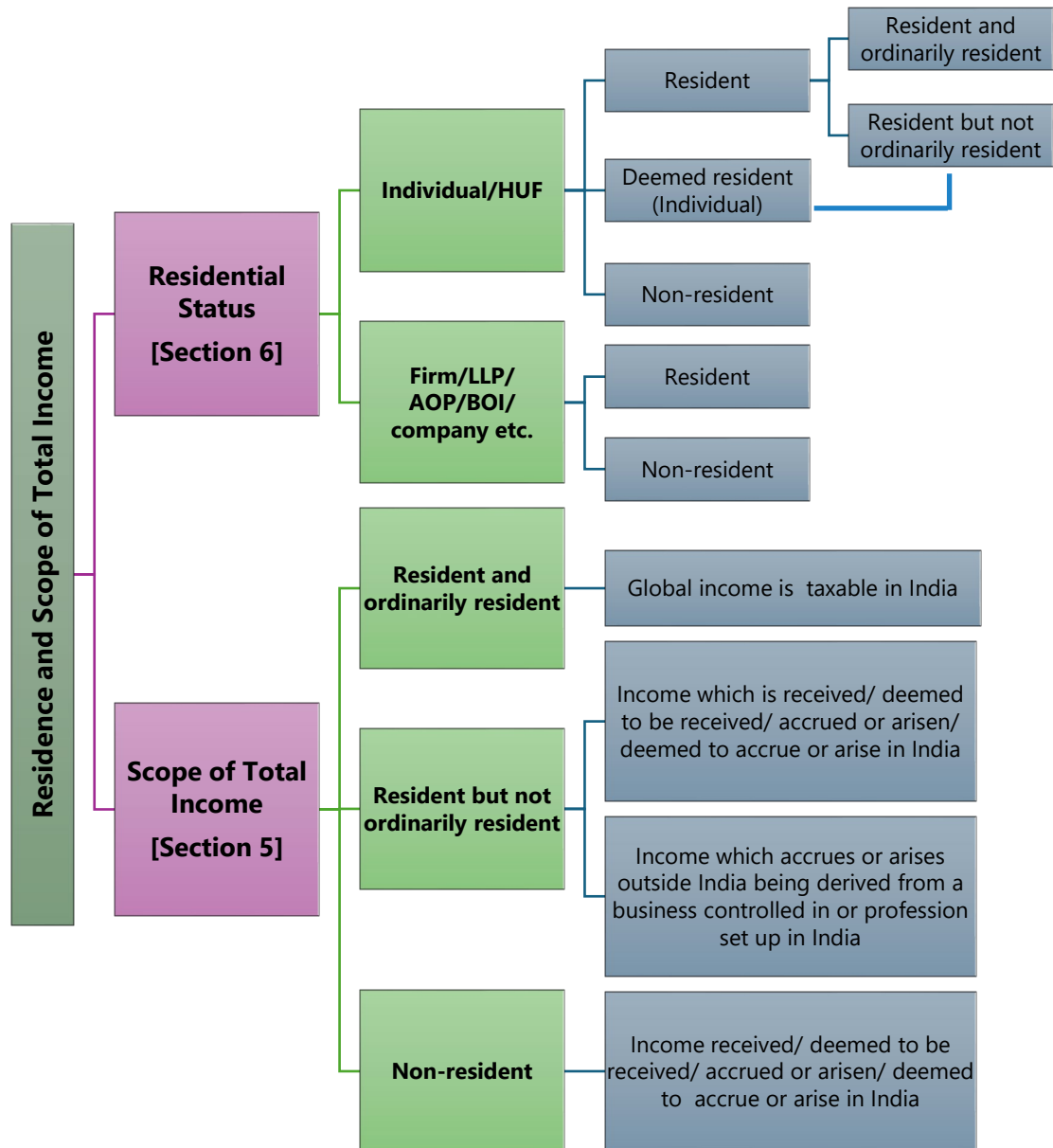


LEARNING OUTCOMES

After studying this chapter, you would be able to-

- ♦ **appreciate** the provisions for determining the residential status of different persons;
- ♦ **apply** the relevant provisions to determine the residential status of different persons;
- ♦ **examine** the scope of income of a person based on his residential status;
- ♦ **apply** the relevant provisions to determine the total income of a person based on his residential status.

CHAPTER OVERVIEW





1. STRUCTURED SECTIONAL LEARNING

Section	Particulars
2(66)	Meaning of Liable to Tax
2(78)	Meaning of Person of Indian origin
2(108)	Meaning of total income
5	Scope of Total Income
6	Residence in India
7(1)	Income deemed to be received
9	Income deemed to accrue or arise in India



2. INTRODUCTION

Income-tax shall be charged on the total income of every person for the tax year. Total income means the total amount of income referred to in section 5, computed in the manner as laid down in the Act.

For computing total income, all income of an assessee is classified under five heads of income as discussed in Chapter 1. Income computed under each head is aggregated and this aggregated amount is known as Gross Total Income. Certain deductions are allowed from the Gross Total Income. The income arrived at after claiming these deductions is known as Total Income.

Total income of an assessee cannot be computed without first determining his residential status. The incidence of tax under the Act depends upon the residential status of the assessee. For all purposes of income-tax, taxpayers (individuals and HUF) are classified into three broad categories on the basis of their residential status viz.

- (1) Resident and ordinarily resident
- (2) Resident but not ordinarily resident
- (3) Non-resident

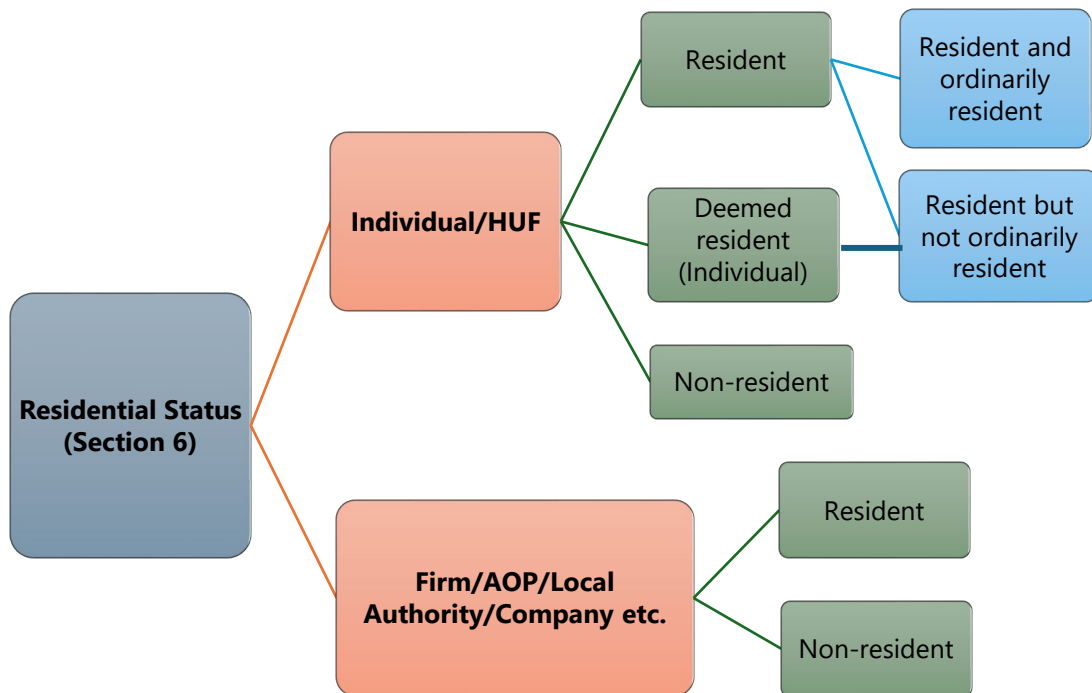
Taxpayers (other than individuals and HUF) are classified into two broad categories on the basis of their residential status viz.

- (1) Resident
- (2) Non-resident



3. RESIDENTIAL STATUS [SECTION 6]

The residential status of an assessee must be ascertained with reference to each tax year. A person who is resident and ordinarily resident in one tax year may become non-resident or resident but not ordinarily resident in another tax year or vice versa.



The residential status of a person in a tax year is determined as per the provisions of section 6. Let's discuss the residential status of an individual first.

Residential Status of Individual

An individual can become a resident in India either on the basis of the number of days of stay in India or by being treated as a deemed resident under section 6(7).

How do I become a resident of India for tax purposes?

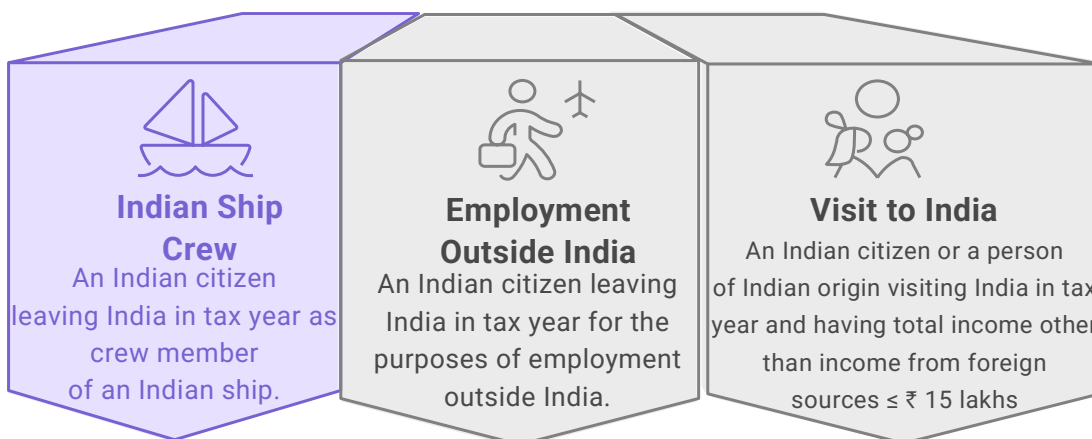
You will be considered a resident if you are in India for 182 days or more in a tax year. **[First Basic Condition]**

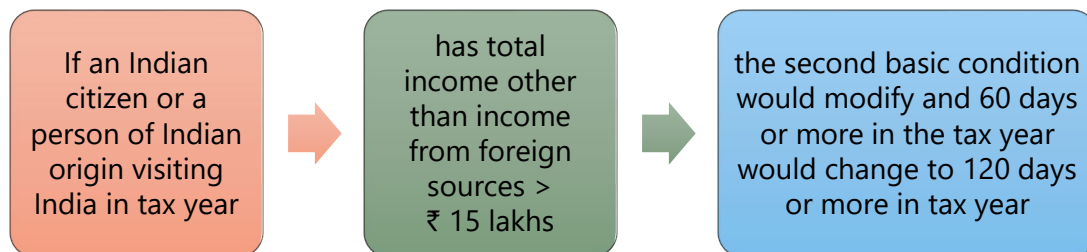
What if I am not in India for that long?

You can also be a resident if you are in India for 60 days or more during the tax year and have been in India for 365 days or more in the 4 years preceding that tax year. **[Second Basic Condition]**



Second basic condition of staying 60 days or more in tax year and 365 days or more in 4 years preceding the tax year is not applicable in case of



**EXAMPLE**

Mr. Sushant is an Indian citizen, left India for the first time during the tax year 2026-27 for the purpose of employment. He was in India during the tax year for 181 days. He would be a non-resident in India during the tax year 2026-27 since he stayed in India for less than 182 days. The second basic condition of 60 days or more would not be applicable to him since he is an Indian citizen leaving India for employment purpose.

**EXAMPLE**

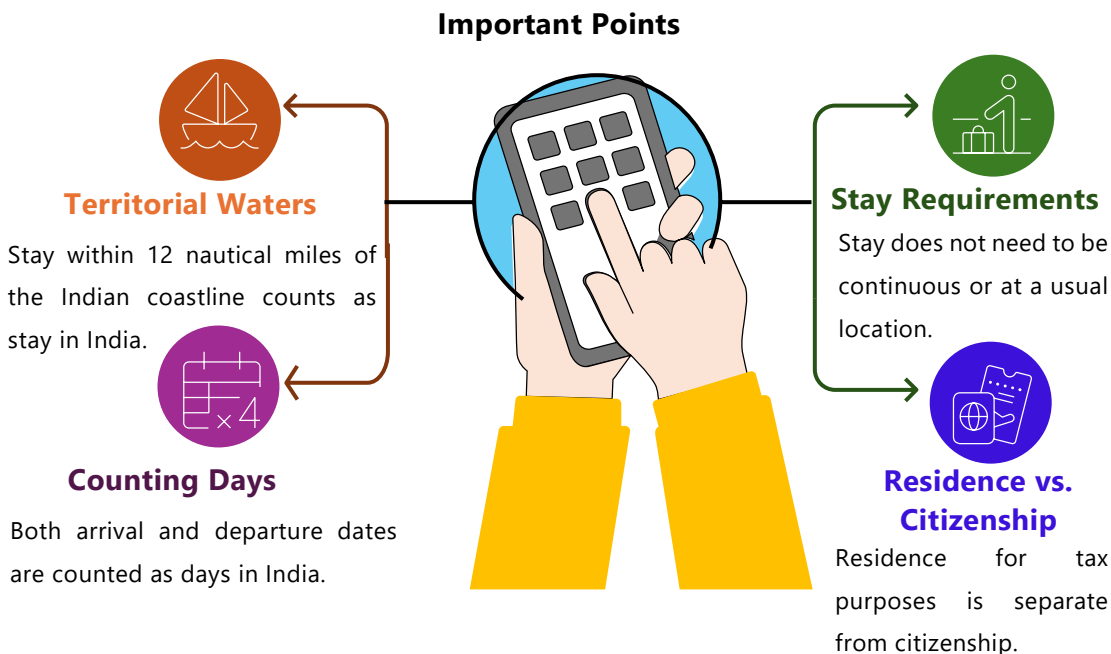
Suppose in the above example, Mr. Sushant is not an Indian citizen but a person of Indian origin. In such case, he would be a resident in India since the exception is applicable to an Indian citizen only and he satisfies the second basic condition.

**What is income from foreign sources?**

Income from foreign sources means the 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. It means income derived from a business controlled in or a profession set up in India is excluded from income from foreign sources. In other words, for the purpose of computing total income other than income from foreign sources, income derived from a business controlled in or a profession set up in India is to be included.

**Who is a person of Indian Origin?**

Person of Indian origin means an individual who or either of his parents or any of his grandparents, was born in undivided India.



EXAMPLE Mr. Rakesh is a person of Indian origin, residing in Canada. During the tax year 2026-27, he visited India on several occasions and his period of stay, in total, amounted to 129 days and he stayed in India for 400 days for 4 years preceding tax year 2026-27. His total income other than income from foreign sources is ₹ 10 lakhs during the tax year 2026-27. He would be non-resident since he stayed in India for less than 182 days in tax year 2026-27.

EXAMPLE Suppose in the above example, Mr. Rakesh's total income other than income from foreign sources is ₹ 17 lakhs during the tax year 2026-27. He would be a resident in India since he satisfies the modified second basic condition of stay in India for 120 days or more during the tax year 2026-27 and 365 days or more for 4 years preceding tax year 2026-27.

Determination of period of stay in India for an Indian citizen, being a crew member

In the case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the total number of days in India, in respect of that voyage, shall be determined in the prescribed manner and subject to the prescribed conditions.

Rule 8 prescribes that, for the purposes of section 6(6), in case of an individual, being a citizen of India and a member of the crew of a foreign bound ship, the period or periods of stay in India, in respect of an eligible voyage, shall not include the following period:

Period to be excluded

Period beginning on		Period ending on
the date entered into the Continuous Discharge Certificate in respect of joining the ship by the said individual for the eligible voyage	and	the date entered into the Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage.

Meaning of Eligible voyage - A voyage undertaken by a ship engaged in the carriage of passengers or freight in international traffic where –

- (i) for the voyage having originated from any port in India, has as its destination any port outside India; and
- (ii) for the voyage having originated from any port outside India, has as its destination any port in India.

ILLUSTRATION 1

Mr. Anand is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 6th June, 2026. From the following details for the tax year 2026-27, determine the residential status of Mr. Anand for tax year 2026-27, assuming that his stay in India in the last 4 tax years (preceding tax year 2026-27) is 400 days:

Particulars	Date
<i>Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Anand</i>	<i>6th June, 2026</i>
<i>Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Anand</i>	<i>9th December, 2026</i>

SOLUTION

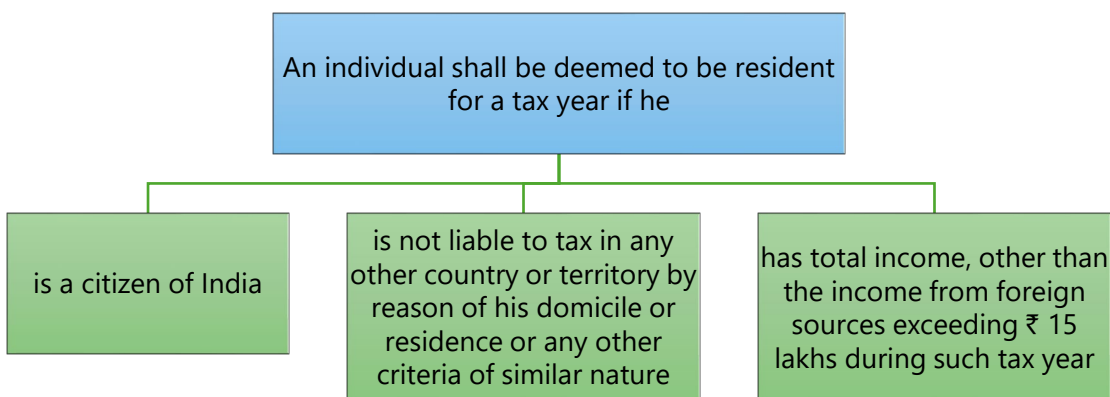
In this case, since Mr. Anand is an Indian citizen and leaving India during tax year 2026-27 as a member of the crew of the Indian ship, he would be resident in India if he stayed in India for 182 days or more.

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 Chennai port) and having its destination at a port outside India (i.e., the Singapore port). Hence, the voyage is an eligible voyage for the purposes of section 6(6).

Therefore, the period beginning on 6th June, 2026 and ending on 9th December, 2026, being the dates entered into the Continuous Discharge Certificate in respect of joining the ship and signing off from the ship by Mr. Anand, an Indian citizen who is a member of the crew of the foreign bound ship, has to be excluded for computing the period of his stay in India. Accordingly, 187 days [25+31+31+30+31+30+9] have to be excluded from the period of his stay in India. Consequently, Mr. Anand's period of stay in India during the tax year 2026-27 would be 178 days [i.e., 365 days – 187 days]. Since his period of stay in India during the tax year 2026-27 is less than 182 days, he is a non-resident for tax year 2026-27.

**Can an individual be a resident in India even if he did not stay in India for one day in tax year?**

Yes, the concept of deemed resident is provided under section 6(7).



However, this provision will not apply in case of an individual who is a resident in India for a tax year as per section 6(2) to 6(6).

Meaning of “liable to tax” – Liable to tax, in relation to a person and with reference to a country, means that there is an income-tax liability on such person under the law of that country for the time being in force. It also includes a person who has subsequently been exempted from such liability under the law of that country.

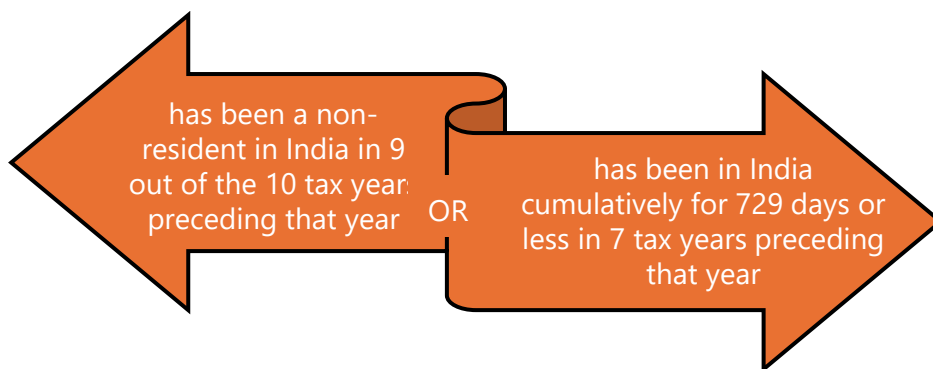
Important Points

- *Only Indian citizen can be deemed resident. An individual who is not an Indian citizen, but a person of Indian Origin cannot be deemed resident u/s 6(7).*
- *Stay in India is not necessary for being a deemed resident u/s 6(7).*

Resident and ordinarily resident/Resident but not ordinarily resident

Only individuals and HUF can be “resident but not ordinarily resident” in India. All other classes of assesseees can be either a resident or non-resident. A person is not-ordinarily resident in India in any tax year, if he satisfies any one of the conditions specified u/s 6(13).

- (1) An individual is not-ordinarily resident in India if he



In other words, an individual is resident and ordinarily resident in India if he

- has been a resident in India in at least 2 out of the 10 tax years preceding that year and*
- has been in India cumulatively for 730 days or more in 7 tax years preceding that year.*

- (2) An individual who is an Indian citizen or a person of Indian origin (who, being outside India, comes on a visit to India in any tax year) having total income, other than the income from foreign sources exceeding ₹ 15 lakhs during the tax year, who has been in India for 120 days or more but less than 182 days during that tax year, or
- (3) An individual who is an Indian citizen and who is deemed to be resident in India under section 6(7). It means a deemed resident u/s 6(7) is always not ordinarily resident in India.



1.	Mr. A, an Indian citizen, left India for the first time on 20th September, 2026 for employment in Canada. During the T.Y. 2026-27, he stayed in India for 172 days. Determine his residential status.
(a)	Resident and ordinarily resident
(b)	Resident but not ordinarily resident
(c)	Non-resident
(d)	Deemed resident
2.	Ms. Kavya, an Indian citizen, came on a visit to India during T.Y. 2026-27 and stayed in India for 130 days. Her total Indian income exceeded ₹ 15 lakh during the T.Y. 2026-27. She had stayed in India for 400 days during the four years preceding the tax year 2026-27. Her residential status would be:
(a)	Resident and ordinarily resident
(b)	Resident but not ordinarily resident
(c)	Non-resident
(d)	Deemed resident
3.	Mrs. Neha was in India for 190 days during T.Y. 2026-27 and for 800 days during the seven years preceding tax year 2026-27. She was non-resident in 8 out of 10 tax years preceding T.Y. 2026-27. Her residential status is:
(a)	Resident and ordinarily resident

	(b)	<i>Resident but not ordinarily resident</i>
	(c)	<i>Non-resident</i>
	(d)	<i>Deemed resident</i>
4.	<i>Mr. K, an Indian citizen, is staying in Country Y. He is not liable to tax in Country Y due to domicile rules. His Indian income exceeded ₹15 lakhs during T.Y. 2026-27. He stayed in India for only 40 days during the year. His residential status would be:</i>	
	(a)	<i>Resident and ordinarily resident</i>
	(b)	<i>Resident but not ordinarily resident</i>
	(c)	<i>Non-resident</i>
	(d)	<i>Deemed resident but not ordinarily resident</i>

ILLUSTRATION 2

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.

- Find out his residential status for the tax year 2026-27.*
- Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?*
- What would be your answer if Srinath had visited India for 120 days instead of 100 days every year, including tax year 2026-27?*

SOLUTION

(a) **Determination of Residential Status of Mr. Brett Lee for the tax year 2026-27-**

Period of stay during tax year 2026-27 = 100 days

Calculation of period of stay for 4 years preceding tax year 2026-27 = 400 days (100 x 4)

Mr. Brett Lee has been in India cumulatively for more than 60 days during tax year 2026-27 and cumulatively for more than 365 days in the 4 years preceding tax year 2026-27. Therefore, since he satisfies one of the basic conditions under section 6(2), he is a resident for the tax year 2026-27.

Computation of period of stay for 7 years preceding tax year 2026-27 = 700 days (100 x 7)

Since his cumulative period of stay in India during the 7 years preceding tax year 2026-27 is less than 729 days, he is a not-ordinarily resident during the tax year 2026-27.

Therefore, Mr. Brett Lee is a resident but not ordinarily resident during the tax 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 other than income from foreign sources, since he stayed in India in the tax year 2026-27 for less than 120 days.
- (c) In this case, if Srinath's total income other than income from foreign sources exceeds ₹ 15 lakh, he would be treated as resident but not ordinarily resident in India for tax year 2026-27, since his stay in India is 120 days in tax year 2026-27 and 480 days (i.e., 120 days x 4 years) in the 4 years preceding tax year 2026-27.

If his total income other than income from foreign sources does not exceed ₹ 15 lakh, he would be treated as non-resident in India for tax year 2026-27, since his stay in India is less than 182 days in the tax year 2026-27.

ILLUSTRATION 3

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

SOLUTION

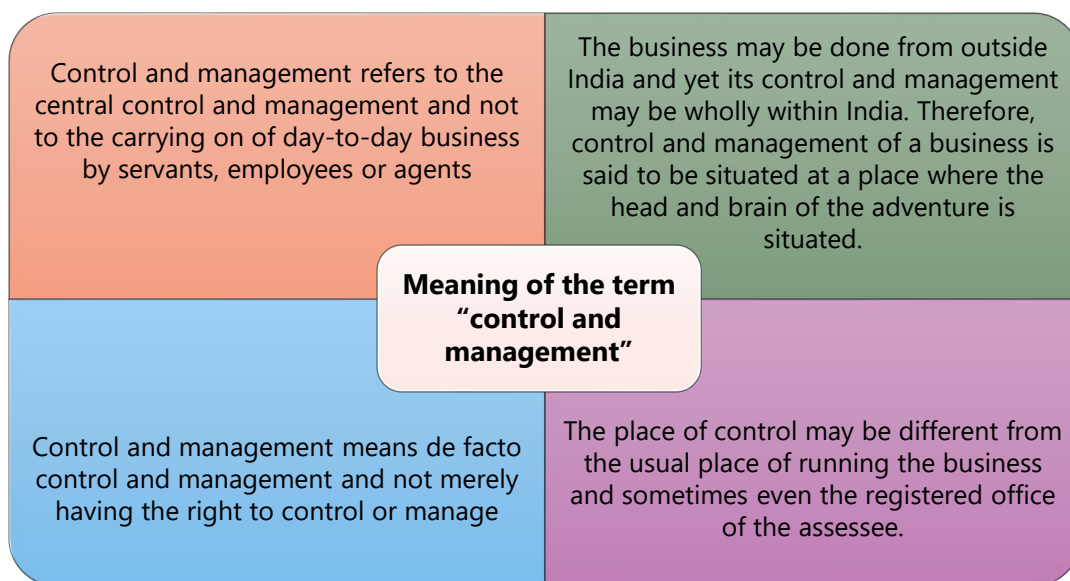
During the tax year 2026-27, Mr. B was in India for 70 days and for 4 years preceding the tax year 2026-27, he was in India for 355 days (i.e. 55+ 60+ 90+ 150 days).

Thus, he does not satisfy the basic condition under section 6(2). Therefore, he is a non-resident for the tax year 2026-27.

Residential Status of HUF

Resident: A HUF would be resident in India in a tax year if the control and management of its affairs is situated wholly or partly in India.

Non-resident: If the control and management of the affairs is situated wholly outside India, it would become a non-resident.



Resident and ordinarily resident/ Resident but not ordinarily resident

A HUF would be resident but not ordinarily resident in a tax year if the Karta satisfies any of the following conditions -

- ♦ Karta is a non-resident in India in 9 out of 10 tax years preceding that year or
- ♦ Karta in India cumulatively for 729 days or less in 7 tax years preceding that year.

*In other words, a HUF would be resident and ordinarily resident in a tax year if the Karta satisfies **both** the following additional conditions -*

- ♦ *Karta is resident in India at least 2 years out of 10 tax years preceding that year and*
- ♦ *Karta in India cumulatively for 730 days or more in 7 tax years preceding that year.*

ILLUSTRATION 4

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 tax year 2026-27 after 15 years. He comes to India on 1.4.2026 and leaves for Australia on 1.12.2026. Determine the residential status of Mr. E and the HUF for tax year 2026-27.

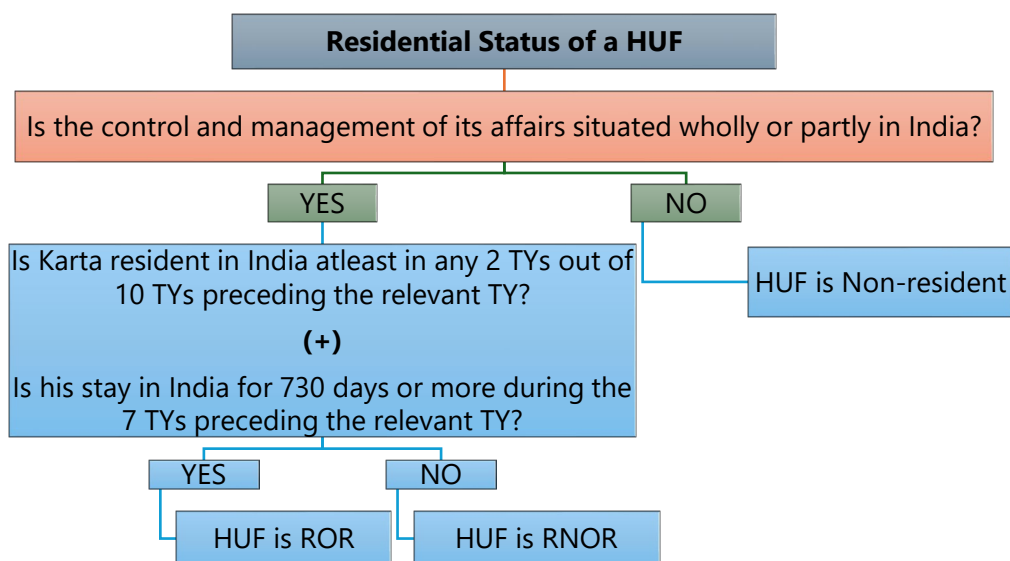
SOLUTION

- (a) During the tax year 2026-27, 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 tax year 2026-27 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 tax year 2026-27.

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 tax years preceding tax year 2026-27.



Residential Status of firm, AoP and Bol

Resident: A firm, AoP and Bol would be resident in India if the control and management of its affairs is situated wholly or partly in India.

Non-resident: Where the control and management of the affairs is situated wholly outside India, the firm, AoP and Bol would become a non-resident.

Note: The residential status of the partners/ members is immaterial while determining the residential status of a Firm/AOP/BOL.

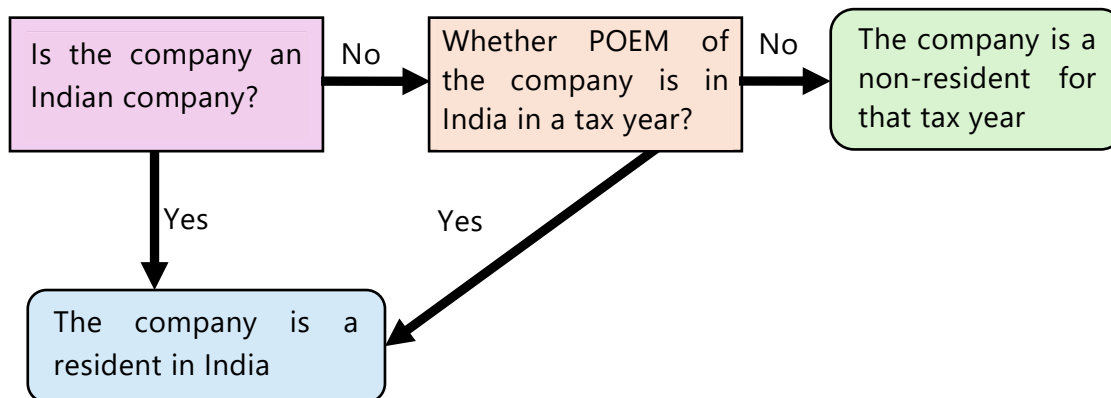
Residential Status of Company

A company would be resident in India in any tax year, if-

- (i) it is an Indian company; or
- (ii) its place of effective management, in that year, is in India.

"Place of effective management" means a place where key management and commercial decisions that are necessary for the conduct of the business of the company as a whole are, in substance made.

Determination of residential status of a company



Note – The guidelines issued by the CBDT for determination of POEM of a foreign company and transition mechanism for a company which is incorporated outside India, which has not been assessed to tax in India earlier and has become resident in India for the first time due to application of POEM, has been provided in section 220. The same will be dealt with at the Final level.

Residential Status of local authority and artificial juridical person

Resident: Local authorities and artificial juridical persons would be resident in India if the control and management of its affairs is situated wholly or partly in India.

Non-resident: Where the control and management of the affairs is situated wholly outside India, they would become non-residents.



5.	The control and management of the affairs of a HUF was situated wholly outside India during T.Y. 2026-27. The Karta had been non-resident in 9 out of 10 years preceding tax year 2026-27. Determine the residential status of the HUF.	
	(a)	Resident and ordinarily resident
	(b)	Resident but not ordinarily resident
	(c)	Non-resident
	(d)	Deemed resident
6.	The affairs of a HUF were controlled partly from Delhi and partly from Dubai during T.Y. 2026-27. The Karta satisfied both additional conditions for being ordinarily resident in India. The residential status of the HUF is:	
	(a)	Resident and ordinarily resident
	(b)	Resident but not ordinarily resident
	(c)	Non-resident
	(d)	Deemed resident
7.	An Indian company carried on its business entirely from London during T.Y. 2026-27. Determine its residential status.	
	(a)	Resident
	(b)	Non-resident
	(c)	Resident but not ordinarily resident
	(d)	Deemed resident



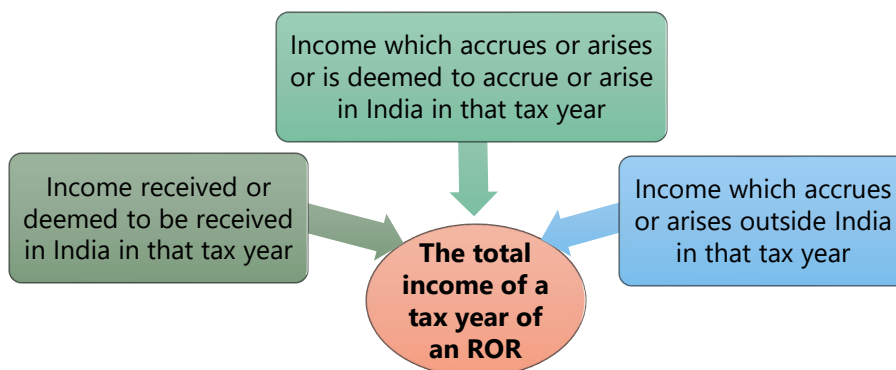
4. SCOPE OF TOTAL INCOME

Section 5 provides the scope of total income in terms of the residential status of the assessee because the incidence of tax on any person depends upon his residential status in India. The scope of total income of an assessee depends upon the following three important considerations:

- (i) the residential status of the assessee;
- (ii) the place of accrual or receipt of income, whether actual or deemed; and
- (iii) the point of time at which the income had accrued to or was received by or on behalf of the assessee.

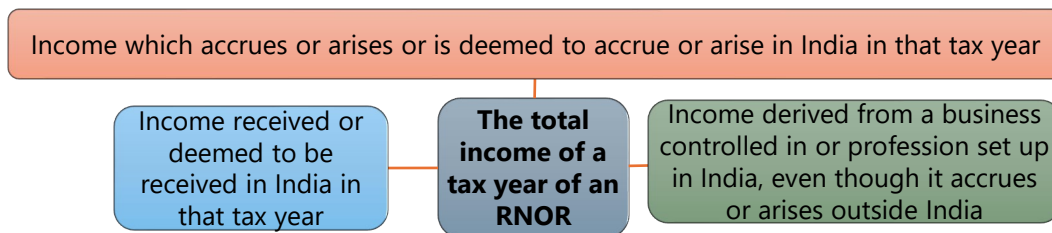
The ambit of total income of the three classes of assessee would be as follows:

(1) Resident and ordinarily resident (ROR)

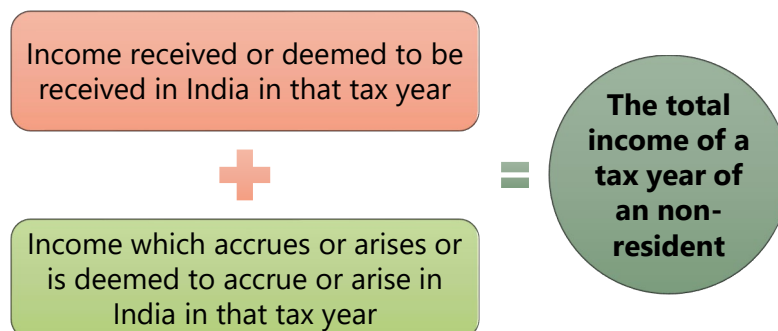


In simpler terms, an ROR has to pay tax on the total income accrued or deemed to accrue, received or deemed to be received in or outside India in the tax year.

(2) Resident but not ordinarily resident (RNOR)



Note – All other income accruing or arising outside India which is not received or deemed to be received or deemed to accrue or arise in India would not be included in his total income.

(3) Non-resident

Note: All assesseees, whether resident or not, are chargeable to tax in respect of their income accrued, arisen, received or deemed to accrue, arise or to be received in India whereas a resident alone (resident and ordinarily resident in the case of individuals and HUF) is chargeable to tax in respect of income which accrues or arises outside India.



Clarification regarding liability to income-tax in India of a non-resident seafarer receiving remuneration in NRE (Non-Resident External) account maintained with an Indian Bank [Circular No.13/2017, dated 11.04.2017 and Circular No.17/2017, dated 26.04.2017]

Income by way of salary, received by non-resident seafarers, for services rendered outside India on a foreign going ship (with Indian flag or foreign flag) and received into the NRE bank account maintained with an Indian bank shall not be included in the total income.

Residential Status and Scope of Total Income: Whether the following incomes are to be included in Total Income?

Scope of total Income	Resident and Ordinarily Resident (ROR)	Resident but not Ordinarily Resident (RNOR)	Non-Resident
Income received or deemed to be received in India in tax year	Yes	Yes	Yes

Income accruing or arising or deeming to accrue or arise in India in tax year	Yes	Yes	Yes
Income accruing or arising outside India in tax year	Yes, even if such income is not received or brought into India in tax year	Yes, but only if such income is derived from a business controlled in or profession set up in India; Otherwise, No.	No

ILLUSTRATION 5

From the following particulars of income furnished by Mr. Anirudh pertaining to the year ended 31.3.2027, compute the total income for tax year 2026-27, if he is:

- (i) Resident and ordinary resident;
- (ii) Resident but not ordinarily resident;
- (iii) Non-resident

	Particulars	₹
(a)	Short term capital gains on sale of shares of an Indian Company, received in Germany	15,000
(b)	Dividend from a Japanese Company, received in Japan	10,000
(c)	Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels (Computed)	52,500
(d)	Dividend from RP Ltd., an Indian Company	6,000
(e)	Agricultural income from land in Gujarat	25,000

SOLUTION**Computation of total income of Mr. Anirudh for tax year 2026-27**

Particulars	Resident & ordinarily resident ₹	Resident but not ordinarily resident ₹	Non- Resident ₹
1) Short term capital gains on sale of shares of an Indian company, received in Germany	15,000	15,000	15,000
2) Dividend from a Japanese company, received in Japan	10,000	-	-
3) Rent from property in London deposited in a bank in London (Computed)	52,500	-	-
4) Dividend from RP Ltd., an Indian Company	6,000	6,000	6,000
5) Agricultural income from land in Gujarat [Agricultural income is exempt]	-	-	-
Total Income	83,500	21,000	21,000

Meaning of Income 'accruing' and 'due'

Accrue refers to the right to receive income, whereas due refers to the right to enforce payment of the same. In other words, when the right to receive income becomes vested in the assessee, it is said to accrue or arise. For e.g. salary for work done in December will accrue throughout the month, day to day, but will become due on the salary bill being passed on 31st December or 1st January.

Similarly, on Government securities, interest payable on specified dates arise during the period of holding, day to day, but will become due for payment on the specified dates.



Interest on Government securities is usually payable on specified dates, say on 1st January and 1st July. In all such cases, the interest would be said to accrue from 1st July to 31st December and on 1st January, it will fall due for payment.

It must be noted that income which has been taxed on accrual basis cannot be assessed again on receipt basis, as it will amount to double taxation.

An item of income accruing or arising outside India shall not be deemed to be received in India merely because it is taken into account in a balance sheet prepared in India.

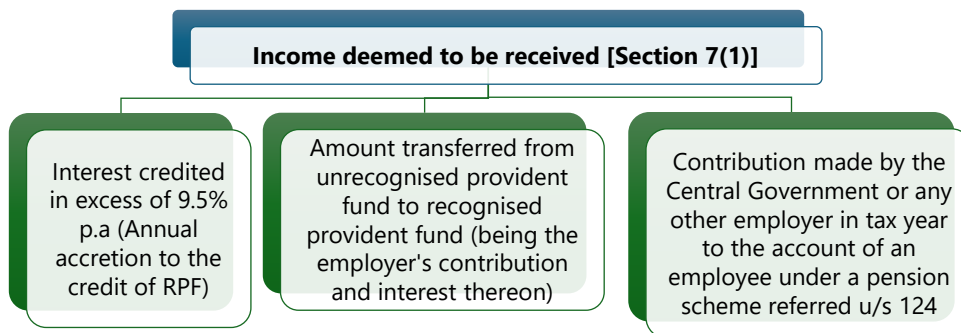
Further, once an item of income is included in the assessee's total income on the basis that it has accrued or arisen or is deemed to accrue or arise to such person, it cannot again be included in the person's total income on the basis that it is received or deemed to be received by that person in India.

Meaning of "Income deemed to be received"

All assesseees are liable to tax in respect of the income received or deemed to be received by them in India during the tax year irrespective of -

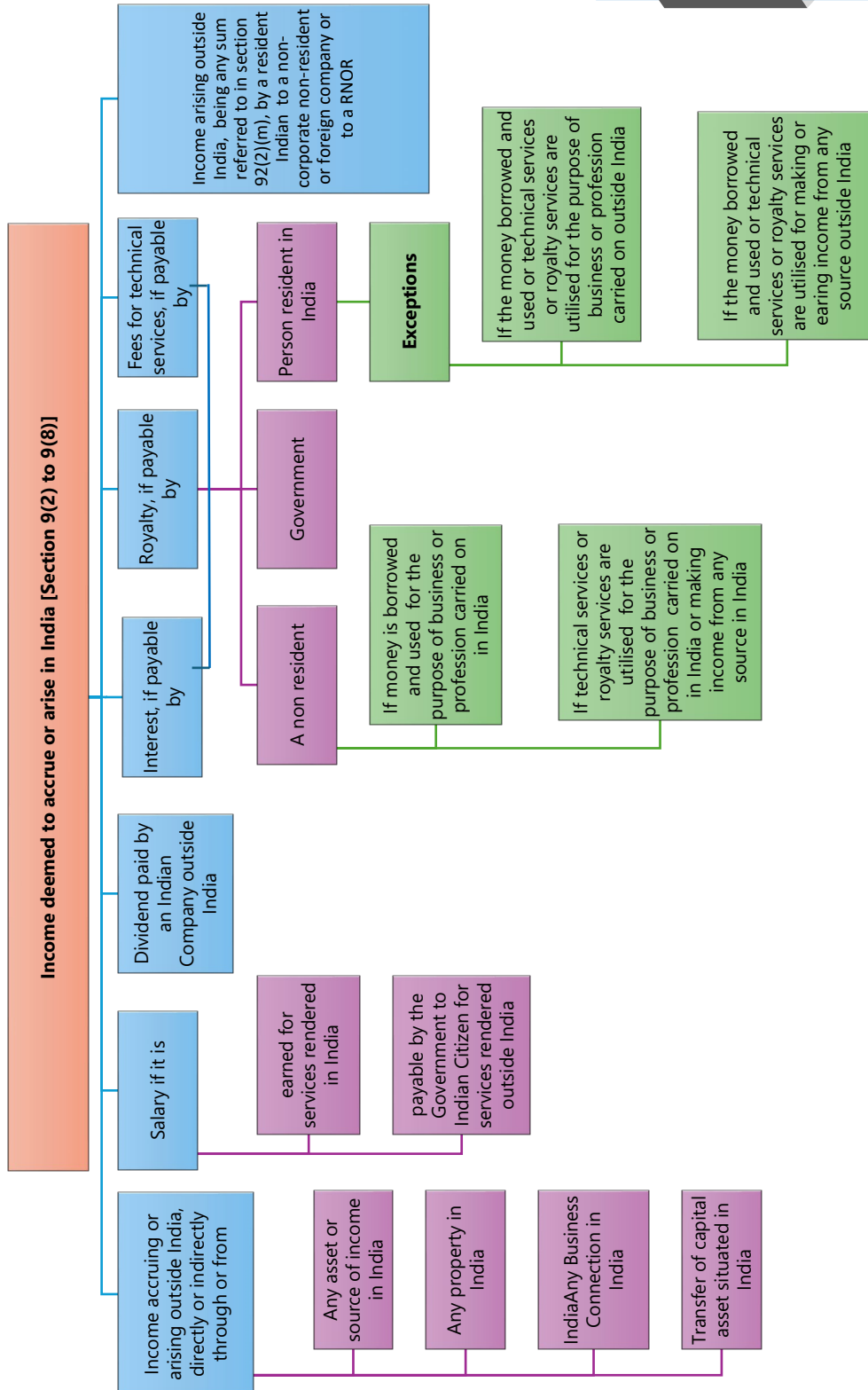
- (i) their residential status, and
- (ii) the place of its accrual.

Income is to be included in the total income of the assessee immediately on its actual or deemed receipt. The receipt of income refers to only the first occasion when the recipient gets the money under his control. Therefore, when once an amount is received as income, remittance or transmission of that amount from one place or person to another does not constitute receipt of income in the hands of the subsequent recipient or at the place of subsequent receipt.



Income deemed to accrue or arise in India [Section 9]

The income referred to in section 9(2) to 9(8) shall be deemed to accrue or arise in India even though they may actually **accrue or arise outside India**.



The categories of income which are deemed to accrue or arise in India are:

(1) Any income accruing or arising to an assessee in any place outside India whether directly or indirectly, through or from

- ♦ any asset or source of income in India,
- ♦ any property in India,
- ♦ any business connection in India, or
- ♦ the transfer of a capital asset situated in India

would be deemed to accrue or arise in India. **[Section 9(2)]**

Income from property, asset or source of income in India

Any income which arises from any property (movable, immovable, tangible and intangible property) would be deemed to accrue or arise in India.



1. Hire charges or rent paid outside India for the use of the machinery or buildings situated in India,
2. Deposits with an Indian company for which interest is received outside India etc.
3. Mr. X, resident in New York, USA, has a house property situated in India which has been given on rent by him. Rent receivable/ received by Mr. X would be taxable in India whether such rent is received by him in India or outside India as the house property is situated in India.

Income through or from transfer of a capital asset situated in India

Capital gains arising through or from the transfer of a capital asset situated in India would be deemed to accrue or arise in India in all cases irrespective of the fact whether

- (i) the capital asset is movable or immovable, tangible or intangible;
- (ii) the place of registration of the document of transfer etc., is in India or outside; and
- (iii) the place of payment of the consideration for the transfer is within India or outside.

Income from business connection in India

Business connection in India shall include any business carried out in India in the case of which all or part of operation are carried out in India. Further, if the entire operations of the business are not carried out in India, only the income which is reasonably attributable to operations carried out in India shall be deemed to accrue or arise in India **[Section 9(9)(a) read with section 9(9)(f)]**.

The following business activity or operations of a non-resident shall not be regarded as business carried out in India and therefore, shall not be deemed to accrue or arise in India **[Section 9(9)(c)]**:

- (i) Purchase of goods in India for the purpose of export out of India
- (ii) Collection of news and views in India for transmission out of India, if the non-resident is engaged in the business of running a news agency or of publishing newspapers, magazines or journals
- (iii) Display of uncut and unassorted diamonds in any special zone notified by the Central Government, if the non-resident is a foreign company engaged in the business of mining of diamonds
- (iv) Shooting of any cinematograph films in India, if the non-resident is -
 - (a) an individual, who is not a citizen of India or
 - (b) a firm which does not have any partner who is a citizen of India or who is resident in India; or
 - (c) a company which does not have any shareholder who is a citizen of India or who is resident in India.



8.	<i>A non-resident transferred shares of an Indian company in Singapore and received consideration in Dubai. The capital gains arising from such transfer shall be:</i>
(a)	<i>not taxable in India since transfer took place outside India</i>
(b)	<i>taxable in India since the capital asset is situated in India</i>

	(c)	<i>exempt because consideration was received outside India</i>
	(d)	<i>taxable only in Singapore</i>
9.	<i>Mr. John, a non-resident foreign citizen, came to India for shooting a documentary film. He has no Indian citizenship. The income earned from such shooting activity shall:</i>	
	(a)	<i>be taxable in India</i>
	(b)	<i>not be deemed to accrue in India</i>
	(c)	<i>be taxable only if payment is received in India</i>
	(d)	<i>be exempt only for documentaries</i>

(2) Income under the head "Salaries" [Section 9(3)]

Income falling under the head "Salaries", is deemed to accrue or arise in India in the following cases:

- (a) Salary earned in India and any income payable for
 - (i) services rendered in India and
 - (ii) for rest period or leave period which is preceded and succeeded by services rendered in India, and forms part of the service contract of employment.

Shall be regarded as income earned in India.
- (b) Salary payable by the Government to a citizen of India for services rendered outside India.

However, allowances and perquisites paid or allowed outside India by the Government to an Indian citizen for services rendered outside India is exempt [Schedule III (Table: Sl. No. 9)].



Exemption under Schedule III (Table: Sl. No. 9) would be available to an assessee irrespective of the regime under which he pays tax.

ILLUSTRATION 6

Mr. David, an Indian citizen aged 40 years, a Government employee serving in the Ministry of External Affairs, left India for the first time on 31.03.2026 due to his transfer to High Commission of Canada. He did not visit India any time during the tax year 2026-27. He has received the following income for the tax year 2026-27:

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 tax year 2026-27.

SOLUTION

As per section 6(21), Mr. David is a non-resident for the tax year 2026-27, since he was not present in India at any time during the tax year 2026-27.

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 David, 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(3)(b). Hence, such income is taxable in the hands of Mr. David, 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 Schedule III (Table: Sl. No. 9). Hence, foreign allowance of ₹ 4,00,000 is exempt under Schedule III in the hands of Mr. David.

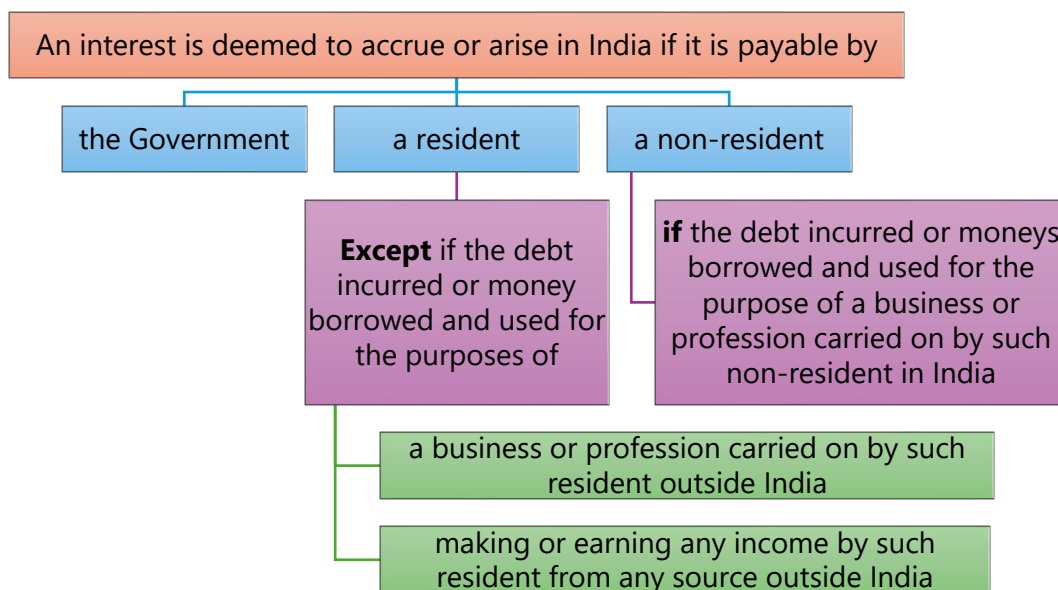
Gross Total Income of Mr. David for tax year 2026-27

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

(3) Dividend paid by an Indian company outside India [Section 9(4)]

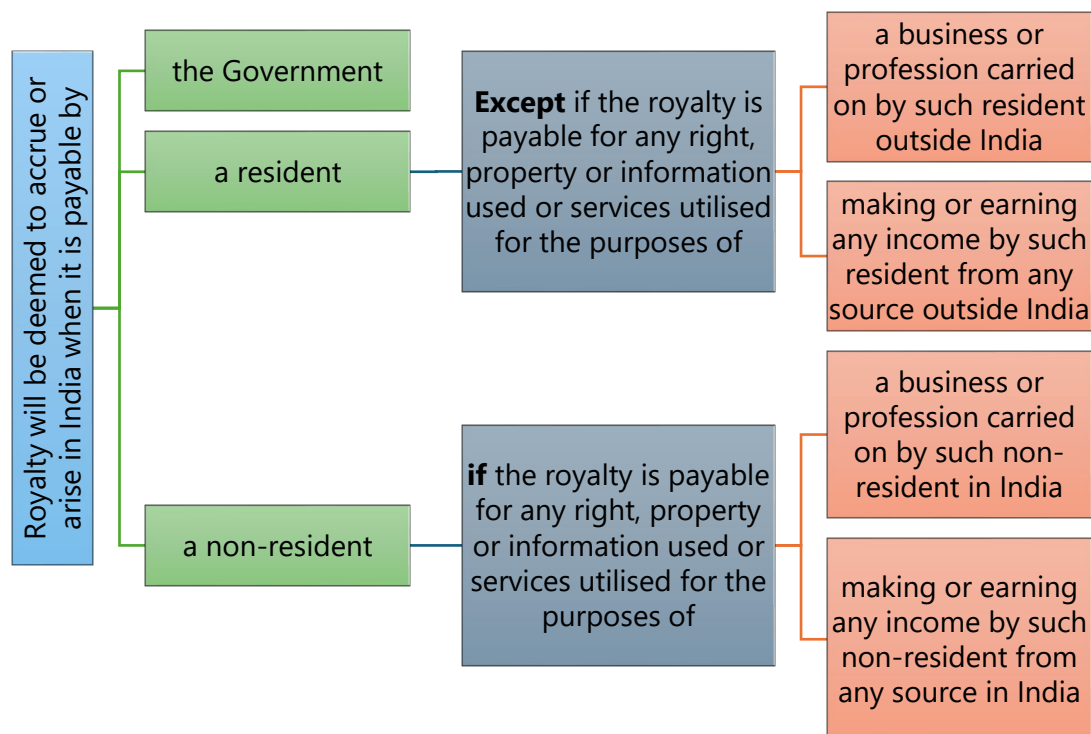
Dividends paid by an Indian company outside India is deemed to accrue or arise in India and would be taxable in the hands of shareholders.

(4) Interest [Section 9(5)]



If a non-resident 'A' borrows money from a non-resident 'B' and invests the same in shares of an Indian company, interest payable by 'A' to 'B' will not be deemed to accrue or arise in India.

However, if Mr. 'A' invests the money in his business in India, interest payable by 'A' to 'B' will be deemed to accrue or arise in India.

(5) Royalty [Section 9(6)]**Important points:**

(1) Meaning of Royalty: The term 'royalty' means consideration (including any lumpsum consideration but excluding any consideration which would be the income of the recipient chargeable under the head 'Capital gains') for:

- the transfer or grant of all or any rights (including the granting of licence) in respect of a patent, **invention**, model, design, secret formula or process or trade mark or similar property; 
- the imparting of any information concerning or the use of, a patent, invention, model, formula or process or **trade mark** or similar  the working of, design, secret property;
- the use of any **patent**, invention, model, design, secret formula or process or trade mark or similar property; 
- the imparting of any information concerning technical, industrial, commercial or scientific knowledge, experience or skill;

- (v) the use or right to use any industrial, commercial or scientific equipment¹;
- (vi) the transfer or grant of all or any rights (including the granting of licence) in respect of any copyright, literary, artistic or scientific work including
 - films or video tapes for use in connection with television or
 - tapes for use in connection with radio broadcasting.
- (vii) the rendering of any service in connection with the activities listed above.

The definition of 'royalty' for this purpose is wide enough to cover both industrial royalties as well as copyright royalties. The definition specially excludes income which should be chargeable to tax under the head 'capital gains'.

(2) Consideration for use or right to use computer software is royalty

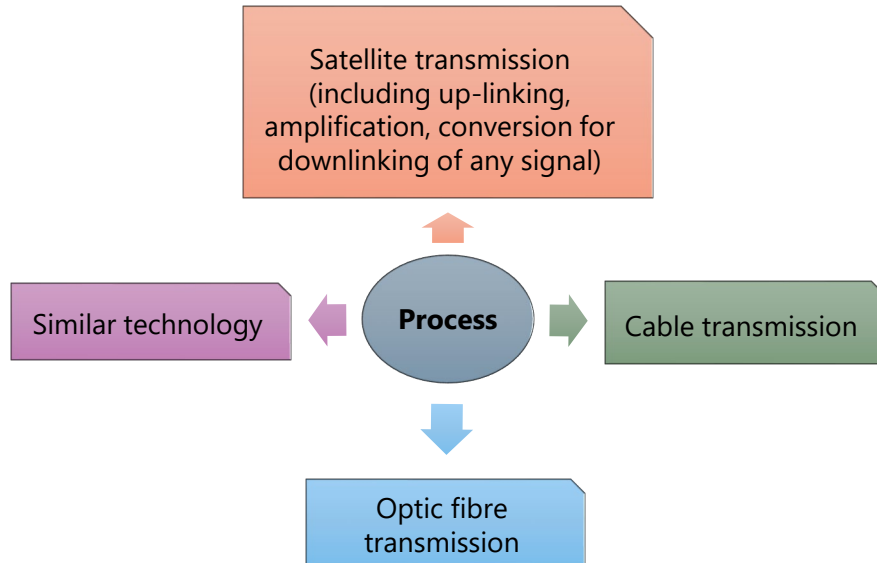
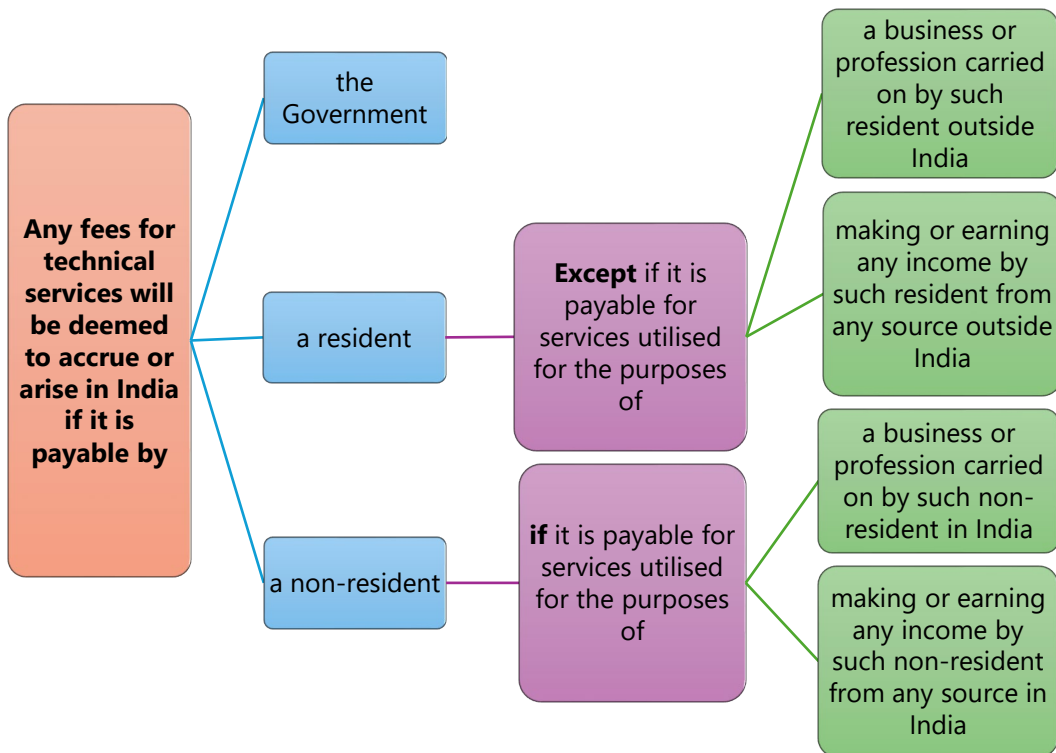
The transfer or grant of all or any rights in respect of any right, property or information includes transfer or grant of all or any right for use or right to use a computer software (including granting of a licence) irrespective of the medium through which such right is transferred.

(3) Consideration in respect of any right, property or information – Is it royalty?

Royalty includes consideration in respect of any right, property or information, whether or not,

- (a) the possession or control of such right, property or information is with the payer;
- (b) such right, property or information is used directly by the payer;
- (c) the location of such right, property or information is in India.

¹Except the amounts referred to in section 61(2) (Table: Sl. No. 5) containing presumptive tax provisions relating to non-resident engaged in the business of providing services or facilities for prospecting, extraction or production of mineral oils, which will be dealt with at the final level.

(4) Meaning of Process**(6) Fees for technical services [Section 9(7)]**

Meaning of Fees for technical services: It means any consideration (including any lumpsum consideration) for the rendering of any

- ♦ managerial,
- ♦ technical or
- ♦ consultancy services (including providing the services of technical or other personnel).

However, it does not include consideration for any construction, assembly, mining or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head 'Salaries'.

Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services to be taxed irrespective of territorial nexus [Section 9(11)]

Income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of section 9(5), 9(6) and 9(7), shall be included in the total income of the non-resident, whether or not –

- (i) the 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 utilized 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.

ILLUSTRATION 7

Miss Vivitha paid a sum of 5000 USD to Mr. Kulasekhara, a management consultant practising in Colombo, specializing in project financing. The payment was made in Colombo. Mr. Kulasekhara is a non-resident. The consultancy is 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

A non-resident is chargeable to tax in respect of income received outside India only if such income accrues or arises or is deemed to accrue or arise to him in India.

The income deemed to accrue or arise in India under section 9 comprises, *inter alia*, income by way of fees for technical services, which includes any consideration for rendering of any managerial, technical or consultancy services. Therefore, payment to a management consultant relating to project financing is covered within the scope of "fees for technical services".

The section 9(11) clarifies that income by way of, *inter alia*, fees for technical services, from services utilized 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 or whether or not the non-resident has a residence or place of business or business connection 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.

(7) Any sum paid by a resident Indian to a non-corporate non-resident or foreign company or to a resident but not ordinarily resident in India [Section 9(8)]

Income arising outside India, being any sum paid without consideration, by an Indian resident person to a non-corporate non-resident or foreign company or to a RNOR would be deemed to accrue or arise in India if the same is chargeable to tax under section 92(2)(m).

You may refer to Unit 5 of Chapter 3 where chargeability of any sum of money received is discussed in detail.



10.	Mr. A, a non-resident, borrowed funds from another non-resident Mr. B and invested the amount in shares of an Indian company. Interest paid by Mr. A to Mr. B would be:	
	(a)	deemed to accrue in India
	(b)	taxable in India as royalty
	(c)	not deemed to accrue or arise in India
	(d)	taxable only if paid in India

11.	Mr. K, a non-resident management consultant, rendered consultancy services from Singapore for a project executed in India. The payment was received outside India. Such income shall be:
(a)	exempt in India
(b)	taxable in India since services were utilized in India
(c)	taxable only in Singapore
(d)	taxable only if he has business connection in India

ILLUSTRATION 8

Compute the gross total income in the hands of an individual aged 35 years, being a resident and ordinarily resident, resident but not ordinarily resident, and non-resident for the tax year 2026-27.

Particulars	Amount (₹)
Interest on UK Development Bonds, 50% of interest received in India	10,000
Income from a business in Chennai (50% is received in India)	20,000
Short term capital gains on sale of shares of an Indian company, received in London	20,000
Dividend from British company received in London	5,000
Long term capital gains on sale of plant at Germany, 50% of gains are received in India	40,000
Income earned from business in Germany which is controlled in Delhi (₹ 40,000 is received in India)	70,000
Profits from a business in Delhi but managed entirely from London	15,000
Income from house property in London deposited in a Bank at London, brought to India (Computed)	50,000
Interest on debentures in an Indian company, received in London	12,000
Fees for technical services rendered in India but received in London	8,000
Profits from a business in Mumbai, managed from London	26,000
Income from property situated in Nepal received there (Computed)	16,000
Past foreign untaxed income brought to India during the tax year	5,000

<i>Income from agricultural land in Nepal, received there and then brought to India</i>	18,000
<i>Income from profession in Kenya which was set up in India, received there but spent in India</i>	5,000
<i>Interest on savings bank deposit in State Bank of India</i>	12,000
<i>Income from a business in Russia, controlled in Russia</i>	20,000
<i>Dividend from Reliance Petroleum Limited, an Indian Company</i>	5,000

SOLUTION**Computation of gross total income for the tax year 2026-27**

Particulars	Resident and ordinarily resident ₹	Resident but not ordinarily resident ₹	Non-resident ₹
Interest on UK Development Bonds, 50% of interest received in India	10,000	5,000	5,000
Income from a business in Chennai (50% is received in India)	20,000	20,000	20,000
Short term capital gains on sale of shares of an Indian company, received in London	20,000	20,000	20,000
Dividend from British company received in London	5,000	-	-
Long term Capital gains on sale of plant at Germany, 50% of gains are received in India	40,000	20,000	20,000
Income earned from business in Germany which is controlled in Delhi, out of which ₹ 40,000 is received in India	70,000	70,000	40,000
Profits from a business in Delhi but managed entirely from London	15,000	15,000	15,000
Income from house property in London deposited in a Bank at London, later on remitted to India	50,000	-	-

Interest on debentures in an Indian company, received in London	12,000	12,000	12,000
Fees for technical services rendered in India but received in London	8,000	8,000	8,000
Profits from a business in Mumbai, managed from London	26,000	26,000	26,000
Income from property situated in Nepal and received there	16,000	-	-
Past foreign untaxed income brought to India during the tax year	-	-	-
Income from agricultural land in Nepal, received there and then brought to India	18,000	-	-
Income from profession in Kenya which was set up in India, received there but spent in India	5,000	5,000	-
Interest on savings bank deposit in State Bank of India	12,000	12,000	12,000
Income from a business in Russia, controlled in Russia	20,000	-	-
Dividend from Reliance Petroleum Limited, an Indian Company	5,000	5,000	5,000
Gross Total Income	3,52,000	2,18,000	1,83,000



(I) Residential status of an individual

(1) Section Main conditions	(2) 6(2) All individuals [Other than (3), (4) and (5)] [Either (a) or (b) should be satisfied for being a resident]	(3) 6(3) Indian citizen leaving India in relevant tax year for employment outside India or as member of crew of Indian ship	(4) 6(4) Indian citizen or PIO residing outside India during the relevant tax year and having total income other than income from foreign sources $\leq$ ₹ 15 lakh	(5) 6(5) Indian citizen or PIO residing outside India during the relevant tax year and having total income other than income from foreign sources $>$ ₹ 15 lakh	(6) 6(7) Deemed resident – Indian citizen whose total income other than income from foreign sources $>$ ₹ 15 lakh, who is not liable to tax in any other country
(a) ≥ 182 days in the relevant tax year	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\times$
(b) ≥ 60 days during the relevant tax year + ≥ 365 days in 4 years preceding such tax year	(OR)	$\times$	$\times$	≥ 120 days in the relevant tax year + ≥ 365 days in 4 years preceding such tax year	$\times$
Additional conditions	Section 6(13)				
(i) ≥ 730 days in 7 years preceding such tax year	If both (i) and (ii) are satisfied, ROR.				
(ii) Resident for ≥ 2 years out of the 10 years preceding such tax year	If either (i) or (ii) are satisfied or neither (i) nor (ii) are satisfied, RNOR.				
	By default RNOR, if individual becomes resident due to the fulfillment of modified second condition above				
	Section 6(13)				
	By default RNOR				

Notes -

- (1) Section 6(7) would not apply in case of an individual who is resident in India for a tax year under section 6(2) to 6(6).
- (2) A person is said to be of Indian origin if he or either of his parents or either of his grandparents was born in undivided India
- (3) "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.

(II) HUF [ROR/RNOR/non-resident]

A HUF would be **resident in India** if the **control and management** of its affairs is situated **wholly or partly in India**.

If the **control and management** of the affairs is situated **wholly outside India**, it would become a **non-resident**.

If the HUF is resident, then the satisfaction or otherwise of additional conditions by Karta would determine whether the HUF is **ROR** or **RNOR**.

If Karta satisfies both the additional conditions [(i) & (ii)] in (I) above, then, the HUF would be ROR. Otherwise, the HUF would be RNOR.

(III) Firms, AoPs and Bols [Resident/Non-resident]

(i) A firm, AoP or Bol would be **resident in India**, if the **control and management** of its affairs is situated **wholly or partly in India**.

(ii) If the **control and management** of the affairs is situated **wholly outside India**, they would become a **non-resident**.

(IV) Companies [Resident/Non-resident]

(i) A company would be **resident in India** in any tax year, if it is an Indian company or its place of effective management (POEM) in that year, is in India.

(ii) If the company is not an Indian Company and its POEM is also not in India in that year, it would become a non-resident for that year.

Section 5 [Scope of Total Income]

Resident and Ordinarily Resident	Resident but not Ordinarily Resident	Non-Resident
Income received/ deemed to be received/accrued or arisen/deemed to accrue or arise in or outside India In short, the global income is taxable.	Income which is received/ deemed to be received/ accrued or arisen/ deemed to accrue or arise in India; AND Income which accrues or arises outside India being derived from a business controlled in or profession set up in India.	Income received/ deemed to be received/accrued or arisen/deemed to accrue or arise in India.



TEST YOUR KNOWLEDGE

1. Mr. Ram, an Indian citizen, left India on 22.09.2026 for the first time to work as an officer of a company in Germany. Determine the residential status of Ram for the tax year 2026-27.
2. Mr. Dey, residing in US since 1990, visits India for 30 days every year. He came back to India on 1.4.2025 for permanent settlement. What will be his residential status for tax year 2026-27?
3. Mr. Ramesh & Mr. Suresh are brothers, and they earned the following incomes during the tax year 2026-27. Mr. Ramesh settled in Canada in the year 1996 and Mr. Suresh settled in Delhi. Compute the gross total income for the tax year 2026-27.

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.	Rent received in respect of house property at Bhopal (Computed)	70,000	42,000
10.	Life insurance premium paid	-	30,000

4. 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".

5. Examine with reasons whether the following transactions attract income-tax in India in the hands of recipients:
- Salary payable by Central Government to Mr. John, a citizen of India of ₹ 7,00,000 (Computed) for the services rendered outside India considering that he pays tax as per the provisions of section 202(1).
 - Interest on moneys borrowed from outside India ₹ 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.
 - Royalty paid by a resident to a non-resident in respect of a business carried on outside India.
 - 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.
6. From the following particulars of income furnished by Mr. Ashutosh, aged 65 years, pertaining to year ended 31.03.2027, compute the gross total income for the tax year 2026-27, if he is
- Resident and ordinarily resident
 - Non-resident

	Particulars	Amount (₹)
(i)	Capital gain on sale of land in Jaipur to Mr. Ramesh, a non-resident, outside India. The consideration is also received outside India in foreign currency	1,50,000
(ii)	Rent from property in Delhi, let out to a branch of a foreign company. The rent agreement is entered outside India. Monthly rent is also received outside India	1,20,000
(iii)	Agricultural income from a land situated in Nepal, received in Nepal	55,000
(iv)	Interest on savings bank deposit in UCO Bank, Delhi	18,000
(v)	Income earned from business in London which is controlled from Delhi (₹ 35,000 is received in India)	60,000
(vi)	Gift received from his daughter on his birthday	55,000
(vii)	Past foreign taxed income brought to India	37,000

(viii)	<i>Fees for technical services rendered to Shine, Ltd., a foreign company, for business outside India and received also outside India</i>	12,000
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7. *Mr. Dhanush, an Indian citizen aged 35 years, worked in ABC Ltd. in Mumbai. He got a job offer from XYZ Inc., USA on 01.06.2025. He left India for the first time on 31.07.2025 and joined XYZ Inc. on 08.08.2025. During the tax year 2026-27, Mr. Dhanush visited India from 25.05.2026 to 22.09.2026. He has earned the following income for the tax year 2026-27*

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

Determine the residential status of Mr. Dhanush and compute his total income for the tax year 2026-27.

ANSWERS

1. Under section 6(2), an individual shall be resident in India in a tax year if he satisfies any one of the following conditions -
- He has been in India for a total period of 182 days or more in the relevant tax year, or
 - He has been in India cumulatively for 60 days or more in the relevant tax year and has been in India cumulatively for 365 days or more in the 4 years preceding the relevant tax year

As per section 6(3), in the case of Indian citizens leaving India for employment outside India, the second condition would not be applicable.

During the tax year 2026-27, Mr. Ram, an Indian citizen, was in India for 175 days only (i.e., 30+31+30+31+31+22 days). Thereafter, he left India for employment purposes.

Since he does not satisfy the minimum criteria of 182 days stay in India during the relevant tax year, he is a non-resident for the tax year 2026-27.

2. Mr. Dey is a resident in tax year 2026-27 since he has stayed in India for a period of 365 days (more than 182 days) during the tax year 2026-27.

As per section 6(13), a person will be "Not ordinarily Resident" in India in any tax year, if such person, *inter alia*:

- (a) has been a non-resident in India in 9 out of 10 tax years preceding the relevant tax year; or
- (b) has been in India cumulatively for 729 days or less in 7 tax years preceding the relevant tax year.

If he does not satisfy either of these conditions, he would be a resident and ordinarily resident.

For the tax year 2026-27, his status would be "Resident but not ordinarily resident" since he was non-resident in 9 out of 10 tax years preceding the tax year 2026-27. He was resident only in the year 2025-26. Prior to that, he was non-resident in all the years since his stay in India was only for 30 days each year.

He can be resident but not ordinarily resident also due to the fact that he has stayed in India only for 545 days [365 days in year 2025-26 + (30 days x 6 years)] in 7 tax years preceding the tax year 2026-27, which is less than 730 days.

3. **Computation of gross total income of Mr. Ramesh & Mr. Suresh for the tax year 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.	Income from house property at Bhopal (Computed) (See Note 4)	70,000	42,000
	Gross Total income	4,34,500	4,14,000

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. The 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.

4. This statement is correct.

As per section 9(11), income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of sub-section (5), (6) and (7) of section 9, shall be included in his total income, 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.

5. Taxability of receipts

	Taxable/ Not Taxable	Amount liable to tax (₹)	Reason
(i)	Taxable	7,00,000	As per section 9(3)(b), 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.
(ii)	Taxable	5,00,000	As per section 9(5)(a)(iii), 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)	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(6)(a)(ii).
(iv)	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.

6. Computation of gross total income of Mr. Ashutosh for the tax year 2026-27

Particulars	Resident and ordinarily resident (₹)	Non-resident (₹)
Capital gain on sale of land in Jaipur to Mr. Ramesh, a non-resident, outside India and received outside India	1,50,000	1,50,000
Rent from property in Delhi, received outside India [₹ 1,20,000 – 30% of ₹ 1,20,000 under section 22(a)]	84,000	84,000
Agricultural income from a land situated in Nepal, received in Nepal	55,000	-
Interest on savings bank deposit in UCO Bank, Delhi	18,000	18,000
Income earned from business in London which is controlled from Delhi	60,000	35,000

Gift received from daughter (Not taxable, since daughter is a relative)	-	-
Past foreign taxed income brought to India (Not taxable)	-	-
Fees for technical services rendered to Shine, Ltd., a foreign company, for business outside India and received also outside India	12,000	-
Gross Total Income	3,79,000	2,87,000

Note –

In case of a resident and ordinarily resident, 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, agricultural income from a land situated in Nepal, income earned from business in London which is controlled from Delhi, received outside India and fees for technical services from a non-resident for business outside India is not taxable in case of non-resident.

7. As per section 6(4), 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 tax year in case such person has total income, other than the income from foreign sources, not exceeding ₹ 15 lakhs.

However, as per section 6(5), 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 tax year and has been in India in the 4 years preceding the relevant tax 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 tax year 2026-27 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 it is deemed to accrue or arise in India)	5,50,000
Agricultural income from land situated in Punjab [Exempt under Schedule II (Table Sl. No. 1)]	-
Rent received/receivable from house property in Lucknow (Included in total income, since it is deemed to accrue or arise in India)	4,00,000
Less: 30% of ₹ 4 lakhs	1,20,000
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 tax year 2026-27 and his total income, other than income from foreign sources does not exceed ₹ 15 lakhs, he would be non-resident for the tax year 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 taxable, since it neither accrues or arises in India nor is it received in India)	-
Dividend from Indian companies (Taxable, since it is deemed to accrue or arise in India)	5,50,000
Agricultural income from land situated in Punjab [Exempt under Schedule II (Table Sl. No. 1)]	-

Rent received/receivable from house property in Lucknow (Taxable, since it is deemed to accrue or arise in India)	4,00,000	
Less: 30% of ₹ 4 lakhs	1,20,000	2,80,000
Profits from a profession in USA, which was set up in India, received there		-
Gross Total Income/ Total income		8,30,000



Q. No.	ANSWERS	
1.	(c)	Non-resident
2.	(b)	Resident but not ordinarily resident
3.	(a)	Resident and ordinarily resident
4.	(d)	Deemed resident but not ordinarily resident
5.	(c)	Non-resident
6.	(a)	Resident and ordinarily resident
7.	(a)	resident
8.	(b)	Taxable in India since the capital asset is situated in India
9.	(b)	Not be deemed to accrue in India
10.	(c)	Not deemed to accrue or arise in India
11.	(b)	Taxable in India since services were utilized in India