

Chapter 1

BASIC CONCEPTS AND DEFINITIONS

MAY 2026 EXAMS

No Question

MAY 2026 RTP

No Question

MAY 2026 MTP-1

No Question

MAY 2026 MTP-2

No Question

JANUARY 2026 EXAMS

No Question

JANUARY 2026 RTP

No Question

JANUARY 2026 MTP-1

No Question

JANUARY 2026 MTP-2

No Question

SEPTEMBER 2025 EXAMS

No Question

SEPTEMBER 2025 RTP

No Question

SEPTEMBER 2025 MTP-1

No Question

SEPTEMBER 2025 MTP-2

No Question

MAY 2025 EXAMS

No Question

MAY 2025 RTP

No Question

MAY 2025

No Question

MAY 2025

No Question

JANUARY 2025 EXAMS

No Question

JANUARY 2025 RTP

No Question

JANUARY 2025 MTP-1

No Question

JANUARY 2025 MTP-2

No Question

SEPTEMBER 2024 EXAMS

No Question

SEPTEMBER 2024 RTP

No Question

SEPTEMBER 2024 MTP-1

No Question

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No Question

MAY 2024 EXAMS

No Question

MAY 2024 RTP

No Question

MAY 2024 MTP-1

No Question

MAY 2024 MTP-2

No Question

NOVEMBER 2023 EXAMS

No Question

NOVEMBER 2023 RTP

No Question

NOVEMBER 2023

No Question

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No Question

MAY 2023 EXAMS

No Question

MAY 2023 RTP

No Question

MAY 2023 MTP-1

No Question

MAY 2023 MTP-2

No Question

NOVEMBER 2022 EXAMS: 4 MARKS

Mr. X a resident, aged 56 years, till recently was a successful businessman. His business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1/1/2026 he decided to wind-up his business which he also promptly intimated to the Assessing Officer about the closure of his business. The Assessing Officer sent him a notice of income tax on the income of PY 2025-2026 during the AY 2025-2026 itself. Does the assessing officers have the power to do so? Are there any exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year"?

SOLUTION:

(1) **Discontinued Business: Section 176:** Where any business or profession is discontinued in any year, the income of the period from the start of the PY up to the date of discontinuance may, at the discretion of AO, be charged to tax in the same year at the rates prevalent in the same year or may charge the income in the regular AY.

In the instant case, Mr. X has discontinued his business on 1/1/2026 and thus his income from 1/4/2025 till 1/1/2026 will be taxable at the rate of tax of AY 2025-2026. Further, AO has discretion to tax such income in the regular AY i.e., AY 2026-2027.

(2) The income of an assessee for a previous year is charged to income tax in the assessment year following the previous year. However, in a few cases, the income is taxed in the previous year in which it is earned. The exceptions are as follows:

- (a) Section 172: Shipping business of non-resident or foreign companies
- (b) Section 174: Individual leaving India
- (c) Section 174A: AOP/BOI established for a particular purpose
- (d) Section 175: Transfer of property to avoid payment of taxes
- (e) Section 176: Discontinuation of business

NOVEMBER 2022 RTP

No Question

NOVEMBER 2022 MTP-1

No Question

NOVEMBER 2022 MTP-2

No Question

MAY 2022 EXAMS

No Question

MAY 2022 RTP

No Question

MAY 2022 MTP-1

No Question

MAY 2022 MTP-2

No Question

MCQs

Q1: MTP of May 2019: 1 Mark

Under the provisions of the Income-tax Act, 1961, the term "Person" would include:

- (a) A body corporate incorporated in a country outside India
- (b) A Limited Liability Partnership (LLP)
- (c) Indian branch of a foreign company
- (d) A local authority

Answer (d)

Solution: The definition of Person is inclusive definition given u/s 2(31). However, there are some specific inclusions in the definition, local authority being one of them. A body corporate incorporated in a country outside India; a LLP and an Indian branch of a foreign company are not specific inclusions in the definition of Person.

Q2: MTP of May 2020: 1 Marks

XYZ LLP falls under which category of person?

- (a) Firm
- (b) Company
- (c) Association of persons
- (d) Artificial judicial person

Answer: (a)

Solution: Person has been defined u/s 2(31). No specific mention is there for LLP but LLP is covered in the category of firm.

Q3: MTP of May 2023: 2 Marks

The Gupta HUF in Maharashtra comprises of Mr. Harsh Gupta, his wife Mrs. Nidhi Gupta, his son Mr. Deepak Gupta, his daughter-in-law Mrs. Deepti Gupta, his daughter Miss Preeti Gupta and his unmarried brother Mr. Gautam Gupta. Which of the members of the HUF are eligible for coparcenary rights?

- (a) Only Mr. Harsh Gupta, Mr. Gautam Gupta and Mr. Deepak Gupta
- (b) Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
- (c) Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
- (d) All the members are co-parceners

Answer: (b)

Solution: HUF is a joint family which consists of all males lineally descended from a common ancestor, their wives, unmarried daughters and daughter in laws. HUF consists of members, male and female, adults and minors. A daughter is a member till her marriage and on being married she ceases to be a member of her father's family and then becomes a member of the family of her husband as daughter in law.

Some of the members of the family are called coparceners. Coparceners are those members who have right to enforce partition of HUF and they are males and females born in the family.

As per the Hindu Succession Act, 1956, any individual born in a HUF becomes a coparcener by birth. Both sons and daughters are coparceners in the family and share equal rights and liabilities over the property.

In the instant case Mr. Harsh Gupta, his son Mr. Deepak Gupta, his daughter Preeti Gupta and his brother Gautam Gupta will be regarded as coparcenary.

Q4: NOVEMBER 2023: 2 MARKS

From the following transactions compute the total amount of capital nature and revenue nature:

- (i) Purchase of Furniture with no intention to resell but sold under changed circumstances amounting to ₹75,000
 - (ii) Receipt of liquidated damages directly and intimately linked with the procurement of a capital asset, which lead to delay in coming into existence of the profit-making apparatus amounting to ₹2,50,000
 - (iii) Receipt of compensation on termination of the agency business being the only source of income amounting to ₹5,00,000
 - (iv) Compensation received from the employer for premature termination of the service contract amounting to ₹70,000
- (a) Revenue Amount – ₹3,95,000, Capital Amount – ₹5,00,000
 - (b) Revenue Amount - NIL, Capital Amount – ₹8,95,000
 - (c) Revenue Amount – ₹2,50,000, Capital Amount – ₹6,45,000
 - (d) Revenue Amount – ₹5,00,000, Capital Amount – ₹3,95,000

Answer: (b)

Solution: All four transactions are capital in nature.

Chapter 2

RESIDENTIAL STATUS

MAY 2026 EXAMS: 6 MARKS

Mr. Shankar, aged 44 years, is an Indian citizen. He graduated from ABC University, UAE and was employed in Nomad Skills LLC, UAE since April 2016. He never visited India in between. He resigned from Nomad Skills LLC in November 2025, completed all the formalities while staying in UAE till 10/12/2025 and came back to India on 11/12/2025 to join Shakin Pro Limited as CEO of the company. He received gross salary amounting to ₹36,00,000 from Nomad Skills LLC upto November 2025 in UAE for AY 2026-2027 i.e.; PY 2025-2026 in his bank account maintained in UAE. His salary was not taxable in UAE since UAE does not tax individuals on their incomes. He received gross salary from Shakin Pro Limited from December 2025 to March 2026 amounting to ₹8,50,000. He also sold listed equity shares of Indian companies, which were sold by him in October 2025, as per the following details:

Name of Company	No. of Shares	Date of acquisition	Cost of acquisition in ₹	Date of Transfer	Sale Price per share in ₹	FMV as on 31/1/2018 in ₹
X. Ltd.	300	15/2/2016	1,400	23/10/2025	3,200	1,800
Y Ltd.	250	1/8/2023	2,300	8/10/2025	3,300	1,900

STT was paid both at the time of purchase and sale. He also received winning from online games in India amounting to ₹70,000 in March 2026.

Determine the residential status of Mr. Shankar and compute his total income for the AY 2026-2027 i.e., PY 2025-2026 assuming he did not opt out of default tax regime.

SOLUTION: Calculation of number of days of stay in India in AY 2026-2027 i.e.; PY 2025-2026

April 2025 to November 2025	Nil
December 2025 (31-10)	21
January 2026	31
February 2026	28
March 2026	31
Total number of days	111

Calculation of capital gains for Mr. Shankar for the AY 2026-2027 i.e.; PY 2025-2026

Particulars	300 Shares of X Ltd Amount in ₹	250 Shares of Y Ltd. Amount in ₹
Sale consideration	9,60,000	8,25,000
Less: selling expenses	Nil	Nil
Net sale consideration	9,60,000	8,25,000
Cost of acquisition	5,40,000 [WN]	5,75,000
LTCG	4,20,000	2,50,000

WN: COA is higher of:

- Actual cost: ₹4,20,000
- Lower of
 - FMV as on 31/1/2018: ₹5,40,000
 - Sale price of shares: ₹9,60,000

Calculation of Total Income for Mr. Shankar for the AY 2026-2027 i.e., PY 2025-2026 to determine residential status of Mr. Shankar

Particulars	Amount in ₹
Salary earned in UAE till November 2025	Foreign income is not to be included
Salary earned in India after standard deduction	7,75,000
Income from capital gains	6,70,000
Income from other sources: Received winning from online games (net is received) = ₹70,000 Add: TDS u/s = ₹70,000 / 70 x 30 = ₹30,000	1,00,000
Total income in India	15,45,000
<ul style="list-style-type: none"> Total income (except income from foreign sources) is more than ₹15,00,000. Mr. Shankar is a Citizen of India. He is not liable to tax in UAE. <p>All conditions u/s 6(1A) gets satisfied and thus Mr. Shankar is a deemed resident of India. Further as per section 6(6)(d) Mr. Shankar will be deemed to be NOR in India. His stay in India of 111 days is irrelevant in this case. His total income taxable in India will be ₹15,45,000.</p>	

MAY 2026 RTP | MAY 2022 EXAMS: 4 MARKS

Mrs. Shruti is an Indian citizen, is currently in employment with an overseas company located in UAE. During the AY 2026-2027 i.e., PY 2025-2026, she comes to India for 157 days. She is in India for 200 days, 100 days, 76 days and 45 days in PY 2021-2022, 2022-2023, 2023-2024 and 2024-2025 respectively. Her annual income for AY 2026-2027 i.e., PY 2025-2026 is as follows:

Particulars	Amount in ₹
Income from salary earned and received in UAE	2,00,000
Income earned and received from a house property situated in UAE	5,00,000
Income deemed to be accrued and arise in India	5,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	3,00,000
Life insurance premium paid by cheque in India	1,50,000

Determine the residential status of Mrs. Shruti for the AY 2026-2027 i.e., PY 2025-2026.

SOLUTION: Determination of residential Status of Mrs. Shruti for AY 2026-2027 i.e., PY 2025-2026

Income from Foreign Sources (overseas income): means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India)

Particulars	Amount in ₹
Income from salary earned and received in UAE	NIL
Income earned and received from a house property situated in UAE	NIL
Income deemed to be accrued and arise in India	5,00,000
Income from retail business (accrued and received outside India, controlled from India)	10,00,000
Income accrued and arise in India	3,00,000
Indian Income	18,00,000
Less: Deduction u/s 80C: LIC premium paid by cheque in India	1,50,000
Total income except income from foreign sources	16,50,000

1st Explanation to Section 6(1): In case of an individual who is:

- citizen of India or
- person of Indian origin

who ordinarily stays outside India, comes to India for any purpose and his total income (other than income from foreign sources) exceeds ₹15,00,000 during the relevant PY then period of 60 days shall be substituted by 120 days. Further, condition of stay of 365 days during preceeding 4 PYs will also be applicable.

In the instant case her stay in India during the AY 2026-2027 i.e., PY 2025-2026 is more than 120 days and more than 365 days in preceeding 4 PYs and thus Shruti is resident of India since her total income is more than ₹15,00,000.

ROR/NOR: Section 6(6)(c): In this case Shruti is in India for less than 182 days and thus she will be regarded as NOR in India.

Note: We should not apply Section 6(1A), Deemed Resident since she is covered under the exceptional case of section 6(1).

MAY 2026 MTP-1: 6 Marks

Mr. Dhruv, an Indian citizen aged 32 years, a Central Government officer serving in the Ministry of Corporate Affairs, left India for the first time on 31/3/2025 due to transfer to High Commission of UK. He did not visit India any time during the AY 2026-2027 i.e., PY 2025-2026. He received the following income for the AY 2026-2027 i.e., PY 2025-2026

(a) Salaries received for services rendered in London (computed)	₹20,00,000
(b) Foreign Allowances	₹10,00,000
(c) Interest on saving bank deposit in State Bank of India	₹1,00,000
(d) Short term capital gains on sale of shares of an Indian Company received in London	₹2,00,000
(e) Dividend from PP Ltd., an Indian company, paid in London	₹50,000
(f) Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	₹1,80,000

Compute the Total Income of Mr. Dhruv for the AY 2026-2027 i.e., PY 2025-2026 under optional tax regime.

SOLUTION: Mr. Dhruv is a non-resident for the AY 2026-2027 i.e., PY 2025-2026 since he was not present in India at any time during the year.

Particulars	Reason	Amount in ₹
Salaries received for services rendered in London	Taxable, since the income from salaries payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India as per section 9(1)(iii)	2,00,000
Foreign allowances	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 u/s 10(7)	Nil
Interest on saving bank deposit in State Bank of India	Since interest income is from a source (i.e., bank deposit) in India, it is deemed to accrue or arise in India	1,00,000
STCG on sale of shares of an Indian company received in London	Since income arises from transfer of a capital asset situated in India, it is taxable in the hands of a non – resident	2,00,000
Dividend from PP Ltd., an Indian company, paid in London	Since the dividend paid by an Indian company outside India is deemed to accrue or arise in India, it is taxable in the hands of non-resident	50,000
Rent from property in London deposited in a bank in London, later on remitted to India	Not taxable, since neither the property is situated in India nor rent is received in India	Nil
Gross total income		23,50,000
Less: Deduction u/s 80TTA	Interest on saving bank account	10,000
Total income		23,40,000

MTP-2 MAY 2026: 6 MARKS | MAY 2023 RTP

Mrs. Roma, an Indian Citizen, is a government employee working for the Indian Government. She submits the following information for the AY 2026-2027 i.e., PY 2025-2026

S.No	Particulars	Amount in ₹
1	Salary income received in Malaysia for services rendered there	2,00,000
2	Profit from business carried on in Orissa	80,000
3	Loss from business carried on in Baroda	20,000
4	Profit from business carried on in Paris (income is earned and received in Sydney and business is controlled from Paris)	42,000
5	Loss from business carried on in Canada (though profits are not received in India, business is controlled from Dehradun)	46,000
6	Unabsorbed depreciation of business in Canada	16,000
7	Profit from Indonesia business (controlled form Delhi) and 60% of profit deposited in a bank in Indonesia and 40% received in India	70,000
8	Rent from house property situated in Canada and received in Canada	1,92,000

Determine GTI for the AY 2026-2027 i.e., PY 2025-2026 of Mrs. Roma ignoring the provisions of section 115BAC(1A) on the assumption that she is NOR/NR.

SOLUTION: Computation of GTI of Mrs. Roma for the AY 2026-2027 i.e., PY 2025-2026

S.No	Particulars	Reason	₹	₹
			NOR	NR
1	Salary income received in Malaysia for services rendered there after allowing standard deduction u/s 16(ia)	Salary payable by the Government to a citizen of India for services rendered outside India is deemed to accrue or arise in India u/s 9(1). Standard deduction under section 16(ia) is allowable, irrespective of residential status	1,50,000	1,50,000
2	Profit from business carried on in Orissa	Indian income since it accrues or arises in India	80,000	80,000
3	Loss from business carried on in Baroda	Indian income since it accrues or arises in India	(20,000)	(20,000)
4	Profit from business carried on in Paris (income is earned and received in Sydney and business is controlled from Paris)	Foreign income since it accrues or arises outside India	NIL	NIL
5	Loss from business carried on in Canada (though profits are not received in India, business is controlled from Dehradun)	Foreign income since it accrues or arises outside India and having business control in India	(46,000)	NIL
6	Unabsorbed depreciation of business in Canada	Foreign income since it accrues or arises outside India	(16,000)	
7	Profit from Indonesia business (controlled form Delhi) and 60% of profit deposited in a bank in Indonesia and 40% received in India	60% income is foreign income since it accrues or arises outside India and having business control in India 40% income is Indian Income since it is received in India	42,000 28,000	28,000
8	House property income from house property situated in Canada and received in Canada	Foreign income since it accrues or arises outside India	NIL	NIL
Gross Total Income			2,180,000	2,38,000

JANUARY 2026 EXAMS

No Question

JANUARY 2026 RTP

Ms. Aanchal, an Indian Citizen, is a government employee working for the Indian Government. She submits the following information for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Amount in ₹
Salary income received in Malaysia for services rendered there	2,00,000
Profits from business carried on in Chennai	80,000
Loss from business carried on in Vadodara	(20,000)
Loss from business carried on in USA (though profits are not received in India, business is controlled from Rishikesh)	(46,000)
Unabsorbed depreciation of business in USA	(16,000)
Profits from business in Bali (controlled from Delhi) and 60% of profit deposited in a bank in Bali and 40% received in India	70,000
Rent from house property situated in USA and received in USA	1,92,000

Determine GTI of Ms. Aanchal assuming that she follows optional tax regime on the assumption that she is:

- (1) Resident but not ordinarily resident in India
- (2) Non-resident in India

SOLUTION: Computation of GTI of Ms. Aanchal for the AY 2026-2027 i.e., PY 2025-2026

Particulars of income	NOR (₹)	NR (₹)
Salary income received in Malaysia for services rendered there less standard deduction u/s 16(ia)	1,50,000	1,50,000
Profits from business carried on in Chennai	80,000	80,000
Loss from business carried on in Vadodara	(20,000)	(20,000)
Loss from business carried on in USA (business is controlled from Rishikesh)	(46,000)	Nil
Unabsorbed depreciation of business in USA	(16,000)	Nil
Profit from business in Bali (business is controlled from Delhi and only 40% is received in India)	70,000	28,000
Rent from property situated in USA and received in USA	Nil	Nil
Gross Total Income	2,18,000	2,38,000

JANUARY 2026 MTP-1: 6 Marks

Mr. Sarthak, an individual and Indian citizen living abroad (Dubai), a tax haven, since year 2007 and never came to India for a single day since, earned following incomes for the AY 2026-2027 i.e., PY 2025-2026.

Particulars	Amount in ₹
Income accrued and arises in Dubai not taxable in Dubai (being tax haven)	20,00,000
Income accrued and arise in India	5,00,000
Income deemed to accrue and arise in India	8,00,000
Income arising in Dubai from profession set up in India	10,00,000

- (1) Determine the residential status of Mr. Sarthak and taxable income for the AY 2026-2027 i.e., PY 2025-2026 (assuming no other income arises during the previous year).
- (2) What would your answer if income arising in Dubai from a profession set up in India is ₹2,00,000 instead of ₹10,00,000?
- (3) What would be your answer, if Mr. Sarthak born in Dubai and his parents were born in India?

SOLUTION: As per section 6(1A), an individual, shall be deemed to be resident in India in any PY if the following conditions are fulfilled:

- (a) the individual is a citizen of India
- (b) his total income (excluding income from foreign sources) exceeds ₹15,00,000 during the PY.
- (c) he is not liable to tax in any other country and for the reason of
 - (i) his domicile or
 - (ii) residence or
 - (iii) any other criteria of similar nature

Individual who satisfies above conditions would be deemed to be a resident even if he has not stayed in India for a single day in the relevant PY

Deemed resident being ROR/NOR: Section 6(6)(d): A citizen of India who is deemed to be resident in India u/s 6(1A) is also deemed to be an NOR

Situations given in the question:

- (1) In the first situation given in the question total income (excluding income from foreign sources) is ₹23,00,000 and thus Mr. Sarthak is deemed to be resident of India u/s 6(1A) and further he is NOR of India as per section 6(6)(d). Further his taxable income in India will be ₹23,00,000.
- (2) In the second situation, if income arising in Dubai from a profession set up in India is ₹2,00,000 instead of ₹10,00,000, then the total income (excluding income from foreign sources) is exactly ₹15,00,000 and thus Mr. Sarthak is NOT deemed to be resident of India u/s 6(1A). He will be NR of India since he does not satisfy either of the basic conditions given u/s 6(1). Further his taxable income in India will be ₹13,00,000.
- (3) If Sarthak was born outside India then he will not be a citizen of India and then concept of deemed resident of India u/s 6(1A) will not apply. He will be NR of India and his taxable income in India will be ₹13,00,000.

JANUARY 2026 MTP-2: 6 MARKS

Determine the residential status and total income of Mr. Arvind under OTR for the AY 2026-2027 i.e., PY 2025-2026 based on the following details:

- (1) Mr. Arvind, aged 62, is a Canadian citizen employed in a senior research position with a multinational corporation based in Gurugram since 2010.
- (2) To share his research expertise, he traveled to group companies abroad while remaining based at the Gurugram office.
- (3) His travel schedule for the AY 2026-2027 i.e., PY 2025-2026 was as follows:

Country	Period of stay
USA	25/8/2025 to 10/11/2025
UK	20/11/2025 to 23/12/2025
Germany	10/1/2026 to 24/3/2026
India	380 days during 4 years preceding PY 2025-2026
India	700 days during 7 years preceding PY 2025-2026

- (4) Income earned during the AY 2026-2027 i.e., PY 2025-2026

- a) Salary of ₹15,80,000 fully credited to his Indian bank account.
- b) Dividend of ₹48,000 from Treat Ltd., a Singapore-based company, deposited in his Singapore bank account.
- c) Interest income of ₹10,500 credited to his savings account in Punjab National Bank (Delhi branch).

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

Further, Mr. Arvind would be NOR since he stayed for less than 729 days during the 7 PYs immediately preceding PY 2025-2026.

Computation of total income of Mr. Arvind for AY 2026-2027 i.e., PY 2025-2026 under OTR

Particulars	Amount in ₹
Taxable Salary received in a bank account in India after allowing standard deduction	14,50,000
Dividend from Singapore based company deposited to his bank account in Singapore	Nil

Interest credited to his savings bank account in PNB	10,500
Gross Total Income	14,60,500
Less: Deduction u/s 80TTB	10,500
Total Income	14,50,000

SEPTEMBER 2025 EXAM: 6 MARKS

Swetha, a citizen of India, is a chartered accountant. She is a working partner in Swetha and Varun Associates, which was set up in Chennai, India. She visits foreign country A quite often and provides accounting services to corporates there in her individual capacity. In country A, she is not subject to any income tax. The details of her income for the AY 2026-2027 i.e., PY 2025-2026 is as follows:

- (a) Remuneration from her CA firm in India (amount received in India) - ₹16,00,000 (Deductible while computing the income of the firm).
- (b) Income received from providing accounting services in country A (received in a bank account in country A) - ₹5,00,000.
- (c) Dividend (from companies incorporated in country A and received in a bank account in country A) - ₹8,00,000.
- (d) Income from a business in country A which was set up in country A but is controlled from Chennai, India (received in country A) - ₹7,00,000.

Ascertain her residential status (briefly explaining relevant provisions) along with the taxability of income for the AY 2026-2027 i.e., PY 2025-2026 in the following independent situations:

- (i) She did not visit India during the AY 2026-2027 i.e., PY 2025-2026.
- (ii) She visits and stays in India for 200 days every year since the 12 preceding previous years including AY 2026-2027 i.e., PY 2025-2026.
- (iii) She did not visit India during the AY 2026-2027 i.e., PY 2025-2026 and her income from profession in India is ₹4,00,000 for the AY 2026-2027 i.e., PY 2025-2026, instead of ₹16,00,000.

SOLUTION: Determination of residential status of Swetha, a citizen of India

Case	Situation	Residential status
(i)	Swetha is a citizen of India. She has not visited Indian for a single day during current PY. Her Indian Income (a) is ₹16,00,000 and income from business in country A which is controlled from India (d) is ₹7,00,000. Thus, her total income in India is ₹23,00,000 which is more than ₹15,00,000.	Deemed resident u/s 6(1A) and NOR u/s 6(6)(d)
(ii)	Swetha is a citizen of India. She visits and stays in India for 200 days every year since the 12 preceding previous years. Thus, she satisfied basic condition u/s 6(1) of being a resident of India and satisfies both additional conditions u/s 6(6)(a).	She is ROR in India
(iii)	Swetha is a citizen of India. She has not visited Indian for a single day during current PY. Her Indian Income (a) is ₹4,00,000 and income from business in country A which is controlled from India (d) is ₹7,00,000. Thus, her total income is ₹23,00,000 which is more than ₹11,00,000. Since total income is less than ₹15,00,000 she is not a Deemed resident of India	She is NR of India.

Calculation of the total income of Swetha, a citizen of India

Income	ROR : Case (ii) Amount in ₹	NOR : Case (i) Amount in ₹	NR : Case (iii) Amount in ₹
Remuneration from her CA firm in India (amount received in India): Indian Income	16,00,000	16,00,000	4,00,000
Income received from providing accounting services in country A (received in a bank account in country A): Foreign Income	5,00,000	Nil	Nil
Dividend (from companies incorporated in country A and received in a bank account in country A)	8,00,000	Nil	Nil

Income	ROR : Case (ii) Amount in ₹	NOR : Case (i) Amount in ₹	NR : Case (iii) Amount in ₹
Income from a business in country A which was set up in country A but is controlled from Chennai, India (received in country A)	7,00,000	7,00,000	Nil
Total Income	36,00,000	23,00,000	4,00,000

SEPTEMBER 2025 RTP

Mr. Varun, an Indian citizen, engaged in consultancy business in India. He shifted to Dubai in the year 2020 to expand his consultancy business overseas. He visits India every year to supervise his office in Delhi. His stay in India for current as well as past years is as follows:

- PY 2021-2022: 90 days
- PY 2022-2023: 100 days
- PY 2023-2024: 95 days
- PY 2024-2025: 75 days
- PY 2025-2026: 100 days

During the PY 2025-2026, he earned the following income:

- 1) Income from consultancy business in India – ₹10,00,000
- 2) Income from consultancy business in Dubai - ₹4,00,000
- 3) Agricultural income from land situated in Kerala - ₹70,000
- 4) Dividend from an Indian company, received in Dubai - ₹50,000
- 5) Interest expenditure on investment in above shares - ₹15,000

You are required to:

- a) Determine Mr. Varun's residential status for AY 2026-2027 i.e., PY 2025-2026, assuming he is not liable to tax in Dubai.
- b) Compute the Total income of Mr. Varun for the AY 2026-2027 i.e., PY 2025-2026 if he opts out of the default tax regime.

SOLUTION: Determination of residential status of Mr. Varun for the AY 2026-2027 i.e., PY 2025-2026

As per section 6(1A), an Indian citizen, having total income, other than the income from foreign sources, exceeding ₹15,00,000 during the PY would be deemed to be resident in India in that PY, if he is not liable to tax in any other country.

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

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

Since Mr. Varun's total income, other than the income from foreign sources, does not exceed ₹15,00,000, he is not deemed resident as per section 6(1A). Thus, Mr. Varun is NR for the AY 2026-2027 i.e., PY 2025-2026.

Computation of total income of Mr. Varun for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Amount in ₹	Amount in ₹
Income from consultancy business in India		10,00,000
Income from consultancy business in Dubai		Nil
Agricultural income from land in Kerela [Exempt u/s 10(1)]		Nil
Dividend from Indian company	50,000	
Less: Deduction for interest expenses upto 20%	10,000	40,000
Total Income		10,40,000

SEPTEMBER 2025 MTP-1: 6 MARKS

Mr. Rohan furnished the following particulars of his income for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Amount in ₹
Income from business in Iran which is controlled from Delhi (₹65,000 is received in India)	80,000
Pension for services rendered in India but received in Iran (computed)	24,000
Dividend from an Oil Company, an Iran based company, received in Iran	15,000
Interest on money borrowed by Mr. Deepender, a NR for the purpose of investment in shares of XYZ Ltd., an Indian company	55,000

Compute his gross total income if he is:

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

SOLUTION: Calculation of GTI of Mr. Rohan for the AY 2026-2027 i.e., PY 2025-2026

Particulars	ROR	NOR	NR
	Amount in ₹	Amount in ₹	Amount in ₹
Income earned from business in Iran, which is controlled from Delhi, out of which ₹65,000 is received in India	80,000	80,000	65,000
Pension for services rendered in India but received in Iran	24,000	24,000	24,000
Dividend received in Dubai from an Oil company, an Iran based company	15,000	Nil	Nil
Interest on money borrowed by Mr. Deepender, for the purpose of investment in shares of XYZ Ltd., an Indian company	55,000	Nil	Nil
Gross Total Income	1,74,000	1,04,000	89,000

SEPTEMBER 2025 MTP-2: 6 MARKS

Ms. Priya, a person of Indian origin and a citizen of Canada, got married to Mr. Aaron, an Indian citizen residing in Canada, on 24/1/2025. She came to India on 25/3/2025 and left for Canada on 10/7/2025. She returned to India with her husband on 24/2/2026 to spend some time with her parents-in-law for 30 days and thereafter returned to Canada. She stayed in India for a total of 400 days during the 4 years preceding the PY 2025-2026. During the PY 2025-2026, Priya, while in India, received the following gifts from her husband's relatives and friends:

- From husband's parents	₹1,51,000
- From husband's sister	₹21,000
- From very close friends of her husband	₹16,00,000

Determine Priya's residential status for the AY 2026-2027 i.e., PY 2025-2026 and compute her total income and tax liability, assuming she follows default tax regime.

SOLUTION: Computation of total income other than income from foreign sources of Priya for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Amount in ₹
Gift received from parents of husband	NIL
Gift received from sister-in-law	NIL
Gift received from friends of her husband	16,00,000
Total Income other than income from foreign sources	16,00,000

Since her total income other than income from foreign sources exceed ₹15,00,000, she would be considered a resident of India if she stays in India during the PY 2025-2026 for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year. Further if she satisfies these conditions then she will be deemed to be NOR. Since she stayed in India for 131 days during the PY 2025-2026 and for 400 days during the 4 years immediately preceding the PY 2025-2026, she would be NOR for the AY 2026-2027 i.e., PY 2025-2026.

Calculation of tax liability for the AY 2026-2027 i.e., PY 2025-2026

Total Income	₹16,00,000
Slab u/s 115BAC(1A): Upto first ₹4,00,000	Nil
For next ₹4,00,000 @ 5%	₹20,000
For next ₹4,00,000 @ 10%	₹40,000
For next ₹4,00,000 @ 15%	₹60,000
Total Tax	₹1,20,000
Add: Surcharge	Nil
Tax plus surcharge	₹1,20,000
Add: HEC @ 4%	₹4,800
Tax liability	₹1,24,800

MAY 2025 EXAM: 6 MARKS

State with reasons whether income chargeable to tax in India for the AY 2026-2027 i.e., PY 2025-2026 in the hands of recipients in following independent situations:

- Mr. Mahesh (NOR) received dividend of ₹7,00,000 declared and paid by a foreign company outside India.
- Mr. Shivansh (NR) residing in China has deposited ₹16,00,000 with M/s ABC Ltd., an Indian company, on 1/9/2025. He has received interest @ 12% pa in China.
- Mr. Ramesh received royalty of ₹8,25,000 in consideration of providing patent rights to Mr. Sunil. Mr. Sunil has developed a new product in India by utilizing the patent rights. 30% of the royalty was received in India and 70% was received outside India. Mr. Ramesh and Sunil are NR in India.

SOLUTION

- Dividend received by Mr. Mahesh from a foreign company outside India would not be deemed to accrue or arise in India. Hence, such dividend of ₹7,00,000 would not be taxable in the hands of Mr. Mahesh.
- Interest on deposits with M/s ABC Ltd., an Indian Company, would be deemed to accrue or arise in India in the hands of Mr. Shivansh, being a non-resident since source of income is in India. Thus, interest income of ₹1,12,000 ($₹16,00,000 \times 12\% \times 7/12$) would be taxable in his hands.
- Royalty received by Mr. Ramesh, a non-resident from Mr. Sunil, another non-resident would be deemed to accrue or arise in India, since such royalty is paid for patent rights used for a new product developed in India. Thus, ₹8,25,000 would be taxable in the hands of Mr. Ramesh irrespective of the facts that only 30% such amount is received in India.

MAY 2025 RTP

No question

MAY 2025 MTP-1: 6 MARKS

Mrs. Smita, an Indian citizen, is in employment with an overseas company located in UAE. She is not liable to tax in UAE. During the PY 2025-2026, she comes to India for 121 days. She was in India for 50 days, 100 days, 76 days and 145 days in PY 2021-2022, 2022-2023, 2023-2024 and 2024-2025, respectively. Her annual income for the PY 2025-2026 is as follows

Particulars	Amount in ₹
Salary accrued or arisen in UAE	15,00,000
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000
Income arising and received in UAE, from a business set up in India	5,00,000
Life Insurance premium paid by cheque in India	1,00,000

Mrs. Smita wants to pay tax u/s 115BAC(1A). Determine the residential status and total income of Mrs. Smita for the AY 2026-2027 i.e., PY 2025-2026.

SOLUTION: Mrs. Smita is an Indian citizen and in employment in UAE. She comes on a visit to India during the PY 2025-2026 for 121 days. Her stay in India in the four immediately preceding PY is 371 days (50+100+76+145 days). Her total income, other than the income from foreign sources, during the PY 2025-2026 would be:

Particulars	Amount in ₹
Salary accrued or arisen in UAE (income from a foreign source, hence, to be excluded)	Nil
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000
Income arising in UAE, from a business set up in India	5,00,000
Gross Total Income	14,00,000
Less: Deduction u/s 80C (Not available under default tax regime)	Nil
Total income (excluding income from foreign sources)	14,00,000

Mrs. Smita, an Indian citizen, having total income other than income from foreign sources not exceeding ₹15,00,000 and visiting India during the PY 2025-2026, would be a resident in India, if she has stayed in India for 182 days or more during the PY 2025-2026. Since she has stayed only for 121 days in India during the PY 2025-2026, she is NR.

She is not a deemed resident in India under section 6(1A) though she is not liable to tax in UAE, since her total income other than income from foreign sources does not exceeds ₹15,00,000.

Her total income during the PY 2025-2026 would be

Particulars	Amount in ₹
Salary accrued or arisen in UAE (income from a foreign source, hence, to be excluded)	Nil
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000
Income arising in UAE, from a business set up in India (not taxable)	Nil
Gross Total Income	9,00,000
Less: Deduction u/s 80C (Not available under default tax regime)	Nil
Total income	9,00,000

MAY 2025 MTP-2: 6 MARKS

On 22/9/2025, Mr. Prabhjot, aged 55 years, an Indian citizen left India for the first time to work as a CFO of a company in Australia. He visits South Africa on vacation every year for a month to visit his brother's family. He earns the following income during AY 2026-2027 i.e., PY 2025-2026:

Particulars	Amount in ₹
Salary (computed) from company in Australia [Received in bank account in Australia]	18,00,000
Dividend from South African company received in South Africa	20,000
Interest received from South Indian Bank, India	21,000
Loss from business in South Africa (controlled from India)	45,000
Agricultural income from a land situated in Gujarat	45,000

Compute the total income of Mr. Prabhjot for AY 2026-2027 i.e., PY 2025-2026 if he has opted out of the default tax regime u/s 115BAC(1A)

SOLUTION: Computation of total income of Mr. Prabhjot for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Amount in ₹
Salary (computed) from company in Australia (Not taxable, since it neither received in India nor accrue or arise in India)	Nil
Dividend from South African Company received in South Africa (Not taxable, since it neither received in India nor accrue or arise in India)	Nil
Interest received from South Indian Bank, India (Taxable, since it is deemed to accrue or arise in India)	21,000

Particulars	Amount in ₹
Loss from business in South Africa (controlled from India) (Not taxable, since it neither received in India nor accrue or arise in India)	Nil
Agricultural income from a land in Gujarat [Exempt u/s 10(1)]	Nil
Gross Total income	21,000
Less: Deduction under section 80TTA (Interest on saving bank account upto ₹10,000)	10,000
Total Income	11,000

JANUARY 2025 EXAM

No question

JANUARY 2025 RTP | MAY 2020 RTP

Mr. Akshay (aged 59 years), an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Delhi airport on 20/4/2025 and returned on 15/10/2025. He has been in India for less than 700 days during the 7 years immediately preceding the previous year. Determine his residential status and his total income for the AY 2026-2027 i.e., PY 2025-2026 from the following information:

- (1) LTCG on sale of shares of Shama India Ltd., a listed Indian company, amounting to ₹1,12,000. The sale proceeds were credited to his bank account in UK.
- (2) Interest on post office saving bank account amounting to ₹9,500.
- (3) Dividend amounting to ₹40,000 (gross) received from RIL Ltd., an Indian company. He had borrowed money from Mr. Abhay, a non-resident Indian, for the above-mentioned investment on 2/4/2025. Interest on the borrowed money for the PY 2025-2026 amounted to ₹10,000.

Mr. Akshay has shifted out of the default tax regime and wants to pay tax under normal provisions of the Act.

SOLUTION: Determination of residential status for the AY 2026-2027 i.e., PY 2025-2026

Mr. Akshay, an Indian citizen, has satisfied the first basic conditions for being a resident, since he was in India for 188 days (20+17+30+31+31+28+31) during the PY 2025-2026. Hence, he is a resident in India. Since Mr. Akshay has been in India for less than 700 days during the 7 years immediately preceding the PY, he would be a NOR.

Computation of total income of Mr. Akshay for the AY 2026-2027 i.e., PY 2025-2026 Amount (₹)

LTCG on sale of shares of an Indian listed company is chargeable to tax in the hands of Mr. Akshay, since it has accrued and arisen in India even though the sale proceeds were credited to bank account in UK		1,12,000
Dividend received from an Indian company taxable in the hands of Mr. Akshay as Income from other sources since the income has accrued or arisen in India	40,000	
Less: Interest expenditure restricted to 20% of dividend	(8,000)	32,000
Interest on post office saving bank account is taxable in hands of Mr. Akshay as Income from other sources, since it has accrued and arisen in India and is also received in India	9,500	
Less: Exemption u/s 10(15)	3,500	6,000
Gross Total Income		1,50,000
Less: Deduction u/s 80TTA		6,000
Total Income		1,44,000

JANUARY 2025 MTP-1: 6 MARKS | MAY 2021: 6 MARKS

Mrs. J aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31/3/2026

Particulars	Amount in ₹
Pension received from Russian Government	65,000
Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000

Particulars	Amount in ₹
Premium paid to Russian Life Insurance Corporation at Russia	75,000
Rent received (equivalent to Annual value) in respect of house property in Delhi	90,000

You are required to ascertain the residential status of Mrs. J and compute her total income and tax liability in India for the AY 2026-2027 i.e., PY 2025-2026 assuming she has opted out of the default tax regime u/s 115BAC(1A).

SOLUTION: Calculation of residential status for the AY 2026-2027 i.e., PY 2025-2026

An individual is a resident if he satisfies any one of the following two basic conditions:

Section 6(1)(a): Condition one

If he stays in India for a period of 182 days or more in a relevant previous year **OR**

Section 6(1)(c): Condition two

If he stays in India for 60 days or more in a relevant previous year **AND** has been in India for 365 days or more during 4 previous years immediately preceding to the relevant previous year

Mrs. J could not satisfy any of these two basic conditions and thus she is a NR of India.

ALTERNATIVELY

An Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India (and whose total income, other than from foreign sources, does not exceed ₹15,00,000) would be resident in India only if he or she stays in India for a period of 182 days or more during the PY. Even if his total income, other than from foreign sources, exceeds ₹15,00,000, he would be resident in India if stays in India for 120 days or more during the relevant PY and 365 days or more during the 4 PYs immediately preceding the relevant PY. Since Mrs. J is a person of Indian origin and visits India only for 60 days in the PY 2024-2025, she is NR.

Calculation of total income of Mrs. J for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Reason	Amount in ₹
Pension received from Russian Government	Foreign income is not taxable for NR	NIL
LTCG on sale of land at New Delhi (computed)	Indian Income is taxable for NR	3,00,000
STCG on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	Indian Income is taxable for NR	60,000
Rent received from house property in Delhi Less: 30% u/s 24(a)	Indian Income is taxable for NR	63,000
Gross Total Income		4,23,000
Less: Deduction u/s 80C for the life insurance premium paid to Russian Life Insurance Corporation at Russia. Deduction is allowed u/s 80C whether insurance company is an Indian company or a foreign company	Restricted to house property income, since deductions is not allowed from LTCG income taxable u/s 112 and STCG income taxable u/s 111A	63,000
Total income		3,60,000
Tax on LTCG income u/s 112	3,00,000 x 12.5%	37,500
Tax on STCG income u/s 111A	60,000 x 20%	12,000
Total tax		49,500
Add: HEC @ 4%		1,980
Tax liability u/s 288B		51,480

Note: The concept of shifting deficiency from capital gains income is not applicable for NRs.

Note: The concept of rebate u/s 87A is not applicable for NRs.

JANUARY 2025 MTP-2: 3 MARKS | RTP-MAY 2020 | MTP-MAY 2022: 4 MARKS

Mr. Shridhar (age 45 years), a citizen of India, serving in the Ministry of Finance in India, was transferred to Indian High Commission in Australia on 15/3/2025. His income during the AY 2026-2027 i.e., PY 2025-2026 is given hereunder:

	Amount in ₹
Rent from a house situated at Australia, received in Australia and remitted to India	5,25,000
Interest on Post office savings bank account in India	4,500
Salary from Government of India	9,25,000
Foreign Allowances from Government of India	8,00,000

Mr. Shridhar did not come to India during the PY 2025-2026. Compute his Total Income for the AY 2026-2027 i.e., PY 2025-2026 assuming he has opted out of the default tax scheme.

SOLUTION: Mr. Shridhar is a NR for the AY 2026-2027 i.e., PY 2025-2026, since he was not present in India at any time during the AY 2026-2027 i.e., PY 2025-2026 and further he is NR again as his total income (excluding income from foreign sources) is less than ₹15,00,000.

Computation of Gross Total Income of Mr. Shridhar for the AY 2026-2027 i.e., PY 2025-2026.

Particulars	Amount in ₹	Amount in ₹
Salary from Government of India	9,25,000	
Foreign Allowance from Government of India	Exempt	
Gross Salary	9,25,000	
Less: Standard Deduction under section 16(ia)	50,000	
Taxable salary		8,75,000
Rent from a house situated at Australia, received in Australia		Nil
Interest on Post office savings bank account – exempt ₹3,500 and balance is taxable		1,000
Gross Total Income		8,76,000
Less: Deduction u/s 80TTA (allowed to NR)		1,000
Taxable Income		8,75,000

SEPTEMBER 2024 EXAM: 4 MARKS

Mr. Madan is a citizen of India and karta of HUF. He is employed with M/S PCS Pvt. Ltd getting salary of ₹65,500 p.m. in India. On 1/6/2025 he purchased one residential house property in Mumbai for ₹18,00,000 in his individual capacity. FMV is ₹32,00,000 and SDV is ₹23,00,000. On 31/8/2025 he was transferred to the branch office of M/S PCS Pvt. Ltd in USA and left India on 1/9/2025. The USA branch paid him salary of \$2,500 p.m. in USA. He managed business of HUF from USA when he was not in India.

He had also gone out of India for 99 days and 201 days in PY 2024-2025 and 2023-2024 respectively. He had never gone out of India prior to that.

He visited India from 1/1/2026 to 15/1/2026 for training on a project and received 15 days' salary in India as per his Indian monthly salary before being transferred.

Mr. Rajeev, one of his friends, gifted him a sculpture in India on 10/8/2025. The market value is ₹45,100.

Determine the residential status of Mr. Madan and his HUF and compute GTI of Mr. Madan for the AY 2026-2027 i.e., PY 2025-2026 assuming he opted out of the default tax regime. Value of one \$ may be taken as ₹85.

SOLUTION: Computation of Residential Status of Mr. Madan for the AY 2026-2027 i.e., PY 2025-2026

Mr. Madan, an Indian citizen who left India on 1/9/2025 for the purpose of employment to USA, would be non-resident in India, since he stayed in India for 169 days (30+31+30+31+31+1+15) only during the PY 2025-2026 which is less than 182 days.

Determination of additional conditions for Mr. Madan for the AY 2026-2027 i.e., PY 2025-2026

PY	No. of Days in India	Status
2025-2026	Not required	Not required
2024-2025	266	Resident
2023-2024	165	Resident
2022-2023	365	Resident

PY	No. of Days in India	Status
2021-2022	365	Resident
2020-2021	365	Resident
2019-2020	366	Resident
2018-2019	365	Resident
2017-2018	365	Resident
2016-2017	365	Resident
2015-2016	366	Resident

As per section 6(2), HUF is resident of India since its affairs are partly controlled from India. To determine the residential status of HUF the period of stay of karta i.e., Mr. Madan is not at all relevant. Further, HUF is ROR since Mr. Madan could satisfy both of the additional conditions given u/s 6(6)(a).

Computation of Total Income of Mr. Madan for the AY 2026-2027 i.e., PY 2025-2026

Particulars	Amount in ₹
Salary in India (₹65,500 x 5.5 months)	3,60,250
Salary in USA (Not taxable in India for non-resident)	NIL
Gross salary	3,60,250
Less: Standard Deduction u/s 16(ia)	50,000
Income under the head of Salary	3,10,250
Purchase of Plot of land Since difference between SDV of the property and sale consideration exceeds ₹50,000 and SDV exceeds 110% of sale price the difference of SDV and sale consideration, i.e., ₹5,00,000 shall be considered as income of other sources of Mr. Madan	5,00,000
Gift of a sculpture from a friend: Exempt u/s 56 since value is less than ₹50,000	NIL
Income from other sources	5,00,000
Gross total income	8,10,250

SEPTEMBER 2024 RTP

Mrs. Sarika, an Indian citizen, is in employment with an overseas company located in UAE. She is not liable to tax in UAE. During the PY 2025-2026, she comes to India for 121 days. She was in India for 50 days, 100 days, 76 days and 145 days in the PY 2021-2022, 2022-2023, 2023-2024 and 2024-2025, respectively. Her annual income for the PY 2025-2026 is as follows:

Particulars	Amount (₹)
a. Salary accrued or arisen in UAE	15,00,000
b. Income accrued and arisen in India	2,00,000
c. Income deemed to be accrued and arisen in India	7,00,000
d. Income arising and received in UAE, from a business set up in India	5,00,000
e. Life Insurance premium paid by cheque in India	1,00,000

Mrs. Sarika has opted out of the default tax regime u/s 115BAC(1A). From the information given above,

- You are required to determine residential status and total income of Mrs. Sarika for the AY 2026-2027 i.e., PY 2025-2026.
- What would be your answer if income arising and received in UAE, from a business set up in India is ₹10,00,000 instead of ₹5,00,000?
- In continuation to point (ii), what would be your answer if Mrs. Sarika comes to India in PY 2024-2025 for 45 days instead of 145 days?

SOLUTION:

(i) Mrs. Sarika is an Indian citizen and in employment in UAE. She comes on a visit to India during the PY 2025-2026 for 121 days. Her stay in India in the four immediately preceding previous years i.e., in PY 2021-2022 to PY 2024-2025 is 371 days (50 + 100 + 76 + 145 days). Her total income, other than the income from foreign sources, during the PY 2025-2026 would be

	Amount (₹)
Salary accrued or arisen in UAE (income from a foreign source, hence, to be excluded)	NIL
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000
Income arising in UAE, from a business set up in India (to be included since the business is controlled from India, even though such income accrues and is received outside India)	5,00,000
Gross Total Income	14,00,000
Less: Deduction u/s 80C (LIC premium paid by cheque in India)	1,00,000
Total income (excluding income from foreign sources)	13,00,000

Mrs. Sarika, an Indian citizen, having total income other than income from foreign sources not exceeding ₹15,00,000 and visiting India during the PY 2025-2026, would be a resident in India, if she has stayed in India for 182 days or more during the PY 2025-2026.

Since she has stayed only for 121 days in India during the PY 2025-2026, she is a non-resident. Her total income during the PY 2025-2026 would be

	Amount (₹)
Salary accrued or arisen in UAE (income from a foreign source, hence, to be excluded)	NIL
Income accrued and arisen in India	2,00,000
Income deemed to be accrued and arisen in India	7,00,000
Income arising in UAE, from a business set up in India (not taxable)	NIL
Gross Total Income	9,00,000
Less: Deduction u/s 80C (LIC premium paid by cheque in India)	1,00,000
Total income	8,00,000

(ii) If Income arising and received in UAE, from a business set up in India is ₹10,00,000 instead of ₹5,00,000, her total income, other than the income from foreign sources, during the PY 2025-2026 would have been ₹18,00,000.

In such a case, Mrs. Sarika, an Indian citizen, having total income other than income from foreign sources exceeding ₹15,00,000 and visiting India during the PY 2025-2026, can be a resident in India, if she has been in India for 120 days or more but less than 182 days in the PY 2025-2026 and during the 4 years immediately preceding the PY 2025-2026 for a total period of 365 days or more.

Since she has stayed in India for 121 days during the PY 2025-2026 and her stay in India in the four immediately preceding previous years is 371 days, she would be a resident in India and would be treated as NOR.

In such case, income arising and received in UAE, from a business set up in India would also form part of total income of Mrs. Sarika and her total income during the PY 2025-2026 would be ₹18,00,000 [₹8,00,000 (computed in (i) above) plus ₹10,00,000].

(iii) If Mrs. Sarika comes to India in PY 2024-2025 for 45 days instead of 145 days, she would not be a resident in India for the PY 2024-2025 as per section 6(1) since her stay in India in the four immediately preceding previous years would be less than 365 days.

However, since she is an Indian citizen having total income (excluding income from foreign sources) of ₹18,00,000, which exceeds the threshold of ₹15,00,000 and not liable to tax in UAE, she would be a deemed resident in India for the PY 2025-2026 by virtue of section 6(1A).

A deemed resident is always NOR. In such case, her total income during the PY 2025-2026 would be same i.e., ₹18,00,000 as computed in point (ii) above.

SEPTEMBER 2024 MTP-1: 6 MARKS

Miss Geeta, a citizen of India, got married to Mr. Peter of Australia and left India for the first time on 20/8/2025. She has not visited India again during the AY 2026-2027 i.e., PY 2025-2026. She has derived the following income for the year ended 31/3/2026:

- (i) Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari. ₹1,50,000
- (ii) Income from sale of coffee grown, cured, roasted and grounded in Colombo.
Sale consideration was received in Chennai. ₹5,00,000
- (iii) Income from sale of tea grown and manufactured in West Bengal. ₹12,00,000
- (iv) Income from sapling and seedling grown in a nursery at Cochin.
Basic operations were not carried out by her on land. ₹2,00,000

You are required to determine the residential status of Miss Geeta and compute the business income and agricultural income of Miss. Geeta for the AY 2026-2027 i.e., PY 2025-2026

SOLUTION: Miss Geeta's stay in India during the AY 2026-2027 i.e., PY 2025-2026 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the AY 2026-2027 i.e., PY 2025-2026 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to AY 2026-2027 i.e., PY 2025-2026 would be more than 365 days. Hence, she is a resident for AY 2026-2027 i.e., PY 2025-2026. Further, she is ROR since she satisfies both of additional conditions.

Computation of business & agricultural income of Miss Geeta for AY 2026-2027 i.e., PY 2025-2026

Particulars	PGBP income (₹)	Agri income (₹)
Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A)	52,500	97,500
Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai	5,00,000	
Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8)	4,80,000	7,20,000
Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land		2,00,000
Total	10,32,500	10,17,500

SEPTEMBER 2024 MTP-2: 6 MARKS

Sagar, a Chartered Accountant, is presently working in a firm in India. He has received an offer for the post of Chief Financial Officer from a company at New York. As per the offer letter, he should join the company at any time between 1/9/2025 and 31/10/2025. He approaches you for your advice on the following issues to mitigate his tax liability in India:

- (i) Date by which he should leave India to join the company;
- (ii) Direct credit of part of his salary to his bank account in Delhi maintained jointly with his mother to meet requirement of his family.

SOLUTION: An Indian citizen, who leaves India in any PY for purposes of employment outside India, would be resident in India during the relevant PY if he stayed in India during that PY for 182 days or more.

- (i) Since Sagar is leaving India for the purpose of employment outside India, he will be treated as resident only if the period of his stay during the PY amounts to 182 days or more. Therefore, Sagar should leave India on or before 28/9/2025 in which case, his stay in India during the PY would be less than 182 days and he would become NR for the purpose of taxability in India. In such a case, only the income which accrues or arises in India or which is deemed to accrue or arise in India or received or deemed to be received in India shall be taxable. The income earned by him in New York would not be chargeable to tax in India if he leaves India on or before 28/9/2025.
- (ii) If any part of Sagar's salary will be credited directly to his bank account in Delhi, then, that part of his salary would be considered as income received in India during the PY u/s 5 and would be chargeable to tax even if