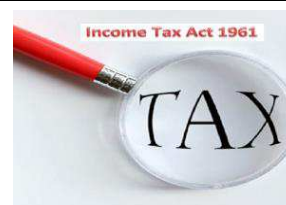


CHAPTER 1: INTRODUCTION TO INCOME TAX ACT 1961

Section	Topics
2(7)	Assessee
2(7A)	Assessing Officer
2(9)	Assessment year
2(25A)	India
2(31)	Person
2(34)/3	Previous Year or Uniform Previous Year
2(45)	Total Income
4	Chargeability or Basis of charge
14	Heads of Income
80B(5)	Gross Total Income

THE INCOME TAX ACT, 1961

Under the entry 82 of Union List of Constitution of India, the Parliament has exclusive power to make laws with respect to “Taxes on income other than agricultural income” Compliance with this power gave birth to the formation of the Income Tax Act.

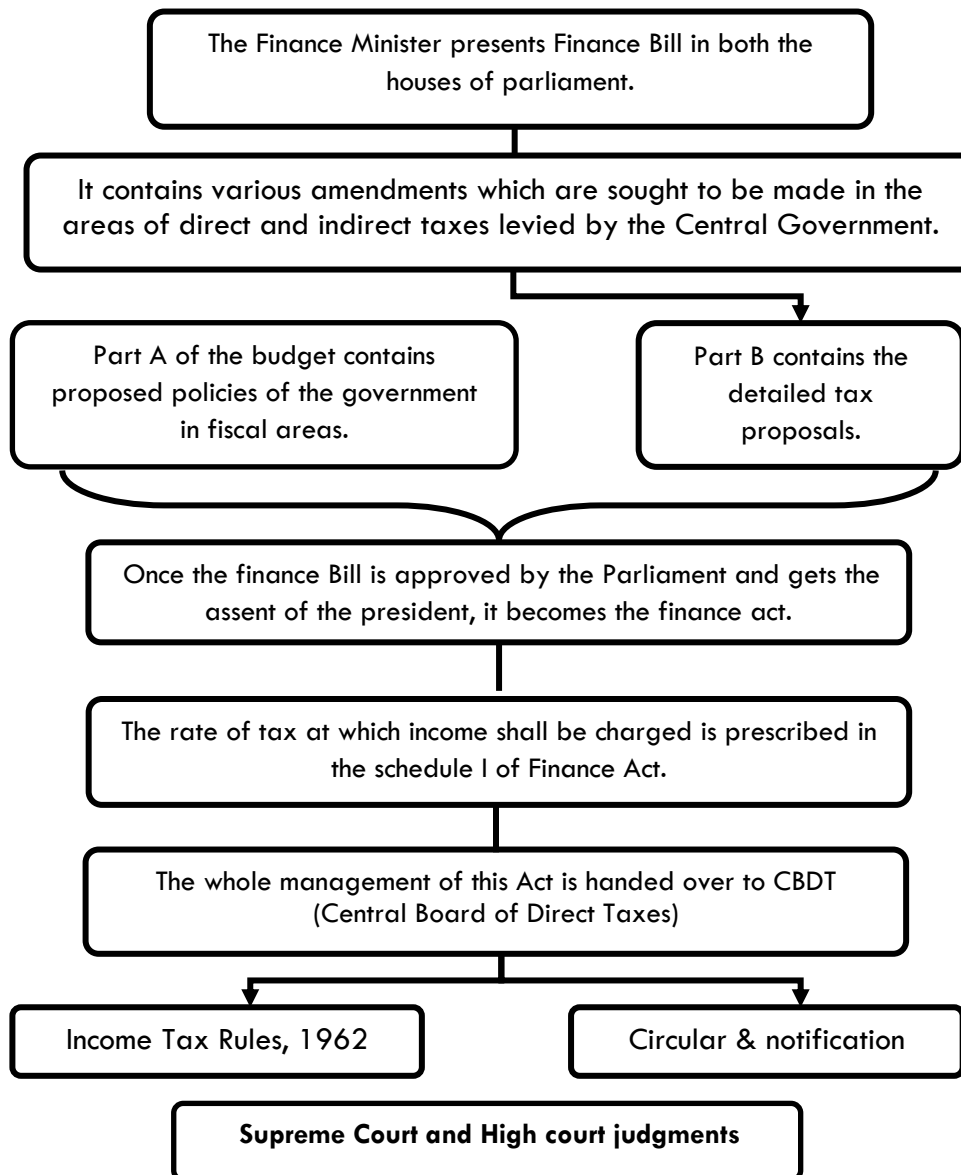


1. The Income Tax Act, 1961:

- Levy of Income Tax in India is governed by the Income Tax Act, 1961, which came into force w.e.f 1962.
- The Income Tax Act, 1961 (hereinafter referred to as “the act” or IT act”) contains Chapters from I to XXIII, 298 Section and XIV Schedules.
- IT act provides for determination of Total Income, Tax liability and Procedure for Assessment, Appeal, Penalties and Prosecutions.
- Provisions of IT Act undergo changes, based on amendments brought about by the Finance Act every year.

2. India [Sec.2(25A)]: The term India means –

- The territory of India as per Article 1 of the constitution,
- Its territorial waters, seabed and subsoil underlying such waters,
- Continental Shelf,
- Exclusive Economic Zone, or
- Any other specified Maritime Zone, and
- The air space above its Territory and Territorial waters.

FINANCE ACT

THE INCOME TAX RULES, 1962

- a) The administration of Direct Taxes is vested with Central Board of Direct Taxes (CBDT).
- b) Under Section 295 of IT Act, CBDT is empowered to frame rules from time to time to carry out the purpose and proper administration of the Act.
- c) All forms, procedures and principles of valuation of perquisites under the Act are provided in the Rules framed by CBDT.

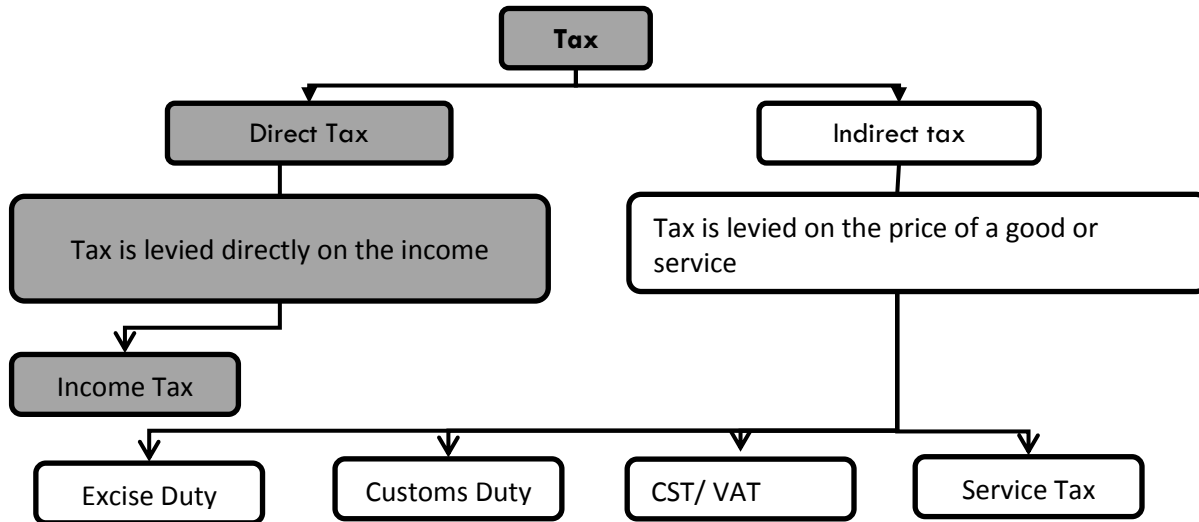
CIRCULARS / NOTIFICATIONS FROM CBDT

- a) In exercise of the powers u/s. 119, CBDT issues Circulars and Notifications from time to time. These Circulars clarify doubts regarding the scope and meaning of the various provisions of the Act.
- b) **These Circulars act as guidance for officers and assessee.**
- c) **These Circulars are binding on Assessing Officers but not on assessee and Courts, ITAT.**
- d) The Circulars issued by CBDT shall not be contrary to the provisions of the Act.

SUPREME COURT AND HIGH COURT DECISIONS

- a) The Supreme Court and the High Court can give judgement only on the question of law.
- b) The Law laid down by the Supreme Court is the law of the land;
- c) The decision of High Court will apply in the respective States, within its jurisdiction.

**MY NOTES**

CLASSIFICATION OF TAX**DIRECT TAXES**

Direct tax is the payment made by assessee directly to the government after income is received.

INCOME TAX

It is a tax on income earned for e.g. Tax on salary income.

INDIRECT TAX

Indirect tax is a tax on commodities and services. Here burden is fall indirectly on the consumers hence it is called as Indirect tax.

EXCISE DUTY

It is a duty on goods manufacturing and produced in India.

VALUE ADDED TAX

It is a tax on sale within Maharashtra State.

CUSTOM DUTY

It is a duty on Import and Export of Goods.

CENTRAL SALES TAX

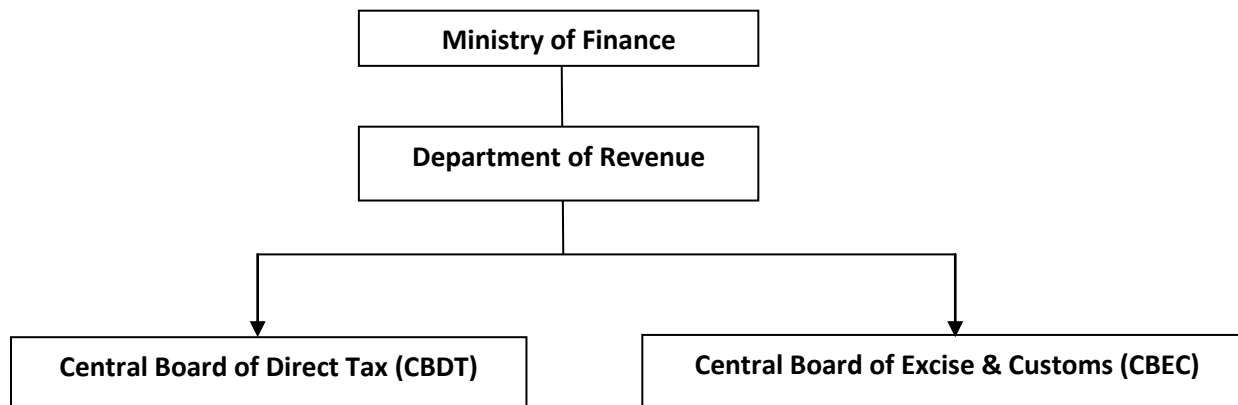
It is a tax on sales between two states. Present rate is 2%.

SERVICE TAX

It is a tax on various services like Advertising, banking, Courier etc.

My Notes

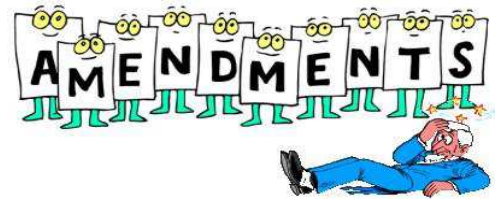
ADMINISTRATIVE OF TAX LAWS



AMENDMENTS TO THE ACT

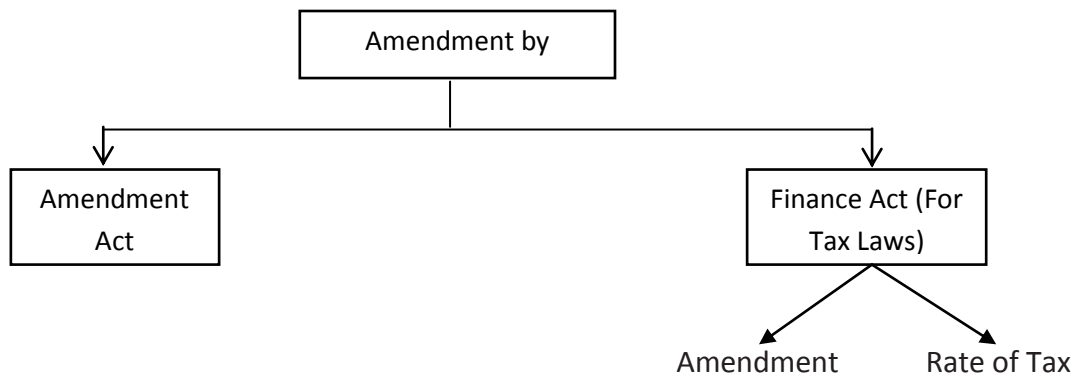
Law cannot have a rigid composition because it is applied in a highly dynamic environment. An involving environment necessitates a change in existing laws giving rise to the process of Amendments.

“Amendment” means a formal modification or change to any law, contract or legal document. They are often introduced when it is better to change the law than write a new one.



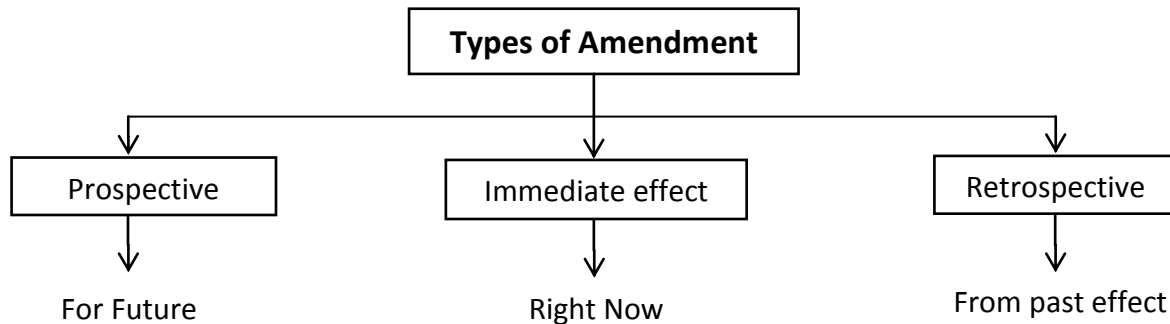
The process of introducing amendments in any law or act is done by two ways.

- **By passing an Amendment Act.**
- **By Annual Finance Act (for laws specific to Taxation)**



TYPES OF AMENDMENTS

Amendments can be classified into three types based on the action effected by them.

**CONTENTS OF A STATUTE (ACT)****Preambles**

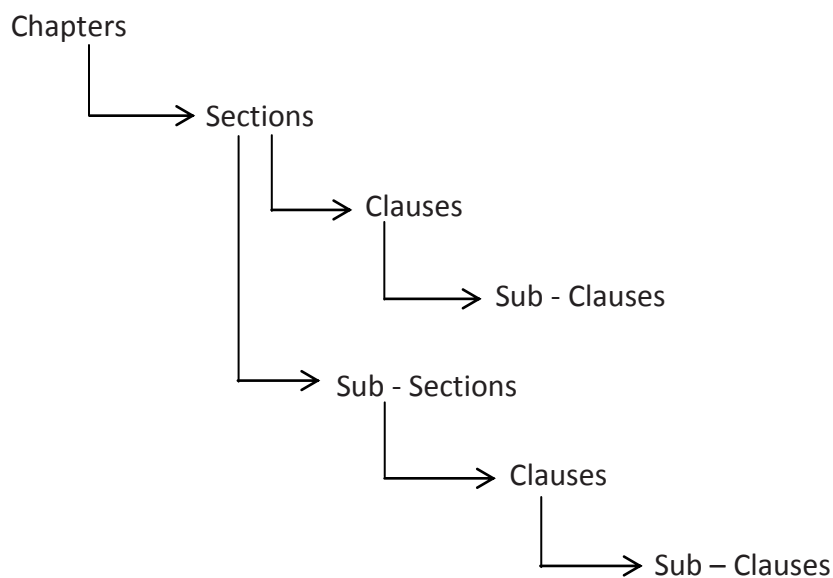
Some acts again with a preamble. The preamble is part of the act and may be used to interpret the act.

Definitions

Most acts contain a definition section that lists, in alphabetical order, definitions of terms used in the act. The definition section is usually at the beginning of the act.

Chapters, Sections, Subsections, etc.

Every act is composed of a number of division and parts which are serially numbered. These groupings can be broadly classified as:

General Structure of a Statue

- **Chapters**

These are broad classification of sections of an act having common attributes.

- **Sections**

Sections are each separate numbered division of an Act listing out the provisions of the Act. Each section is prefixed with a Heading which can be referred to in case of ambiguity.

- **Sub – sections**

Many sections are further divided into two or more subsections, cited as subsection (1), (2), (3), etc. these provide additional clarity to the original section and also state the provisions of the law.

- **Clauses and Sub – Clauses**

Some sections and subsections contain clauses, cited as clause (a), (b), (c), etc. Sub – Clauses, cited as sub – clause (i), (ii), (iii), etc. wherever a list needs to be provided within a section or a sub- section, clauses are used to indicate them. They do not provide any express provision of the Act. Sometimes sections directly contain clauses without having any subsections.

- **Paragraphs**

Sections and sub – sections contain paragraphs, cited as paragraph (A), (B), (C), etc, and sub – paragraphs, cited as sub – paragraph (I), (II), (III), etc. these elaborate the text of the sections.

- **Provisos**

The purpose of the proviso is to qualify or create an exception to what is in the enactment. A proviso is to be considered with relation to the principal matter to which it stands as a proviso. Therefore, it is to be interpreted harmoniously with the main enactment.

- **Explanations**

The purpose of an Explanation is to understand the Act in the light of the Explanation. It does not ordinarily enlarge the scope of the original section, which it explains, but only makes the meaning clear beyond dispute. It must be read so as to harmonize with and clear up any ambiguity in the main section.

TYPES OF DEFINITION

Every act uses the application of a few common terms which is defined under the Act. These definitions may be of any of these three types:

- **Inclusive Definitions:** These definitions generally start with the word “includes” Such Definitions are used to keep the scope wide enough to cover the matters covered in it and also those which may not be specifically expressed out form part of its natural meaning. The best example is the definition in income definition under section 2(24).
- **Exclusive Definitions:** The terms which covered everything within scope except a few are defined using an exclusive definition. The definition covered the matters to be excluded and everything not included in the definition but coming within its natural meaning shall form part of its scope. Example of an exclusive definition is the definition of Capital Asset u/s 2(24)
- **Exhaustive Definitions:** When the scope of an item is to be restricted area an exhaustive definition is used. An exhaustive definitions covered within its ambit only the matters in it. Example of an Exhaustive Definition is the definition of Assessment Year u/s 2(9)

PERSON [SECTION 2(31)]

- 1) An Individual
- 2) A Hindu Undivided Family
- 3) A Company
- 4) A Firm
- 5) An Association of Person or a Body of Individuals.
- 6) A Local Authority,
- 7) Every Artificial juridical person not falling within any of the preceding sub-clauses.

An Individual	Means a natural person i.e. a human being. It includes a male, female, minor child. However, income of a minor is now generally included in the income of parents.
A Hindu Undivided Family	HUF has not been defined under the tax laws. However, as per Hindu law, it means a family, which consists of all persons lineally descended from a common ancestor including their wives and unmarried daughter.
A Company Sec. 2(17)	Company includes <ul style="list-style-type: none"> • Indian company [Sec 2(26)] • Domestic company [Sec 2(22A)] • Foreign company [Sec 2(23A)] • Company in which public are substantially interested[Sec 2(18)]
Firm	Section 4 of the Indian Partnership Act, 1932 defines partnership as “relationship between persons who have agreed to have the profits of business carried on by all or any of them acting for all”.

Association of person (AOP) v/s body of individuals (BOI)

	Association of person	Body of individuals
Meaning	AOP means a group of person who join together for a common object.	BOI means group of individuals who join together for certain activity.
Member	Member can be any person, i.e., even a company/ firm/ HUF/ individuals can be its member.	Member can be only individuals.

Example

If X, Y, & Z join together, it is called as BOI.

If X, ABC Ltd. And PQ & Co. join together for a particular venture then they may be referred as an AOP.

A Local Authority	The expression means Panchayat, Municipality,
Artificial Juridical persons	Are the entities, which are not natural persons, but they are separate entities in the eyes of law.

Examples of Person:

SR.	PERSONS UNDER IT ACT	STATUS
1.	Mr. Sunil	Individual
2.	A joint family consist of P, Mrs. P and their son S	HUF
3.	Reliance Industries Ltd.	Company
4.	Shri Krishna Enterprises, a firm consisting of S & K	Firm
5.	XYZ Ltd. & Amit	AOP
6.	A and B are legal heirs of C, carry business without entering into a partnership	BOI
7.	Municipal Corporation of Pune	A Local Authority
8.	Pune University	Artificial juridical Person

ASSESSEE [SECTION 2(7)]

1. **Assessee means** any person who is liable to pay any tax or any other sum under the Income Tax Act, 1961.

2. **Assessee includes:**

(a) Every person in respect of whom any proceedings has been taken for the assessment of

- **His Income or Fringe Benefits, or Income** of any other person.
- **Loss** sustained by him or other person.
- **Refund** due to him or such other person.

(b) Every person who is deemed to be an Assessee under the Act

(c) Every person who is deemed to be an Assessee in Default under the A.

“Deemed Assessee” means a person who is treated as Assessee under the IT Act. This would include:

1. Trustee of a Trust,
2. Legal Representative of a Deceased Person under section 159.



Assessee in Default: Assessee in Default includes persons who:

- Fail to deduct and remit TDS (Section 191).
- Fail to pay tax and any other sum demanded (Section 220).

**My Notes**

ASSESSMENT YEAR [SECTION 2(9)]

Assessment year is a year in which income is charged to tax or year in which income tax is payable. It is a period of 12 months commencing on 1st April every year.

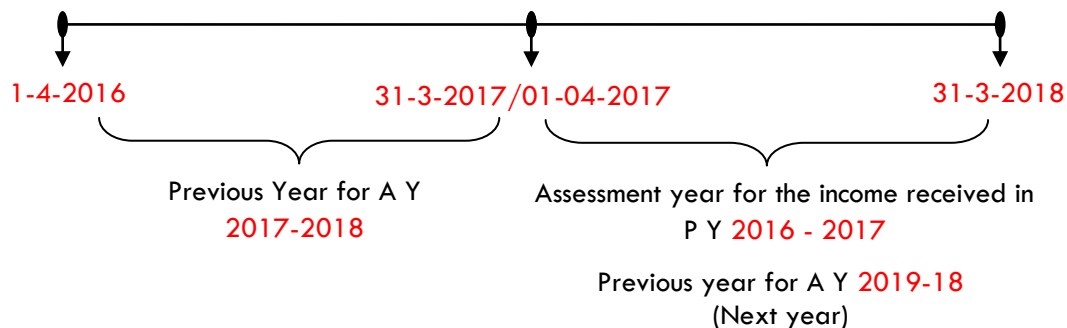
PREVIOUS YEAR [SECTION 3]

Previous year is a year in which income is earned. It is same as Financial Year. All assesses are required to follow a uniform previous year i.e. the financial year (1st April to 31st March) as their previous year for income tax purpose. From the A. Y. 1989-90 onwards, all assesses are required to follow financial year (i.e. April to March) as the previous year. This uniform previous year has to be followed for all source of income.

**Example:**

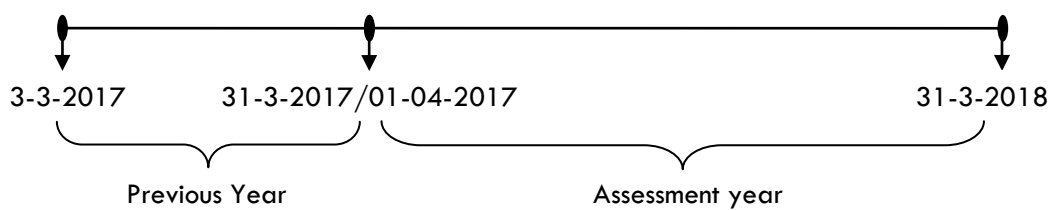
If PY 16-17 then, AY is 17-18.

The assessment year **2017 -18** will commence on April 1, **2017** and will end on March 31, **2018**.

**PREVIOUS YEAR IN CASE OF NEWLY STARRED BUSINESS**

In case of	Previous year is the period
Business or profession being newly set-up	Beginning with the date of setting up of the business & ending on 31 st March of that financial year.
A source of income newly coming into existence	Beginning with the date on which the new source of income comes into existence & ending on 31 st March of that financial year.

X set up a business on 3 March, 2017. What is the previous year for the assessment year 2017-2018?



EXCEPTIONS TO THE GENERAL RULE THAT INCOME OF A PREVIOUS YEAR IS TAXED IN ITS ASSESSMENT YEAR

Section	Details	Assessment
<u>172</u>	Shipping Business of Non-Resident	Mandatory
<u>174</u>	Persons leaving India	Mandatory
<u>174A</u>	AOP / BOI / AJP formed for a particular event or purpose	Mandatory
<u>175</u>	Persons likely to transfer property to avoid tax	Mandatory
<u>176</u>	Discontinued Business	Assessment is discretionary

PREVIOUS YEAR FOR UNDISCLOSED INCOME**UNEXPLAINED CASH CREDITS [SEC. 68]:****1. All Assessee:**

- a. The amount is credited in the books of the Assessee.
- b. (i) The Assessee offers no explanation about its nature & source, or (ii) the explanation offered is not satisfactory.
- c. The amount credit is treated as the income of the previous year in which it is found credit.

2. In case of a company in which public are not substantially interested:

- a. Amount credited consist of Share Application Money, Share Capital, Share Premium and any such amount by whatever named called,
- b. If the Resident Person, in whose name such credit is recorded in the books of the Company, offers no proper explanation as regards the nature and source of such sum, or the explanation offered is not satisfactory, it is deemed that the Assessee Company has not offered satisfactory explanation.
- c. This provision shall not apply to the Person in whose name the sum is recorded is a Venture Capital Fund or Venture Capital Company as referred u/s 10(23FB).

UNEXPLAINED INVESTMENTS [SEC. 69]

1. The Assessee has made investments, but has not recorded in his books.
2. He offers no explanation about its nature and source, or the explanation offered is not satisfactory.
3. The value of the investment made shall be treated as the Income of that financial year in which the Investment is made.

UNEXPLAINED MONEY, BULLION OR JEWEL OR VALUABLE ARTICLE [SEC. 69A]

1. The assessee is found to be the Owner of any Money, Bullion or Jewel or other Valuable Article, etc.
2. Such Money, Bullion, etc. are not recorded in the books of accounts of the Assessee.
3. He offers no explanation about its nature and source of acquisition, or the explanation offered is not satisfactory.
4. The value of such items shall be treated as the Income of that financial year in which it is found.

INVESTMENT NOT FULLY DISCLOSED [SEC. 69B]

1. The Assessee has made Investments, or found to be the owner of Bullion, Jewellery or other valuable article, but has not fully records in his books of accounts.
2. He offers no explanation about such excess amount, or the explanation offered is not satisfactory.
3. The excess amount (i.e. to the extent not recorded in the books of account) shall be treated as the income of that FY.

UNEXPLAINED EXPENDITURE [SEC. 69C]

1. The Assessee has incurred expenditure during the Financial Year.
2. He offers no explanation about the source of such expenditure, or the explanation offered is not satisfactory.
3. The amount of such expenditure shall be treated as Income of the previous year in which it was incurred.
4. Such amount shall not be allowed as a deduction under any head of income.

AMOUNT BORROWED / REPAID ON HUNDI OTHER THAN BY A/C PAYEE CHEQUE [SEC. 69D]

1. This Section Relates to a situation when any amount is borrowed on a Hundi or is repaid otherwise than through an Account Payee Cheque.
2. The amount so borrowed or paid shall be treated as Income of the person borrowing or repaying the amount for the previous year in which the amount was borrowed or repaid.
3. The amount repaid shall include the amount of interest paid on the amount borrowed.
4. No double taxation: Any amount borrowed on Hundi and treated as income u/s 69D shall not be taxed once again at the time of repayment.

Note: No deduction in respect of any expenditure/ allowance or any set off of any loss shall be allowed to the Assessee under any provisions of this Act against 30% Tax on amount taxable u/s 68, 69, 69A, 69B, 69C, 69D. (Refer set off & carry forward for detail discussion)

**MY NOTES**

INCOME [SECTION 2(24)]

Cash vs. Kind	Kind is to be valued as per the rules prescribed and if there is no specific direction regarding valuation in the Act or Rules. It may be valued at market price.	
	Where method of accounting is irrelevant	In case of income under the head “Salaries”, “Income from house property” and “Capital gains” method of accounting is irrelevant.
Significance of method of accounting	Where method of accounting is relevant	In case of income under the head “Profit & gains of business or Profession” and “Income from other sources” (other than Dividend) income shall be taxable on cash or accrual basis as per the method of accountancy regularly followed by the assessee.
Notional income	A person cannot make profit out of transaction with himself. Hence, goods transferred from one department to another department at a profit, shall not be treated as income of the business.	
Source of income	Income may be from a temporary source or from a permanent source.	
Capital vs. Revenue receipt	A capital receipt is not liable to tax, unless specifically provided in the Act, whereas, a revenue receipt is not exempted, unless specifically provided in the Act.	
Loss	Income also includes negative income.	
Disputed income	In case of dispute regarding the title of income, assessment of income cannot be withheld and such income, normally, be taxed in the hands of recipient.	
Lump-sum receipt	There is no difference between income received in lump sum or in instalment.	
Reimbursement	More reimbursement of expenses is not an income.	
Legality	The Act does not make any difference between legal or illegal income	
Double taxation	Same income cannot be taxed twice.	
Income by mutual activity	<p>In this regard it is to be noted that in case of mutual activities, where some people contribute to the common fund and are entitled to participate in the fund and the surplus arises which is distributed among the contributors of the fund, such surplus cannot be termed as income.</p> <p>Exceptions:</p> <ul style="list-style-type: none"> Income derived by a trade, professional or similar association from rendering specific services to its members shall be taxable u/s. 28(iii). 	
Pin money	Pin money is money received by wife for her personal expenses & small savings made	

	by a woman from money received from her husband for meeting household expenses. Such receipt is not treated as income. Note: Income on investment out of pin money shall be treated as income.
Award	Award received, by a person related to his business or profession, shall be treated as income incidental to such business or profession.
Embezzlement	Money embezzled is a gain to the embezzler and, therefore, falls within the wider definition of income.
Contingent income	A contingent or anticipated income is not taxable.
Donation	Receipt on account of "Dharmada" or donation is not taxable in the hands of recipient. (Refer chapter Assessment of Trust)
Gift	Value exceeds Rs. 50000 without consideration from any person; the value of such asset will be taxable under the head "Income from other sources". For further detail refer chapter "Income from Other Sources".
Subsidy or Grant	Assistance in form of subsidy or a grant or cash incentive or duty drawback or waiver or concession reimbursement by whatever name called will be taxable as income. <ul style="list-style-type: none"> • Whether received from CG, SG or local authority or body or agency • Whether received in cash or in kind • Whether subsidy is given for day to day today operation or for setting up new unit shall be taxable. • However, subsidy or grant reimbursement which is taken into consideration for determination of cost u/s 43(1) shall not be considered as income. • Subsidy of Grant by Central Government, for the purpose of corpus of a trust or Institution established by Central Government or a State Government, shall not be treated as income. [Amendment Finance Act 2016]

EXEMPTIONS VS DEDUCTIONS

Exempted Income	Deduction under chapter VIA
Sec. 10 provides the list of those incomes which are not to be included while computing that total income of the assessee.	Chapter VIA (sec 80C-80U) or sec. 10 AA specifies certain deduction which are allowed from the gross total income of the assessee subject to the fulfilment of the conditions mentioned therein.
Such an income is out of the purview of tax and the total income is computed ignoring the same.	Total income of the assessee is computed only after allowing deduction from gross total income.
Exemption is available without requiring the assessee to claim the same.	Deductions are available only when the assessee claims the same in his return of income.

RELIEF

Income tax liability of assessee is computed on the total income after allowing various exemptions & deductions under several sections of the Act. Relief are reduced from the amount of income-tax liability so computed on fulfilment of conditions as prescribed in Sec. 86, 89 etc.

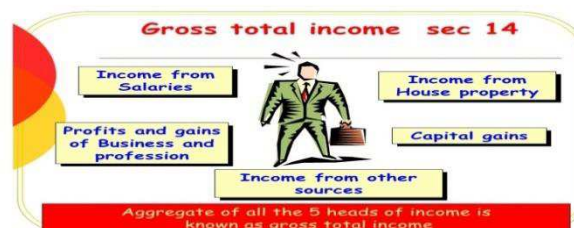
HEADS OF INCOME: SEC 14**Distinguish between heads of income and sources of income**

Basis	Heads of income	Source of income
Number	There are only five heads of income	There can be any number of source of income
Broader term	In a single head of income, there may be various sources of income.	A particular source of income shall fall under a particular head.
Term	Heads of income is a technical term	Source of income is a general term.

GROSS TOTAL INCOME (Sec. 80 B (5))

Under section 14, income of a person is computed under the following five heads.

- Income from Salary
- Income from House Property
- Income from Business of Profession
- Capital Gains
- Income from other Sources.



	Particulars	Rs.
	Income from Salary	XX
	Income from House Property	XX
	Income from Business or Profession	XX
	Capital Gains	XX
	Income from other Sources	XX
Less:	Set off & Carry forward	XX
=	GROSS TOTAL INCOME	XX
Less:	Deduction Under Section 80C to 80U	XX
=	Taxable Income	XX
Less:	Income Tax on above income	XX
	Relief u/s. 87A (applicable in case of Resident individual having net income not exceeding Rs. 5 lakhs)	XX
Add:	Surcharge on Income tax (2%, 7%, 12% & 15%)	XX
Add:	2% Education cess on Income Tax + surcharge	XX
	1% Secondary and higher Secondary education cess on Income tax + Surcharge	XX
=	Tax Liability (Tax + SC + CESS)	XX

Less:	Tax deducted at Source / Tax Collected at Source	XX
	Advance Tax	XX
	Rebate	XX
=	Tax Payable	XX

COMPARATIVE STUDY OF TAX, DUTY AND CESS

Particulars	Tax	Duty	Cess
Nature of payment	Compulsory Payment	Compulsory Payment	Compulsory Payment
Utilisation of amount so collected	General Purpose of the Government.	General Purpose of the Government.	Specific Purpose of the Government.
Based on	Revenue	Independent of revenue	Based on tax or duty.
Example	Income Tax, Wealth Tax, Sales Tax, VAT etc.	Excise Duty, Custom Duty, etc.	Education Cess, SHEC, Health Cess, etc.

ROUNDED OFF OF INCOME [SECTION 288A]

The total income as computed above shall be rounded off to the nearest multiple of ten rupees.

Income	Rounded off
Rs. 79,464.90	Rs. 79,460
Rs. 79,478	Rs. 79,480
Rs. 79,475	Rs. 79,480

ROUNDED OFF OF INCOME TAX [SECTION 288B]

The income tax on taxable income shall be rounded off to the nearest multiple of ten rupees.

Income	Rounded off
Rs. 79,464.90	Rs. 79,460
Rs. 79,478	Rs. 79,480
Rs. 79,475	Rs. 79,480

APPLICATION OF INCOME VS DIVERSION OF INCOME

Diversion of income	When income is diverted before it accrues to the assessee due to overriding title then it is called diversion of income. It is not taxable in the hands of assessee.
Application of income	When income is applied after it accrues to the assessee due to overriding title then it is called application of income. It is taxable in the hands of assessee.
Example	<ol style="list-style-type: none"> 1. An employee instructs his employer to pay a certain portion of his salary to a charity and claims it as exempt as it is diverted by overriding charge/title In the above case income is not diverted because the instruction given by the employee to employer is not having overriding title. Further here income is first accrued to assessee then applied. Hence it is called application of income and taxable in hands of assessee. 2. A, B and C are co-authors. Entire royalty of Rs.900000 was received by A, who in turn paid Rs.300000 each to B and C. Such a payment is diversion of income.

CAPITAL RECEIPTS AND REVENUE RECEIPTS

1. Receipts relating to fixed capital are capital receipts e.g.: Receipt on sale of asset is a capital receipt.	1. Receipts relating to circulating capital are revenue receipts e.g. Receipt on sale of stock-in-trade is a revenue receipt.
2. Compensation received for extinction of a profit earning source (in whole or in part) is a capital receipt.	2. Compensation received for loss of profits or earnings is a revenue receipt.
3. Receipt in substitution of source of income is a capital receipt e.g.: Compensation for loss of employment is a capital receipt.	3. Receipt in substitution of income is revenue receipt.
4. Capital receipts are exempt from tax unless expressly taxable, e.g.: Capital gains.	4. Revenue receipts are taxable unless expressly exempt from tax, e.g. Income exempt under section 10 to 15A.

CAPITAL EXPENDITURE AND REVENUE EXPENDITURE

1. No deduction shall be allowed for capital expenditure while computing taxable income, unless expressly specified in the law.	1. Deduction shall be allowed for revenue expenditure while computing the taxable income, unless specifically disallowed under the law.
2. Expenditure incurred on acquisition, extension or improvement of fixed assets amounts to capital expenditure.	2. Expenditure incurred in the ordinary course of business amounts to revenue expenditure.
3. The benefits from capital expenditure extend to more than one year.	3. The benefits from revenue expenditure are normally consumed within a year.
4. Capital expenditure improves the earning capacity of the business.	4. Revenue expenditure maintains the earning capacity of the business.
5. Usually, capital expenditure is non-recurring.	5. Revenue expenditure is recurring in nature.

CHARGING SECTION 4

Charging section: Sec. 4 of the Income Tax Act provides that the shall be charged –

- (a) For any assessment year (AY), at the rate(s) specified in the annual Finance Act for that year, and
- (b) In respect of the total income of the previous year of every person.
- (c) It lays down the rates for charging income – tax in certain cases, rates for deducting income tax from income chargeable under the head ‘Salaries’ and the rates for computing advance – tax for the financial year 2016 – 17 i.e. AY 2017 – 18.

First Schedule to Annual Finance Act: It contains four parts, which, as applicable for the **Finance Act, 2016** are as follows:

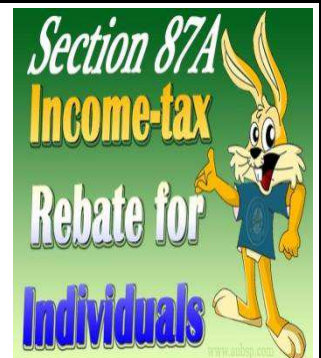
<u>Part I</u>	It specifies the rates at which income tax is to be levied on income chargeable to tax for the PY 2016 – 17.
<u>Part II</u>	It lays down the rate at which tax is to be deducted at source during the financial year 2016 – 17 i.e. AY 2017 – 18.
<u>Part III</u>	It lays down the rates for charging income – tax in certain cases, rates for deducting income tax from income chargeable under the head ‘Salaries’ and the rates for computing advance – tax for the financial year 2016 – 17 i.e. AY 2017 – 18.
<u>Part IV</u>	It lays down the rules for computation of net agricultural income.

TAX RATES FOR AY 17-18

Tax rate	Resident Individual (Male & Female), HUF, AOP, BOI & AJP	Resident Individual (Age >= 60 during PY) Senior citizen(Male& Female)	Resident Individual (Age >=80 during PY) Super senior citizen(Male & Female)
NIL	2,50,000	3,00,000	5,00,000
10%	2,50,001 to 5,00,000	3,00,001 to 5,00,000	NA
20%	5,00,001 to 10,00,000	5,00,001 to 10,00,000	5,00,001 to 10,00,000
30%	Above 10,00,000	Above 10,00,000	Above 10,00,000
Add	Surcharge @ 15% (Amendment Finance Act 2016) if Total Income exceeds Rs 1 crore		
Education cess	2% on Tax plus surcharge (if applicable)		
Secondary and Higher secondary Education cess	1% on Tax plus surcharge (if applicable)		

REBATE U/ 87A

- A resident individual (whose net income does not exceed Rs. 5, 00,000) can avail rebate u/s. 87A. It is deductible from income tax before calculating education cess.
- **Net income = GTI – Deduction u/s 80C to 80U**
- **The amount of rebate is 100% of income tax or Rs. 5,000 whichever is less.**[Amendment Finance Act 2016]
- **It is to be deducted before education cess.**
- **Rebate u/s 87A and surcharge cannot come at a time.**

**NON RESIDENT ASSESSEE**

- For Non-Resident individual exempted income shall be upto Rs. 2, 50,000 irrespective of Age Tax Rate for Non-Resident.
- Surcharge @ **15%** if income exceeds 1cr
- Cess @ 3% on Tax + SC
- Rebate u/s 87A is not available.

KEY NOTE	Total Income does not include taxable Long Term Capital Gain (20%), Short Term Capital Gain (15%) on Securities subjected to STT, Lottery Winnings, Horse races, etc. (30%) and other Income chargeable at Special Rates.
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My Notes**Illustration 1**

Computer tax if income of Mr. X aged 26 years is Rs.7 lac.

Solution

Income range	Detail	Rate	Tax
Upto Rs.250000	250000	Nil	Nil
250000-500000	250000	10%	25000
500000-700000	200000	20%	40000
Tax liability before cess			65000
Add: Education cess	3%*65000		1950
Tax liability after case			66950

Illustration 2

Compute the tax liability in the following cases:-

Assessee	Status	Total Income (in Rs.)
(a) Mr. Mohan	Resident Individual of 40 years	2,60,000
(b) Mrs. Swati	Non-resident Individual of 65 years	2,75,000
(c) Mr. Bansal	Resident Individual of 25 years	4,50,000
(d) Mrs. Priyanka	Resident Individual of 21 years	5,35,000
(e) Mrs. Resham	Resident individual of 60 years	12,00,000
(f) Mrs. Radhika	Resident Individual of 80 years	18,00,000
(g) Ms. Madhuri	Resident Individual of 21 years	2,65,500

Solution

The computation of tax liability is given below:-

Assessee	Total Income (?)	Income-tax	Rebate u/s. 87A	Income tax after	EC & SHEC @ 3% rebate	Total Tax	Total Tax (rounded off)
(a) Mr. Mohan	2,60,000	1,000	1,000	--	--	--	--
(b) Mrs. Swati	2,75,000	2,500	--	2,500	75	2,575	2,580
(c) Mr. Bansal	4,50,000	20,000	5,000	15,000	450	15,450	15,450
(d) Mrs. Priyanka	5,35,000	32,000	--	32,000	960	32,960	32,960
(e) Mrs. Resham	12,00,000	1,80,000	--	1,80,000	5,400	1,85,400	1,85,400
(f) Mrs. Radhika	18,00,000	3,40,000	--	3,40,000	10,200	3,50,200	3,50,200
(g) Ms. Madhuri	2,65,500	1,550	1,550	--	--	--	--

Illustration 3

Computer tax if income of Mrs. Pamela aged 26 years, is Rs.3.3 lacs

Solution

Income range	Detail	Rate	Tax
Upto Rs.250000	250000	Nil	Nil
250000-330000	80000	10%	8,000
Tax liability before surcharge			8,000
Less: Rebate u/s 87 A			5,000
Tax liabilities after rebate			3,000
Add: Surcharge			NA
Tax liability after surcharge			3,000
Add: Education Cess @ 3%	3% of 3000		90
Tax liability after cess			3,090

Illustration 4

Compute tax if income of Mrs. Kohli, a resident in India, aged 60 years is Rs.115 lac

Solution

Computation of tax liabilities:

Income range	Detail	Rate	Tax
Upto Rs.300000	3,00,000	Nil	Nil
300000-500000	2,00,000	10%	20000
500000-1000000	5,00,000	20%	100000

Above 1000000	Balance 1,05,00,000	30%	3150000
Tax liabilities before surcharge			32,70,000
Add: surcharge	@ 15% on 32,70,000		4,90,500
Tax liability after surcharge			37,60,500
Add: Education cess @ 3%			1,12,815
Tax liability after cess			38,73,315
Tax liability after cess	Round off		38,73,320

FOR OTHER ASSESSEES / PERSONS (W.e.f. AY 17-18)

Assessee	Rate of tax	TI < Rs. 1 Crore	TI > Rs.1 Crore, but TI ≤ Rs.10 Crores	TI > Rs.10 crores	Rate of EC + SHEC
Domestic Companies	30%		7%	12%	3%
Foreign Companies	40%		2%	5%	3%
Firms and LLP	30%		12%	12%	3%
Local Authorities	30%		12%	12%	3%
Co – operative Societies	10%		-	-	3%
For First Rs.10,000	20%		-	-	3%
For Next Rs.10,000	30%		12%	12%	3%
For the Balance					

FOR DOMESTIC COMPANIES

TI = Total Income TT = Total Turnover GR = Gross Receipts

Asst. Year	Tax Rate		SC	Cess
2017 – 18	TT / GI ≤ Rs. 5 Crores in FY 2014 - 15	TT / GI > Rs. 5 Crores in FY 2014 – 15		
TI ≤ Rs. 1 Crores	29%	30%	-	3%
TI > Rs. 1 Crore, but ≤ Rs. 10 Crores	29%	30%	7%	3%
TI > Rs. 10 Crores	29%	30%	12%	3%



My Notes

Illustration 5

Computed tax if the income of Raju cha-cha Ltd. (a Domestic Company) during the previous years is 98 lakhs. How would your answer differ if the assessee is a foreign company?

Solution

Statement showing computation of tax liability of Raju cha-cha (a Domestic Company)

Income	Rate	Tax
Total Income of the company: 98 lakhs	30%	29,40,000
Tax liabilities before surcharge		29,40,000
Add: Surcharge (since the total income does not exceed 1 crores)		NA
Tax liabilities after surcharge		29,40,000
Add: Education Cess @ 3% [3% *29,40,000]		88,200
Tax liabilities after cess		30,28,200

Statement showing computation of tax liabilities of Raju cha-cha (a foreign company)

Income	Rate	Tax
Total income of the company: 98 lakhs	40%	39,20,000
Tax liability before surcharge		39,20,000
Add: Surcharge (since the total income does not exceed 1 crores)		NA
Tax liability after surcharge		39,20,000
Add: education cess @ 3% [3@ * 39,20,3000]		1,17,600
Tax liability after cess		40,37,600

Illustration 6

Compute tax if the income of Tiger Ltd (a Domestic Company) during the previous year is 112 lakhs how would your answer differ if the assessee is a foreign company

Solution

Statement showing computation of tax liability of tax liability of **Tiger Ltd (a Domestic Company)**

Income	Rate	Tax
Total Income of the company: 112 Lakhs	30%	33,60,000
Tax liability before surcharge		33,60,000
Add: Surcharge @7% of 33,60,600 (Since the total income exceeds 1 crore)		2,35,200
Tax liability after surcharge		35,95,200
Add: Education cess @ 3%		1,07,856
Tax liability after cess		37,03,060

Statement showing computation of tax liability of **Tiger Ltd** (a foreign company)

Income	Rate	Tax
Total Income of the company: 112 lakhs	40%	44,80,000
Tax liability before surcharge		44,80,000
Add: Surcharge @ 2% of 44,80,000 (Since the total income exceeds 1 crores)		89,600
Tax liability after surcharge		45,69,600
Add: Education Cess @ 3% [3% * 45,69,6000]		1,37,088
Tax liability after cess (rounded off)		47,06,690

CONCEPT OF MARGINAL RELIEF

Why Relief is given?

Increase in income
by Rs 2, 00,000

Particulars	Difference	Rate	Tax on 1,00,00,000	Tax on 1,02,00,000
Upto 2,50,000	2,50,000	exempt	Nil	Nil
2,50,001 to 5,00,000	2,50,000	10%	25,000	25,000
5,00,001 to 10,00,000	5,00,000	20%	1,00,000	1,00,000
10,00,001 to 1,00,00,000	90,00,000	30%	27,00,000	
10,00,001 to 1,02,00,000	92,00,000	30%		27,60,000
Tax			28,25,000	28,85,000
Add: Surcharge on tax		15%	N/A	4,32,750
Tax plus surcharge			28,25,000	33,17,750
Cess on Tax plus surcharge		3%	84,750	99,533
Total Tax + Sc + Cess			29,09,750	34,17,283

Tax is increased by
Rs 5, 07,533

To remove above defect Marginal relief is given as under

Meaning	Marginal relief is provided to insure that the additional income tax payable including surcharge on excess of income over Rs.1,00,00,000 is limited to the amount by which the income is more than Rs.1,00,00,000
Applicable to	All assessee
Condition	Net income is slight more than Rs.1,00,00,000 [in case of corporate assessee slight more than 10 crore]

Marginal relief	[[Income tax + surcharge) on actual income} – Income tax on 1 crore] – [actual income – 1 crore]
	In case of corporate assessee: [[Income tax + surcharge) on actual income) – income tax on 10crore] – [Actual Income – 10 crore]

Illustration 7

Compute the amount of marginal relief available if the income of Mr. Apple is Rs 1.02crores and tax Payable

Solution

Computation of Marginal Relief

Particular	Amount	
Total income	Rs. 1 crore	Rs.1.02 crore
Rate tax	Slab rate	Slab rate
Tax liability before surcharge and cess	Rs. 28 25 lakhs	Rs.28.85 lakhs
Add: surcharge @ 15%	NA	Rs.4.3275 lakhs
Tax liability after surcharge before Cess	Rs.28.25 lakhs	Rs.33.1775 lakhs

Marginal relief = (Income Tax + surcharge) on actual income] – [(Income Tax on Rs. 1 crore) – (Income – Rs.1 crore)]

=Rs. [(33.1775-28.25) lakhs – (102-100) lacs]

=Rs.4.9275 lakhs – Rs.2 lakhs

=Rs.2.9275 lakhs

Computation of Tax payable

Total income	Rs. 1.02 crore
Rate of Tax	Slab Rate
Tax liability before surcharge and cess	Rs.28.85 lakhs
Add: Surcharge @15%	Rs.4.3275 lakhs
Tax liability surcharge before cess	Rs.33.1775 lakhs
Less: Marginal relief	Rs.2.9275 lakhs
Tax liability before cess	30.25 lakhs
Add Education cess @ 3%	0.9075 lakhs
Tax liability	31.1575lakhs

Illustration 8

Computed the amount of marginal relief available if the income of Raju cha-cha Ltd. (a domestic company) is Rs.1.02 crores and tax payable.

Solution

Computation of marginal relief:

Particulars	Amount	
Computation of tax liability	Rs.1 crore	Rs. 1.02 crore
Rate of tax	30%	30 %
Tax liability before surcharge and cess	Rs.30 lakhs	Rs.30.6 lakhs
Add: surcharge @7 %	NA	Rs.2.142 lakhs
Tax liability after surcharge before cess	RS.30 lakhs	Rs.32.742 lakh

Marginal Relief = **(Income tax +surcharge) on actual income] – [(Income tax on Rs. 1 crore) – (income – Rs.1 crore)]**

$$= \text{Rs. } [(32.742 \text{ lakhs} - (102-100) \text{ lacs}]$$

$$= \text{Rs.} 2.742 \text{ lakhs} - \text{Rs.} 2 \text{ lakhs}$$

$$= \text{Rs. } 74200/-$$

Computation of tax payable

Computation of tax liability	Rs. 1.02 crore
Rate of tax	
Tax liability before surcharge and cess	Rs.30.6 lakhs
Add: surcharge @ 7 %	Rs.2.142 lakhs
Tax liability after surcharge before cess	Rs.32.742 lakhs
Less: Marginal relief	Rs.0.742 lakhs
Tax liability before cess	32 Lakhs
Add Education cess @ 3%	0.96 Lakhs
Tax liability	32.96 lakhs

The maximum income for which Marginal Relief is applicable for the three categories are as under –

Category	A	B	C
Description	Individuals other than (b) and (c)	Resident Senior Citizens of the age 60 – 80 years	Resident Very Senior Citizens of the age 80 years or more
Income upto which Marginal relief is	Rs. 1,07,56,946	Rs. 1,06,45,801	Rs. 1,06,41,221

applicable

KEY NOTE

- *Beyond these levels of income, Marginal Relief would be Nil for the above categories of Assesses*
- *The above income ranges will remain valid only if the assessee does not have any income which is chargeable to tax at special rate (s) of tax (e.g., long – term capital gains, short –term gains under section 111A, lottery income, etc.)*

**My Notes**

PRACTICAL QUESTIONS ON TAX CALCULATION

- 1) Income of Mr. Salman Khan for PY 16-17 is Rs. 4, 00,000. Compute tax liability for AY 17-18 (A Resident Individual).
- 2) Income of Mrs. Kajol for PY 16-17 is Rs. 4, 00,000. Compute tax liability for AY 17-18 (A Resident Individual).
- 3) Income of Mr. Dell (age 72) for PY 16-17 is Rs. 8, 00,000. Compute tax liability for AY 17-18 (A Resident Individual)
- 4) Income of Mr. Galaxy (age 82) for PY 16-17 is Rs. 8, 00,000. Compute tax liability for AY 17-18 (A Resident Individual).
- 5) Income of Mr. Appy (age 72) for PY 16-17 is Rs. 10, 00,000. Compute tax liability for AY 17-18 (A Resident Individual)
- 6) Income of Mr. Mappy (age 72) for PY 16-17 is Rs. 10, 10, 00,000 Compute tax liability for AY 17-18 (A Resident Individual).
- 7) Income of Mr. Papi (age 72) for PY 16-17 is Rs. 12, 00, 00,000. Compute tax liability for AY 17-18 (A Resident Individual)
- 8) Income of Mr. Pani (Non-Resident) is Rs. 4, 90,000 Calculate Tax Liability for AY 17-18.

MULTIPLE CHOICE QUESTIONS

1. If total income of Mr. X, Resident, age 50 years, is Rs.3,50,000, his tax liability including surcharge and cess shall be
 - a. Rs.5,150
 - b. Rs.10,000
 - c. Rs.10,300
 - d. Rs.8,300

2. In case of a female individual, who is of 59 years of age, what is the maximum exemption limit for A.Y. 2017 – 18
 - a. Rs.2,50,000
 - b. Rs.3,00,000
 - c. Rs.5,00,000
 - d. Rs.2,10,000

3. X and Y are legal heirs of Z. Z died in 2016 and X and Y carry on his business without entering into a partnership. What will the status?
 - a. Firm
 - b. Limited Liability Partnership
 - c. Company
 - d. Body of Individual

4. Mr. X, partner of M/s XYZ, is assessable as
 - a. Firm
 - b. An individual
 - c. HUF
 - d. Body of individual

5. The following is not a capital receipt
 - a. Dividend on investment
 - b. Bonus shares
 - c. Sale of know – how
 - d. Compensation received for vacating business place

6. Which part of the First Schedule attached to the Finance Bill prescribes the rates of the advance income tax:
 - a. Part I
 - b. Part II
 - c. Part III

d. Part IV

7. First previous year is case of a business / profession newly set up on 31.3.2017 would:

- a. Start from 1st April, 2016 end on 31st March, 2017
- b. Start from 31.3.2017 and will end on 31.3.2017
- c. Start from 1st January, 2017 and end on 31st December, 2017
- d. Start from 1st January, 2017 and will end on 31st March, 2017

8. A person follows Calendar year for accounting. For taxation, he has to follows:

- a. Calendar year only – 1st January to 31st December
- b. Financial year only – 1st April to 31st March
- c. Any of the Calendar or Financial year as per his choice
- d. He will to follow extend year from 1st January to next 31st March (a period of 15 months)

9. In which of the following cases, income of previous year is assessable in the previous year itself:

- a. Assessment of persons leaving India
- b. A person in employment in India
- c. A person who is into illegal business
- d. A person who is running a charitable institution

10. Financial year 2016 – 17 shall be considered as

- a. Assessment year for the previous year 2015-16 and previous year for the assessment year 2016 -17.
- b. Assessment year for the previous year 2015 – 16 and previous year for the assessment year 2017 – 2018
- c. Assessment year for the previous year 2015 -16
- d. Previous year for the assessment year 2015 -16

11. Following is not a head of income

- a. Income from house property
- b. Salaries
- c. Income from interest on securities
- d. Capital gains

12. The charging section of the Income Tax act is

- a. Section 1
- b. Section 2
- c. Section 3
- d. Section 4

13. Calculate income tax payable by an individual (aged 30 years) for AY 2017 – 18 if his total income is Rs.1,01,70,000:

- a. Rs.30,38,500
- b. Rs.30,84,850
- c. Rs.29,51,900
- d. Rs.33,33,790

14. Determine the status of X and Y who are the legal heirs of Z

- a. An individual
- b. HUF
- c. BOI
- d. A Local authority

15. The surcharge applicable in case of an individual is

- a. 15% of tax payable
- b. 15% of tax payable if total income exceeds Rs.100 lakh
- c. Nil
- d. 7% of tax payable if total income exceeds Rs.10 lakhs

16. In which of the following cases, Assessing Officer has the discretion to assess the income of previous year in previous year itself or in the subsequent assessment year:

- a. Shipping business of non-residents
- b. Assessment of association of persons or body of individuals formed for a particular event of purpose
- c. Assessment of persons likely to transfer property to avoid tax
- d. Discontinued business

17. Year in which income is taxable is known as and year in which income is earned is known as

- a. Previous year, assessment year
- b. Assessment year, previous year
- c. Assessment year, assessment year
- d. Previous year, previous year

18. Total income is to be rounded off to nearest multiple of _____ and tax is to be rounded off to nearest multiple of _____

- a. Ten, rupee
- b. Hundred, ten
- c. Ten, ten
- d. Rupee, rupee

19. For the purpose of levying tax on income other than agricultural income, Union List contained entry

- a. 82
- b. 92D

- c. 92C
- d. 92E

20. Co-operative society is subject to tax at

- a. Flat 30%
- b. 10%, 20% and 30%
- c. 40%
- d. None of the above

21. Assessment year can be a period of:

- a. Only more than 12 months
- b. 12 months and less than 12 months
- c. Only 12 months
- d. 12 months and more than 12 months

22. The way to reduce tax liability by taking full advantage provided by the Act is

- a. Tax Management
- b. Tax Planning
- c. Tax Avoidance
- d. Tax Evasion

23. Part II of the First Schedule of Finance Bill gives

- a. Rates of Income Tax
- b. Rates of TDS
- c. Rates of agricultural income
- d. Rates of advance income tax

24. The rates of income tax are mentioned in

- a. Income tax act, 1961
- b. The Annual Finance Act
- c. Partly in the Income Tax Act, 1961 and partly in the Annual Finance Act
- d. The tax rates are declared by the CBDT

25. Income tax is a

- a. Indirect tax
- b. Entertainment tax
- c. Direct tax
- d. State tax

26. A person firm is taxable at rate of

- a. 20%
- b. 30%
- c. Slab rates
- d. Profit of the firm shall be clubbed in hands of the partner

27. Calculate the amount of rebate under section 87A in case of a resident individual having total income of Rs.3,00,000

- a. Rs.30,000
- b. Rs.10,000
- c. Rs.5,000
- d. Rs.2,000

28. The term income includes the following types of incomes

- a. Legal
- b. Illegal
- c. Legal and illegal both
- d. Legal income from India only

29. Every assessee is a person, and

- a. Every person is also an assessee
- b. Every person need not be an assessee
- c. An individual is always an assessee
- d. A HUF is always an assessee

30. Additional surcharge (education cess) of 3% per cent is payable on -

- a. Income Tax
- b. Income tax plus surcharge
- c. Surcharge
- d. None of the three

31. Income tax Act extends to:

- a) Whole of India
- b) Whole of India except Jammu & Kashmir
- c) Whole of India except Sikkim
- d) Whole except Jammu& Kashmir

32. Finance bill becomes the finance Act when it is passed by:

- a) The Loksabha
- b) Both the Loksabha and Rajya Sabha

- c) Both the house of Parliament and given the assent of the president
- d) Both the house of parliament and given the assent of the Prime Minister / Finance Minister

33. Part I of schedule I of the finance Act, 2016 has given rates of income tax for the assessment year.

- a) 2016 – 17
- b) 2017 – 18
- c) 2018 – 19

34. Part II of schedule I of the finance Act, 2016 has given the rates of tax deductible at source for the finance year:

- a) 2015 – 16
- b) 2016 – 17
- c) 2017 – 18

35. Part III of schedule I of the finance (No.2) Act, 2016 has given the rates of advance tax & tax to be deducted in case of salary for the assessment year:

- a) 2016 – 17
- b) 2017 – 18
- c) 2018 – 19

36. The circulars issued by CBDT are binding on:

- a) Assessee
- b) Income tax Authorities
- c) Both the above

37. A.O.P. should consist of:

- a) Individuals only
- b) Persons other than individuals
- c) Only both the above

38. Body of individuals should consist of:

- a) Individuals only
- b) Persons other than individuals only
- c) Both the above

39. A new business was set up on 15.10.2016 and it commenced its business from 1.12.2016. the first previous year in this case shall be:

- a) 15.10.2016 to 31.3.2017
- b) 1.12.2016 to 31.3.2017
- c) 2016 – 17

- 40.** A person leaves India permanently on 15.11.2016. the assessment year earned till 15.11.2016 in this case shall be:
- a) 2015 – 16
 - b) 2016 – 17
 - c) 2017 – 18
- 41.** Surcharge on income tax is payable by a domestic company at the rate of:
- a) 7% of income – tax payable provided its total income exceeds Rs. 10,00,000
 - b) 7% of income – tax payable irrespective of the amount of its total income
 - c) 7% of income – tax payable provided its total income exceeds Rs. 1 crore and 12% of income tax if total income exceeds Rs. 10 crores
 - d) 5% of income – tax payable provided its total income exceeds Rs. 1 crores
- 42.** Surcharge in case of a foreign company is payable at the rate of:
- a) 2% of the income – tax payable provided its total income exceeds Rs. 1 crore
 - b) 2% of the income – tax payable irrespective of the amount of its total income
 - c) 2% of the income – tax payable provided its total income exceeds Rs. 1 crore & 5% of income tax if total income exceeds Rs. 10 crores
- 43.** Surcharge on income tax is payable by:
- a) All assessee except a foreign company
 - b) A company, domestic or foreign
 - c) All assessee except local authority or co – operative society
 - d) All assessee provided their total income exceeds Rs 1Cr
- 44.** The maximum amount on which income tax is not chargeable in case of HUF for assessment year 2017 -18 is:
- a) Rs. 2,00,00
 - b) Rs. 2,50,000
 - c) Rs. 2,00,000
- 45.** The maximum amount on which income tax is not chargeable for the assessment year 2017 – 18 in case of an individual other than a resident women or a resident individual less than 60 years old is:
- a) Rs. 2,00,000
 - b) Rs. 2,50,000
 - c) Rs. 3,00,000
 - d) Rs. 2,40,000
- 46.** The maximum amount on which income tax is not chargeable for the assessment year 2017– 18 in case of a resident women who is less than 60 years old is:

- a) Rs. 2,50,000
- b) Rs. 5,00,000
- c) Rs. 3,00,000
- d) Rs. 2,40,000

47. The maximum amount on which income tax is not chargeable for the assessment year 2017 – 18 in case of an individual who is resident in India and 60 years old is:

- a) Rs. 2,40,000
- b) Rs. 2,50,000
- c) Rs. 3,00,000
- d) Rs. 2,00,000

48. The maximum amount on which income tax is not chargeable for the assessment year 2017 – 18 in case of women who is not resident in India and who is less than 60 years old is:

- a) Rs. 1,90,000
- b) Rs. 3,00,000
- c) Rs. 2,50,000
- d) Rs. 2,00,000

49. The maximum amount on which income tax is not chargeable in case of firm is:

- a) Rs. 1,60,000
- b) Rs. 1,80,000
- c) Rs. 2,00,000
- d) Nil

50. The maximum amount on which income tax is not chargeable in case of a co – operative society is:

- a) Rs. 1,80,000
- b) Rs. 2,00,000
- c) Nil

51. Education cess is leviable on:

- a) Income tax
- b) Income tax + surcharge if applicable
- c) Surcharge

52. Education cess is leviable @:

- a) 2%
- b) 5%
- c) 3%

53. Education cess is leviable in case of:

- a) An individual assessee only
- b) An individual and HUF
- c) A company assessee only
- d) All assessee

54. In case of an individual and HUF education cess is leviable only when the total income of such assessee:

- a) Exceeds Rs. 10,00,000
- b) Is less than or more than Rs. 10,00,000

55. Secondary and higher education cess (SHEC) is leviable on:

- a) Income tax
- b) Income tax and surcharge if applicable
- c) Income tax, surcharge if applicable and education cess

56. SHEC is leviable @:

- a) 2%
- b) 3%
- c) 1%

57. SHEC is leviable in case of:

- a) An individual assessee only
- b) Individual and HUF
- c) All assessee
- d) All assessees other than co – operative society or local authority

58. For assessment year 2017 – 18, a firm is subject to income – tax at a flat rate of:

- a) 30% + surcharge @ 12% if the total income exceeds Rs. 1 crores + education cess @ 2% + SHEC @1%
- b) 30% + 5% surcharge + education cess @ 2% + SHEC @1%
- c) 30% + 5% surcharge if its total income exceeds Rs. 1 crore + education cess @2% SHEC @1%

59. The total income of the assessee has been computed at Rs. 3, 83,494.90. for rounding off, the total income will be taken as:

- a) Rs. 3,83,500
- b) Rs. 3,83,490
- c) Rs. 3,83,495

60. The total income of the assessment has been computed at Rs.4, 83,495. For rounding off the total income will be taken as:

- a) Rs. 4,83,500

b) Rs. 4,83,490

c) Rs. 4,83,495

61. Income tax is rounded off to:

a) Nearest ten rupees

b) Nearest one rupee

c) No rounding off of tax is done

62. A (Resident Individual) is 57 years old. His total income for the assessment year 2017 – 18 is Rs. 3, 00,000.

His tax liability shall be:

a) NIL

b) Rs. 5,150

c) Rs. 3,150

d) Rs. 5,410

63. A, a resident if India, is 61 years old. His total income for the assessment year 2017 – 18 is Rs. 3, 55,000.

His tax liability shall be:

a) Rs. 10,820

b) Rs. 11,850

c) Rs. 520

d) Rs. 5,670

64. Mrs. A, a resident of India, is 56 years old. Her total income for the assessment year 2017 – 18 is Rs. 11, 20,000. Her tax liability shall be:

a) Rs. 1,69,950

b) Rs. 1,70,980

c) Rs. 1,65,830

d) Rs. 1,68,920

65. Mrs. A resident of India is 61 years old. Her total income for the assessment year 2017 – 18 is Rs. 4, 50,000.

Her tax liability shall be:

a) Rs. 22,660

b) Rs. 15,450

c) Rs. 10,300

66. A's total income for the assessment year 2017 – 18 is Rs. 10, 20,000. His tax liability shall be:

a) Rs. 1,40,080

b) Rs. 1,45,230

c) Rs. 1,34,930

- 67.** Mrs. A, a non – resident in India is 66 years old. Her total income for the assessment year 2017 – 18 is Rs. 6, 35,440. Her tax liability shall be –
- a) Rs. 60,860
 - b) Rs. 53,650
 - c) Rs. 58,800
- 68.** A's total income for the assessment year 2017 – 18 is Rs. 7, 90,000. His tax liability shall be –
- a) Rs. 92,700
 - b) Rs. 85,490
 - c) Rs. 90,640
- 69.** Surcharge applicable for Domestic company is
- a) 5% if income exceeds 1cr
 - b) 7% if income exceeds 1cr
 - c) 12% if income exceeds 1cr
 - d) 7% if income exceeds 1cr & 12% if income exceeds 10CR
- 70.** In case of Firms ,LLP, Local authorities and Co-operative society rate of surcharge is
- a) 5% if income exceeds 1cr
 - b) 7% if income exceeds 1cr
 - c) 12% if income exceeds 1cr
 - d) 7% if income exceeds 1cr & 12% if income exceeds 10CR
- 71.** The income tax Act, 1961 came into force w.e.f.....
- (a) 1st April, 1962
 - (b) 1st April, 1961
 - (c) 31st March, 1961
 - (d) None of above
- 72.** Amongst the following _____ is empowered to levy tax on agricultural income.
- (a) Central Government
 - (b) State Government
 - (c) Commissioner
 - (d) President
- 73.** Circulars and Notification are binding on the _____
- (a) Central Board of Direct Taxes (CBDT)

(b) Assessee

(c) Income Tax Appellate Tribunal (ITAT)

(d) Income Tax Authorities

74. Supreme Court precedent is binding on _____

(a) Courts

(b) Appellate Tribunals

(c) Income Tax Authorities

(d) All of the above

75. High Court's precedents are not binding on _____

(a) Tribunal

(b) Income Tax Authorities

(c) Assessee

(d) None of the above.

76. Amendments by the finance act are made applicable for _____.

(a) First day of next financial year

(b) First day of same financial year

(c) last day of same Accounting year

(d) None of the above

77. As per section 2(31), the following is not included in the definition of 'person' –

(a) An individual

(b) A Hindu Undivided Family

(c) A company

(d) A minor

78. Which amongst the following is an exception to the previous year rule?

(a) Business or Profession newly set up.

(b) Where a source of income newly set up.

(c) Non-resident engaged in shipping business.

(d) None of the above.

79. The charging section of the Income-Tax Act, 1961, states that the income earned in the year is taxable in the next year. This is known as _____.

(a) Principal of mutuality

(b) Previous year rule

(c) Financial year rule

(d) None of these.

80. Which amongst the following is not a head of Income?

(a) Salaries

(b) Income from house property

(c) Capital gains

(d) Income from exports

81. Amongst the following which activity will be taxable

(a) Profits & gains of any insurance business carried on by a co-operative society.

(b) Income from specific services provided by trade, professional or similar association.

(c) The Profit & Gains of any banking business carried on by a co-operative society.

(d) All of the above

82. Subsidy if given as assistance to carry on business already commenced is a _____.

(a) Revenue receipt

(b) Capital receipt

(c) it is not a receipt

(d) None of these

83. Out of the following, which of the capital receipt is not taxable:

- (a) Capital Gains of Rs. 10,00,000
- (b) Amount of Rs. 5,00,000 won by way of lottery, games, puzzles
- (c) Amount of Rs. 2,00,000 received by way of gift from relatives
- (d) Amount of Rs. 1,00,000 received by way of gift from a friend on marriage anniversary

84. Method of accounting is not relevant for –

- (a) Salaries
- (b) Income from house property
- (c) Capital Gains
- (d) All of the above

85. Income tax in India is charged at the rate(s) prescribed by –

- (a) The Finance Act
- (b) The Income-tax Act
- (c) The Central Board of Direct Taxes
- (d) The Ministry of Finance.

86. The total income is rounded off to the nearest multiple of –

- (a) Rs. 1
- (b) Rs. 10
- (c) Rs. 100
- (d) Rs. 1,000

87. The MMR 35.535% for Assessment Year 2017-18 is relevant in case of which of the following person-

- (a) Individual
- (b) Association of Persons
- (c) None of (a) and (b)

(d) Both of (a) and (b)

88. In respect of a resident assessee, who is of the age of 60 years or more at any time during the previous year but less than 80 years on the last day of previous Year relevant to Assessment Year 2017-18:

(a) Rebate of tax payable subject to a maximum of Rs. 20,000.

(b) Higher basic exemption of Rs. 1, 50,000.

(c) Higher basic exemption of Rs. 3, 00,000.

(d) Higher basic exemption of Rs. 1, 35,000.

89. The income tax payable by a XYZ Inc. a foreign company on total income of Rs. 12,25,500 will be:

(a) Rs. 5,04,910

(b) Rs. 5,04,906

(c) Rs. 3,78,520

(d) Rs. 3,78,525

90. The income tax payable by a XYZ cooperative society on total income of Rs. 50,000 will be

(a) Rs. 12,360

(b) NIL

(c) Rs. 20,600

(d) Rs. 15,450

ANSWER

Q. NO.	ANSWER	Q. NO.	ANSWER	Q. NO.	ANSWER	Q. NO.	ANSWER
1	A	24	B	47	C	70	C
2	A	25	C	48	C	71	A
3	D	26	B	49	D	72	B
4	B	27	C	50	C	73	D
5	A	28	C	51	B	74	D
6	C	29	B	52	A	75	D
7	B	30	B	53	D	76	A
8	B	31	A	54	B	77	D
9	A	32	C	55	B	78	C
10	B	33	B	56	C	79	B
11	C	34	B	57	C	80	D
12	D	35	B	58	A	81	D
13	B	36	B	59	B	82	A
14	C	37	C	60	A	83	C
15	B	38	A	61	A	84	D
16	D	39	A	62	A	85	A
17	B	40	B	63	C	86	B
18	C	41	C	64	C	87	C
19	A	42	C	65	C	88	C
20	B	43	D	66	C	89	A
21	C	44	B	67	B	90	A
22	B	45	B	68	B		
23	B	46	A	69	D		

CHAPTER 2: RESIDENTIAL STATUS

Section	Topics
5	Incidence of tax
6(1)	Residential status of an individual
6(6)	Ordinarily Resident
6(2)	Residential status of an HUF
6(3)	Residential status of Company
7	Income deemed to receive in India
8	Dividend Income
9	Income deemed to accrue or arise in India
9(1)(i)	Property income
9(1)(i)	Business Connection
9(1)(ii)	Salary deemed to accrue or arise in India
9(1)(iv)	Dividend income
9(1)(v)	Interest income
9(1)(vi)	Royalty income
9(1)(vii)	Fee for technical services
9A	Activities not to constitute business connection

INTRODUCTION

Tax incidence on an assessee depends on his residential status. For instance, whether an income, accrued to an individual outside India, is taxable in India depends upon the residential status of the individual in India. Similarly, whether an income earned by a foreign national in India or outside India is taxable in India depends upon the residential status of the individual, rather than on his citizenship. Therefore, the determination of the residential status of a person is very significant in order to find out his tax liability.

BASIC RULES FOR DETERMINATION OF RESIDENTIAL STATUS OF AN ASSESSEE

- Residential status is determined for each category of person separately.
- Residential status is always determined for P.Y. because we have to determine the total income of the previous year only.
- It is to be calculated for every year because it may change from year to year.
- A person can be resident of more than one country for any P.Y.
- Citizenship of a country and residential status of that country are different concepts.
- If person is resident in India in the P.Y. relevant to an A.Y. in respect of any source of income, he shall be deemed to be resident in India for his other source of income.

- If an individual stays on a ship, which is in the territorial waters of India, then it shall be treated as his presence in India.
- 24 hrs. Shall be treated as one day.
- It is not essential that stay should be at same place.
- Continuous stay is not required.
- **Counting of number of days:** If nothing is mentioned about the time of arrival and departure than the **day of arrival and the day of departure both shall be include** for determining residential status of an Individual.

KEY NOTES

Onus of Proof: The onus of responsibility to prove the Residential Status is explained below:

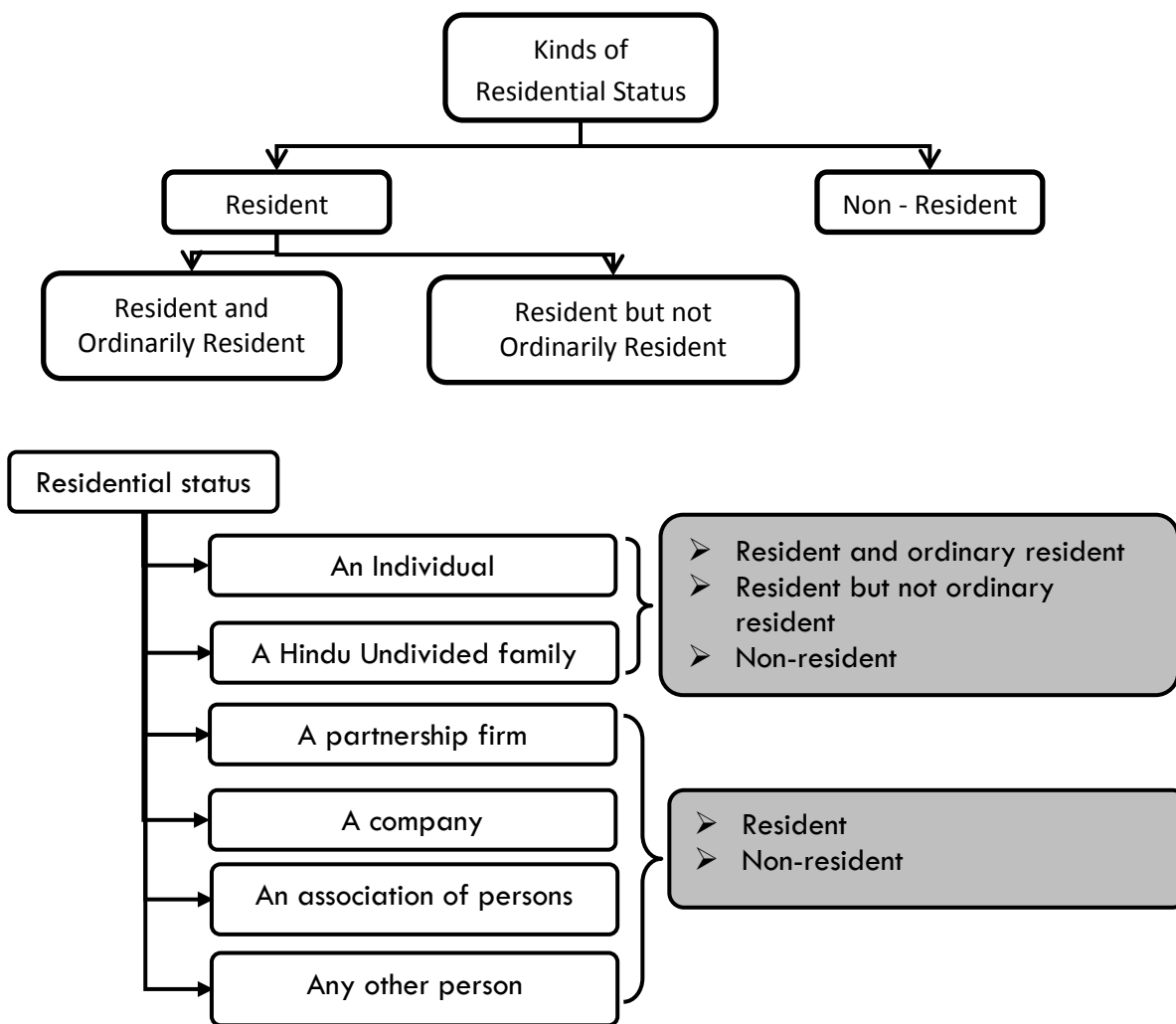
- Whether an Assessee is a Resident or a Non-resident is a question of fact and it is the duty of the Assessee to place all relevant facts before the Income Tax Authorities.
- Sec.6(2) makes a presumption that a HUF, a Firm or AOP has to be a Resident in India, and the onus of proving that they are not Residents, is on them
- The burden of proving that an Individual or a Company is Resident in India lies on the Department.
- India [Sec.2(25A)]: The term India means –**

The territory of India as per Article 1 of the constitution, Its territorial waters, seabed and subsoil underlying such waters, Continental Shelf, Exclusive Economic Zone, or Any other specified Maritime Zone, and the air space above its Territory and Territorial waters.

**My Notes**

ALL ENTITIES ARE DIVIDED IN THE FOLLOWING CATEGORIES FOR THE PURPOSE OF DETERMINING RESIDENTIAL STATUS

- An individual
- A Hindu undivided family
- A firm ,AOP / BOI
- A joint stock company
- Every other person.



RULES FOR DETERMINING THE RESIDENTIAL STATUS OF AN INDIVIDUAL **[SECTION 6(1)]**

An individual is said to be resident in India if he satisfies any one of the following two conditions. If he does not satisfy any conditions he becomes Non-resident in India.

Condition	Particulars
1	He is in India for a period of 182 days or more in the relevant previous year. Sec. 6 (1)(a)
2	He is in India for 60 days or more during the relevant previous year and has been in India for 365 days or more during four previous years immediately preceding the relevant previous year. Sec. 6(1) (C).

Exceptions:**The period of 60 days replace by 182 days for the following:**

1. An Indian citizen who leaves India during the previous year for the purpose of employment outside India.
2. An Indian citizen who leaves India during the previous year as a member of the crew of an Indian ship.
3. Indian citizen or a person of Indian origin who comes on a visit to India during the previous year.

KEY NOTE	A person is said to be of Indian origin if he or either of his parents or any of his grandparents (maternal & paternal) were born in undivided India.
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Determination of Residential Status of Crew Member of a Ship: W.e.f. 01.04.2017 In the case of an Individual, being an Indian Citizen and a member of the Crew of a Foreign-bound Ship leaving India, the period(s) of stay in India shall, in respect of such voyage, be determined in the manner and subject to such prescribed conditions. For determining the period of Stay in India, the following period shall not be included:

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

Meaning of Terms:

- (a) Continuous Discharge Certificate** shall have the meaning assigned to it in the Merchant Shipping (Continuous Discharge Certificate - Cum-Seafarer's Identity Document) Rules, 2001 under Merchant Shipping Act, 1958.
- (b) Eligible Voyage** shall mean 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 Originated from any port outside India, has as its destination any port in India.

Illustration 1

In the Previous year 2016 – 17, Mr. Raju Karele, Indian Citizen, is Vessel Manager in Star Ocean Transit Ltd. which operates Freight voyage from Mumbai Port (India) to Colombo Port (Sri Lanka) on regular basis. It does not involve in transit of Passengers.

Mr. Raju Karele, being a Crew Member of Ship, provides you the following information about his voyage during the FY 2016 – 17:

- a. Date entered into the Continuous Discharge Certificate (For Joining the ship) – 3.8.2016.
- b. Date entered into the Continuous Discharge Certificate (Signing off) – 31.12.2016.
- c. On 1.1.2016, he reached his native place of Mumbai and resigned his job.

Is he a Resident or not for the AY 2017 – 18? Comment.

Solution

Principles	<p>Under section 6(1), any person who stays in India for a period of 182 days or more, during the Relevant Previous Year is a Resident for that year.</p> <p>For a Member of the Crew of a Foreign bound Ship leaving India, to determine the period of Stay in India, the following period shall not be included:</p> <table border="1" data-bbox="386 384 1513 619"> <thead> <tr> <th data-bbox="386 384 919 430">Period beginning from</th><th data-bbox="919 384 1513 430">Period ending to</th></tr> </thead> <tbody> <tr> <td data-bbox="386 430 919 619">Date entered into the continuous discharge certificate in respect of joining the ship by the said individual for the eligible voyage.</td><td data-bbox="919 430 1513 619">Date entered into Continuous Discharge Certificate in respect of the signing off by that individual from the ship in respect of such voyage.</td></tr> </tbody> </table>	Period beginning from	Period ending to	Date entered into the continuous discharge certificate in respect of joining the ship by the said individual for the eligible voyage.	Date entered into Continuous Discharge Certificate in respect of the signing off by that individual from the ship in respect of such voyage.
Period beginning from	Period ending to				
Date entered into the continuous discharge certificate in respect of joining the ship by the said individual for the eligible voyage.	Date entered into Continuous Discharge Certificate in respect of the signing off by that individual from the ship in respect of such voyage.				
Analysis	Period of Exclusion from Stay in India = From 3.8.2016 to 31.12.2016 = 150 days.				
Conclusion	Since, Mr. Raju stayed in India for a period of 182 days or more (366 days – 150 days) during the relevant previous year 2016 – 17, he is a Resident for AY 2017 – 18.				

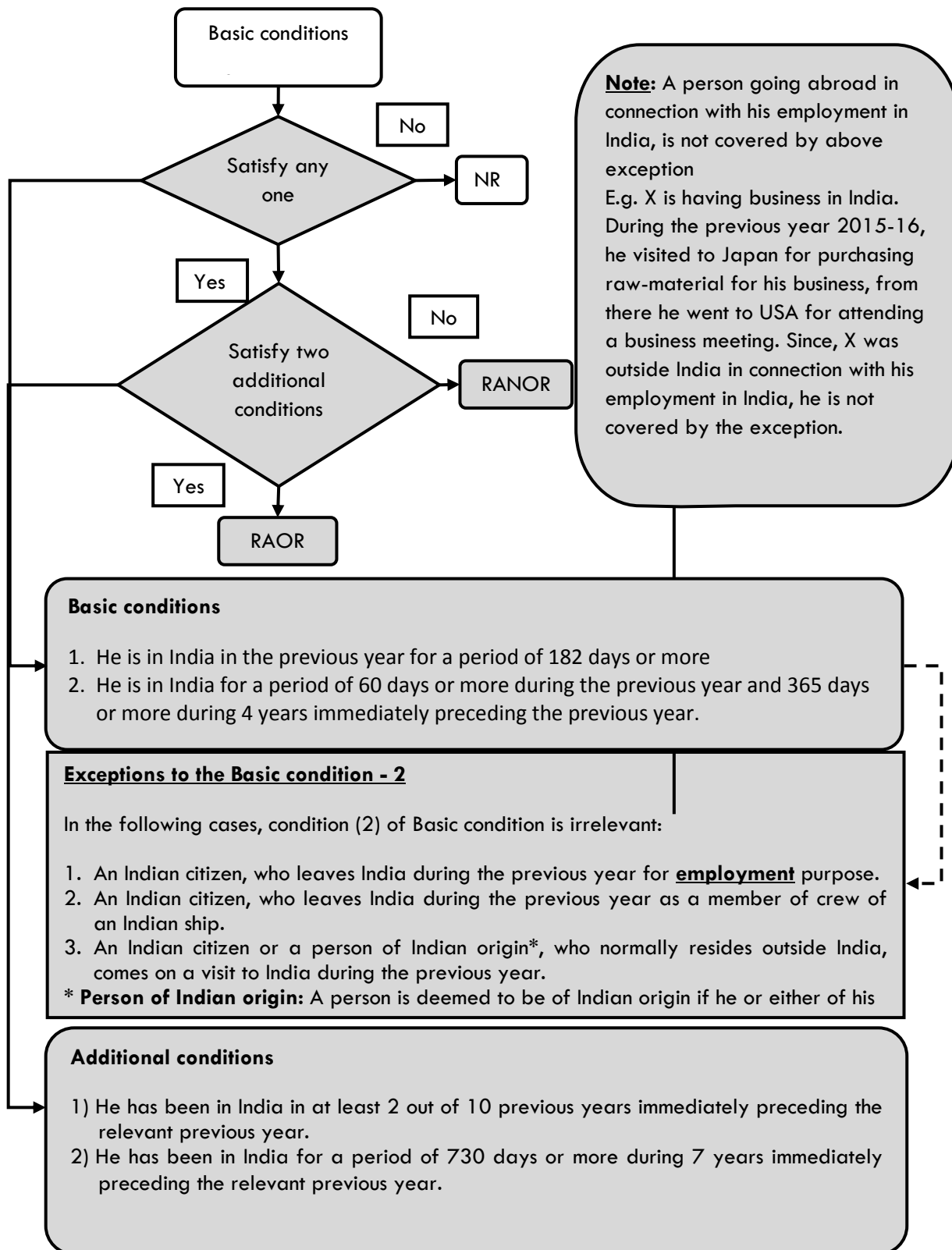
The above voyage is an Eligible Voyage as the Ship is engaged in the carriage of freight in international traffic having originated from a port in India, and has as its destination any port outside India. (Mumbai Port to Colombo Port).

ADDITIONAL CONDITIONS TO TEST AS TO WHEN A RESIDENT INDIVIDUAL IS ROR & RNOR [SEC. 6(6)]

Condition	Particulars
1	He has been resident in India in at least 2 out of 10 previous years immediately preceding the relevant previous year.
2	He has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year.

KEY NOTE	If assessee fulfils both of the above conditions then he becomes ROR otherwise RNOR.
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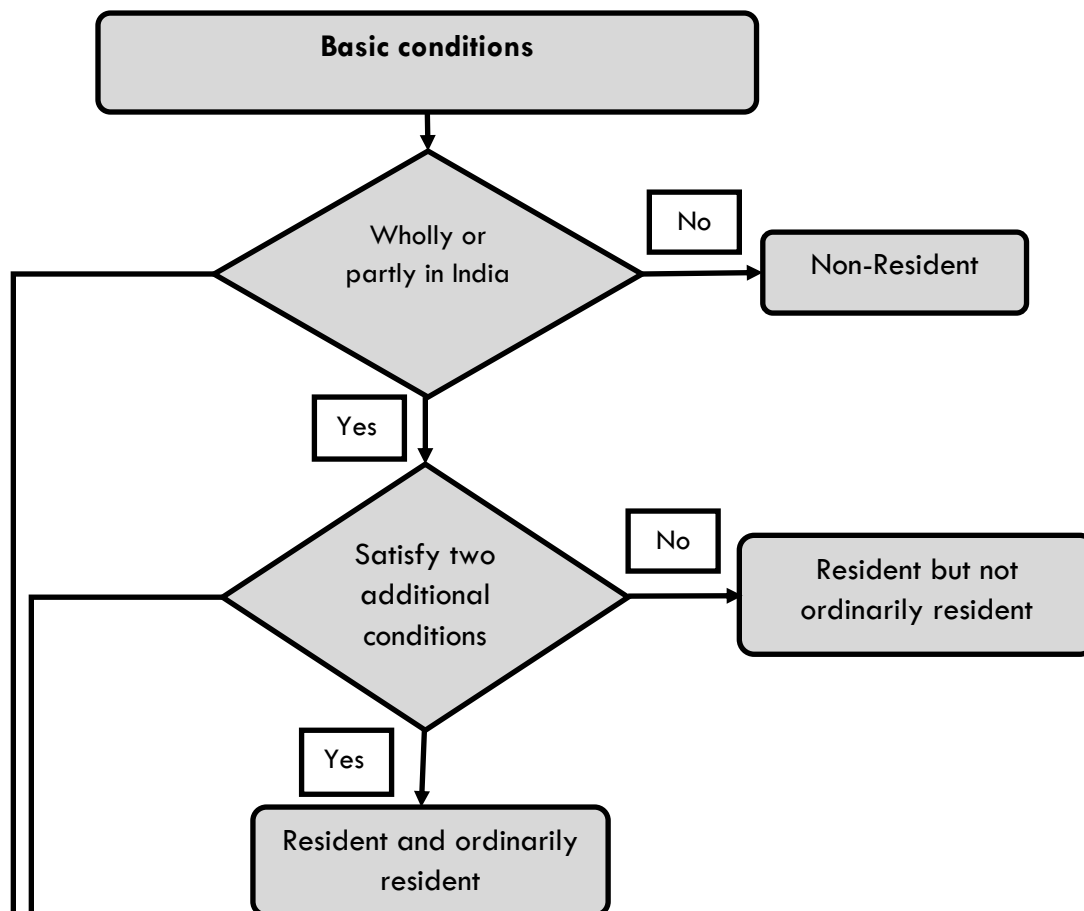
**My Notes**



RULES FOR DETERMINING THE RESIDENTIAL STATUS OF HUF [SECTION 6[2]]

Place of Control & Management	Residential status
Fully In India	Resident
Partly in India	Resident
Fully outside India	Non-Resident





Resident HUF: When the control & management of affairs of HUF is *wholly or partly* situated in India during the relevant previous year, then it is treated as resident in India.

Control & management means -

- controlling & directive power;
 - actual control & management (mere right to control & manage is not enough);
 - Central control & management and not the carrying out of day to day affairs.
- The place of central control & management is situated where the head, the seat & the directing power is situated.

Additional conditions

1. Karta has been resident in India in at least 2 out of 10 previous years immediately preceding the relevant previous year.
2. Karta has been present in India for a period of 730 days or more during 7 years immediately preceding the previous year.

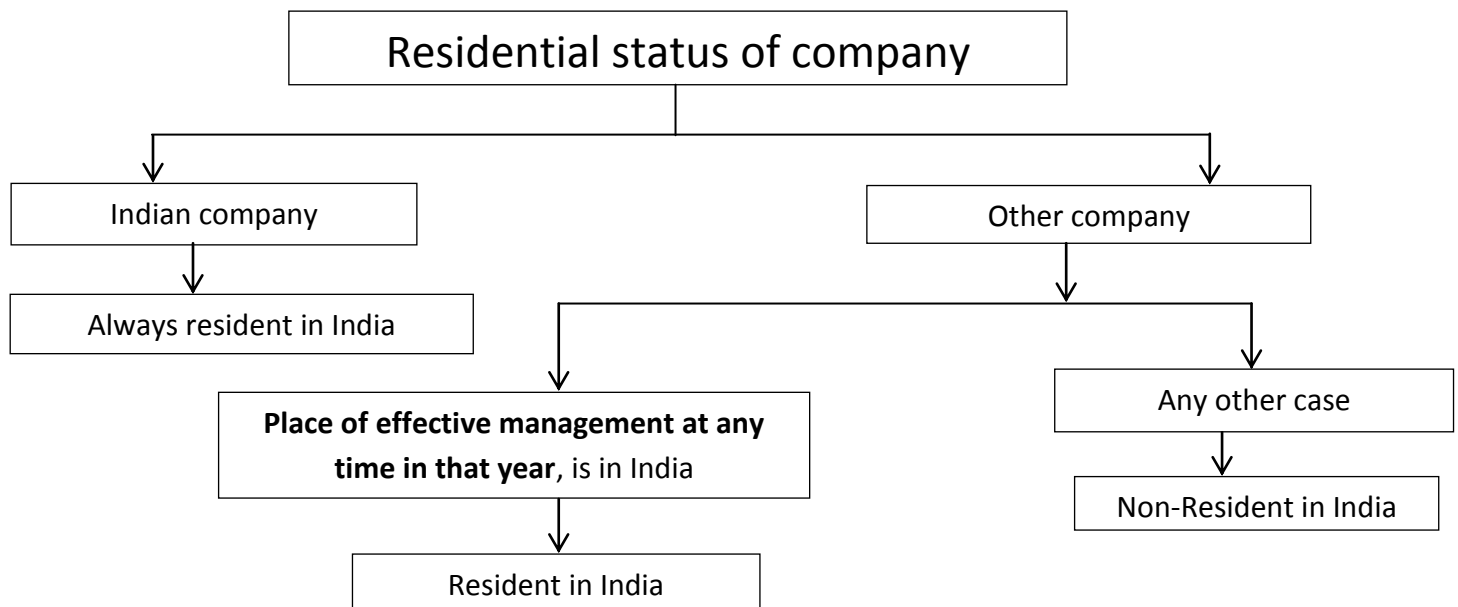
ADDITIONAL CONDITIONS TO TEST AS TO WHEN A HUF IS ROR & RNOR

Condition	Particulars
1	Karta has been resident in India in at least 2 out of 10 previous years immediately preceding the relevant previous year.
2	Karta has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year.

KEY NOTE	If Karta fulfils both of the above conditions then HUF becomes ROR otherwise RNOR.
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RULES FOR DETERMINING THE RESIDENTIAL STATUS OF COMPANY [SECTION 6 (3)]

Sr	Place of Control	Indian Company	Foreign Company
<u>Place of Effective Management (POEM)</u>			
1	Wholly in India	Resident	Resident
2	Wholly outside India	Resident	Non-resident
3	Partly in India and partly outside India	Resident	Resident



[Amendment Fin Act, 2016]

Enabling provision for implementation of various provisions of the Act in case of a foreign company held to be resident in India (Section 6(3), 115JH of IT Act)

Date of Applicability: From AY 2017-18

In the context of implementation of POEM based residence rule, certain issues, relating to the applicability of current provisions of the Act to a company which is incorporated outside India and has not earlier been assessed to tax in India, have arisen. In particular, the issues relate to applicability of specific provisions of the Act relating to Advance tax payment, applicability of TDS provisions, computation of total income, set off of losses and manner of application of transfer pricing regime. These provisions have compliance requirements which would not have been undertaken by the company at relevant time due to absence of any such requirement under tax laws of country of incorporation of such company. Similarly, issues of computation of depreciation also arise when in earlier years it has not been subject to computation under the Act.

In order to provide clarity in respect of implementation of POEM based rule of residence and also to address concerns of the stakeholders, it is proposed to:

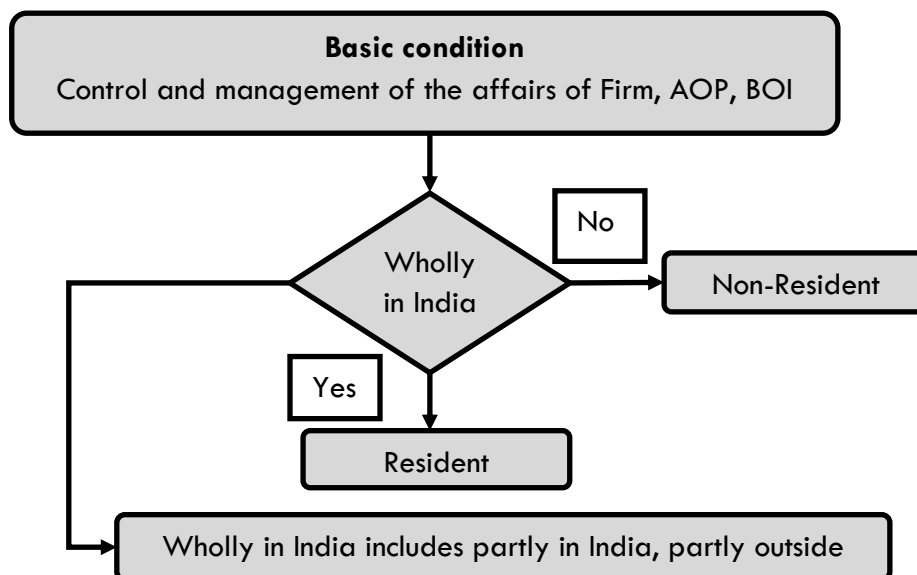
- ***Defer the applicability of POEM based residence test by one year and the determination of residence based on POEM shall be applicable from 01/04/17.***
- Provide a transition mechanism for a company which is incorporated outside India and has not earlier been assessed to tax in India. The Central Government is proposed to be empowered to notify exception, modification and adaptation subject to which, the provisions of the Act relating to computation of income, treatment of unabsorbed depreciation, set off or carry forward and set off of losses, special provision relating to avoidance of tax and the collection and recovery of taxes shall apply in a case where a foreign

company is said to be resident in India due to its POEM being in India for the first time and the said company has never been resident in India before.

- Provide that these transition provisions would also cover any subsequent previous year upto the date of determination of POEM in an assessment proceedings. However, once the transition is complete, then normal provision of the Act would apply.
- Provide that in the notification, certain conditions including procedural conditions subject to which these adaptations shall apply can be provided for and in case of failure to comply with the conditions, the benefit of such notification would not be available to the foreign company.
- Provide that every notification issued in exercise of this power by the Central Government shall be laid before each house of the Parliament.

RULES FOR DETERMINING THE RESIDENTIAL STATUS OF FIRM, AOP & BOI ***[SECTION 6(4)]***

Place of Control and Management situated	Status
Fully in India	Resident in India
Partly in India	Resident in India
Fully outside India	Non-Resident



HOW TO DETERMINE RESIDENTIAL STATUS OF EVERY OTHER PERSON [SEC. 6(4)]

Place of Control and Management situated	Status
Fully in India	Resident in India
Partly in India	Resident in India
Fully outside India	Non-Resident

My Notes**RELATIONSHIP BETWEEN RESIDENTIAL STATUS AND INCIDENCE OF TAX [SEC. 5]**

In order to understand relationship between residential status & incidence of tax it is necessary to understand meaning of Indian & Foreign income.

Indian Income:

- 1) If income is received or deemed to be received in India but accrues or arises or is deemed to accrue or arise in India.
- 2) If income is received or deemed to be received in India but accrues or arises outside India during the previous year.
- 3) If income is received outside India but accrues or arises in India during the previous year.

Foreign Income:

- 1) Income is not received or not deemed to be received in India.
- 2) Income which does not accrue or arise in India.

INCIDENCE OF TAX [SEC. 5]**For individual and HUF**

Nature of income	Ordinarily resident	Not ordinarily resident	Non resident
Income received in India (no matter where it is earned)	Taxable	Taxable	Taxable
Income earned in India (no matter where it is received)	Taxable	Taxable	Taxable
Income earned and received outside India from a source controlled from India	Taxable	Taxable	Not Taxable
Income earned and received outside India from a source not controlled from India	Taxable	Not Taxable	Not Taxable

Note: Past year untaxed income brought in India shall not be taxable in the current year; however, past year file shall be reassessed.

For Company and Firm and AOP etc

Nature of income	Resident	Non – resident
Income received in India (no matter where it is earned)	Taxable	Taxable
Income earned in India (no matter where it is received)	Taxable	Taxable
Income earned and received outside India from a source controlled from India	Taxable	Not Taxable

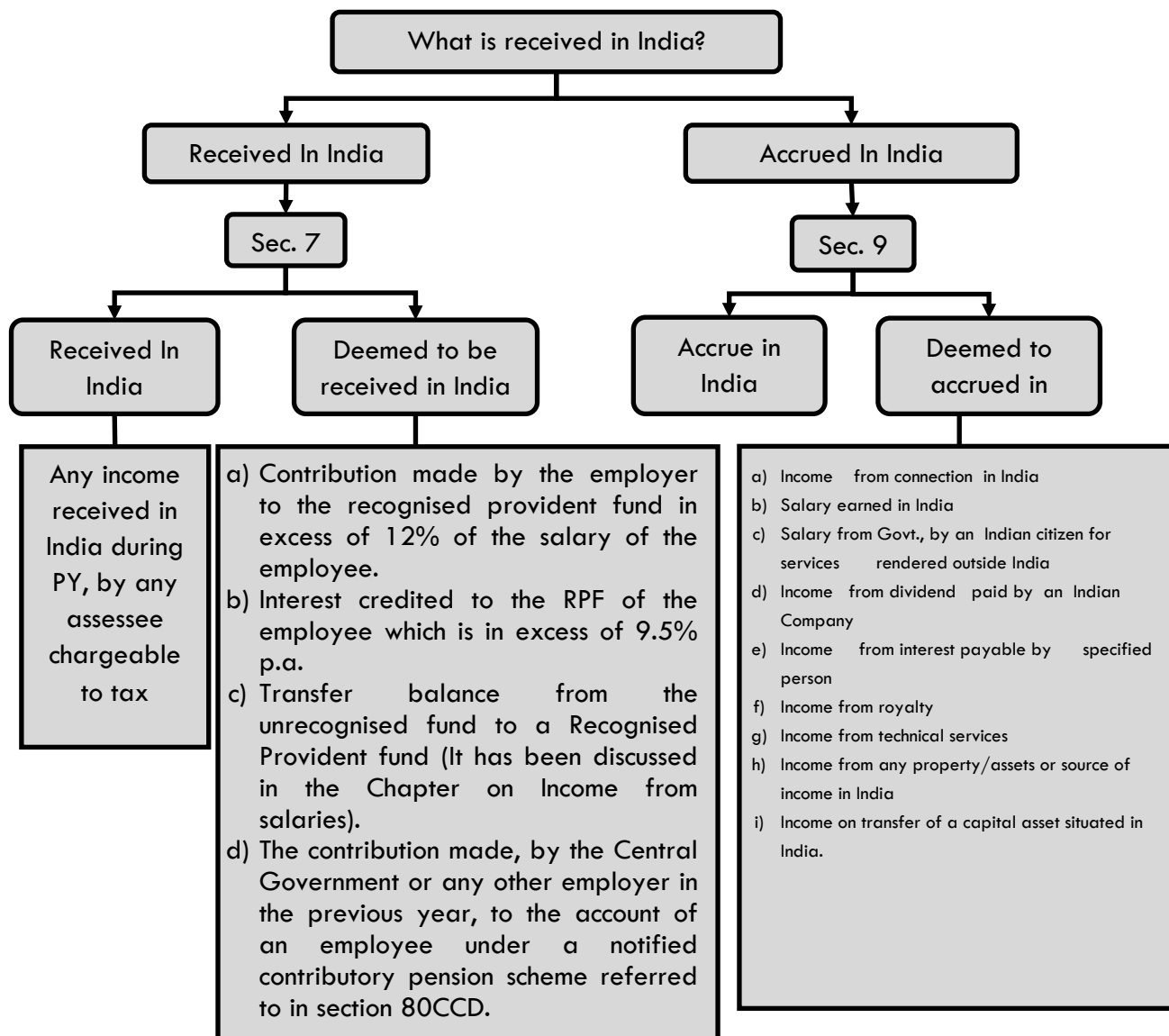
Income earned and received outside India from a source not controlled from India	Taxable	Not Taxable
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Note: Past year untaxed income brought in India shall not be taxable in the current year; however, past year file shall be reassessed.

KEY NOTES

- **Remittance v/s Receipt:** Receipt is different from remittance. The receipt of income refers to the first occasion when the recipient gets the money under his control. Once amount is received as income any subsequent remittance of amount to India does not result in income in India.
- If income is accrued and received outside India in any year preceeding the previous year and later on remitted to India in current financial year is not taxable.

**My Notes**

SECTION 7 AND 9

BUSINESS CONNECTION [SEC. 9(1) (i)]

Any income which arises through a business connection/ professional connection in India is deemed to accrue or arise in India.

Meaning of business connection:

Includes	<p>If the assessee (non-resident) has an authority in India who can conclude contracts on his behalf and he habitually exercises such authority then it shall be treated as business connection in India. However, if the activities are limited to the purchase of goods or merchandise for the non-resident then it shall not be treated as business connection; or</p> <p>If the assessee (non-resident) has an authority who habitually maintains in India a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the assessee then it shall not be treated as business connection; or</p> <p>If the assessee (non-resident) has an authority who habitually secures orders in India for such assessee.</p>
Does not include	<p><u>In the case of a business, in respect of which all the operations are not carried out in India [Explanation 1(a) to section 9(1) (i)]:</u> In the case of a business of which all the operations are not carried out in India, the income of the business deemed to accrue or arise in India shall be only such part of income as is reasonably attributable to the operations carried out in India. Therefore, it follows that such part of income which cannot be reasonably attributed to the operations in India, is not deemed to accrue or arise in India.</p> <p><u>Purchase of goods in India for export [Explanation 1(b) to section 9(1)(i)]:</u> In the case of non – resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.</p> <p><u>Collection of news and views in India for transmission out of India [Explanation 1(c) to section 9(1) (i)]:</u> in the case of a non – resident, being a person engaged in the business of running a news agency or of publishing newspapers, magazines or journals, no income shall be deemed to accrue or arise in India to him through or from activities which are confined to the collection of news and views in India from transmission out of India.</p> <p><u>Shooting of cinematograph films in India [Explanation 1(d) to section 9(1)(i)]:</u> In the case of a non-resident, no income shall be deemed to accrue or arise in India through or from operations which are confined to the shooting of any cinematograph film in India, if such non-resident is:</p> <ol style="list-style-type: none"> An individual, who is not a citizen of India or A firm does not have any partner who is a citizen of India or who is resident in India; or A company which does not have any shareholder who is a citizen of India or who is resident in India. <p><u>Activities confined to display of rough diamonds in SNZs [Explanation 1(e) to section 9(1)(i)]:</u> In order to facilitate the FMCs to undertake activity of display of uncut diamond (without any sorting or sale) in a Special Notified Zone (SNZ), clause (e) has been inserted in Explanation 1 to section 9(1)(i) to provide that in the case of a foreign company engaged in the business of</p>

mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and unsorted diamonds in any special zone notified by the Central Government in the Official Gazette in this behalf. **[Amendment Fin Act 2016]**

INCOME FROM PROPERTY IN INDIA 9(1) (i)

Income arising through or from any property or any asset or source of income in India

Ex: Mr. Mac Mohan residing in China leases out a building situated in Nagpur and receives rent in China. Such rental income shall be deemed to accrue or arise in India as the building (i.e. source of income) is situated in India.

INCOME FROM TRANSFER OF PROPERTY IN INDIA

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

Ex: If Mr. Mohan sells the building situated in Nagpur to a person Outside India and receives consideration outside India, such income shall also be deemed to accrue or arise in India as the property transferred is situated in India.

SALARY INCOME [SEC 9(1) (ii)]

Salary income shall be deemed to be earned in India if services are rendered in India.

Exception to the above rule

If salary is payable to-

- a) Government employee b) who is a citizen of India; c) for services rendered outside India
-then such salary (even service rendered outside India) shall be deemed to be earned in India.

Key Note: Any allowances or perquisites paid to above employee shall be exempted u/s 10(7).

Pension received in India from abroad: If an assessee, residing in India, receives pension from abroad from past services rendered in foreign country, then such income shall be treated as income accruing abroad, and shall not be liable to tax in India.

DIVIDEND INCOME [SEC 9(1) (iii)]

Any dividend **Paid** by an Indian company outside India shall be deemed to accrue to arise in India.

Dividend income paid to a non- resident by Indian company is deemed to accrue or arise in India only on payment and not on declaration.

KEY NOTE: Dividend from Indian company shall be exempted u/s 10(34).

Refer section 115BBDA

INTEREST, ROYALTY & FEES FOR TECH. SERVICE-WHEN DEEMED TO ACCRUE OR ARISE IN INDIA

1. **Accrual of Interest 9(1)(v) in India:**

Payer	Purpose of Payment	Is the payment deemed to accrue or arise in India	Taxability in the hands of receiver
Government	Any purpose	Yes	All Assessee
Resident	For carrying on Business or profession outside India or earning income outside India	No	ROR – Taxable NOR – Not Taxable NR – Not Taxable [For NOR or NR – assumed first receipt not in India]
Resident	For any other purpose	Yes	All Assessee
Non-Resident	For carrying on business or profession in India	Yes	All Assessee
Non-Resident	For any other Purpose	No	ROR – Taxable NOR – Not Taxable NR – Not Taxable [for NOR or NR – assumed first receipt not in India]

2. **Accrual of Royalty 9(1)(vi), and Fees for Technical Service 9(1)(vii) in India:**

Payer	Purpose of payment	Is the payment deemed to accrue or arise in India	Taxability in the hands of receiver
Government	Any purpose	Yes	All Assessee
Resident	For carrying on business or profession outside India or earning Income outside India	No	ROR – Taxable NOR – Not taxable NR – Not taxable [For NOR or NR – assumed first receipt not in India]
Resident	For any other purpose	Yes	All Assessee
Non-resident	For carrying on business or profession in India or any other source in India	Yes	All Assessee
Non-resident	For any other purpose	No	ROR – Taxable NOR – Not taxable NR – Not taxable [For NOR or NR – assumed first receipt not in India]

3. **Point of destination:** When the payer is non-resident, interest accrues in India if it used only for the purpose of Business or profession in India. However, for royalty and fees for technical Service, the purpose can be for business or profession or any other source in India.

4. **Place of business is not a criterion:** Interest, Royalties and fees for technical services shall be deemed to accrue or arise in India whether or not the Non-resident has-

- a) A resident or place of business connection in India, or
- b) Rendered service in India

So, place of nexus in India is Not an essential criterion for taxability of Interest / Royalty / fees for Technical Service. The payee and purpose of payment is the essential criterion.

NOT DEEMED TO ACCRUE OR ARISE IN INDIA

Payer	Nature of payment	Purpose of payment	Is the payment deemed to accrue or arise in India
Employer	Salaries	For service rendered outside India. (see note)	No
Resident to non - resident	Interest on borrowings	For the purpose of carrying on business / profession outside India or earning any income outside India.	No
Non-Resident	Interest on borrowings	For the purpose other than carrying on business or profession in India.	No
Resident to Non-Resident	Royalty / fees for technical Service	Paid relating to a business or profession or any other source carried on outside India.	No
Non – Resident	Royalty / fees for technical Service	Paid relating to any other Source of Income other than business of profession carried on in India.	No

SEC 9A: CERTAIN ACTIVITIES NOT TO CONSTITUTE BUSINESS CONNECTION IN INDIA [INTERESTED BY FA 2015]

- i. Notwithstanding anything contained in section 9(1) and subject to the provisions of this section, in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in India of the said fund.
- ii. Notwithstanding anything contained in section 6, an eligible investment fund shall not be said to be resident in India for the purpose of that section merely because the eligible fund manager, undertaking fund management activities on its behalf, is situate in India.
- iii. The eligible investment fund referred to in sub-section (1), means a fund established or incorporated or registered outside India, which collects funds from its members for investing it for their benefit and fulfils the following conditions, namely: -

(a) The fund is not a person resident in India;

- (b) The fund is a resident of a country or a specified territory with which an agreement referred to in section 90(1) or section 90A(1) has been earned into;
- (c) The aggregate participation or investment in the fund, directly or indirectly, by persons' resident in India < = 5% of the corpus of the fund;
- (d) The fund and its activities are subject to applicable investor protection regulations in the country or specified territory where it is established or incorporated or is a resident;
- (e) The fund has a minimum of 25 members who are, directly or indirectly, not connected persons;
- (f) Any member of the fund along with connected persons shall not have any participation interest, directly or indirectly, in the fund > 10%;
- (g) The aggregate participation interest, directly or indirectly, of 10 or less members along with their connected persons in the fund, shall be < 50%;
- (h) The fund shall not invest > 20% of its corpus or any entity;
- (i) The fund shall not make any investment in any associate entity;
- (j) The monthly average of the corpus of the fund shall be = > 100 crore rupees:
Provide that If the fund has been established or incorporated in the previous year, the corpus of fund shall be = > 100 crore rupees at the end of such previous year;
- (k) The fund shall not carry on or control and manage, directly or indirectly, any business in India or from India;
- (l) The fund is neither engaged in any activity which constitutes a business connection in India nor has any person acting on its behalf whose activities constitute a business connection in India other than the activities undertaken by the eligible fund manager on its behalf;
- (m) The remuneration paid by the fund to an eligible fund manager in respect of fund management activity undertaken by him on its behalf is not less than the arm's length price of the said activity:

Provided that the conditions specified in clauses (e), (f) and (g) shall not apply in case of an investment fund set up by the Government of the Central Bank of a foreign State or a sovereign fund, or such other fund as the Central Government may subject to conditions, if any, by notification in the Official Gazette, specify in this behalf.

Amendment Finance Act 2016

Eligible fund investment shall also mean a fund established or incorporated or registered outside India in a country or specified territory notified by the Central Government in this behalf; Further the conditions of funds not controlling and managing any business in India or from India shall be restricted only in the context of activities in India.

- iv. The eligible fund manager, in respect of an eligible investment fund, means any person who is engaged in the activity of fund management and fulfils the following conditions, namely: -
 - (a) The person is not an employee of the eligible investment fund or a connected person of the fund;
 - (b) The person is registered as a fund manager or an investment advisor in accordance with the specified regulations;

- (c) The person is acting in the ordinary course of his business as a fund manager;
- (d) The person along with his connected person shall not be entitled, directly or indirectly, to > 20% of the profits accruing or arising to the eligible investment fund from the transactions carried out by the fund through the fund manager.
- v. Every eligible investment fund shall, in respect of its activities in a financial year, furnish within 90 days from the end of the financial year, a statement in the prescribed form, to the prescribed income-tax authority containing information relating to the fulfilment of the conditions specified in this section and also provide such other relevant information or documents as may be prescribed.
- vi. Nothing contained in this section shall apply to exclude any income from the total income of the eligible investment fund, which would have been so included irrespective of whether the activity of the eligible fund manager constituted the business connection in India of such fund or not.
- vii. Nothing contained of this section shall have any effect on the scope of total income or determination of total income in the case of the eligible fund manager.
- viii. The provisions of this section shall be applied in accordance with such guidelines and in such manner as the Board may prescribe in this behalf.
- ix. For the purpose of this section –
 - (a) “associate” means an entity in which a director or a trustee or a partner or a member or a fund manager of the investment fund or a director or a trustee or a partner or a member of the fund manager of such fund, holds, either individually or collectively, share or interest, being > 15% of its share capital or interest, as the case may be;
 - (b) “Connected person” shall have a meaning assigned to it in section 102(4);
 - (c) “Corpus” means the total amount of funds raised for the purpose of investment by the eligible investment fund as on a particular date;
 - (d) “entity” means any entity in which an eligible investment fund makes an investment;
 - (e) “Specified regulations” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 or the Securities and Exchange Board of India (Investment Advisors) Regulations, 2013, or such other regulations made under the Securities and Exchange Board of India Act, 1992, which may be notified by the Central Government under this clause.

PRACTICAL QUESTIONS ON RESIDENTIAL STATUS**Illustration 2**

Shahid Kapoor a British national comes to India for the first time during 2012-13. During the financial years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 he was in India for 55 days 60 days, 80 days, 160 days and 70 days respectively. Determine his residential status for the assessment year 2017-18.

Solution

Previous Year	Days
16-17	70 days
15-16	160 days
14-15	80 days
13-14	60 days
12-13	55 days
	355 days

As Shahid Kapoor does not fulfil any of the basic condition specified in section 6(1) hence He is non-resident (NR) for PY 16-17.

Illustration 3

Miss Katrina, an Indian citizen, left India for first time on 1st April, 2016 for joining job in Tokyo. She came to India on 11th October, 2016 for only 190 days. Determine her residential status for P.Y. 2016-17.

Solution

Period of stay 11-10-16 to 31-03-17

October	November	December	January	February	March
21 days	30days	31 days	31 days	28 days	31 days
					172 days

Miss Katrina left India for the purpose of employment which is covered by an exception. Therefore to become resident in India minimum stay of 182 days is required.

As actual stay 173 days is less than 182 days hence she is NR for PY 16-17.

Illustration 4

Dada, a foreign citizen, comes to India for first time on July 1, 2016 at 2 p.m. He left India on December 30, 2016 at 12 noon Determine his residential status for previous year 2016-17.

Solution

Period of stay 1-7-16 to 30-12-16

July	Aug	Sep	Oct	Nov	Dec
30 Days & 10hrs	31days	30 days	31 days	30 days	29 days &12 hrs
					181 & 22 hrs

As total period of stay is less than 182 days Mr. Dada is Non-Resident for AY 17-18.

Illustration 5

In the year 2016-17 (previous year), a sailor has remained on a ship for a private company owning ocean going ships as follows:

- Outside the territorial waters of India for 182 days;
- Inside the territorial waters of India for 183 days.

Is he considered to be a resident for the A.Y. 2017-18?

Solution

Territorial water is the part of India. As he stays on ship for 183 days hence he is resident in India for previous year 16-17

Illustration 6

Dhoni left India on 15/10/1998. After that he came to India for first time on May 2, 2016 & left India on:-

- i) June 25, 2016; ii) December 1, 2016.

Determine his residential status for the previous year 2016-17 for each of the two cases.

Case 1) Period of stay - 02/05/16 to 25/06/16

Months	Days
May	30 Days
June	25 Days
	55 Days

As assess does not fulfil any of the basis condition of section 6(1) hence he is non-resident for PY16-17.

Case 2) Period of stay - 2nd May, 2016 to 1st Dec, 2016

Month	Days
May	30 days
June	30 days
July	31 days
Aug	31 days
Sept	30 days
Oct	31 days

Nov	30 days
Dec	1 days
	214 days

As Mr Dhoni fulfil condition given in section 6(1) (a) hence he is resident in India for PY 16-17.

Illustration 7

Mr. Raina, aged 19 years, left India for first time on May 31, 2016. Determine his residential status under the following situations for the PY 2016-17.

- i) He left India for employment purpose ii) He left India on world tour.

Solution

Period of stay

Months	Days
1 st April 2016	30 Days
31 st May 2016	31 Days
	61 Days

Case 1) He left India for employment purpose.

Leaving India for employment is covered by exception (min. 182 days). AS actual stay is less than 182 days hence Mr. Raina is non-resident in India for PY 16-17

Case 2) He left India for world tour living India

As world tour is not covered by exemption hence Mr. Raina is resident in India for PY 16-17.

Illustration 8

Amitabh Bacchan being an Indian citizen got a job offer in England. He wants:-

- To stay in India as long as possible; and
- To be non-resident in India.

Advise him, when should he depart for England?

Solution

Month	Days
April	30
May	31
June	30
July	31
Aug	31
Sep	28 (Balance)
	181 days

He should leave India after 28th sept but before 29th sept 2016.

Illustration 9

Mr. Hanuman provides following details of income, calculate the income which is liable to be taxed in India for the A. Y. 2017-18 assuming that:-

- He is an ordinarily resident
- He is not an ordinarily resident
- He is a non-resident.

Particulars	Amount
Salary received in India from a former employer of USA	150000
Income from tea business in Nepal being controlled from India	10000
Interest on company deposit in West Indies (1/3 rd received in India)	30000
Profit from a business in Mumbai controlled from UK	100000
Profit for the year 2006-07 from a business in Australia remitted to India	200000
Income from a property in India but received in USA	45000
Income from a property in London but received in Delhi	150000
Income from a property in London but received in Canada	250000
Income from a business in Jambia but controlled from Turkey	10000

Computation of total income of Mr Hanuman for AY 17-18

Solution

Particular	ROR	RNOR	NR
1.. Salary received in India from a farmer employer of U K	1,50,000	1,50,000	1,50,000
2.. Income from tea business in Nepal being controlled from India	10,000	10,000	
3.. Interest on company deposit in Canada (1/3 rd received in India) (2/3 rd received in Canada)	10,000 20,000	10,000	10,000
4.. Profit from a business in Mumbai controlled from U K	1,00,000	1,00,000	1,00,000
5. Ref Note			
6.. Income from a property in India but received in USA	45,000	45,000	45,000
7.. Income from property London but received in delhi	1,50,000	1,50,000	1,50,000
8.. Income from a property in London but received in Canada	2,50,000	-	-
9.. Income from a business in Jambia controlled from Turkey	10,000	-	-
Total	7,45,000	4,65,000	4,55,000

Note: Profit for the 2006-07 earned outside India but brought to India in current previous year is not taxable.

MULTIPLE CHOICE QUESTIONS

1. Residential status is to be determine for:

- a) Previous year
- b) Assessment year
- c) Accounting year

2. Incomes which accrue or arise outside India but are received directly into India are taxable in case of:

- a) Resident only
- b) Both ordinary resident and not ordinary resident
- c) Non – resident
- d) All the assesseees

3. Income deemed to accrue or arise in India is taxable in case of:

- a) Resident only
- b) Both ordinary resident and not ordinary resident
- c) Non – resident
- d) All the assesseees

4. Income which accrue or arise outside India and received Inside India is taxable in case of:

- a) Resident only
- b) Not ordinarily resident only
- c) Both ordinary resident and not ordinary resident
- d) All the assesseees

5. Income which accrue or arise outside India and also received outside India is taxable in case of:

- a) Resident only
- b) Not ordinarily resident
- c) Both ordinary resident and not ordinary resident
- d) None of the above

6. Total income of a person is determined on the basis of his:

- a) Residential status in India
- b) Citizenship in India
- c) None of the above
- d) Both of the above

7. R was born on 5th April, 1991 in India & he later on took the citizenship of USA neither his parents nor his grandparents were born in divided / undivided India. R in this case shall be:

- a) Citizen of India

- b) Person of India origin
c) A foreign national
- 8.** R was born in England his parents were born in India in 1951. His grandparents were born in South Africa. R shall be:
a) A person if Indian origin
b) A foreign national
c) None of these
- 9.** R was born in India 1989. His father was born in India in 1949 and his mother was born in England. His grandfather was born in England & his grandmother was born was born in South Africa. The parents of R along with R took the citizenship of England R is:
a) Citizen of India
b) Person of Indian origin
c) None of these
- 10.** R was born in India in 1988. His parents were born in India in 1951. His grandfather was born in Lahore in 1936 but his grandmother was born in England in 1940. R will be:
a) A citizen of India
b) Person of Indian origin
c) None of these
- 11.** R a person of Indian origin visited India on 2.10.2016 and plans to stay here for 185 days. During 4 years prior to previous year 2016 – 17, he was in India for 750 days. Earlier to that he was never in India. for assessment year 2017 – 18, R shall be:
a) Resident and ordinarily resident in India
b) Resident but not ordinarily resident in India
c) Non – resident
- 12.** R a citizen of India left India for U.S. on 16.8.2016 for booking orders on behalf of and Indian company for exporting goods to US. He came back to India on 5.5.2017. He had been resident in India for the past 10 years. For assessment year 2017- 18, R shall be:
a) Resident and ordinarily resident in India
b) Resident but not ordinarily resident in India
c) Non – resident
- 13.** R, a citizen of India is employed on an Indian ship. During the previous year 2016– 17 he leaves India for Germany on 15.9.2016 for holidays and returned on 1.4.2017. He had been non – resident for the past 3 years. Earlier to that he was permanently in India. for assessment year 2017 -18, R shall be:
a) Resident and ordinarily resident in India

- b) Resident but not ordinarily resident in India
- c) Non – resident in India

14. R Ltd. is an Indian company whose entire control and management of its affairs is situated outside India. R Ltd. shall be:

- a) Resident in India
- b) Non – resident in India
- c) Not ordinarily resident in India

15. R Ltd. registered in UK. The control and management of its affairs is wholly situated in India. R Ltd shall be :

- a) Resident in India
- b) Non – resident in India
- c) Not ordinarily resident in India.

16. R, a foreign national visited India during previous year 2016 – 17 for 180 days. Earlier to this he never visited India. R in this case shall be:

- a) Resident in India
- b) Non – resident in India
- c) Not ordinarily resident in India

17. R, a foreign national but a person of Indian origin visited India during previous year 2016 – 17 for 181 days. During 4 preceding previous years he was in India for 400 days. R shall be:

- a) Resident in India
- b) Non – resident in India
- c) Not ordinarily resident in India

18. Dividend paid by an Indian company outside India is:

- a) Taxable in India the hands of the recipient
- b) Exempt in the hands of recipient
- c) Taxable in the hands of the company and exempt in the hands of the recipient

19. Where a non – resident has any income from a business connection in India, such income:

- a) Shall be taxable in India as it accrues or arises in India
- b) Shall be taxable in India as it is deemed to accrue or arise in India
- c) Shall not be taxable as it accrues or arises outside India

20. Where a non – resident has a business connection in India but its operation are confined to purchase of goods in India for the purpose of export, such income shall –

- a) Be taxable in India as it is deemed to accrue or arise in India
- b) Shall not be taxable in India as it shall not be deemed to accrue or arise in India

c) Be taxable as it is accrue or arises in India

21. In case of a company, income from business in USA is taxable in India if residential status of such company is.

- a. Resident
- b. Non – resident
- c. Taxable irrespective of residential status
- d. Not taxable irrespective of residential status

22. A person is said to be an Indian Citizen if:

- a. He or either of his parents were born in undivided India
- b. He or either of his siblings were born in undivided India
- c. He or either of his parents or either of his grandparents were born in undivided India
- d. He was born in India

23. Determine the residential status of a HUF if HUF's control and management is wholly situated in India and Karta of HUF is a Non-resident in India for that previous year.

- a. Resident and Ordinary Resident (ROR)
- b. Resident but not ordinary resident (RNOR)
- c. Non – Resident (NR)
- d. ROR or RNOR

24. Income accrued outside India and received outside India is taxable in case of:

- a. Resident and ordinary resident (ROR) only
- b. Resident but not ordinary resident (RNOR) only
- c. Non-resident only
- d. ROR, RNOR and Non-Resident

25. An Indian citizen leaving India during the previous year for employment purpose is said to be resident if:

- a. He has a house in India
- b. He is in India in the previous year for a period of 182 days or more
- c. He is in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
- d. He is not considered as a resident

26. An Indian company would:

- a. Be resident in India if its control and management is wholly situated in India
- b. Be resident in India if its control and management is wholly or partly situated in India
- c. Be resident in India if its control and management is wholly situated outside India

d. Be always resident in India irrespective of control and management

27. An individual, being foreign national, came to India first time during the previous year 2016 – 17 on 1.1.2017 for 200 days, his residential status for the previous year 2016 – 17 is:

- a. Non-resident
- b. Resident but not ordinarily resident in India
- c. Resident & ordinarily resident in India
- d. Resident in India

28. A company, other than an Indian Company would be a resident in India for the previous year if during that year its control and management is situated:

- (a) Wholly in India
- (b) Partly in India
- (c) Wholly or partly in India
- (d) Wholly outside India

29. Income accruing in Sri Lanka and received there is taxable in Indian in case of

- a. Resident and ordinary resident only
- b. Non-resident
- c. Resident but not ordinary resident
- d. All assessee irrespective of his residential status

30. A Hindu Undivided family is said to be resident in India if:

- a. The family has a house in India where some of its members reside
- b. The members of such HUF is in India during the previous year
- c. Control and management of its affairs wholly or partly situated in India
- d. The Karta has been resident in India in at least 8 out of 10 previous year preceding the relevant previous year

31. Income received in India in the previous year is taxable in the hands of:

- a. Resident
- b. Non – Resident
- c. Non-Ordinary resident
- d. All assessee irrespective of residential status

32. An individual is said to be resident in India if:

- a. He has a house in India
- b. He is in India in the previous year for a period of 182 days or more
- c. He is in India for a period of 30 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year

d. His parents are Indian citizen

33. An individual is said to be resident in India in the previous year (in which the Feb month has 29 days) if he is in India in that year for a period of Days or more.

- a. 182
- b. 183
- c. 70
- d. 150

34. Profits of Rs.2, 00,000 is earned from a business in USA which is controlled in India, half of the profits being received in India. How much amount is taxable in India for a Non-resident individual?

- a. Rs.2,00,000
- b. Nil
- c. Rs.1,00,000
- d. Rs.3,00,000

35. Incomes which accrue or arise outside India but are received directly in India are taxable in case of:

- a. Resident only
- b. Non-resident
- c. All assesses
- d. Resident but not ordinarily resident

36. An individual (aged 28 years) born in India left for employment in France on 30/10/2016. His visit outside India is for the first time. His residential status for the assessment year 2015 – 16 will be:

- a. Resident and ordinarily resident
- b. Resident but not ordinarily resident
- c. Non-resident
- d. Residential status is not applicable

37. Profits of Rs.1,00,000 for the year 2015 – 16 of a business in Germany remitted to India during the previous year 2016 – 17 (not taxed earlier) would be:

- a. Taxable in India for ROR only
- b. Not taxable in India for all (ROR, RNOR and NR)
- c. Taxable in India for all (ROR, RNOR and NR)
- d. Taxable only for RNOR and NR

38. Income of Rs.3, 00,000 is received in Sri Lanka by a resident of India. But later on Rs.50,000 is remitted to India

- a. Rs.3,00,000 will be taxable

- b. Rs.3,50,000 will be taxable
 - c. It will not be taxable
 - d. Rs.50,000 will be taxable
- 39.** The assessee is charged to income tax in the assessment year following the previous year:
- a. A non-resident business firm which shipped goods during the previous year
 - b. An employee left India to USA during the previous year with no intention of returning
 - c. ABC firm which discontinued its business during the previous year
 - d. An employee of an Indian University who worked in India during the previous year
- 40.** determine the residential status of Ms. Hasina a person of Indian origin who has been visiting India for 100 days every year since last 10 years –
- a. Resident
 - b. non-resident
 - c. Not ordinarily resident
 - d. Any of these
- 41.** Determine the residential status of Ms. Maria, a US citizen who has been visiting India for 100 days every year since last 10 years –
- a. Resident
 - b. Non-resident
 - c. Not ordinarily resident
 - d. Any of these
- 42.** Determine the residential status of Mr. Karamchand, an Indian citizen who has left India for the first time on 15th July 2016 for the purpose of employment outside India –
- a. Resident
 - b. Non-resident
 - c. Not ordinarily resident
 - d. Any of these
- 43.** Find the residential status of HUF whose control and management is wholly outside in India and the Karta stays in India for 360 days during the period of 7 years.
- a. Resident
 - b. Non-resident
 - c. Not ordinarily resident
 - d. Any of these
- 44.** Sony bros. HUF was partly controlled from India by its Karta, Mahesh who is citizen of India but stays outside India. For the purpose of managing affairs of the HUF, Mahesh regularly visits India. Determine the

residential status of the HUF for the assessment year 2017 – 18, if during the last 12 years Mahesh visited India for 110 days every year.

- a. Resident
- b. Non-resident
- c. Not ordinarily resident
- d. Any of these

45. An Indian company would:

- a. Be resident in India if its control and management is wholly situated in India
- b. Be resident in India if its control and management is wholly or partly situated in India
- c. Be resident in India if its control and management is wholly situated outside India
- d. Be always resident in India irrespective of control and management

46. Income deemed to accrue or arise in India is taxable if the person is –

- a. Resident
- b. Non-resident
- c. Not ordinarily resident
- d. Any of these

47. Income which received outside India but is deemed to accrue in India is taxable if the person is –

- a. Resident
- b. Non-resident
- c. Not ordinarily resident
- d. Any of these

48. Interest credited to RPF in excess of _____ is taxable as deemed receipt.

- a. 8.00%
- b. 8.50%
- c. 9.50%
- d. 9.00%

49. Income chargeable under the head “Salaries” payable by the Government to a citizen of India for service rendered outside India is taxable if the person is –

- (a) Resident
- (b) Not Ordinarily Resident
- (c) Not Resident
- (d) Any of these

50. The person who concludes contracts on behalf of the non-resident is known as –

- a. Concluding agent

- b. Stocking agent
- c. Indenting agent
- d. None of these

51. Business activity carried on with which of the following agent is not a business connection?

- a. Concluding agent
- b. Stocking agent
- c. Indenting agent
- d. None of these

52. Fees for technical services means any consideration for rendering of any:

- a. Managerial service
- b. Technical service
- c. Consultancy service
- d. All of those

53. Which of the following activity will be considered as business connection in India?

- a. All the operations of a firm are not carried in India.
- b. An office set up by non-resident for carrying out business activity in India.
- c. The profits earned by assessee on supplies of fabricated platforms.
- d. All of those.

54. Employer's contribution in excess of 12% of salary is:

- a. Income but not Taxable
- b. Taxable Income
- c. Deemed Income
- d. None of these

55. Daya Shetty earns the following income during the previous year ended 31st March, 2017:

- Interest on UK. Development Bonds (1/4th being received in India): Rs. 2,00,000;
- Profits of sale of a building in India but received in Holland : Rs. 2,00,000

The income liable to tax for the assessment year 17-18 if Daya Shetty is resident and not ordinarily resident in India is –

- a. Rs. 2,50,000
- b. Rs. 4,00,000
- c. Rs. 2,00,000
- d. Rs. 50,000

56. Following are the particulars of income of Prakash (Resident)

- Past untaxed profits brought in India during the previous year – Rs. 75,000

- Income from agriculture in Japan being invested there only – Rs. 12,350
 - Income from income in Bangladesh being controlled from India – Rs. 10,150.
- a. Rs. 12,350
 - b. Rs. 10,150
 - c. Rs. 22,500
 - d. Rs. 97,500

57. Profits of Rs. 2, 00,000 is earned from a business in USA which is controlled in India, half of the profits being received in India. How much amount is taxable in India for a Non-resident Individual?

- a. Rs. 2,00,000
- b. NIL
- c. Rs. 1,00,000
- d. Rs. 3,00,000

ANSWERS

Q. NO.	ANS.	Q. NO.	ANS.	Q. NO.	ANS.	Q. NO.	ANS.	Q. NO.	ANS.
1	A	14	A	27	A	40	B	53	B
2	D	15	A	28	C	41	C	54	C
3	D	16	B	29	A	42	B	55	A
4	D	17	B	30	C	43	B	56	C
5	C	18	C	31	D	44	A	57	C
6	A	19	B	32	B	45	D		
7	C	20	B	33	A	46	D		
8	B	21	A	34	C	47	D		
9	C	22	D	35	C	48	C		
10	B	23	D	36	A	49	D		
11	A	24	A	37	B	50	A		
12	A	25	B	38	A	51	D		
13	A	26	D	39	D	52	D		