RESIDENTIAL STATUS

CA Abhishek Mittal

CA Sakshi Mittal

Topic: Residential Status

Content	Section
Scope of total income/incidence of tax	5
Residence in India	6
Rules for determining the residential status of an Individual	6(1), 6(6)(a)
Rules for determining the residential status of an Hindu Undivided Family/Firm/ Association of Person/Body of Individual	6(2), 6(6)(b)
Rules for determining the residential status of a Company	6(3)
Rules for determining the residential status of any other person	6(4)
Incomes deemed to be received	7
Dividend Income	8
Income deemed to accrue or arise in India	9
'Person' defined	2(31)

- **Scope of Total Income / Incidence of Tax [Section 5]:**
  - Scope of total income is according to the residential status of the assessee.
  - ✓ **Resident and Ordinarily Resident (ROR) [Section 5(1)]**
    - The total income of any previous year of a person who is a resident and ordinarily resident includes all income from whatever source derived, which -
      - is received or is deemed to be received in India in such year by such person.
      - accrues or arises or is deemed to accrue or arise to him in India during such year.
      - accrues or arises to him outside India during such year.
  - ✓ **Resident but Not Ordinarily Resident (R+NOR) [Section 5(1)]**
    - The total income of any previous year of a person who is a resident and not ordinarily resident includes the following incomes -
      - income which is received or is deemed to be received in India in such year by such person or
      - income which accrues or arises or is deemed to accrue or arise to him in India during such year or
      - income which accrues or arises to him outside India, if it is derived from a business controlled in or a profession set up in India.
  - ✓ **Non-Resident (NR) [Section 5(2)]**
    - The total income of any previous year of a person who is non-resident includes all income from whatever source derived which –
      - is received or is deemed to be received in India in such year by such person or
      - accrues or arises or is deemed to accrue or arise to him in India during such year.

Tax Incidence/Scope of Total Income

Type of Income	Residential Status		
	ROR	NOR	NR
1. Income received in India	Taxable	Taxable	Taxable
2. Income deemed to be received in India	Taxable	Taxable	Taxable

3. Income which accrues or arises or is deemed to accrue or arise to the assessee in India in the previous year	Taxable	Taxable	Taxable
4. Income which accrues or arises to the assessee outside India and is also received outside India	Taxable	Not Taxable	Not Taxable
5. Income which accrues or arises to the assessee outside India and is also received outside India but it is either from a business controlled from India or from a profession set up in India	Taxable	Taxable	Not Taxable
6. Past untaxed income (earned and received abroad) remitted to India in previous year	Not Taxable	Not Taxable	Not Taxable

- *Received in India means* <u>*first receipt in India.*</u> *If an income is received first outside India and then subsequently remitted to India, it shall be treated as received outside India i.e. remittance of fund is not taxable in India.*
- *Past untaxed profits shall not be considered to be income of the current year in any case.*

❖ **Example:** Mr. R has one house in UK and rent has been received directly in India. It will be considered to be income received in India and it is chargeable to tax in case of all the three status, but if Mr. R has one bank account with Bank of UK, New York and rent has been deposited in that account and subsequently the bank has transferred the amount to Mr. R in India, it will be considered to be income received outside India, because income has already been received outside India and subsequently it was remitted to India.

Similarly, if Mr. R has income from agriculture in Nepal and it was deposited in the branch of an Indian bank in Nepal, subsequently the amount was remitted in India, it will be considered to be income received outside India.

❖ **Example:** Mr. K earns the following income during the financial year 2015-16:

1. Income from house property in London, received in India 60,000
2. Profits from business in Japan and managed from there (received in Japan) 9,00,000
3. Dividend from foreign company, received in India 30,000
4. Dividend from Indian company, received in England 50,000
5. Profits from business in Kenya, controlled from India, Profits received in Kenya 3,00,000
6. Profits from business in Delhi, managed from Japan 7,00,000
7. Capital gains on transfer of shares of Indian companies, sold in USA and gains were received there 2,00,000
8. Pension from former employer in India, received in Japan 50,000
9. Profits from business in Pakistan, deposited in bank there 20,000
10. Profits on sale of asset in India but received in London 8,000
11. Past untaxed profits of UK business of 2014-15 brought into India in 2015-16 90,000
12. Interest on Government securities accrued in India but received in Paris 80,000
13. Interest on USA Government securities, received in India 20,000
14. Salary earned in Bombay, but received in UK 60,000
15. Income from property in Paris, received there 1,00,000

(Presume all the above incomes are computed incomes)

Determine the gross total income of Mr. K if he is (i) resident and ordinarily resident, resident but not ordinarily resident, non-resident in India during the FY 2015-16

SN	Particulars of Transaction	ROR	NOR	NR
1	Income received in India	60,000	60,000	60,000
2	Income accruing/arising and received outside India	9,00,000	-	-
3	Income received in India	30,000	30,000	30,000
4	Income accruing in India but exempt under section 10(34)	-	-	-
5	Income accruing/arising and received outside India, but business controlled from India	3,00,000	3,00,000	-
6	Income accruing/arising in India	7,00,000	7,00,000	7,00,000
7	Income accruing/arising in India	2,00,00	2,00,00	2,00,00
8	Income accruing/arising in India	50,000	50,000	50,000
9	Income accruing/arising outside India and received outside India	20,000	-	-
10	Income accruing/arising in India	8,000	8,000	8,000
11	Past untaxed profits	-	-	-
12	Income accruing/arising in India	80,000	80,000	80,000
13	Income received in India	20,000	20,000	20,000
14	Income accruing/arising in India	60,000	60,000	60,000
15	Income accruing/arising outside India and received outside India	1,00,000	-	-
	Total Income	**25,28,000**	**15,08,000**	**12,08,000**

- **Residence in India/Determination of Residential Status [Section 6]:**

  - Whether a particular income shall be taxed in India or not, will depend on the residential status of the person and the type of income i.e. in order to determine tax incidence as per section 5, there is a need to determine the residential status and also the type of income. Residential status in fact explains the relationship of the assessee with the country and helps in determining the scope of the total income.

  ✓ **Residential status of an Individual [Section 6(1)]:**

    - Residential status of an “assessee” is determined on year to year basis and it may be differ from year to year. An individual is said to be resident in India in any previous year, if he complies with at least one of the following two basic conditions:
      - He is in India for a period amounting in all to 182 days or more in the relevant previous year or
      - He is in India for a period amounting in all to 60 days or more during the relevant previous year and also for 365 days or more during 4 years immediately preceding the relevant previous year.
      - *It is not compulsory that stay should be continuous rather total stay during the year should be 182 days or 60 days as the case may be.*
      - *If an individual do not comply with any of the basic conditions mentioned above, he will be considered to be non-resident as per section 2(30).*
      - *The day of departure as well as arrival shall be considered to be the day of stay in India.*
      - *Residential status is determined for every year separately.*

    Example: Mr. R came to India for first time on 01.10.2015 and left India on 31.03.2016, in this case, his stay in India shall be considered to be of 182 days and he will be considered to be resident in India. [31 + 30 + 31 + 31 + 28 + 31 = 182]

- ❖ **Special Category:** This Condition (i.e. he is in India for a period amounting in all to 60 days or more during the relevant previous year and also for 365 days or more during 4 years immediately preceding the relevant previous year) is not applicable in the following cases. In these below mentioned cases only first condition i.e. he is in India for a period amounting in all to 182 days or more in the relevant previous year.
  - ☞ If Indian Citizen leaves India during the previous year for the purpose of employment outside India or as a member of crew of an Indian Ship.
  - ☞ If Indian citizen or person of Indian origin visits India during the previous year.

- ***<u>Stay in territorial waters:</u>*** *If any person has stayed in Indian territorial waters, it will be considered to be stay in India. Territorial waters extend upto 12 nautical miles from the base line on the coast of India and include any bay, gulf, harbour, creek or tidal river. (1 nautical mile = 1.1515 miles = 1.852 Km.). India includes territorial water of India.*
- *Employment shall include self-employment i.e. any business or profession.* ***Example*** *Mr. D, is a citizen of India, and he has left India for* ***first time*** *on 01.09.2015 for taking up an employment outside India. Mr. D will be covered under special category and his residential status shall be non-resident.*
- *If any person has any business or profession in India and he has left India in connection with such business or profession, he will not be covered in special category.* ***Example*** *Mr. V a citizen of India has one business in India and he has left India in connection with such business for the first time on 01.09.2015. In this case, his residential status shall be resident and ordinarily resident.*
- **Person of Indian origin [Explanation to Section 115C(e)]**
  A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India before 15th August 1947 and place of birth is in India, Pakistan or Bangladesh. Grandparents shall include the parents of mother also.

➢ **<u>Meaning of "Resident and Ordinarily Resident" (ROR) and "Resident but Not Ordinarily Resident" Individual (NOR) [Section 6(6)(a)]</u>**

- ❖ An individual who is resident in India shall be resident and ordinarily resident (ROR) in India if he satisfies both the following conditions:
  - ☞ He has been resident in India for at least 2 out of 10 previous years immediately preceding the relevant previous year and
  - ☞ He has been in India for 730 days or more during the 7 previous years immediately preceding the relevant previous year.
  - *If he does not satisfy any or both of the above conditions, he shall be resident but not ordinarily resident (R+NOR) in India.*
  - ❖ **Example:** Mr. R and Mrs. R are settled outside India and they came to India on 15.10.2015 on a visit for 7 months. Both of them are Indian citizens. In the earlier years they were in India as follows:

Year	Mr. R	Mrs. R
2014 – 2015	235 Days	365 Days
2013 – 2014	330 Days	30 Days
2012 – 2013	Nil	28 Days
2011 – 2012	118 Days	120 Days

Find out the residential status of Mr. R and Mrs. R for the assessment year 2016-17.

Solution: Both are Non Resident for the assessment year 2016-17 because stay of Mr. R and Mrs. R in India (17+30+31+31+29+31) = 169 days
Since they are covered in special category they will be resident only if their stay in India in relevant previous year is 182 days or more, hence they are non-resident.

- ❖ **Example:** Brett Lee, an Australian cricketer players visit India for 100 days in every financial year. This has been his practice for the past 10 years. Find out the residential status for the assessment year 2016-17.

Solution: Determination of residential status of Mr. Brett Lee for the AY 2016-17:

Checking basic condition:

Period of stay during previous year 2015-16 is 100 days

Period of stay during 4 preceding previous year is 400 days (100 days * 4)

Mr. Lee is in India for a period more than 60 days during the PY and a period of more than 365 days during the 4 immediately preceding previous years. Therefore, he satisfies one of basic condition. Hence he is resident for the AY 2016-17.

Checking additional conditions:

Period of stays during 7 preceding previous years = 700 days (100 days *7)

Since the period of stay in India during the past 7 years is less than 730 days, he is not ordinarily resident during the AY 2016-17.

Hence Mr. Lee is Resident but not ordinarily resident during the AY 2016-17.

- ➢ **Residential Status of Hindu Undivided Family (HUF) [Section 6(2)]**

- ❖ A Hindu Undivided Family is said to be resident in India when during that year control and management is in India either partly or completely. In other words, it will be non-resident in India where during that year the control and management of its affairs is situated wholly outside India.

In case of Hindu Undivided Family, since the control and management of the Hindu Undivided Family is in the hands of its Karta, hence the place of stay of Karta shall be considered to be the place of control and management of the Hindu Undivided Family.

- ❖ Example: Karta of one HUF is in London throughout the year, the HUF shall be considered to be non-resident. However, if Karta has come to India for a few days and has participated in control and management of the HUF, it shall be considered to be resident.
  - ***Delegation of power -*** *Karta for this purpose shall be considered to be the de-facto (actual Karta) i.e. if Karta has delegated his powers to any other member, such other member shall be considered to be the de-facto Karta.*

- ➢ **Meaning of "Resident and Ordinarily Resident" and "Resident but Not Ordinarily Resident" Hindu Undivided Family [Section 6(6)(b)]**

- ❖ An Hindu Undivided Family shall be considered to be resident and ordinarily resident in India if the Karta of the HUF satisfies both the following conditions:
  - He (Karta) has been resident in India for at least 2 out of 10 previous years immediately preceding the relevant previous year and
  - He (Karta) has been in India for 730 days or more during the 7 previous years immediately preceding the relevant previous year.
  - If the Karta of HUF does not satisfy any or both of the above conditions, then HUF shall be resident but not ordinarily resident in India.
  - *Karta of Hindu Undivided Family is non-resident in his individual capacity but the Hindu Undivided Family is resident.*
  - ❖ **Example:** One Hindu Undivided Family is being managed partly from Mumbai and partly from Nepal. Mr. P (a foreign citizen), Karta of Hindu Undivided Family, comes on a visit to India every year since 1991 in month of April for 105 days.

Determine residential status of the Hindu Undivided Family and also that of the Karta in his individual capacity for the assessment year 2016-17.

Solution: For the previous year 2015-16, the control and management of the affairs of Hindu Undivided Family is being partly managed from India. Hence Hindu Undivided Family is resident but Mr. P complied with both of the conditions of section 6(6)(b), hence Hindu Undivided Family is resident and ordinarily resident.

Karta shall be considered to be resident and ordinarily resident because his stay during 7 years is 735 days. Also, he will not be non-resident in nine years out of ten years preceding the relevant previous year.

- **Determination of Residential Status of a Firm/ Association of Persons (AOP)/Body of Individual (BOI) [Section 6(2) and 6(4)]:**
  - A Firm, AOP, BOI is said to be resident in India when during that year control and management is situated in India either partly or completely. In other words it will be non-resident in India where during that year the control and management of its affairs is situated wholly outside India.
  - Control and management lies at the place where decision regarding the affairs of the firms are taken.
  - **Example:** There is a partnership firm Dheeru Brothers where Mr. Anil Ambani is a working partner and Mr. Mukesh Ambani is non-working partner. Mr. Anil Ambani is out of India. Mr. Mukesh Ambani is in India throughout the year. In this case, partnership firm shall be considered to be non-resident but if Mr. Anil Ambani has come to India for a few days, the firm shall be considered to be resident. Similarly, if Mr. Anil Ambani is out of India but he has appointed one manager in India for control and management of the firm, the firm shall be considered to be resident. Mr. Anil Ambani delegated his power but still he have control on that person.
    - *Profits received from a partnership firm is exempt in the hands of the partners but if firm is situated outside India and share of income from such firm is deemed to accrue or arise in India, then such share of income shall be taxed in the respective partner's hand.*
- **<u>Residential Status of Company[Section 6(3)]:</u>**
  - A company is said to be resident in India in any previous year, if –
    - it is an Indian company or
    - during that year, the control and management of its affairs i.e. place of effective management (POEM) is situated wholly in India.
      - **Indian Company** is <u>always resident</u> in India.
      - Company which is incorporated outside India is a Foreign Company. Residential status of foreign company depends upon place of effective management. Foreign company is <u>resident</u> in India if control and management of its affairs is situated <u>wholly</u> in India during relevant previous year i.e. if all the board meetings of the foreign company is held in India, then it shall be resident, otherwise non-resident.
      - *There is no concept of ROR and NOR in case of person other than Individual and HUF.*
      - *Only different treatment for foreign company (entire control in India to be treated as Resident). HUF, Firm, AOP,BOI, Clubs etc. even if partly controlled from India, shall become resident.*
      - **Example:** Wipro Ltd. an Indian company has most of its business outside India. Determine its residential status – An Indian Company shall always be considered to be resident in India.
      - **Example:** Afcon Infrastructure Ltd. is a Japanese company, but it is being controlled from India. Determine its residential status for the assessment year 2016-17 -

Foreign Company shall be resident in India only if its control and management is wholly in India. Hence, Afcon infrastructure Ltd. is resident company.

- **Example:** Bista Ltd., a foreign company, has made prescribed arrangements for declaration and payment of dividend within India in accordance with section 123. Bista Ltd. carries on majority of its operations and decision making activities from Calcutta and Assam but some part of operational activities and few decisions are being taken from the place at which registered office of Bista Ltd. is located, i.e. Dhaka. Determine its residential status for the assessment year 2016-17.

  Solution: Bista Ltd. is neither an Indian company nor its control and management is wholly situated in India. Bista Ltd. is, therefore, non–resident in India for the assessment year 2016-17.

- **"Persons" Section 2(31) includes—**
  - Individual,
  - Hindu Undivided Family,
  - Company,
  - Firm,
  - Association of persons or Body of individuals, whether incorporated or not,
  - local authority, and
  - every artificial juridical person, not covered above.

- **<u>Income received or deemed to be received in India [Section 7]:</u>**
  - **Income Received in India:** Any income which is received in India is liable to tax in India, whether the person receiving income is resident or non- resident. 'Received in India' means first receipt.
  - **Income deemed to be received in India:** Following incomes shall be deemed to be received in India even in the absence of actual receipt:
    - Contribution by employer to recognized provident fund in excess of 12% of salary of employee
    - Interest on employee's and employer's credited to RPF in excess of 9.5%
    - Transferred balance from unrecognized PF to RPF
    - Contribution by Government/Employer to notified pension scheme

- **Dividend Income [Section 8]**
  - Dividends from Indian company shall *always be deemed to accrue or arise in India*. However, as per Sec 10(34), such dividend is exempt in the hands of shareholder except dividend received under section 2(22)(e). Example: Dividend from Indian Company, Received in England – Exempt u/s 10(34)
  - Dividend from a foreign company shall continue to be taxed in the hands of the shareholder. Example – Dividend from X Ltd, received in India – Fully Taxable

- **Income deemed to accrue or arise in India [Section 9]:**
  - The following income shall be deemed to accrue or arise in India –
    - Income from any *property, asset or source of income* in India
    - Income from the *transfer of any capital asset* situated in India
    - Any income from *salary* if it is payable for *services rendered in India*
    - Salary (not allowances) *payable by the government* of India to an <u>*Indian citizen*</u> for *services rendered outside India. However as per section 10(7) allowances and perquisites are exempt from tax.*
    - Example: Mr. A is citizen of India and is an IFS. He is posted in Indian embassy in USA, in this case, his salary income shall be accruing/arising in India. (However under section 10(7), allowances and perquisites to such person are exempt from tax)

- A dividend paid by an Indian company outside India. (However, dividends received from a domestic company shall be exempt from income tax in the hands of the shareholder under section 10(34), but the domestic company has to pay additional income tax @ 15% plus surcharge @ 10% plus education cess @ 2% plus SHEC @ 1% , as per section 115O).
- Income by way of **interest payable** by –
  - Indian Government or
  - Resident in India *if* money is used by the borrower for the purpose of *business or profession or earning any income from any source in India* or
    Example: A Ltd. an Indian company has taken a loan from an agency in USA and the amount was utilised in USA. In this case, interest income shall be accruing/arising in USA.
  - Non-resident in India if money is used by the borrower for the purpose of *business or profession in India.* Example: Interest on money borrowed from outside India Rs. 500,000 by a non-resident for the purpose of business with in India say, at Delhi
- Income by way of **Royalty payable** by –
  - Indian Government or
  - Resident or Non Resident in India *if* services are utilized for the purpose of *business or profession or earning any income from any source in India*
- Income by way of **fees for technical services** payable by –
  - Indian Government or
  - Resident or Non Resident in India *if* services are utilized for the purpose of *business or profession or earning any income from any source in India*
    Fees for Technical Services means any consideration for the rendering of Managerial, Technical or Consultancy Services
- Income from a **Business Connection** in India –
  - If any person has business in India as well as outside India, it will be called business connection and in case of such business, the income of the business deemed to accrue or arise in India shall be only such part of the income as is reasonably attributable to the operations carried out in India. If all business activities are not carried out in India, then only such part of income, as is reasonably attributable to the operations carried out in India, is taxable.
  - Examples of business connection includes –
    a. Branch office in India,
    b. Subsidiary in India,
    c. Maintaining Stocks,
    d. Agents of non-resident entering into contracts.

✓ **Determination of income in the case of non-residents [Rule 10]**

- In any case in which the Assessing Officer is of opinion that the actual amount of the income accruing or arising to any non-resident person whether directly or indirectly, from any business connection in India or from any property in India or from any asset or source of income in India or from any money lent at interest cannot be definitely ascertained, the amount of such income for the purposes of assessment to income-tax may be calculated –
  - at such percentage of the turnover as the Assessing Officer may consider to be reasonable, or
  - on any amount which bears the same proportion to the total profits and gains of the business of such person, as the receipts so accruing or arising bear to the total receipts of the business or
  - in such other manner as the Assessing Officer may deem suitable

☞ ***However, in case of Non-resident, there is no Business Connection in India in the following three cases***

- Purchase of goods in India for purpose of exports [Explanation 1(b) to Section 9(1)(i)]
- Collection of news and views in India for transmission outside India by non-resident who is engaged in the business of running news agency or of publishing newspapers, magazines or journals [Explanation 1(c) to Section 9(1)(i)]
- Shooting of cinematograph films in India [Explanation 1(d) to Section 9(1)(i)] if
  a. In case of individual – he is not a citizen of India
  b. In case of Firm – none of the partner is citizen or resident of India
  c. In case of company – none of the shareholder is citizen or resident of India

Barendra Prasad Ray v. ITO [1981] 129 ITR 295 (SC): The expression "business" does not necessarily mean only trade or manufacture rather it will include profession, vocation and calling. In the context in which the expression 'business connection' is used in section 9(1), there is no warrant for giving a restricted meaning to it excluding 'professional' connection, from its scope.

❖ Example: A had following income during the previous year ended 31st March, 2016:

(1) Salary received in India for three months (being computed income) 25,000
(2) Income from house property in India 18,000
(3) Interest on savings bank deposit in SBI, in India 4,000
(4) Amount brought into India out of the past-untaxed profits 20,500
(5) Income from business in Bangladesh, being controlled from India 12,542
(6) Dividends received in Belgium from French companies, out of which 2,500 were remitted to India 23,150

You are required to compute his gross total income for the assessment year 2016-17, if he is a resident and ordinarily resident; not ordinarily resident; and non-resident. Presume all the above income is computed income.

Particulars	ROR	NOR	NR
Salary received in India	25,000	25,000	25,000
Income from house property in India	18,000	18,000	18,000
Interest on saving bank deposit in SBI, in India	4,000	4,000	4,000
Past untaxed profit brought into India	-	-	-
Income from business in Bangladesh, being controlled from India	12,542	12,542	-
Dividend received in Belgium	23,150	-	-
Gross Total Income	**82,692**	**59,542**	**47,000**

Summary of Residential Status

Section 5 Incidence of Tax

		R-OR	R-NOR		NR
1	Income which accrues or arise in India. **(Indian Income)**	Taxable	Taxable		Taxable
2	Income which accrues or arise outside India. **(Foreign Income)**	Taxable	Not Taxable. However in case of		Not Taxable But if income is received in India then Taxable
			Business Income	Professional Income	
			Taxable if business is controlled from India	Taxable if profession is set up in India	
			Taxable if any income is received in India		

Section 6 : Determination of Residential Status

(1)	(2)	(3)	(4)	(5)	(6)	
Individual	HUF, Firm, AOP/BOI	Company	Local Authority/AJP		Individual/HUF	
Basic Condition				+	Additional Condition	
Satisfies		Do not satisfy			Satisfies	Do not satisfy
Resident		**Non Resident**			**R-OR**	**R-NOR**

Section 6(1) & 6(6): Determination of Residential Status of Individual

Section 6(1)	**Basic Condition**		
If an individual is present in India			
(a)	For a period or periods of atleast 182 days in the relevant PY; or	Satisfies any one basic condition	Resident in India
(b)	For atleast 60 days in the relevant PY and atleast 365 days in last 4 years immediately preceding the relevant PY	Do not satisfies any basic condition	Non Resident in India

Exceptions – Check only 182 days	
(a)	If an **Indian citizen leaves** India for the **purpose of employment** or leaves India as a **crew member** of Indian Ship.
(b)	If an **Indian Citizen** or **Person of Indian Origin** comes to India on a **visit** from outside India.
	As per explanation to S 115C (e) A Person is said to be of Indian Origin if he himself or his Parents / Grandparents are borne in undivided India. Check date of birth should be before 15-8-1947 and place of birth is in India, Pakistan or Bangladesh.

Section 6(6)	**Additional Condition**	
(a)	Resident in India for atleast 2 years in last 10 years immediately preceding the relevant PY; **and**	If he satisfies **both** the Additional Condition then Residential Status is **R-OR** (Resident and Ordinarily Resident) otherwise **R-NOR** (Resident and Not Ordinarily Resident)
(b)	Present in India for atleast 730 days in last 7 years immediately preceding the relevant PY.	

Residential Status of Company		**Control & Mgt. of the affairs of the business**	
		In India	Outside India
S 6(3)	Foreign Company	Wholly	Wholly/Partially
		Resident	**Non-Resident**
S 6(3)	Indian Company	Always resident irrespective of control and management of the affairs of the company	

Residential Status of Other Person		Control & Mgt. of the affairs of the business	
		In India	Outside India
S 6(2)	HUF, Firm, AOP/BOI	Wholly/Partially	Wholly
S 6(4)	Local Authority, AJP		
		Resident	**Non-Resident**

Section 9(1) – Income deemed to accrue or arise in India			
i.	☞ Income from "Business Combination" Business outside India and part activity of business carried out in India Also called permanent establishment or territorial nexus		*Exceptions to the business combination*
		a.	All operation not carried out in India
		b.	Purchase for export
		c.	Collection of news
		d.	Shooting of films in India by foreign citizen
	☞ Assets, capital asset or property located in India		
ii.	Services rendered in India by any person.		
iii.	Services rendered outside India by Indian Citizen. Employer is Govt. of India. However as per sec 10(7) allowances and perquisites are exempt from tax. Only basic salary is taxable.		
iv.	Dividend from Indian Company. However it is exempt from tax u/s 10(34)		
v.	Interest on loan which is used in India		If interest, royalty or FTS is payable by Govt. of India then such income deemed to accrue or arise in India whether there is business connection or not.
vi.	Royalty from knowledge which is used in India		
Vii.	Fees for technical services which is used in India		