UNIT – I

Unit - I: Introduction - Income Tax Act 1961- Basic Concepts – Assessment Year – Previous Year – Person – Assessee – Income – Gross Total Income – Total Income - Agricultural Income – Casual Income – Capital and Revenue Receipts – Capital and Revenue Expenditures – Exempted Incomes u/s 10.
Residential status of an individual- Residential status of a HUF – Residential status of a firm and association of persons – Residential status of a company – incidence of tax liability.

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1.1 Introduction - Income Tax Act 1961

Tax is the compulsory financial charge levy by the government on income, commodity, services, activities or transaction. The word 'tax' derived from the Latin word 'Taxo'. Taxes are the basic source of revenue for the government, which are utilized for the welfare of the people of the country through government policies, provisions and practices.

In India, Income Tax was first time introduced in the year 1860 by Sir James Wilson in order to meet the loss caused on account of 'military mutiny' in 1857.

In the year 1886, a separate Income Tax Act was passed, this act was in force for a long time, subject to the various amendments from time to time. In the year 1918, a new Income Tax Act was passed, but again, it was replaced by another new act of 1992. The Act of 1922 became very complicated due to various amendments. This act remains in force to the assessment year 1961-62. In the year 1956, the Government of India referred to the Law Commission in order to simplify the law and also to prevent the evasion of Tax.

The Law Commission submitted its report in September 1958 in consultation with the Ministry of Law. At present, this law is governed by the Act of 1961 which is commonly known as Income Tax Act, 1961 which came into force on and from 1st April 1962. It applies to the whole of India, including the state of Jammu & Kashmir.

1.2 Types of Taxes

Taxes are levied by the government on the taxpayer. Taxes are broadly divided into two parts namely, Direct Tax and Indirect Tax. Direct Tax is levied directly on the income of the person. Income Tax and Wealth Tax are the part of Direct Tax. Whereas, in indirect taxes, the person who pays the tax, shifts the burden to the person who consumes the goods or services. Before 2017 the Indirect Tax comprises of various taxes and duties like Service Tax, Sales Tax, Value Added Tax, Customs Duty, Excise Duty and etc. From July 1st, 2017 all such Indirect

Taxes are submerged in one tax law which was named as 'The Goods and Services Tax Act, 2017".

2. Basic Concepts

2.1 Assessment Year u/s 2(9)

Assessment Year means the year in which income of the previous year of an assessee is taxed. The timed lap of assessment year is of twelve months beginning from the 1st April every year. The period starts from 1st April and ending on 31st March of next year. The Current Assessment year is 1st April 2020 to 31st March 2021.

2.2. Previous Year u/s 3

Previous Year means the year in which income is earned. Previous year is the financial year immediately preceding the relevant assessment year. The period starts from 1st April and ending on 31st March of next year. business or profession, the first previous year will start from the day from which that business or profession has commenced, but the period of ending will remains same (i.e., 31st March).The Current Previous year is 1st April 2019 to 31st March 2020.

2.3 Person u/s 2(31)

Income tax is levied on the total income of the previous year of every person. Person includes:

i. An individual,
ii. A Hindu undivided family (HUF),
iii. A company,
iv. A firm,
v. An association of persons (AOP) or a body of individuals (BOI), whether incorporated or not,
vi. A local authority, and
vii. Every artificial juridical person (AJP), not falling within any of the preceding sub-clauses.

2.4 Assessee u/s 2(7)

An assessee is a taxpayer means a person who under the income tax act is subject to pay taxes or any other sum of money. The expression 'any other sum of money' includes other such obligations payable, for instance fine, interest, penalty and other tax etc.

2.5 Income u/s 2(24)

- Any illegal income arising to the assessee
- Any income that is received at irregular intervals
- Any Taxable income that have been received from a source outside India
- Any benefit that can be measured in money
- Any subsidy or relief or reimbursement
- Gift the value of which exceed INR 50,000 without any consideration by an individual or HUF.
- Any prize
- Causal incomes like winning from lotteries or horse race gambling etc.

2.6 Gross Total Income

The 'gross total income' (GTI) is the total income you earn by adding all heads of income. Income from salary, property, other sources, business or profession, and capital gains earned in a financial year are all added to arrive at the GTI.

2.7 Total Income

The 'total income' (TI) is derived after subtracting the various deductions under Section 80 from the GTI. So, you first calculate the GTI and then subtract the deductions to arrive at the TI.

2.8 Agricultural Income u/s 2(1A)

In India, agricultural income refers to income earned or revenue derived from sources that include farming land, buildings on or identified with an agricultural land and commercial produce from a horticultural land. Agricultural income is defined under section 2(1A) of the Income Tax Act, 1961. According to this Section, agricultural income generally means:

(a) Any rent or revenue derived from land which is situated in India and is used for agricultural purposes.

(b) Any income derived from such land by agriculture operations including processing of agricultural produce so as to render it fit for the market or sale of such produce.

(c) Any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A).

(d) Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

The following are some of the examples of agricultural income:

- Income derived from sale of replanted trees.
- Income from sale of seeds.
- Rent received for agricultural land.
- Income from growing flowers and creepers.
- Profits received from a partner from a firm engaged in agricultural produce or activities.
- Interest on capital that a partner from a firm, engaged in agricultural operations, receives.

2.9 Casual Income

Casual income means income in the nature of winning from lotteries, crossword puzzles, races including horse races, card games and other games of any sort, gambling, betting etc. Such winnings are chargeable to tax at a flat rate of 30% under section 115BB.

3. Capital and Revenue Receipts

3.1 Capital Receipt

These have a nature of non-recurrence, besides that, they are situated in the balance sheet in the liabilities portion of them. The capital receipt is always in the interchange for the income. The capital receipt is a kind of cash-flow in the business that does not occur over and over again and this eventually, leads to the creation of liabilities in the future and also, the decrement of assets takes place in the future.

All of the capital receipts are free from taxation unless there is a provision to tax it. Various types of Gifts and loans are the types of the capital receipts that do not attract tax and are tax-free. So, in addition to non-recurring, Capital receipts are those non-routine receipts which either becomes a load and responsibility or cause a vivid depletion in the assets of the government or any organization and business.

The following sources are the generators of the capital receipt:

- Additional capital and mentioned assets introduced by the owner or the possessor
- Debentures and the other issues of debt instruments
- Loans borrowed from a bank or from a financial institution.
- Various insurance Claims.
- Issue of Shares

3.2 Revenue Receipt

These receipts are a major source of income for any kind of a business and without it, a business can't survive for long. This is a result of the normal and core business activities. Being a normal business result is the reason for its recurring nature. However, there is a little shortcoming associated with it. The benefits of revenue receipts are enjoyable only for the current accounting year and not possibly after that.

The income received from the daily and periodic activities of business includes all the operations that indulge cash into the business like:

- The sale of any kind of an inventory
- Income from services rendered
- Different types of discount Received from the suppliers
- Sale of scrap
- Interest received.
- Rent received

3.3 Capital Receipts vs Revenue Receipts

Basis for Comparison – Capital Receipts vs Revenue Receipts	Capital Receipts	Revenue Receipts
1. Inherent meaning	Capital Receipts are receipts that don't affect the profit or loss of business.	Revenue Receipts are receipts that affect the profit or loss of business.
2. Source	Capital Receipts stem from non-operational sources.	Revenue Receipts stem from operational sources.
3. Nature	Capital Receipts are non-recurring in nature.	Revenue Receipts are recurring in nature.
4. Reserve funds	Capital Receipts can't be saved for creating reserve funds.	Revenue Receipts can be saved for creating reserve funds.

5. Distribution	Not available for distribution of profits.	Available for distribution of profits.
6. Loans	Capital Receipts can be loans raised from banks/financial institutions.	Revenue Receipts are not loans, but the amount received from operations.
7. Found in	Balance Sheet.	Income Statement.
8. Example	Sales of fixed assets.	Sale of products of the business.

4. Capital and Revenue Expenditures

4.1 Capital Expenditure

These are expenditures for high-value items that holds longer duration requirements. Capital expenditures are long-term expenditures. In other words, when the expenses are made for a particular asset but they do not get completely consumed in the specific time. Due to this the earning capacity increases, and in the meanwhile, the price of the assets decreases.

There different types of capital expenditure, for example

- Cash money spent on business purposes.
- Purchasing of Plants and machinery items
- IT items
- Electric power equipment
- Permanent additions to existing fixed assets

4.2 Revenue Expenditure

In contrast to the capital expenditure, revenue expenditures are not the high-value items, instead, they are the routine expenditures that takes place in the normal business. In other words, this kind of expenditure maintains fixed assets.

There are two sub-categories of revenue expenditures:

1. **Direct Expenses:** These include the cost of manufacturing of raw material to turn it into a finished product. For instance, Productive wages and salaries to workers, shipping costs, legal expenses, electricity, and water bills, fuels costs, rent, commissions, packaging charges.
2. **Indirect Expenses:** These connect with only selling and distributing goods other than manufacturing. For example, salaries, depreciation, machinery, items of furniture and fixing, etc.

4.3 Difference between Capital Vs Revenue Expenditure

Basis of Comparison	Capital Expenditure	Revenue Expenditure
Definition	Expenditure incurred for acquiring assets, to enhance the capacity of an existing asset that results in increasing its lifespan	The expense incurred for maintaining the day to day activities of a business
Term	Long Term	Short Term
Value addition	Enhances the value of an existing asset	Does not enhance the value of an existing asset
Physical Existence	Have a physical presence except for intangible assets	Do not have a physical presence
Occurrence	Non-recurring in nature	Recurring in nature
Capitalisation	Yes	No
Impact on Revenue	Do not reduce business revenue	Reduces business revenue
Benefits	Long-term benefits for business	Short-term benefits for business
Appearance	It appears as assets in the balance sheet and some portion in the income statement	It always appears in the Income statement

5. Exempted Incomes u/s 10.

5.1 Agricultural Income [Section 10(1)]

As per section 10(1), agricultural income earned by the taxpayer in India is exempt from tax. Agricultural income is defined under section 2(1A) of the Income-tax Act. As per section 2(1A), agricultural income generally means:

(a) Any rent or revenue derived from land which is situated in India and is used for agricultural purposes.

(b) Any income derived from such land by agriculture operations including processing of agricultural produce so as to render it fit for the market or sale of such produce.

(c) Any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A).

Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

5.2 Share of profit received by a partner from the firm [Section 10(2A)]

As per section 10(2A), share of profit received by a partner from a firm is exempt from tax in the hands of the partner. Further, share of profit received by a partner of LLP from the LLP will be exempt from tax in the hands of such partner. This exemption is limited only to share of profit and does not apply to interest on capital and remuneration received by the partner from the firm/LLP.

5.3 Interest on notified savings certificates [Section 10(4B)]

As per section 1 0(4B), in the case of an individual, being a citizen of India or a person of Indian origin, who is a non-resident, any income by way of interest on notified savings certificates (subscribed in convertible foreign exchange) issued before the 1st day of June, 2002 by the Central Government is exempt from tax.

5.4 Interest on Rupee Denominated bonds [(Section 10(4C)]

Any interest received or receivable by a non-resident or foreign company in respect of Rupee Denominated Bond (as referred to in Section 194LC) issued outside India during the period 17-09-2018 to 3 1-03-2019 by an Indian company/business trust shall be exempt from tax.

5.5 Technical fees received by a notified foreign company [Section 10(6C)]

Section 10(6C) grants exemption from tax in respect of income arising to notified foreign company by way of royalty or fees for technical services received in pursuance of an agreement entered into with that Government for providing services in or outside India in projects connected with security of India.

5.6 Royalty/Fees received by non-resident from National Technical Research Organisation [Section 10(6D)]

As per section 10(6D), income arising to non-resident by way of royalty or fees for technical services from services rendered to National Technical Research Organization (‘NTRO’) will be exempt from tax in India.

5.7 Allowance/perquisites to Government employee outside India [Section 10(7)]

As per section 10(7), any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India is exempt from tax.

5.8 Compensation for Bhopal Gas Leak Disaster [Section 10(10BB)]

Compensation [in accordance with Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985] received by victims of Bhopal gas leak disaster is exempt from tax. However, compensation received for any expenditure which is allowed as deduction from taxable income is not exempt.

5.8 Payment from account opened in accordance with the Sukanya Samriddhi Account Rules, 2014 [Section 10(11A)]

As per section 10(1 1A), any payment from an account opened in accordance with the Sukanya Samriddhi Account Rules, 2014 made under the Government Savings Bank Act, 1873 is exempt from tax. In other words, interest and withdrawals from such account will be exempt from tax under section 10(1 1A).

5.9 Payment from the National Pension System Trust to an employee [Section 10(12A)]

Any payment from the National Pension System Trust to an assessee on closure of account or his opting out of the pension scheme referred to in section 80CCD, to the extent it does not exceed 40 % of the total amount payable to him at the time of closure or his opting out of the scheme, is exempt from tax.

With effect from April 01, 2020, 60 % of the amount payable shall be exempt from tax.

5.10 Educational scholarship [Section 10(16)]

Any amount received as educational scholarship (i.e., scholarship to meet the cost of education is exempt from tax in the hands of recipient).

5.11 Daily allowance to a Member of Parliament [Section 10(17)]

Following allowances are exempt from tax in the hands of a Member of Parliament and a Member of State Legislature

- Daily allowance received by a Member of Parliament or by a Member of State Legislature or by member of any committee thereof.
- Any other allowance received by a Member of Parliament under the Members of Parliament (Constituency Allowance) Rules, 1986.

- Any Constituency allowance received by a Member of State Legislature.

5.12 Awards [Section 10(17A)]

Any payment received in pursuance of following (whether paid in cash or in kind) is exempt from tax:

- Any award instituted in the public interest by the Central Government or State Government or by any other body approved by the Central Government in this behalf.
- Any reward by the Central Government or any State Government for such purpose as may be approved by the Central Government in this behalf in the public interest.

5.13 Pension to gallantry award winner [Section 10(18)]

Pension received by an individual who was employee of the Central Government or State Government and who has been awarded Param Vir Chakra or Maha Vir Chakra or Vir Chakra or any other notified gallantry award is exempt from tax.

Family pension received by any member of such individual is also exempt.

5.14 Income of a news agency [Section 10(22B)]

Any income of a notified news agency, set-up in India solely for collection and distribution of news is exempt from tax provided that the news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

5.15 Income of Khadi and Village Industries Boards [Section 10(23BB)]

Any income of Khadi and Village Industries Boards is exempt from tax under section 10(23BB).

5.16 Income of European Economic Community [Section 10(23BBB)]

Any income of European Economic Community derived in India by way of interest, dividends or capital gains, from investments made out of its funds under a notified scheme is exempt from tax.

5/17 Income of SAARC fund [Section 10(23BBC)]

Any income of SAARC fund for Regional Projects is exempt from tax under section 10(23BBC).

5.18 Income of Secretariat of Asian Organisation of Supreme Audit Institutions [Section 10(23BBD)]

Any income of Secretariat of Asian Organisation of Supreme Audit Institutions is exempt from tax for the assessment years 2001-02 to 2010-11.

5.19 Income of Insurance Regulatory and Development Authority [Section 10(23BBE)]

Any income of the Insurance Regulatory and Development Authority established under section 3(1) of the Insurance Regulatory and Development Authority Act, 1999 is exempt from tax.

5.20 Income of North-Eastern Development Financial Corporation Limited [Section 10(23BBF)] - No exemption is available under section 10(23BBF) from assessment year 2010-11.

5.21 Income of Central Electricity Regulatory Commission [Section 10(23BBG)]

Income of Central Electricity Regulatory Commission is exempt from tax from the assessment year 2008-09.

5.22 Income of the Prasar Bharati [Section 10(23BBH)]

Any income of the Prasar Bharati (Broadcasting Corporation of India) established under section 3(1) of the Prasar Bharati (Broadcasting Corporation of India) Act, 1990 is exempt from tax.

5.23 Income of certain national funds [Section 10(23C)(i)/(ii)/(iii)]

Any income received by any person on behalf of the Prime Minister's National Relief Fund or the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES FUND), the Prime Minister's Fund (Promotion of Folk Art) or the Prime Minister's Aid to Students Fund is exempt from tax under clause (i), (ii) and (iii) of section 10(23C) respectively.

5.24 Income of National Foundation for Communal Harmony [Section 10(23C)(iiia)]

Any income of National Foundation for Communal Harmony is exempt from tax under section 1 0(23C) (iiia).

5.25 Income of Swachh Bharat Kosh [Section 10(23C)(iiiaa)]

Income of the Swachh Bharat Kosh, set up by the Central Government is exempt under section 1 0(23C) (iiiaa).

5.26 Income of Clear Ganga Fund [Section 10(23C)(iiiaaa)]

Income of the Clear Ganga Fund, set up by the Central Government is exempt under section 1 0(23C) (iiiaaa).

6. Residential status under Income Tax Act

Generally, for the purpose of education, employment and other Government schemes a person is classified as Citizen and Non-citizen. But it is not applicable to the implementation of Income Tax Act. Because the Act has it's own criteria for classifying a person in order to arrive at his total income. It is called as "Residential Status". Therefore the taxability of a particular income of a person is very much depend upon his residential status. W e would discuss about this in the following paragraphs.

6.1 CLASSIFICATION OF RESIDENTIAL STATUS

The residential status of a person can be classified into three types, subject to certain exceptions. The following chart indicate this.

(i) For Individual and HUF Resident Resident but Not Ordinarily Resident Non-resident
(ii) For Company, Partnership Firm, Association etc. Resident Non-resident

6.2 PROVISIONS FOR RESIDENTIAL STATUS OF AN INDIVIDUAL (Sec. 6)

For the purpose of determining the residential status of an individual the Act lay down two types of conditions namely, Basic Conditions and Additional Conditions. These are discussed as follows:

6.2.1 BASIC CONDITIONS [SEC.6(1)]

(a) He is in India in the Previous Year for a period of 182 days or more. [Sec 6(1)(a)] (or)
(b) He is in India for a period of 60 days or more during the Previous Year and 365 days or more during four years immediately preceding the previous year. [Sec 6(1)(b)]

6.2.2 ADDITIONAL CONDITIONS [Sec.6(6)]

(i) He has been Resident in India in at least 2 out of 10 previous years (according to basic conditions noted above) immediately preceding the relevant previous year.
(ii) He has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year.

6.3 DETERMINATION OF RESIDENTIAL STATUS OF HINDU UNDIVIDED FAMILY [Sec. 6(2)]

The residential status of a Hindu Undivided Family is determined on the basis of two factors, the control and management of the family and the residential status of the karta of such family these provisions may be summarised as follows :

6.3.1 WHEN AN HINDU UNDIVIDED FAMILY IS CONSIDERED AS RESIDENT?

A Hindu Undivided Family will be called as a resident if the following two conditions are satisfied:
(i) The Place of Control and Management : This condition focus on the place where control and management of affairs of Hindu undivided family is situated. Control and management means defacto control and management. The defacto control and management is situated at a place where the head, the seat and directing power are situated. Normally karta of the family is vested with the right of control and management. If every decision concerning family affairs has been taken by karta in India, the family will be resident. If every decision taken by karta in outside India, then the family will be non-resident. It is to be noted here that it is for the family or karta to prove that control and management is wholly outside India.

(ii) The Residential Status of the Karta : This condition focus on the two additional conditions prescribed in case of an individual as per section 6(6) (Refer paragraph no. 3.3.2.). A Hindu undivided family is treated as resident in India if karta or manager of the family (including successive kartas) satisfies two additional conditions as laid down by section 6 (6) To conclude a Hindu undivided family will be treated as resident in India if : (a) The defacto control and management is wholly or partly in India. (b) The karta or manager of the family satisfies the two additional conditions as per section 6 (6).

6.3.2 WHEN A HINDU UNDIVIDED FAMILY WILL BE TREATED AS RESIDENT BUT NOT ORDINARILY RESIDENT ?

If the control and management of the family is wholly or partly is situated in India, but the karta or manager of the family does not satisfy the two additional conditions as per sec 6 (6) (b), then the family will be treated as resident but not ordinarily resident in India.

WHEN A HINDU UNDIVIDED FAMILY WILL BE TREATED AS NON-RESIDENT?

A Hindu undivided family is treated as non-resident in India if control and management of it's affairs is wholly situated outside India. Here the factor that the fulfillment of the two additional conditions as per section 6 (6) is not to be considered.

6.4 DETERMINATION OF RESIDENTIAL STATUS OF A FIRM [Sec. 6(2)]

A partnership firm may be classified into on ly two types as reside nt in India and non-resident in India. A firm is resident in India in any year if control and management of it's affairs is wholly or partially situated in India during that year. It will be a non-resident, if the control and management of it's affairs is situated wholly outside India during that year. In the case of a firm control and management is vested in partners and especially in the hands of managing partner.

6.5 DETERMINATION OF RESIDENTIAL STATUS OF A COMPANY [Sec. 6(3)]

Fo r this purpose company is divid ed into two types, namely Indian company and Foreign company. Indian company is always treated as "resident", whether it's control and management of the affairs of the company is situated in India or outside India. Foreign Company is said to be "resident", If its control and management is wholly situated in India and it is said to be "non-resident", if it's control and management is situated wholly or partially outside India. The term control and management refers to head and brain which directs the affairs of the company. Normally control and management of a company's affairs is situated at the place where meetings of board of directors are held. It is to be noted here that if the board of directors of a foreign company hold all their meetings in India, the company will be resident in India, even though, the company has business operations only outside India. It is also to be noted he re a n on Ind ian comp any will be resident in In dia on ly if it's control and management is situated wholly in India.

6.6 DETERMINATION OF RESIDENTIAL STATUS OF ANY OTHER PERSONS [Sec. 6(4)]

In this category all other persons like Association of Persons, Local Authorities and Artificial and Judicial Persons are covered. In the case of all these entities the residential status is determined on the basis of situation of control and management. As in the case of earlier persons if the control and management is wholly or partly situated in India than these persons will be residents in India and if th e control and management is wholly situated outside India than these persons will be non residents.

7. SCOPE OF TOTAL INCOME OR TAX INCIDENCE (Sec. 5)

As stated earlier in this chapter, the purpose of determination of the residential status of different entities is to decide about the taxability of income. Therefore, after determining the residential status, the next step is to analyse it's effect on total income. The scope of the total income is the matching of residential status and type of income. After studying the various types of residential status now we proceed to study the various types of income. The income may be classified, for this purpose, as follows:

(i) Income received in India.

(ii) Income deemed to be received in India.

(iii) Income earned or accrued in India.
(iv) Income deemed to be earned or accrued in India.
(v) Income received and earned or accrued outside India from business controlled from India or profession set up in India.
(vi) Any other incomes received and earned or accrued outside India.

7.1 INCOME RECEIVED IN INDIA

The receipt of income refers to the first occasion when the money comes under the control of recipient. It means all incomes primarily received by the assessee during the previous year. Following are the some of the examples :
(a) Income from a Business in Bangalore Controlled from USA
(b) Profits from Business in Iran Received in India.
(c) Income from house Property in Iran Received in India
(d) Salary earned and received in India
(e) Dividend declared in Japan, received in India
(f) Interest on Savings bank Deposit in SBI
(g) Taxable Income from house Property in India
(h) Income from Salary Received in India for Services Rendered in Germany
(i) Income from business carried from Hyderabad
(j) Share of Income from a Business in Mumbai
(k) Share of Income from Joint Venture India
(l) Salary Received in India but services Rendered in Pakistan
(m) Profit from business in Canada but received in India
(n) Income from House property in Karachi received in Bombay
(o) Income accrued in Canada but received in India

7.2 INCOME DEEMED TO BE RECEIVED IN INDIA

The following incomes shall be deemed to be received in India in the previous year even though it is not actually received.

(i) The annual accretion to a Recognised Provident Fund account of employee.
(ii) Transferred balance of Unrecognised Provident Fund to recognised provident fund.
(iii) Tax Deducted at Source.
(iv) Pension Fund.
(v) Deemed Profits.

7.3 INCOME EARNED OR ACCRUED OR ARISED IN INDIA

The term earned or accrued or arised means ” The occasion when the assessee obtains a right to receive an income”. Following are the some of the examples :
(a) Interest from an Indian Company Received in London.

(b) Pension from former Employer in India Received in USA.
(c) Rent from a Property in Delhi Received in USA
(d) Interest from Deposits with an Indian Company Received in USA
(e) Pension for service rendered in India, received in France
(f) Profit on sale of building in India but received in Sri Lanka
(g) Income Accrued in India but Received in U.S.A.
(h) Income accrued in India but received in Japan
(i) Income earned in India but received in Canada.

7.4 INCOME DEEMED TO BE EARNED OR ACCRUED OR ARISED IN INDIA

The following incomes are deemed to be accrued or arised in India :
(ii) Income from any Property, Asset or Source of Income Situated in India.
(iii) Income from the transfer of any Capital Asset Situated in India.
(iv) Any Income which Falls under the Head 'Salaries' if it is Earned in India.
(v) Sa lary Payable by the Government of an Indian Citizen / National for Services Rendered Outside India.
(vi) Dividend paid by an Indian Company Outside India.
(vii) Interest paid by Government Outside India.
(viii) Royalty paid by Government Outside India.
(ix) Fees for Technical Services paid by Government Outside India.

7.5 INCOME RECEIVED OR EARNED OUTSIDE INDIA FROM BUSINESS CONTROLLED FROM INDIA OR PROFESSION SET UP IN INDIA.

Following are the some of the examples :

(a) Profit from Business in Sri Lanka controlled from India
(b) Profit from Business in England controlled from India
(c) Gain from Profession in Sri Lanka setup in India
(d) Gain from Profession in England setup in India

7.6 ANY OTHER INCOME RECEIVED OR EARNED OR ACCRUED OUTSIDE INDIA

Following are the some of the examples :

(a) Interest from an Indian Company Received in London.
(b) Pension from former Employer in India Received in USA.
(c) Rent from a Property in Delhi Received in USA.
(d) Interest from Deposits with an Indian Company Received in USA.
(e) Income from house Property in Pakistan Deposited in a Bank there.
(f) Income from agriculture in Napal.

(g) Income earned and received in Pakistan and deposited in a bank there.
(h) Dividend Received in Germany from a British company.
(i) Income from house Property Situated in London.
(j) Income from agriculture in London.
(k) Income from Agriculture in Australia.
(l) Income from agriculture in Pakistan
(m) Income earned on Received in Pakistan from Bank Deposit
(n) Income from house property in America and deposited there.
(o) Income were earned in Africa on received there but brought to India.

7.7 TABLE SHOWING TAX INCIDENCE

S.No. Different types of Incomes	Res	ROR	NR
(i) Income received in India	Taxable	Taxable	Taxable
(ii) Income deemed to be received in India	Taxable	Taxable	Taxable
(iii) Income earned or accrued in India	Taxable	Taxable	Taxable
(iv) Income deemed to be earned or accrued in India	Taxable	Taxable	Taxable
(v) Income from business outside India controlled from India	Taxable	Taxable	No Tax(vi)
Any other income earned or received outside India	Taxable	No Tax	No Tax

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