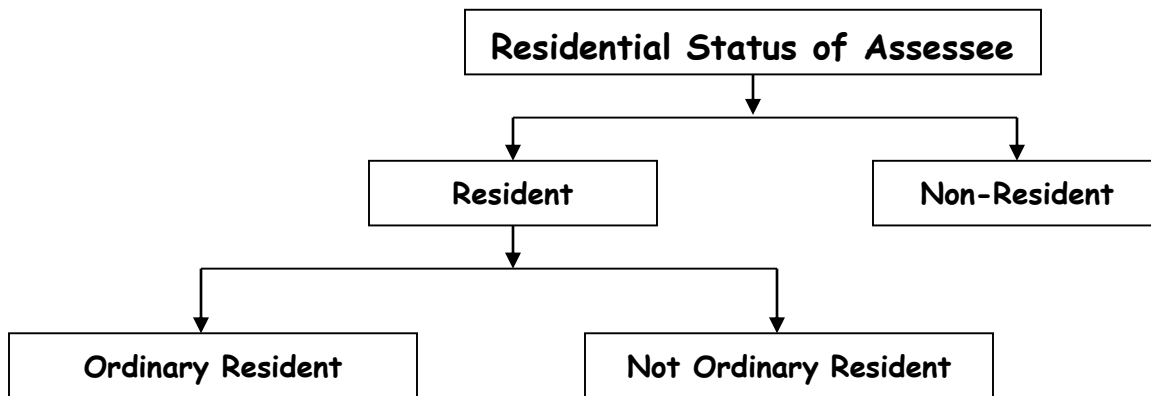


RESIDENTIAL STATUS

The tax incidence of an assessee depends on his residential status. For instance, whether an income accrued to an individual outside India, is taxable in India depends upon his residential status in India. Similarly, whether an income earned by a foreign national in India is taxable in India, depends on 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.

The residential status of an individual are of three kinds:

1. Resident and Ordinarily Resident (OR)
2. Resident but Not Ordinarily Resident (NOR)
3. Non Resident (NR)



The determination of Kind of residential status is depending on the provisions laid down under section 6 of The Income Tax Act. They are as follows;

I Basic Conditions U/S 6(1):

- a. An individual must be in India for at least **182 days** or more during the previous year.
- b. An individual must be in India for at **least 60 days** or more during the previous year and **365 days** or more during **4 years immediately** preceeding the previous year.

Exceptions to the basic condition u/s 6(1)b:

In the following cases, consider **182days** in the place of **60 days**:

- An **Indian citizen** leaves India for **employment purpose** during the previous year
- An **Indian citizen** leaves India as **a crew member** of an Indian ship during the previous year
- An **Indian origin** comes to India **on a visit** during the previous year.

II. Additional conditions U/S 6(6):

1. An individual has been **resident** in India in at **least 2 out of 10 previous** years immediately preceeding the relevant previous year.

2. An individual has been in India for a period of **730 days** or more during **7 years** immediately preceeding the relevant previous year.

Resident and ordinarily Resident (OR):

An individual said to be an ordinary resident, if he fulfills any of the basic conditions and both the additional conditions.

Resident but Not ordinarily Resident (NOR):

An individual said to be a not ordinary resident, if he fulfills any of the basic condition and one or none of the additional conditions.

Non Resident (NR):

An individual said to be a non resident, it he do not satisfy any of the basic conditions. In such case additional conditions are not relevant.

Determination of residential status

Status		Conditions
Non-resident		Does not satisfy any one of the basic conditions
Resident	Ordinary Resident	Satisfies any one of the basic conditions and both the additional conditions
	Not Ordinary Resident	Satisfies any one of the basic conditions and does not satisfy one of or both the additional conditions

The following table shows the summary of Residential Status:

Sl. No.	Basic conditions	Additional Conditions	Status
01	a & b	1 & 2	OR
02	a	1 & 2	OR
03	b	1 & 2	OR
04	a or b	1 or 2	NOR
05	a or b	-	NOR
06	-	-	NR

INCIDENCE OF TAX [Sec 5]

Incidence of tax refers to what are all the income is to be taxable in the hands of persons who have different residential status. For understanding the relationship between incidence of tax and residential status, one must understand the meaning of 'Indian Income' and Foreign Income'.

Indian Income: any income arise, accrue or deemed to be arise or accrue in India or any income is received or deemed to be received in India during the previous year is an Indian Income.

Foreign Income: any income arise, deemed to arise or accrue and received or deemed to be received outside India during the previous year is Foreign Income.

Table showing the incidence of tax for different types of status;

Sl. No.	Nature of Income	Whether taxable or not		
		OR	NOR	NR
01	Income earned or arise in India whether received in India or else where	Taxable	Taxable	Taxable
02	Income accrued or deemed to accrued in India whether received in India or else where	Taxable	Taxable	Taxable
03	Income arise or accrued or deemed to arise outside India but received in India	Taxable	Taxable	Taxable
04	Income earned and received outside India from a business controlled or profession setup in India	Taxable	Taxable	Not taxable
05	Income earned or deemed to be earned and received both outside India	Taxable	Not taxable	Not taxable
06	Past untaxed foreign income brought to during the relevant previous year	Not taxable	Not taxable	Not taxable

The following incomes are not taxable:

1. Dividend from a domestic (Indian) company
2. Agricultural income from a land situated in India

- 3.** Interest on Post Office Savings Bank Account upto Rs. 3,500 and in case of joint Account upto Rs. 7000 is exempt.
- 4.** Gift from non-relatives **not exceeding Rs,50,000**
- 5.** Share from HUF, Share of profit from partnership firm

Determination of Indian income and foreign income

Income received or deemed to be received in India during relevant PY	Income earned or deemed to be earned in India during relevant PY	Status of Income
Yes	Yes	Indian Income
Yes	No	Indian Income
No	Yes	Indian Income
No	No	Foreign Income