

foreign income is not taxable in the hands of the assessee. Actually this is not income, rather this is saving. (2) Past untaxed

### Illustration 17.

Following are the taxable income of Mr. P.K. Jain for the previous year 2018-19 :—

	₹
(i) Salary accrued outside India but received in India	30,000
(ii) Interest on debentures of a medicine company in New York, which was received in India	10,000
(iii) Royalty received in London from Mr. Mahesh, a <u>resident of India</u> , for technical services rendered in a business carried on in London	25,000
(iv) Dividend declared in Germany but received in India	10,000
(v) Profit from a business in India	20,000
(vi) Fee from an Indian company doing business in <u>U.S.A.</u> for technical services rendered in U.S.A. The fee was deposited by the company directly in his bank account in India	20,000
(vii) Profit from a hotel business in Nepal	15,000
(viii) Profit from business in Sri Lanka, controlled from India. The profit are deposited in a bank in Sri Lanka	10,000
(ix) Gift received from a friend outside India	5,00,000

Compute the taxable income of Mr. P. K. Jain for the assessment year 2019-20, if he is (i) Resident, (ii) Not-ordinary resident, and (iii) Non-resident.

Solution :

**TAXABLE INCOME OF Mr. P. K. JAIN**  
for the assessment year, 2019-20

S. No.	Particulars of Income	Resident	Not-ordinary resident	Non-resident
(i)	<b>Income received and deemed to be received in India :</b>	₹	₹	₹
	Salary received in India	30,000	30,000	30,000
	Interest on debentures of a medicine company received in India	10,000	10,000	10,000
	Dividend declared in Germany but received in India	10,000	10,000	10,000
	Fee from an Indian company doing business in U.S.A. for technical services rendered there, but deposited in his bank A/c in India directly	20,000	20,000	20,000
(ii)	<b>Income accrued or deemed to accrue in India :</b>	20,000	20,000	20,000
	Profits from a business in India			
(iii)	<b>Income accrued outside India from a business controlled from India :</b>			
	Profits from business in Sri Lanka. The business is controlled from India	10,000	10,000	—
(iv)	<b>Income accrued and received outside India :</b>			
	Profits of a hotel business in Nepal	15,000	—	—
	Royalty received in London for technical services rendered there	25,000	—	—
	Gifts received outside India from a friend	5,00,000	—	—
	<b>Taxable income</b>	<b>6,40,000</b>	<b>1,00,000</b>	<b>90,000</b>

**Illustration 18.**

Indian citizen Mr. Dinesh, a Government employee, had the following income during the previous year 2018-19 :—

(i)	Salary received in a foreign country for services rendered in that country	₹ 50,000
(ii)	Agricultural income from agricultural land situated in Pakistan	20,000
(iii)	Dividend by an Indian company payable outside India	10,000
(iv)	Income from transfer of a long term capital asset situated in India	20,000
(v)	Interest earned and received in Manchester (England) from bank deposits there	5,000

Compute taxable income of Mr. Dinesh for the assessment year, 2019-20, if he is (i) Resident, (ii) Not-ordinary resident, and (iii) Non-resident.

Solution :

**TAXABLE INCOME OF Mr. DINESH**  
for the assessment year, 2019-20

S. No.	Particulars of Income	Resident	Not-ordinary resident	Non-resident
(i)	<b>Income received and deemed to be received in India :</b>	₹	₹	₹
	Long term capital gains from assets situated in India	20,000	20,000	20,000
(ii)	<b>Income accrued and deemed to accrue in India :</b>			
	Salary received in a foreign country for services rendered there, as Mr. Dinesh is a Government servant	50,000	50,000	50,000
	Dividend by an Indian company payable outside India	Exempt	Exempt	Exempt
(iii)	<b>Income accrued outside India from a business controlled from India :</b>	—	—	—



(iv)	<b>Income accrued outside India :</b>			
	Income from agriculture in Pakistan	20,000	—	—
	Interest earned and received in Manchester from bank deposits there	5,000	—	—
	<b>Taxable income</b>	<b>95,000</b>	<b>70,000</b>	<b>70,000</b>

**Note :** 1. Mr. Dinesh, an Indian citizen, is a government employee. Salary received by him from the government for services rendered outside India is deemed to accrue or arise in India. [Sec. 9 (iii)]  
 2. Dividend payable outside India, by an Indian company, is deemed to accrue or arise in India. [Sec. 9 (iv)]. However, it is exempt from tax u/s 10(34).

### Illustration 19.

Following are the particulars of the income of Mr. Shri Ram for the year ended on March 31, 2019 :—

(i)	Income from house property in America which was deposited in a bank there and out of this ₹ 30,000 were brought in India	90,000
(ii)	Income from business in Japan of which ₹ 20,000 were received in India	50,000
(iii)	Income from investments in Dubai which was received in India from an authorised representative	20,000
(iv)	Agricultural income in Pakistan which was donated thereto an educational institution	20,000
(v)	Royalty received from the Government of India	10,000
(vi)	Agricultural income in Agra	50,000
(vii)	Received from Mr. Philips, as remuneration for rendering technical services to a business carried on in India. Mr. Philips is non-resident ✓	50,000
(viii)	Received from Mr. John, a non-resident, as interest for granting loans to a business being conducted in India	15,000
(ix)	Dividend received from an Indian company	15,000
(x)	Dividend from a foreign company received in Japan which was deposited in a bank there	20,000

Compute gross total income of Mr. Shri Ram for the assessment year, 2019-20, if during the previous year he is :—(a) resident in India, (b) not-ordinary resident in India, or (c) non-resident.

**Solution :** **GROSS TOTAL INCOME OF Mr. SHRI RAM**  
*for the assessment year, 2019-20*

S. No.	Particulars of Income	Resident ₹	Not-ordinary resident ₹	Non-resident ₹
(i)	<b>Income received/accrued and deemed to be received/accrued in India :</b>			
	Income from business in Japan received in India	20,000	20,000	20,000
	Royalty received from Govt. of India	10,000	10,000	10,000
	Remuneration received from Mr. Philips, a non-resident ✓	50,000	50,000	50,000
	Interest received from Mr. John	15,000	15,000	15,000
	Dividend received from an Indian company	Exempt	Exempt	Exempt
	Income from investments in Dubai received in India from an authorised agent	20,000	20,000	20,000
	Agricultural income in Agra	—	—	—
(ii)	<b>Income accrued outside India :</b>			
	Income from house property in America ✓	90,000	—	—
	Income from business in Japan	30,000	—	—
	Agricultural income in Pakistan	20,000	—	—
	Dividend from a foreign company	20,000	—	—
	<b>Gross total income</b>	<b>2,75,000</b>	<b>1,15,000</b>	<b>1,15,000</b>



**Illustration 20.**

The following are the incomes of Mr. 'X' for the previous year 2018-19 :—

	₹
(i) Income from house property in Nepal received in India	10,000
(ii) Income from house property in Bangladesh deposited in a bank there	25,000
(iii) Income from business in Nepal received in India	10,000
(iv) Income accrued in India but received in USA	20,000
(v) Profit from a business established in Nepal deposited in a bank there. This business is controlled in India (₹ 20,000 being remitted in India)	50,000
(vi) Profit from business in Lucknow	20,000
(vii) Income from agriculture in USA. (This has been spent on children's education in USA)	10,000
(viii) Mr. X's son is in service in USA. He remitted ₹ 10,000 per month to Mr. 'X' in the previous year	1,20,000
(ix) Past untaxed foreign income brought into India during the previous year	50,000

Determine taxable income of Mr. 'X' for the assessment year, 2019-20, if he is :— (a) a resident, (b) a not-ordinary resident, and (c) a non-resident.

**Solution :**

**TAXABLE INCOME OF Mr. 'X'**  
for the assessment year, 2019-20

S.No.	Particulars of Income	Resident	Not-ordinary resident	Non-resident
		₹	₹	₹
(i)	<b>Income received and deemed to be received in India :</b>			
	Income from house property in Nepal	10,000	10,000	10,000
	Income from business in Nepal	10,000	10,000	10,000
(ii)	<b>Income accrued and deemed to accrue in India :</b>			
	Profits from business in Lucknow	20,000	20,000	20,000
	Income accrued in India	20,000	20,000	20,000
(iii)	<b>Income accrued outside India from a business controlled in India :</b>			
	Profits from a business in Nepal	50,000	50,000	—
(iv)	<b>Income accrued outside India :</b>			
	Income from house property in Bangladesh deposited in a bank there	25,000	—	—
	Income from agriculture in USA	10,000	—	—
(v)	<b>Past untaxed foreign income brought into India ₹ 50,000 :</b>	—	—	—
	<b>Taxable income</b>	<b>1,45,000</b>	<b>1,10,000</b>	<b>60,000</b>

**Note :** Remittance by Mr. X's son is not the income of Mr. 'X'. Hence, it is not taxable.

**Illustration 21.**

Taxable income of Mr. Arvind for the previous year is as follows :—

	₹
(i) Salary accrued and received in India	30,000
(ii) Profit from a hotel business in Australia	45,000
(iii) Dividend declared in Canada which was received in India	10,000
(iv) Dividend from a Canadian company, received there and deposited in a bank of India	20,000

(v)	Income from transfer of an immoveable property situated in Kanpur	50,000
(vi)	Interest on debentures of a company of Australia which was received in India	10,000
(vii)	Interest received on loan given to Mr. Paterson, a non-resident, for a business carried in India	25,000
(viii)	Royalty received in Canada from Sri Amit of India for technical services provided to a business carried in Canada	10,000
(ix)	Fees from an Indian company carrying on business in Canada for technical services rendered in Canada, which have been directly deposited by the company in his bank account in India	50,000
(x)	Gifts received in India from friends	3,00,000

Determine the total income of Mr. Arvind for the assessment year 2019-20, if he is :—(a) resident, (b) not-ordinary resident, and (c) non-resident.

**Solution :**

**TAXABLE INCOME OF Mr. ARVIND**  
*for the assessment year, 2019-20*

S. No.	Particulars of Income	Resident	Not-ordinary resident	Non-resident
		₹	₹	₹
(i)	<b>Income received and deemed to be received in India :</b>			
	Salary accrued and received in India	30,000	30,000	30,000
	Dividend declared in Canada but received in India	10,000	10,000	10,000
	Interest on debentures of an Australian Co. received in India	10,000	10,000	10,000
	Interest received from a non-resident on loan in India	25,000	25,000	25,000
	Fees accrued in Canada but deemed to be received in India	50,000	50,000	50,000
	Gifts received from friends	3,00,000	3,00,000	3,00,000
(ii)	<b>Incomes accrued and deemed to accrue in India :</b>			
	Income from transfer of an immoveable property in Kanpur	50,000	50,000	50,000
(iii)	<b>Income accrued outside India from a business controlled in India :</b>	—	—	—
(iv)	<b>Incomes accrued outside India :</b>			
	Profits of a hotel business in Australia	45,000	—	—
	Dividend from Canadian company received there	20,000	—	—
	Royalty for services rendered in Canada	10,000	—	—
	<b>Taxable income</b>	<b>5,50,000</b>	<b>4,75,000</b>	<b>4,75,000</b>

**Illustration 22.**

Taxable income of Mr. Philips, a foreign national, is as follows for the previous year, 2017-18 :—

	₹
(i) Income from property in London received there	5,00,000
(ii) Profit on sale of plant in Mumbai (one-half is received in London)	15,00,000
(iii) Profit from a business in Jalandhar managed from India	9,00,000
(iv) Income from agriculture in London received there, half of which is used as hostel expenses of his son in London and remaining amount is remitted to India	7,50,000
(v) Profit on sale of plant in London (one-half is received in India)	5,00,000



- (vi) Salary from an Indian Company (computed), received in London (one-half is paid for providing services in India) 10,00,000
- (vii) Dividend received in London during the previous year from an Indian company which is mainly operating in London 1,00,000
- (viii) Interest on U.K. Government securities (half the amount is received in India) 1,20,000
- (ix) Gift from a relative in foreign currency (one-half of which is received in India and the remaining amount is used for education of his son in Germany) 7,00,000
- (x) Rental income from a property in London deposited by the tenant in a foreign branch of an Indian bank, operating there 80,000

Determine the gross total income of Mr. Philips for the assessment year 2019-20, if he is (i) Resident, (ii) Non-ordinary resident and (iii) Non-Resident.

**Solution :**

**TAXABLE INCOME OF Mr. PHILIPS**  
*for the assessment year, 2019-20*

S. No.	Particulars of Income	Resident	Not-ordinary resident	Non-resident
(i)	<b>Income received and deemed to be received in India :</b>	₹	₹	₹
	Profit on sale of plant in Mumbai (one-half is received in India)	7,50,000	7,50,000	7,50,000
	Profit on sale of plant in London (one-half is received in India)	2,50,000	2,50,000	2,50,000
	Interest on U.K. Government securities	60,000	60,000	60,000
(ii)	<b>Income accrued or deemed to be accrued in India :</b>			
	Profit on sale of plant in Mumbai	7,50,000	7,50,000	7,50,000
	Profit from a business in Jalandhar managed from India	9,00,000	9,00,000	9,00,000
	Salary from an Indian company received in London (one-half is paid for rendering services in India)	5,00,000	5,00,000	5,00,000
	Dividend received in London during the previous year from an Indian company	Exempt	Exempt	Exempt
(iii)	<b>Income accrued outside India :</b>			
	Income from house property in London received there	5,00,000	—	—
	Income from agriculture in London received there	7,50,000	—	—
	Profit on sale of Plant in London	2,50,000	—	—
	Salary from an Indian company received in London for services rendered there	5,00,000	—	—
	Interest on U.K. Government securities	60,000	—	—
	Rental income from a property in London deposited by the tenant in a foreign branch of an Indian bank	80,000	—	—
(iv)	<b>Past untaxed foreign income brought to India</b>	—	—	—
(v)	Gift from a relative	No income	No income	No income
	<b>Taxable income</b>	<b>53,50,000</b>	<b>32,10,000</b>	<b>32,10,000</b>

**Illustration 23.**

An Indian citizen, Mr. 'X', got an appointment in U.S.A. He gives you the following details of his income :—

- (i) His estimated total income till the departure from India ₹ 7,50,000
- (ii) His income from U.S.A. after departure from India ₹ 9,50,000

- (iii) His rental income from house property in India which he received in U.S.A. ₹ 2,50,000  
 (iv) His income from consultancy provided in U.S.A., received there ₹ 2,00,000

Compute his taxable income in both the cases separately :—

- (a) If he left India on 15th August, 2018 or  
 (b) If he left India on 1st November, 2018.

**Solution :**

(a) Mr. 'X', an Indian citizen, leaves India on 15th August, 2018 during the previous year. Thus, he stayed in India during the previous year for less than 182 days. He is **non-resident** in India.

(b) When Mr. 'X' leaves India on 1st November, 2018. His total stay in India during the previous year will be more than 182 days. Thus, he will be a **resident** in India.

In both the conditions, he fulfils the additional two conditions, as he is an Indian citizen and has stayed in India prior to leaving it.

**COMPUTATION OF TAXABLE INCOME OF Mr. 'X'**  
*for the assessment year, 2019-20*

S. No.	Particulars of Income	Resident in India	Non-resident
(i)	<b>Income received or deemed to be received in India :</b>	₹	₹
	Income till the departure from India	7,50,000	7,50,000
(ii)	<b>Income accrued or deemed to be accrued in India :</b>		
	Rental income from house property in India	2,50,000	2,50,000
(iii)	<b>Income accrued outside India :</b>		
	Income from U.S.A.	9,50,000	—
	Income from consultancy provided in U.S.A., received there	2,00,000	—
	<b>Taxable income</b>	<b>21,50,000</b>	<b>10,00,000</b>

**THEORETICAL QUESTIONS**