

**TEST 1 - RESIDENTIAL STATUS & SCOPE OF TOTAL INCOME**

- **Total Marks:** 30 Marks; **Duration:** 60 Mins (1 Hour)
- Wherever necessary, suitable assumptions may be made and disclosed by way of note.
- Working notes should form part of the respective answers.
- All questions relate to Assessment Year 2020-21, unless stated otherwise in the question.

**QUESTION 1 (3x2=6 Marks)**

Following are the incomes of Mrs Leela for PY 2019-20 (ie, AY 2020-21):

- Salary accrued and received in India (Total amount received from employer) - Rs 1,10,000
- Profit from a business at Australia - Rs 90,000
- Dividend declared in Perth (by an Australia company) but received in India - Rs 12,000
- Income from transfer of a long-term capital asset situated in India - Rs 60,000
- Interest on debenture of a foreign company which was received in India - Rs 18,000
- Interest received from a non-resident on a loan provided for a business carried on in India - Rs 15,000
- Royalty received in Germany from a resident for technical services provided for a business carried on in Germany - Rs 60,000
- Fees from an Indian company carrying on business at Delhi from technical services rendered at Delhi having been directly deposited by the company in her bank account in Delhi - Rs 90,000

**Part (i)** - Determine Mrs Leela's taxable income if she is ROR:

- a) Rs 4,05,000
- b) Rs 3,35,000
- c) Rs 3,65,000
- d) Rs 4,55,000

**Part (ii)** - Determine Mrs Leela's taxable income if she is NOR:

- a) Rs 2,55,000
- b) Rs 2,15,000
- c) Rs 1,65,000
- d) Rs 3,05,000

**Part (iii)** - Determine Mrs Leela's taxable income if she is NR:

- a) Rs 3,05,000
- b) Rs 1,65,000
- c) Rs 2,15,000
- d) Rs 2,55,000

**QUESTION 2 (2 Marks)**

Mr Happy, a US citizen, came to India for an assignment from 11.01.2016 to 09.10.2016 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2018 again for an assignment, which ended on 26.05.2019. What is the latest date by which Mr Happy should depart from India after completing the assignment so as to qualify as non-resident for PY 2019-20? (Assume that he shall not be visiting India again during the year)

- a) 29-05-2019
- b) 30-05-2019
- c) 31-05-2019
- d) 28-09-2019

**QUESTION 3 (2 Marks)**

Mr Sumit is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Kochi on 25<sup>th</sup> April 2019. From the following details, determine the residential status of Mr Sumit for AY 2020-21, assuming that his stay in India in the last 4 previous years preceding PY 2019-20 is 365 days and last seven previous years preceding PY 2019-20 is 730 days:

- Date entered in Continuous Discharge Certificate in respect of joining the ship by Mr Sumit - 25<sup>th</sup> April 2019
- Date entered in Continuous Discharge Certificate in respect of signing off the ship by Mr Sumit: 24<sup>th</sup> October 2019

Mr Sumit has been filing his income tax return in India as a resident for previous 2 years. What is his residential status for AY 2020-21?

- a) Resident and ordinarily resident
- b) Resident but not-ordinarily resident
- c) Non-resident
- d) Non-resident till 24.10.2019 and resident till 31.03.2020

**QUESTION 4 (1 Mark)**

Mr Suhaan (aged 35 years), a non-resident, earned dividend income of Rs 12,50,000 from an Indian Company which is credited directly to its bank account in France and Rs 15,000 as interest in Saving A/c from State Bank of India during PY 2019-20. Assuming that he has no other income, what will be amount of income will be ultimately chargeable to tax in his hands in India for AY 2020-21?

- a) Rs 2,55,000
- b) Rs 2,65,000
- c) Rs 15,000
- d) Rs 5,000

**QUESTION 5 (Old Course May 2017 Exam - 4 Marks)**

A Korean Company, Damjung Ltd, entered into the following transactions during FY 2019-20:

- a) Received Rs 20 lakhs from a non-resident for use of patent for a business in India.
- b) Received Rs 15 lakhs from a non-resident Indian for use of know-how for a business in Sri Lanka and this amount was received in Japan (Assume that the above amount is converted/stated in Indian Rupees).
- c) Received Rs 7 lakhs from RR Co Ltd, an Indian company for providing technical know-how in India.
- d) Received Rs 5 lakhs from R & Co, Mumbai for conducting the feasibility study for a new project in Nepal and the payment was made in Nepal.

Explain briefly, whether the above receipts are chargeable to tax in India.

**QUESTION 6 (Old Course May 2017 Exam - 5 Marks)**

During the last four years preceding PY 2019-20, Mr Damodhar, a citizen of India, was present in India for 430 days. During the last seven previous years preceding PY 2019-20, he was present in India for 830 days.

Mr Damodhar is a member of crew of a Dubai bound Indian ship, carrying passengers in the international waters, which left Kochi port in Kerala, on 12<sup>th</sup> August 2019. Following details are made available to you for PY 2019-20:

| Particulars  | Date                          |
|--|-------------------------------|
| Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr Damodhar     | 12 <sup>th</sup> August 2019  |
| Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr Damodhar | 21 <sup>st</sup> January 2020 |

In May 2019, he had gone out of India to Singapore and Malaysia on a private tour for a continuous period of 29 days. You are required to determine the residential status of Mr Damodhar for PY 2019-20.

**QUESTION 7 (Old Course Nov 2017 Exam - 5 Marks)**

Daisy Ltd, a foreign company, incorporated in USA and engaged in the manufacturing and distribution of diamonds, set up a branch office in India in June 2019. The branch office was required to purchase uncut and unasserted diamonds from the dealers of Mumbai and export them to USA. During PY 2019-20, profit from such export amounted to Rs 75 lakhs. Out of 20 shareholders of Daisy Ltd, 12 shareholders are non-resident in India. All the major decisions were taken through Board Meetings held at USA.

- a) Determine the residential status of Daisy Ltd for Assessment Year 2020-21.
- b) Discuss the tax treatment of profit from export business.

**QUESTION 8 (Old Course Nov 2018 Exam - 5 Marks)**

Mr Surya, an Indian citizen, travelled frequently out of India for his business trip as well as for his outings. He left India from Mumbai airport on 15<sup>th</sup> May 2019 as stamped in the passport. He has been in India for less than 365 days during the 4 years immediately preceding the previous year and has not been in India for at least 60 days in the previous year. Determine:

- (i) Residential status of Mr Surya; and
- (ii) Total income for AY 2020-21 from the following information:
  - a) Dividend amounting to Rs 20,000 received from Sassy Ltd, a Switzerland based company, which was transferred to his Swiss Bank A/c. He had borrowed money from Mr Sundarlal, a non-resident Indian, for the above mentioned investment on 2<sup>nd</sup> April 2019. Interest on the borrowed money for PY 2019-20 amounted to Rs 2,500.
  - b) STCG on sale of shares of Trena India Ltd, a listed Indian Company, amounting to Rs 35,000. The sale proceeds were credited to his Swiss Bank A/c.
  - c) Interest on fixed deposit with State Bank of India (Mumbai) amounting to Rs 8,000 was credited to his saving account.