

BASIC TERMS

- ❖ Assessee – A person who pays tax under the provisions of the I-Tax Act, 1961.
- ❖ Financial Year – Period between 1st April to 31st March.
- ❖ Previous Year (PY) – FY in which income is earned. For our syllabus, PY → 2019-2020
- ❖ Assessment Year (AY) – FY in which income earned in the Previous year (PY) is assessed (calculated) and taxed. For our syllabus, AY → 2020 – 2021.

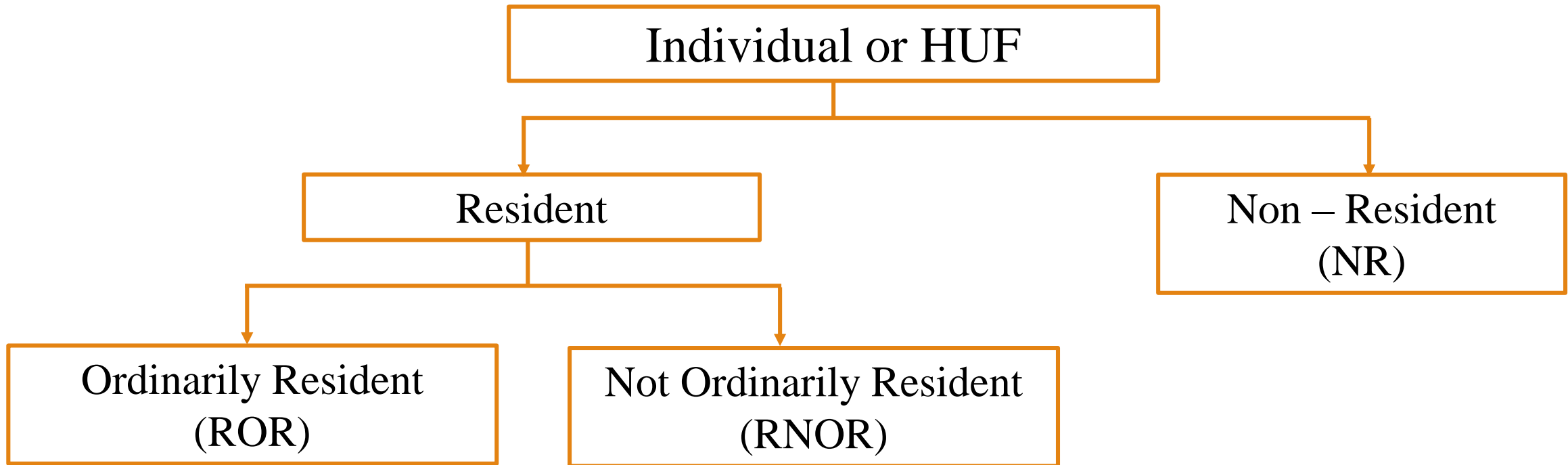
CHARGE OF INCOME TAX – (Sec. 4)

Income Tax shall be charged for any Assessment Year (A.Y) at any rate or rates prescribed on the “Total Income” of the Previous Year (P.Y) of every Person.

RESIDENCE

- ❖ In Indian tax system, Taxation is related to the **residence** of the assessee and not with the citizenship or the domicile of the assessee.
- ❖ So we can say in simple words that, even an Indian might be a **non – resident** while, a foreigner may be a **resident** for Income tax purposes for a particular Assessment year (AY)

CLASSIFICATION OF RESIDENTIAL STATUS



DETERMINING RESIDENTIAL STATUS

According to Section 6 (1) an individual will be a **resident** if he fulfills **ANY 1** of the following conditions –

1. He / She stayed in India for **at least 182 days** in the previous year.
2. He / She stayed in India for **at least 60 days** in the previous year and **at least 365** days in **4 years** immediately preceding the previous year.

EXCEPTIONS FOR CONDITION NO. 2

There are 2 main exceptions to the condition no. 2 that we discussed earlier -

- A. An individual who is a **Citizen** of India leaving the country for the purpose of employment or as a crew member of an Indian ship.
- B. An individual who is a **Citizen** of India or a **Person of Indian Origin (PIO)** who being outside India, comes on a visit to India.

FURTHER CLASSIFICATION OF RESIDENTS

A **Resident** has to fulfill **BOTH** the following conditions to be an ordinarily resident -

1. He has been a **Resident** in India for **at least 2 years out of 10 years** immediately preceding the previous year (PY).
2. He has been in India for **at least 730 days in 7 years** immediately preceding the previous year (PY).

Let us consider a small example to start of with

Mr. A, a foreigner visited India for the first time for a particular project on 1st January, 2019. He stayed in India until 30th October, 2019 and then returned to his home country.

Determine his residential status.

Let us consider the following examples for better understanding

CASE 1	CASE 2
2019 – 20 → 200 days	2019 – 20 → 70 days
2018 – 19 → Nil	2018 – 19 → 100 days
2017 – 18 → Nil	2017 – 18 → 130 days
2016 – 17 → Nil	2016 – 17 → 185 days
2015 – 16 → Nil	2015 – 16 → 365 days