

Class - B.Com II
Subject - Income tax

Topic - Incidence of tax for different Assessors

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Reference books - Income tax law & Accounts - Dr. B.K. Agarwal, Nirupam Sahitya Sadan
- Income tax
Dr. H.C. Mehrotra, Sahitya Bhawan Pub.

Tax Liability | Incidence of Tax for Different Assessors

Tax liability of an assessee is determined according to his residential status. An assessee may have income from various sources. He may have Indian income as well as foreign income. On which income he is liable to pay tax, it will depend on his residential status.

Indian Income

- (i) Either the income is received in India or income is earned in India or both received and earned in India, is an Indian income.
- (ii) Either the income is deemed to be received in India or deemed to be earned in India or both deemed to be received and earned in India, is an Indian income.

Indian income is taxable for all categories of assessee.

Foreign Income

If income is earned and received outside India is foreign income. It means neither the income is received in India nor it is earned in India, it is a foreign income.

Earned in India means accrues or arises or deemed to be accrues or arises in India.

- (a) Foreign income is taxable for ^{all} Ordinary Residents
- (b) Foreign income is taxable for Not-ordinary Resident only if this income is from Business or Profession which business is controlled from India and which profession is set up in India.
- ~~Foreign~~ Income from another source is not taxable for Not-ordinary Resident
- (c) Foreign income is not taxable for Non-Residents in India

Incidence of tax in Summarised form [For Individuals & HUF]

Sources of Income	Ordinary Resident	Not ordinary Resident	Non-Resident
(A) Indian Income			
(i) Incomes received or deemed to be received in India during previous year	Taxable	Taxable	Taxable
(ii) Incomes earned or deemed to be earned in India during previous year	Taxable	Taxable	Taxable
(B) Foreign Income			
(i) Incomes received and earned outside India from a business controlled from India ^(wholly or partly) or a profession set up in India	Taxable	Taxable	Not Taxable
(ii) Other than foreign incomes mentioned in point (i) of foreign income i.e. incomes earned and received outside India	Taxable	Not Taxable	Not Taxable
(c) Past untaxed foreign incomes which are remitted to India in the previous year	Not Taxable	Not Taxable	Not Taxable

Incidence of Tax in Summarised Form

[For firms, Cooperative Society, Association of persons
Body of individuals and Company]

Sources of Income	Resident	Non-Resident
Indian Income	Taxable	Taxable
Foreign Income	Taxable	Not taxable