RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM VI SEM.

SUBJECT: Corporate Tax Planning

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LECTURE: 22

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LECTURE-22

TAX PLANNING IN RESPECT OF RESIDENTIAL STATUS

The income tax will be applicable or not on an income source depends on the residential status of the assessee. The persons which are outside India for a major of time during the year and preceding year can keep some points in mind so that if they are capable of adjust their schedule they can save a lot of tax.

I. Individuals who are visiting India on a business trip or in some other connection should not stay in India for more than 181 days in the year and no more than 364 days in preceding four years to enjoy non-resident status.

II. If individual is in India for more than 364 days during the preceding four years then he should avoid staying in India for more than 59 days in a year. If he wants to stay more than 59 days then he may come in such manner that not more than 59 days comes in a previous year. For example, he may come after 2ndFebruary and leave before 29 May. So that not more than 59 days period is covered in both previous years.

III. Similarly Indian citizen or person of Indian origin should plan their trip such that not more than 181 days will fall in one year.

IV. A non-resident should not receive any income directly in India even if the business is controlled directly from India. He should first receive income outside India and then remit it to India, by such way no tax is leviable on such income.

V. Similarly a not ordinarily resident should receive his income outside India which is earned outside India and from a business controlled outside India.