Residential Status Demystified.. 

-VIDYA KUMAR

Executive Summary - It is important to ascertain the residential status of a person to find out the person’s tax liability. A person of Indian origin can be a Resident or Non Resident. A Resident of India can be Resident and Ordinary Resident or Resident and Non-Ordinary Resident. The duration of stay in India determines the residential status. Income tax laws are applicable as per residential status and the way the income earned.

The income tax rules applicable depend on the residential status of a person and therefore it is important to determine one’s residential status. There are certain conditions and clauses that help determine whether a person is resident or non-resident and the type of resident.

A person is considered a Resident -

If a person lives in India for 182 days or more
OR
If the person is in India for 60 days or more in the current financial year and has been in India for 365 days or more in the last 4 years.

If the person is outside India for employment
OR
If the person is an Indian or a person of Indian origin living outside India, comes on a visit to India,
THEN
He/she is considered as Resident and Ordinary Resident if he/she lives in India for 182 days or more.

A resident can be classified as Ordinary Resident or Non-Ordinary Resident.

A person is considered an Ordinary Resident -

If the person has lived in India the last 9 out of 10 years considering the current financial year.
OR
If the person has lived in India for more than 729 days in 7 years preceding the current financial year.
If a resident does not satisfy the criteria for an ordinary resident, the resident is considered as
**Resident and Non-ordinary Resident.**

Here is a flowchart to understand the concept better -

---

If a person is a **resident in India and an ordinary resident**,,

- Income received in India
- Income earned in India
- Income to be accrued in India
- Income that might be earned or get accrued abroad or
- Income received outside India from a business controlled in India

are taxable in India as per the income tax laws
If a person is a *resident in India and a non-ordinary resident*,

- Income received in India
- Income earned in India
- Income to be accrued in India or
- Income accrued or received outside India from a business controlled in India

are taxable in India as per the income tax laws.

For a *non-resident*,

- Income received in India (whether earned in India or abroad) or
- Income accrued in India

are taxable in India as per the income tax laws.

*Vidya writes on personal finance at www.gettingyourich.com. She can be reached at vidya@gettingyourich.com*. 