

Internal Assessment Test - I

Sub:	Direct Taxation	Code:	18MBAFM303
Date:	9/9/2019	Duration:	90 mins
		Max Marks:	50
		Sem:	III
		Branch:	MBA

		Marks	OBE	
			CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)				
1	(a) Define assessment year	[03]	CO1	L1
	(b) Outline the basic and additional conditions to be fulfilled for determining residential status of an individual	[07]	CO1	L4
	(c) X, a foreign national (not being a person of Indian origin), came to India for the first time from USA on July 11, 2012. He stayed here for a stretch of 3 years and left for Japan on July 11, 2015. He returned to India on April 10, 2016 and remained here till August 17, 2016, then he went back to USA. He again came back to India on January 30, 2019 at 11.59 pm and continued to stay in India thereafter. Determine his residential status for the AY 2019-20.	[10]	CO1	L3
2	(a) Differentiate between direct and indirect taxes	[03]	CO1	L2
	(b) How do you determine residential status of an individual? Explain	[07]	CO1	L3
	(c) Mr.X an employee of A Ltd. receives Rs.2,05,000 as gratuity under Payment of Gratuity Act 1972. He retires on 10-9-2018 after rendering service for 35 years and 7 months. Last drawn salary was Rs.2,700 p.m. Calculate the amount of gratuity chargeable to tax and exempt from tax.	[10]	CO1	L3
3	(a) Differentiate between planning and tax evasion	[03]	CO1	L2
	(b) What is charging rule u/s 4? Describe the exceptions to the charging rule	[07]	CO1	L2
	(c) X, after about 30 years' stay in India, returns to America on January 29, 2016. He returns to India on 1 st July 2018 to join an American company as its overseas branch manager. Determine his residential status for the AY 2019-20.	[10]	CO1	L3
Part B - Compulsory (01*10=10 marks)				
4	Determine the taxable amount of pension for the A.Y. 2019-20 in the following cases:			
	i. Mr.X retires from B Ltd. On June 30, 2018. He gets pension of Rs.20,000 p.m. up to January 31, 2019. With effect from February 1, 2019 he gets 60% of pension commuted for Rs.10,71,000. Does it make any difference if he also receives gratuity of Rs.40,000 at the time of retirement?	[5]	CO2	L3
	ii. Mr.X retires from P Ltd. On March 31, 2018. P Ltd. Pays Rs.2,600 p.m. as pension but does not pay any gratuity. On the request of X, P Ltd. Pays Rs.80,000 in lieu of commutation of 25% of pension on January 31, 2019.	[5]		

Course Outcomes		PO1	PO2	PO3	PO4	PO5
CO1:	Understand the basics of taxation and process of computing residential status.	1a,b,c 2a,b,c 3a,b,c				
CO2:	Calculate taxable income under different heads			4		
CO3:	Understand deductions and calculation of tax liability of Individuals.					
CO4:	Know the corporate tax system.					

Cognitive level	KEYWORDS
L1	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5	grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–Theoretical Knowledge; PO2–Effective Communication Skills; PO3–Leadership Qualities; PO4 –Sustained Research Orientation; PO5 –Self-Sustaining Entrepreneurship

CCI

HOD

Sub: DIRECT TAXATION

Date: 9/9/2019 Duration: 90mins Max Marks: 50 Sem: III

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Note: Part A - Answer Any Two Full Questions (20*02=40 Marks)
Part B - Compulsory (01*10= 10marks)

Part	Question #	Description	Marks Distribution		Max Marks	
A	1	a	AY U/S 2(9): A period of 12 months starting from 1 st April of every year and ending on 31 st March immediately following is assessment year.	3	3	20 M
		b	BASIC CONDITIONS He/She is in India in the P.Y. for a period of 182 days or more He/She is in India for a period of 60 days or more during the P.Y. and 365 days or more during 4 years immediately preceding the P.Y.	3.5	7	
			ADDITIONAL CONDITIONS He/She has been resident in India for at least 2 out of 10 previous year immediately preceding the relevant P.Y. or must satisfy at least one of the basic conditions in 2 out of 10 years immediately preceding P.Y. He/She has been in India for a period of 730 days or more during 7 years immediately preceding the relevant P.Y.	3.5		
	c	Basic condition: (b) Stayed for 60 days during the P.Y. and 597 days during 4 years immediately preceding P.Y. Additional conditions: (1) Stayed for 1227 days during 7 years immediately preceding P.Y. and (2) Resident for 5 years out of 10 years immediately preceding P.Y. If Mr. 'X' comes after zero hour he would be NOR	5	10		
			5			
	2	a	Direct and Indirect Tax: A tax, where the incidence and impact of paying tax lies on one person. Incidence of tax is said to be on a person who pays the tax first and impact of tax is said to be on a person who finally bears it.	3	3	20 M
b		Residential status of Individual: OR : Any one of the Basic Conditions + Both the Additional conditions are to be satisfied NOR: Any One of the Basic Conditions NR: None of the basic conditions satisfied. BASIC CONDITIONS a. He/She is in India in the P.Y. for a period of 182 days or more b. He/She is in India for a period of 60 days or more during the P.Y. and 365 days or more during 4 years immediately preceding the P.Y. ADDITIONAL CONDITIONS a. He/She has been resident in India for at least 2 out of 10 previous year immediately preceding the relevant P.Y. or must satisfy at least one of the basic conditions in 2 out of 10 years immediately preceding P.Y. b. (He/She has been in India for a period of 730 days or more during 7 years immediately preceding the relevant P.Y.	2	7		
			2.5	2.5		

		c	Least of the followings is exempted u/s 10(10)(ii)			
		a	Amount of Gratuity received	Rs.2,05,000		
		b	Ceiling limit	Rs.20,00,000		
		c	15 days salary for each completed years of service [15/26 x 2,700 x 36]	Rs.56,077	10	10
			Rs.56,077 being least is exempted and excess amount of Rs.1,48,923 is taxable (2,05,000 – 56,077)			
	3	a	Tax Planning & Tax Evasion: Minimising tax liability by taking complete legitimate benefit of all deductions, exemptions, allowance is tax planning. Avoiding tax by illegal means is tax evasion.		3	3
		b	Charging Rule: Income earned in the previous year is chargeable to tax in the next following assessment year at the tax rates applicable for the assessment year. Exceptions: Income of NR from shipping business U/S 172, Persons leaving India U/S 174, Bodies formed for short duration U/S 174, A Person likely to transfer property to avoid tax U/S 175 and Discontinued business U/S 176		2 5	7
		c	Ans. OR 1 st basic condition is satisfied (i.e. during 2018-19 275 days stayed). Both the additional conditions are satisfied: (a) 730 days out of 7 years and (b) Resident for 2 years out of 10 years		10	10
B	4	i	Taxable Pension: Rs.20,000 x 7 months = 1,40,000 40% of Rs.20,000 x 2 months = <u>16,000</u> = 1,56,000 Taxable CVP If Gratuity Received: 1/3 x 100/60 x 10,71,000 exempted Extd = 5,95,000 & Taxable 1,78,500 If Gratuity not Received = 8,92,500 extd Taxable 1,78,500		5	10
		ii	Taxable Pension: Rs.2,600 x 10 months = 26,000 $\frac{3}{4}$ of Rs.2,600 x 2 months = <u>3,900</u> 29,900 Taxable CVP: CVP Received 80,000 Less: Exemption: 1/2 x 100/25 x Rs.80,000 = Rs.1,60,000 Fully exempted		5	
						20 M
						10 M