

Internal Assessment Test - I

Sub:	Direct Taxation	Code:	20MBAFM304
Date:	21/12/2021	Duration:	90 mins
		Max Marks:	50
		Sem:	III
		Branch:	MBA

		Marks	OBE	
			CO	RBT
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>				
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, 2014. He stayed here for a stretch of 3 years and left for Japan on July 11, 2017. He returned to India on April 10, 2018 and remained here till August 17, 2018, then he went back to USA. He again came back to India on January 30, 2021 at 11.59 pm and continued to stay in India thereafter. Determine his residential status for the AY 2021-22.	[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 10-9-2020 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) Mr.Pratap Chowdari, a resident of Ajmer, receives Rs.1,92,000 p.a. as basic salary during the p.y. 2020-21. In addition he gets Rs.19,200 as DA forming part of basic salary, 7% commission on sales made by him (sale made during the relevant p.y. is Rs.86,000) and Rs.24,000 p.a. as HRA. He however pays Rs.21,500 p.a. as house rent. Determine the quantum of HRA exempt from tax.	[10]	CO1	L3
<b>Part B - Compulsory (01*10=10 marks)</b>				
4	Determine the taxable amount of pension for the A.Y. 2021-22 in the following cases:			
	i. Mr.X retires from B Ltd. On June 30, 2020. He gets pension of Rs.20,000 p.m. up to January 31, 2021. With effect from February 1, 2021 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, 2020. P Ltd. Pays Rs.2,600 p.m. as pension but does not pay any gratuity. On the request of X,	[5]		

P Ltd. Pays Rs.80,000 in lieu of commutation of 25% of pension on January 31, 2021.

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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

**Code:** 20MBAFM304

Date: 21/12/2021 Duration: 90mins Marks: 50 **Sem:** III

**Branch:** MBA

**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 <sup>st</sup> April of every year and ending on 31 <sup>st</sup> 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 <b>182 days</b> or more He/She is in India for a period of <b>60 days</b> or more during the P.Y. and <b>365 days</b> or more during <b>4 years</b> immediately preceding the P.Y. ADDITIONAL CONDITIONS He/She has been resident in India for at least <b>2 out of 10</b> 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 <b>730 days</b> or more during <b>7 years</b> immediately preceding the relevant P.Y.	3.5	7	
		c <b>Basic condition:</b> (b) Stayed for 60 days during the P.Y. and 597 days during 4 years immediately preceding P.Y. <b>Additional conditions:</b> (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	
	2	a <b>Direct and Indirect Tax:</b> 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	
		b <b>Residential status of Individual:</b> <b>OR :</b> Any one of the Basic Conditions + Both the Additional conditions are to be satisfied <b>NOR:</b> Any One of the Basic Conditions <b>NR:</b> None of the basic conditions satisfied. <b>BASIC CONDITIONS</b> a. He/She is in India in the P.Y. for a period of <b>182 days</b> or more b. He/She is in India for a period of <b>60 days</b> or more during the P.Y. and <b>365 days</b> or more during <b>4 years</b> immediately preceding the P.Y. <b>ADDITIONAL CONDITIONS</b> a. He/She has been resident in India for at least <b>2 out of</b>	2	7	
			2.5		

			<p><b>10</b> 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.</p> <p>b. (He/She has been in India for a period of <b>730</b> days or more during <b>7</b> years immediately preceding the relevant P.Y.</p>	2.5											
		c	<p>Least of the followings is exempted u/s 10(10)(ii)</p> <table border="1"> <tr> <td>a</td> <td>Amount of Gratuity received</td> <td>Rs.2,05,000</td> </tr> <tr> <td>b</td> <td>Ceiling limit</td> <td>Rs.20,00,000</td> </tr> <tr> <td>c</td> <td>15 days salary for each completed years of service [15/26 x 2,700 x 36]</td> <td><b>Rs.56,077</b></td> </tr> </table> <p><b>Rs.56,077 being least is exempted</b> and excess amount of <b>Rs.1,48,923 is taxable</b> (2,05,000 – 56,077)</p>	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]	<b>Rs.56,077</b>	10	10	
a	Amount of Gratuity received	Rs.2,05,000													
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c	15 days salary for each completed years of service [15/26 x 2,700 x 36]	<b>Rs.56,077</b>													
	3	a	<p><b>Tax Planning &amp; Tax Evasion:</b> Minimising tax liability by taking complete legitimate benefit of all deductions, exemptions, allowance is tax planning. Avoiding tax by illegal means is tax evasion.</p>	3	3	20 M									
		b	<p><b>Charging Rule:</b> 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.</p> <p><b>Exceptions:</b> 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</p>	2	7										
		c	<p>Least of the following is exempted u/s 10(13A)</p> <table border="1"> <tr> <td>a</td> <td>Actual HRA received</td> <td>Rs.24,000</td> </tr> <tr> <td>b</td> <td>40% of salary (40% of Rs.2,17,220)</td> <td>Rs.86,888</td> </tr> <tr> <td>c</td> <td>Excess of Rent paid over 10% of salary [21,500 - (10% of 2,17,220) = -222]</td> <td>Nil</td> </tr> </table> <p>Nothing is exempted and hence, HRA is <b>fully taxable</b></p>	a	Actual HRA received		Rs.24,000	b	40% of salary (40% of Rs.2,17,220)	Rs.86,888	c	Excess of Rent paid over 10% of salary [21,500 - (10% of 2,17,220) = -222]	Nil	10	10
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<b>B</b>	4	i	<p><b>Taxable Pension:</b> Rs.20,000 x 7 months = 1,40,000 40% of Rs.20,000 x 2 months = <u>16,000</u> = 1,56,000</p> <p><b>Taxable CVP</b> If Gratuity Received: 1/3 x 100/60 x 10,71,000 exempted Extd = <b>5,95,000</b> &amp; Taxable <b>4,76,000</b> If Gratuity not Received = <b>8,92,500</b> extd <b>Taxable 1,78,500</b></p>	5	10	10 M									
		ii	<p><b>Taxable Pension:</b> Rs.2,600 x 10 months = 26,000 <sup>3</sup>/<sub>4</sub> of Rs.2,600 x 2 months = <u>3,900</u> 29,900<b>Taxable CVP:</b> CVP Received 80,000 Less: Exemption: 1/2 x 100/25 x Rs.80,000 = <b>Rs.1,60,000</b> <b>Fully exempted</b></p>	5											