

**Internal Assessment Test - I**

Sub:	DIRECT TAXATION						Code:	20MBAFM304	
Date:	28-12-2022	Duration:	90 mins	Max Marks:	50	Sem:	III	Branch:	MBA

		Marks		OBE	
		CO	RBT	CO	RBT
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>					
1 (a)	Define the term Previous Year.  A financial year immediately preceding the assessment year is previous year. The previous year in case of newly set up business/profession commences on the date of set up and ends on 31 <sup>st</sup> March immediately following. Thus the period of previous year may be 12 months or less than 12 months.	[03]	CO1	L1	
(b)	Explain the case with conditions and comment the same. Mr. K V Rao, a senior scientist goes to Nigeria on a job approved by the Government for a period of 3 years on 15 <sup>th</sup> September 2021. He has never been out of India before. Determine his residential status for the previous year 2021-2022.  <b>Determination of Residential Status of Mr. K V Rao</b> Relevant Previous Year = 2021-2022 = Stay in India = 168 Days  Second Basic Condition and Both Additional condition satisfied.  <b>1BC + 2AC = ORDINARY RESIDENT.</b>	[07]	CO1	L2	
(c)	Analyze about the each transactions of Income of Sh. K K Katyal for the previous year 2021-2022, you are requested to compute his taxable income assuming Mr. Katyal as Ordinary Resident, Resident but not Ordinarily Resident and Non-Resident.  i. Profit earned from business in Delhi – Rs. 44,000. ii. Profit of a business established in U.K but controlled from India amount deposited in a Bank there – Rs. 20,000. iii. Salary received in U.K for services rendered in India – Rs. 10,000. iv. Profit from business in Nepal and controlled from there but received in India – Rs. 12,000. v. Income from House Property in U.K received in India – Rs. 4,000. vi. Income from House property in Nepal – Rs. 5,000. vii. Past untaxed foreign income brought into India during the Year – Rs. 5,000.  <b>OR = 95,000/-, NOR = 90,000/-, NR = 70,000/-</b>	[10]	CO2	L4	
2 (a)	Describe the term Assessment Year.	[03]	CO2	L2	

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.

- (b) Illustrate the following case as per the given conditions and compute the Salary Income. [07]

Salary (28,000 pm) = Rs. 3, 36, 000.

DA (10,000 pm) = 1, 20,000.

Bonus = Rs, 28,000.

He was living with his father (without paying any rent) and was getting HRA @ Rs. 10,000 pm. From 1-12-2021, he shifted to a rented house for which he paid Rs. 15,000 pm as rent. His HRA was also raised to Rs. 12,000 from same date. He is working at Delhi. Compute his Gross Salary for the Assessment Year 2022-23 if his salary is due on the last day of the month.

SALARY = 3,36,000

DA = 1,20,000

BONUS = 28,000

HRA (OWN HOUSE) = 80,000

HRA = PART (48,000/48,800/56,000 – 48,000) = NIL

**GROSS SALARY = RS. 5,64,000/-**

- (c) Outline the conditions of Mr. R is working with Reliance Industries Ltd. at Ahmedabad (Population above 25 lakhs). The particulars of his salary income are as under: [10]

Salary = Rs. 30,000 pm.

D.A [Treated as part of salary for calculation of Provident Fund] = Rs. 5,000 pm.

Bonus [Out of which 15,000 is gratuitous] = Rs. 25,000.

Commission = Rs. 2, 00,000.

Employee's and Employer's contribution to RPF [Each] = Rs. 3,000 pm.

The employer has provided a rent free house. Calculate the value of the perquisite of rent free house it:

a) House is owned by employer and its FRV is Rs. 45,000 pa.

b) House is hired by Employer at Rs. 4,000 pm.

**HOUSE IS OWNED BY EMPLOYER**

POPULATION IS MORE THAN 25 LAKHS = 15% OF SALARY = **94,500/-**

**HOUSE IS OWNED BY EMPLOYER**

15% OF SALARY = 94,500/-

ACTUAL RENT = **48,000/-**

- 3 (a) Define the term "Person" U/S 2(31) of IT Act of 1961. [03]

**PERSON U/S-2(31)**

1. Individual
2. HUF
3. Joint stock company (Infosys, Wipro, Jindal etc)
4. FIRM

5. AOP/BOI (E.g. Co-operative housing society)
6. Local Authority (E.g. BBMP, BDA, Talluk and Zilla panchayat etc.)
7. Artificial Judicial Person (Bangalore Uny. VTU, IIM, IIT, IISc etc.)

- (b) Examine the Incidence of tax in detail for all the different types of status of an individual. (Preferably Table Format) [07]

Types of Incomes	OR	NOR	NR
<b>Indian Incomes</b>	T	T	T
<b>Foreign Incomes:</b>			
<b>a. From Business</b>			
i. Controlled from India either partly/wholly	T	T	NT
ii. Controlled outside India wholly	T	NT	NT
<b>b. From Profession</b>			
i. which is set up in India	T	T	NT
ii. which is set up outside India	T	NT	NT
<b>c. Other foreign incomes</b>	T	NT	NT

- (c) Discuss the conditions of an individual which one has to fill to get the residential status of an India. [10]

### RESIDENTIAL STATUS

#### 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.

### Part B - Compulsory (01\*10=10 marks)

#### 4 Case Study

Analyze the case given below.

Pooja is a pilot in NEPC Airlines of Chennai (Population above 25 Lakhs). She draws Rs. 80,000 pm as salary, Rs. 16,000 pm as D.A. (not considered for computing retirement benefits). Rs. 80,000 as bonus and Rs. 24,000 pa educational allowance. He has got two children studying in the nearby school. He is also paid a flight allowance of Rs. 4,000 pm to meet his personal expenses while on duty. He has been provided with a rent – free unfurnished flat, the fair rental value of which is Rs. 2, 40,000 pa. Determine the taxable value of the perquisite and Salary Income.

[10]

**SALARY = 9,60,000 + DA = 1,92,000 + BONUS = 80,000 + EDUCATION ALLOWNCE = 21,600 + FLIGHT ALLOWANCE = 14,400 + RFA = 1,61,400 ===== RS. 14,29,400/-**

**RFA = 1,61,400/-**

**GROSS SALARY = 14,29,400/-**

**SALARY INCOME = 13,79,400/-**

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

Cognitive level	KEYWORDS
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3 - Apply	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4 - Analyze	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5 - Evaluate	asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6 - Create	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**

**CI**

**CCI**

**HOD**