Marking Scheme

Session 2018-19

TAXATION (782)

CLASS XII

Total marks: 100 Theory: 60 Marks Practical: 40 Marks

UNITS	UNIT NAME	TOTAL
1	Deduction From Gross Total Income	10
2	Computation Of Ta x Liability Of An Individual	20
3	TDS And Advance Payment Of Ta x	10
4	Goods And Services Tax (GST)	20
Total		**60 Marks**

Marking Scheme
TAXATION (782)
CLASS XII
(AS PER A.Y. 2018-19)

SECTION A

PART I

Q.1 **which product GST is not levied?** **1**

Ans. Alcoholic liquor for human consumption, Petroleum crude and four petroleum products, Electricity.

Q.2 **To Whom Deduction u/s 80 C in respect of life insurance premium, contribution to Provident Fund etc. is allowed?** 1

Ans. An Individual or HUF who is resident in India.

Q.3 **what is the threshold limit for registration under GST law across India?** **1**

Ans. Rs. 20 Lakhs

Q.4 **How much Advance Tax will need to pay if tax payable after TDS is not more than or equal to Rs. 10,000/-?** **1**

Ans. No need to pay advance tax

Q.5 **What is the taxable event under GST?** **1**

Ans. Supply of goods or services is the taxable event under GST.

Q.6 **How the payment of Medical Insurance premium u/s 80 D should be paid?** **1**

Ans. The payment of Medical Insurance premium u/s 80 D should be paid by any mode other than cash

Q.7 **Which GST form is levied on inter-state supply of goods or services in India?** **1**

Ans. IGST

Q.8 **Which form is used if the deduction of TDS is u/s 192?** **1**

Ans. Form 16

Q.9 **When was GST implemented in India?** **1**

Ans. 1st July 2017

Q.10 **what is the maximum limit of deduction u/s 80 QQB in respect of royalty income of authors of certain books?** **1**

Ans. Rs. 3, 00,000/-

Q.11 **What is the maximum qualifying limit as per section 80 CCE?** **1**

Ans. Rs. 1, 50,000/-

Q.12 **what is the obligation to deduction TDS in case of Rental Income?** **1**

Ans. If it exceed Rs. 1, 80,000/-

PART II

Q.13 When is surcharge applicable to an individual and at what rate?

Ans.13

(a) Eligibility : Resident Individual and Resident HUF (1)

(b) Max. Limit: Rs. 50,000 (1,00,000 in case of severe disability) (1)

Q.14 **What is a return? How many returns is a normal taxpayer required to furnish under GST law?**

Ans.14 Return is a document containing statement of facts, which is filed by taxpayer according to laws with the tax administration authorities at regular intervals. (1)

Under GST law, a normal taxpayer is required to furnish three (3) returns monthly and one (1) annual return comprising of 37 returns in a year. (1)

Q.15 What is TAN? Which form is required to apply for TAN?

Ans.15 A person who deducts tax at source has to apply for TAN number from Income tax authorities. TAN stands for Tax Deduction and Collection Number. (1)

The application for TAN has to be made in Form 49B in duplicate to the Assessing Officer within one month from the end of the month in which the tax is deducted for the first time. (1)

Q.16 What is the permissible amount of deduction u/s 80 U?

Ans.16 The permissible deduction u/s 80 U is

(a) Rs. 75,000/- in case of a person with disability. (1)

(b) Rs. 1,25,000/- in case of a person with severe disability (80% or more disability) (1)

Q**.17 On which supplies is the IGST applicable?**

Ans.17 IGST is applicable on the following supplies:

(a) All inter-state supplies of goods or services in India (0.5)

(b) Inter-state stock transfer of goods (0.5)

(c) Import of goods or services (0.5)

(d) Export of goods or services (0.5)

Q.18 What are the different prepaid taxes deducted while determining the net tax liability of an individual?

Ans.18 The different prepaid taxes deducted while determining the net tax liability of an individual are:

(a) Advance Tax (0.5)

(b) Self Assessment Tax (0.5)

(c) TDS (0.5)

(d) TCS (0.5)

Q.19 When is TDS deductible u/s 194A? What is the rate of TDS under this section?

Ans.19 The TDS is deductible under section 194A when the interest is paid to a resident, any interest other than the interest on securities amounting more than Rs. 5,000/- or Rs. 10,000/- as the case may be. (1)

Rate of TDS :

(a) 10 %. No surcharge , education cess or SHEC shall be added.

(b) 20%, when the payee does not furnish his PAN to the deductor. (1)

PART III

Q.20 What do you understand by Input Tax Credit? What is the manner of utilizing Input Tax Credit?

Ans.20 ITC or Input Tax Credit means setting off the amount of input tax paid by the registered dealer against the amount of his output tax liability. (1)

The credit would be permitted to be utilized in the following manner:

(a) ITC of CGST allowed for the payment of CGST and IGST in that order.
(b) ITC of SGST allowed for the payment of SGST and IGST in that order.
(c) ITC of IGST allowed for the payment of IGST, CGST and SGST in that order.
(d) ITC of CGST cannot be used for the payment of SGST and vice-versa. (2)

Q.21 What is the tax rate applicable to Mrs. P, resident of India, of 62 years of age?

Ans.21 The tax rate applicable to Mrs. P, resident of India, of 62 years of age is as follows: (3)

	Level of total income	Rate of tax
(i)	Where the total income does not exceed Rs. 2,50,000/-	NIL
(ii)	Where the total income exceeds Rs. 2,50,000/- but does not exceed Rs. 5,00,000/-	5% of the amount by which the total income exceeds Rs. 2,50,000/-
(iii)	Where the total income exceeds Rs. 5,00,000/- but does not exceed Rs. 10,00,000/-	Rs. 12,500/- plus 20% of the amount by which the total income exceeds Rs. 5,00,000/-
(iv)	Where the total income exceeds Rs. 10,00,000/-	Rs. 1,12,500/- plus 30% of the amount by which the total income exceeds Rs. 10,00,000/-

Q.22 what are the due dates of payment of advance tax? Also specify the installments of the advance tax to be paid.

Ans.22 The due dates of Payment of advance tax along with the installment payable is as follows:

Due date of installment	Amount payable
On or before 15^{th} June	Not less than 15% of advance tax liability
On or before 15^{th} September	Not less than 45% of advance tax liability, as reduced by the amount, if any, paid in the earlier installment.
On or before 15^{th} December	Not less than 75% of advance tax liability, as reduced by the amount, if any, paid in the earlier installment or installments.
On or before 15^{th}March	The whole of advance tax liability, as reduced by

	the amount, if any, paid in the earlier installment or installments.

Q.23 When is the Rebate u/s 87A permissible? What is the allowable amount of rebate under the said section?

Ans.23 The Rebate u/s 87A is permissible if the following conditions are fulfilled:

(a) The assessee is an individual who is resident of India for the relevant assessment year.

(b) The total income for the relevant assessment year does not exceed Rs. 3,50,000/-. (2)

The amount allowable as rebate u/s 87 A is equal to the amount of income tax payable on the total income for the assessment year or Rs. 2,500/- whichever is less. (1)

Q.24 Discuss the taxability of exports under GST regime. How is it different from exempted supplies?

Ans.24 Exports under the GST regime are zero-rated i.e. tax is payable @ 0%. (1)

Zero rating is advantageous to the exporter as compared to exemption of other supplies. While in an exempted transaction, the tax paid on input lapses i.e. it cannot be set off, the exporters are however granted refund of taxes paid by them on their inputs.

(2)

Q.25 State the provisions regarding deduction of tax at source in respect of the following payments:

(a) Rent

(b) Winning from lottery

Ans.25 The provisions regarding deduction of tax at source are as follows:

	Payment	Section	Threshold Limit	Rate of TDS
(a)	Rent	194I	Rs. 1,80,000/-	- For Plant and Machinery or Equipment 2% - For Others 10%
(b)	Winning from Lottery	194B	Rs. 10,000/-	30/-

(2) (1)

Q.26 Differentiate between Gross total income and Total income (3)

Ans. 26 Difference between Gross Total Income and Total Income is as follows:

Gross Total Income	Total Income
1. Gross total income is calculated by adding the income from five heads after adjusting clubbing and set off and carry forward of losses. 2. Tax is not calculated on Gross total income. 3. Gross total income is used to calculate taxable income.	1. Total income is calculated by deducted by deducting deductions u/s 80 C to 80 U from Gross total income. 2. Tax is paid on Total income 3. Total income is also known as Taxable income.

SECTION B

Q.27 Calculate the tax liability of Mr. A (aged 49 years), who is resident of India, for the A.Y. 2018-19 from the following particulars:

(a) Gross total income Rs. 3,31,000/-
(b) Deduction u/s 80 C to 80 U Rs. 55,000/-
(c) Long term capital gains on sale of land(included in GTI) Rs. 50,000/-
(d) Short term capital gains on sale of shares of Indian listed companies in respect of which STT was paid Rs. 2,50,000/-

Ans.27 The tax liability of Mr. A (aged 49 years), who is resident of India, for the A.Y. 2018-19 is as follows:

Particulars	Details	Amount (in Rs.)	
Gross total income		3,31,000	
Less: Deductions u/s 80 C to 80 U	(Note 1)	(31,000)	
Total Income		3,00,000	(1)
Tax on Total Income			
- At normal rates			
- At Special Rates	7,500 (Note2)	7,500	
Less: Relief u/s 87 A	(Note 3)	(2,500)	
Balance liability		5,000	(
Add: Education cess @2%	100		2
SHEC @1%	50	150	)
Total Tax Liability		5,150	(1

Notes:

1. Deduction u/s 80 C to 80 U is allowable from Gross Total Income except LTCG and STCG u/s 111A.

Total GTI	3,31,000
LTCG	50,000
STCG u/s 111A	2,50,000
Other Normal Income	31,000

   Therefore maximum Deduction u/s 80 C to 80 U is Rs. 31,000/-
2. Tax Liability

Total Income	3,00,000
Less: Minimum Exemption slab	2,50,000
Balance income	50,000

   Benefit of minimum exemption slab is available from LTCG and STCG u/s 111A to resident Individual. Balance income will be treated as STCG u/s 111A since it is chargeable @ 15% instead of LTCG which is taxable @ 20%.
   Tax at special rates on Rs. 50,000/- @ 15% = Rs. 7,500/-
3. Relief u/s 87 A is lower of the following two values:
   a) Tax liability – Rs 5,000/-
   b) Rs. 2,500/-
   i.e. Rs. 2,500/-

Q.28 **Discuss the challenges being faced in the implementation of GST.**

Ans.28 The challenges being faced in the implementation of GST are as follows: (Explain any 5)

(a) Establishing and up gradation of IT Framework
(b) Meeting implementation challenges
(c) Tax administration
(d) Effective coordination between Centre and State Tax Administrations
(e) Training of officials and trade and industry
(f) Spreading accounting and IT Literacy
(g) Reorganization of audit procedures

Q.29 The gross total income of Mr. X, a resident of India, is Rs. 8,18,240/- which includes the following:

(a) Long term capital gains of Rs. 2,45,000/-
(b) Short term capital gains of Rs. 58,000/-
(c) Interest income of Rs. 12,000/- from saving bank accounts with banks.

Further information:

(a) Investment in PPF is Rs. 1,40,000/-
(b) Paid Medical insurance premium of Rs. 31,000/-
(c) Contribution of Rs. 50,000/- to Public charitable trust eligible for deduction u/s 80 G by way of account payee cheque.

Compute the eligible deduction under Chapter VI-A of Mr. X, who is 70 years old for the A.Y. 2018-19.

Ans.29 **Deductions under Chapter VI-A**

Particulars	Details	Amount (in Rs.)
Under section 80 C in respect of PPF deposit		1,40,000
Under section 80 D	(Note 1)	30,000
Under Section 80 G	(Note 3)	19,662
Under Section 80 TTA	(Note 2)	10,000
Total deductions		1,99,662

Notes:

1. The premium of Rs. 31,000/- is assumed to be paid in any mode other than cash. The deduction is however restricted to Rs. 30,000/- since the assessee is a senior citizen.
2. Deduction upto Rs. 10,000/- under section 80 TTA is allowed to an individual assessee if gross total income includes interest from deposits in a saving account with bank.
3. Deduction u/s 80 G:

Gross total income	8,18,240	
LTCG	2,45,000	
Balance	5,73,240	
Less: Deduction u/s 80C, 80D, 80TTA	1,80,000	(1,40,000 + 30,000 + 10,000)
Adjusted total Income	3,93,240	

10% of Adjusted total income	39,324 (a)
Contribution made	50,000 (b)
Deduction u/s 80G is lower of (a) or (b)	**39,324**

Q.30 Explain the procedure for computing the Total Income of an assesses.

Ans.30 The procedure for computing the Total Income of an assesses is as follows:

Step 1: Compute the income of an individual under 5 heads of income on the basis of his residential status

Step 2: Income of any other person, if includible under sections 60 to 64, will be included under respective heads.

Step 3: Set off of the losses if permissible, while aggregating the income under 5 heads of income. Carry forward and set off of losses of the past years, if permissible, from such income

Step 4: The income computed under step 1 to 3 is known as Gross Total Income from which deductions u/s 80 C to 80 U will be allowed. However, no deduction under these sections is allowed from STCG u/s 111A, any LTCG and winning from lotteries etc., though these incomes are part of Gross Total Income.

Step 5: The balance income after allowing the deductions is known as total income which will be rounded off to the nearest Rs.10.

Q.31 Mrs. Sharma has furnished the following information:

Business income	**Rs. 1,30,000/-**
Income from house property	**Rs. 80,000/-**
Capital Gains (Long Term)	**Rs. 40,000/-**
Capital Gains (Short Term)	**Rs. 20,000/-**
Income from other sources	**Rs. 15,000/-**
Deposit in PPF	**Rs. 10,000/-**

She pays Rs. 5,000/- p.m. as rent for his residential accommodation in Delhi. Assuming, she or her family has no other residential accommodation, calculate deduction allowable u/s 80G to Mrs. Sharma for the relevant assessment year.

Ans.31 The deduction u/s 80 G is the least of the following:

(a)	Rent paid (-) 10% of Adjusted total income (W.Note) 60,000 (5,000*12) – 23,500 (10/100* 2,35,000)	36,500	
(b)	Rs. 2000 per month	**24,000**	
(c)	25% of Adjusted total income (25/100* 2,35,000)	58,750	
	The maximum deduction allowed u/s 80 G is Rs. 24,000.		(3)

Working Note :

Adjusted total Income = Gross Total Income – Special Income – Deductions except u/s 80 G

= 2,85,000 – 40,000 (LTCG Income) – 10,000 (Deduction U/s 80 C – deposit in PPF)

= **Rs. 2,35,000/-** (2)

Gross total income	=	Business income	Rs. 1,30,000/-
		Income from house property	Rs. 80,000/-
		Capital Gains (Long Term)	Rs. 40,000/-
		Capital Gains (Short Term)	Rs. 20,000/-
		Income from other sources	Rs. 15,000/-
		Total	**Rs. 2,85,000/-**

Q.32 State whether the following receipts are taxable in the hands of the individual and if so, under which head of income:

(a) Profits arising from the sale of rural agricultural land situated in India.

(b) Dividend income received from a company who has only earned agricultural income.

(c) Profit on sale of personal jewellery.

(d) A gift of Rs. 31,000/- each received from 5 friends on the occasion of the marriage.

(e) Short term capital gains from the sale of equity shares on which securities transaction tax has been paid.

Ans. 32 The treatment of the receipts is as follows:

(a) Not taxable as the land transferred is a rural agricultural land and rural agricultural land is not a capital asset.(1)

(b) Dividend is exempt in the hands of the shareholder u/s 10(34). However, the company shall have to pay dividend distribution tax even though income received by the company is agricultural income and therefore exempt. (1)

(c) Taxable as income from capital gains as personal jewellery is a capital asset. (1)

(d) All such gifts shall be exempt on the occasion of marriage. (1)

(e) It is taxable under the head capital gains at special rate of 15%. (1)

Q.33 Explain the features of GST.

Ans.33 The salient features of GST under model GST law is as follows: (Any 5)

(a) Supply based tax:

GST is applicable on 'supply' of goods or services as against the previous concept of tax on the manufacture of goods or sale of goods or provision of services.

(b) Desination based consumption tax

GST is destination based tax. This implies that all SGST(or UTGST) collected will ordinarily accrue to the state (or Union Territory)where the consumer of the goods or services receives supply.

(c) Dual GST

Both Centre and States simultaneously have the power to impose GST across the entire supply chain. Centre would levy and collect Central Goods and Service Tax (CGST) and States would levy and collect State Goods and Service Tax (SGST) on all supplies within a State.

(d) Inter state supplies and IGST mechanism

The centre would levy and collect the Integrated Goods and Service Tax (IGST) on

- All inter state supply of goods and services in India
- Inter state stock transfers of goods
- Import of goods/services
- Export of goods/services

(e) Replacement of existing taxes

Various central taxes like Central Excise Duty, Additional Excise Duty, service tax etc. and State taxes like VAT/ sales tax, Entertainment tax, octroi and entry tax, luxury tax etc. have been subsumed under GST.

(f) Tax slabs of GST

GST rates have been categorized under five tax slabs i.e. 0%, 5%, 12%, 18% and 28%.

(g) Input tax credit

The basic concept of GST is based on providing the set-off for the tax paid on the inputsused and this is given effect through the concept of input tax credit.

(h) Threshold limit

The threshold limit for registration under GST is Rs. 20 lakhs (Rs. 10 lakhs for north eastern states).