

CBSE | DEPARTMENT OF SKILL EDUCATION

TAXATION (SUBJECT CODE: 822)

MARKING SCHEME FOR CLASS XI (SESSION 2022-2023)

Max. Time: 3 Hours

Max. Marks: 60

General Instructions:

1. Please read the instructions carefully.
2. This Question Paper consists of **24 questions** in two sections – Section A & Section B.
3. Section A has Objective type questions whereas Section B contains Subjective type questions.
4. **Out of the given (6 + 18 =) 24 questions, a candidate has to answer (6 + 11 =) 17 questions in the allotted (maximum) time of 3 hours.**
5. All questions of a particular section must be attempted in the correct order.
6. **SECTION A - OBJECTIVE TYPE QUESTIONS (30 MARKS):**
 - i. This section has 06 questions.
 - ii. There is no negative marking.
 - iii. Do as per the instructions given.
 - iv. Marks allotted are mentioned against each question/part.
7. **SECTION B – SUBJECTIVE TYPE QUESTIONS (30 MARKS):**
 - i. This section contains 18 questions.
 - ii. A candidate has to do 11 questions.
 - iii. Do as per the instructions given.
 - iv. Marks allotted are mentioned against each question/part.

SECTION A: OBJECTIVE TYPE QUESTIONS

Q. No.	QUESTION	Source Material (NCERT/PSSCIV E/ CBSE Study Material)	Unit/ Chap. No.	Page no. of source material	Marks
Q. 1	Answer any 4 out of the given 6 questions on Employability Skills (1 x 4 = 4 marks)				
i.	c)Confidence	NCERT	1	16	1
ii.	b)Self-motivation	NCERT	2	95	1
iii.	d) Making a to-do-list	NCERT	2	105	1
iv.	c) Find & Replace	NCERT	3	121	1
v.	b)Service Business	NCERT	4	140	1
vi.	a) Using chemical fertilisers	NCERT	5	175	1
Q. 2	Answer any 5 out of the given 7 questions (1 x 5 = 5 marks)				
i.	c) Legal and illegal both	CBSE	1	13	1
ii.	d) Reimbursement of travelling expenses.	CBSE	1	13	1
iii.	Rs.5000	CBSE	1	10	1
iv.	Eight years	CBSE	1	10	1
v.	21-10-20, 31-03-21	CBSE	1	5	1
vi.	Ministry of Finance	CBSE	1	10	1
vii.	d. Income earned from carrying nursery operations	CBSE	1	10	1
Q. 3	Answer any 6 out of the given 7 questions (1 x 6 = 6 marks)				
i.	d. All of the above	CBSE	2	30	1
ii.	a. Resident	CBSE	2	30	1
iii.	It is Wholly exempt from tax	CBSE	2	34	1
iv.	Individual and HUF .	CBSE	2	18	1

v.	It is exempted from tax in the hands of the member	CBSE	2	31	1
vi.	An Indian as well as foreign citizen employee	CBSE	2	32	1
vii.	c. any allowances or perquisites are exempt	CBSE	2	34	1
Q. 4	Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)				
i.	b. It is not taxable ,if exempt u/s 10, otherwise taxable	CBSE	3	45	1
ii.	Section 15	CBSE	3	44	1
iii.	It is common practice of employees to receive salary in advance under conditions of emergency. Tax is chargeable to all salaries which are due whether actually paid or not and also on those which are paid whether due or not to the employee during the financial year.	CBSE	3	44	1
iv.	An amount in excess of Rs.5,000 is taxable.	CBSE	3	58	1
v.	a. Rs.18000	CBSE	3	77	1
vi.	a. Specified employee only	CBSE	3	63	1
Q. 5	Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)				
i.	(c) Rs. 300	CBSE	2	56	1
ii.	One third of the full value of commuted pension is exempted	CBSE	2	36	1
iii.	Fully exempted	CBSE	2	34	1
iv.	10 months immediately preceding the month of retirement.	CBSE	2	35	1
v.	10(33)	CBSE	3	172	1
vi.	8 years	CBSE	3	112	1
Q 6.	Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)				
i.	Income from other sources	CBSE	3	162	1
ii.	d. Interest on capital borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of the property	CBSE	3	113	1
iii.	b. Co-owner of a property	CBSE	3	113	1
iv.	Profit and Gain from Business and Profession.	CBSE	3	128	1
v.	It is treated as Income from Profession	CBSE	3	143	1
vi.	d. Rs. 1 crore, 25 lakhs	CBSE	3	143	1

SECTION B: SUBJECTIVE TYPE QUESTIONS

Q. No.	QUESTION	Source Material (NCERT/PSSCIVE/ CBSE Study Material)	Unit/ Chap. No.	Page no. of source material	Marks
Answer any 3 out of the given 5 questions on Employability Skills in 20 – 30 words each (2 x 3 = 6 marks)					
7.	Being assertive is a healthier communication style. It involves : • expressing your views without disrespecting others and communicating your opinion and wishes clearly, • respecting others and being open to other's points of view, and	NCERT	1	22-23	2

	<ul style="list-style-type: none"> finding a balance between your needs and other's needs. Assertive Communication builds self-confidence and self-respect. 				
8.	Ans:-Listening with attention shows that you respect and value what the other person is saying. Asking thoughtful questions shows that you are interested in the opinion of the other person and it helps to build trust in a relationship.	NCERT	2	88-89	2
9.	Ans: Header is the top part of a page while the footer appears at the bottom of the page. They contain information that is available on every page at the same place, for example, if we want the title of the document at the top of each page and the page number at the bottom of each page, we can use a header (for title) or a footer (for page number).	NCERT	3	130	2
10.	Ans: Critical thinking to understand a situation or problem by asking oneself questions (why, what, when, how) and researching about reasons for the situation or a problem. An entrepreneur has to always think critically when faced with a problem. They just cannot get worried about the problem .	NCERT	4	153	2
11.	<p>Agriculture refers to growing crops for our food. Following are the methods which can contribute in environment friendly economy:</p> <ol style="list-style-type: none"> 1.Support local, organic and natural farming (farming without use of harmful fertilisers and pesticides) 2. Grow our own vegetables, if possible 3. Eat in-season and locally produced food 	NCERT	5	172	2
Answer any 3 out of the given 5 questions in 20 – 30 words each (2 x 3 = 6 marks)					
12.	Ans.- A person may not be liable only for his own income or loss, but he may also be liable for the income or loss of other persons e.g. agent of a non-resident, guardian of minor or lunatic etc. In such cases, the person responsible for the assessment of income of such person is called Representative assesses. Such person is deemed to be an assessee.	CBSE	1	6	2
13.	Ans. If an assessee, by chance or without any pre-expectation or accidentally gets	CBSE	1	9	2

	any income which is of non recurring nature is regarded as casual income. The casual income includes winning from lotteries, crossword puzzles, races, card games, gambling, betting, prize awarded for coin collection or stamp collection or gardening, receipt of reward to a person for tracing out any lost child, receipt of remuneration for acting as an arbitrator in any dispute etc.				
14.	Ans. As per section 10(2A), share of profit received by a partner from a firm is exempt from tax in the hands of the partner. Further, share of profit received by a partner of LLP from the LLP will be exempt from tax in the hands of such partner. This exemption is limited only to share of profit and does not apply to interest on capital and remuneration received by the partner from the firm/LLP.	CBSE	2	31	2
15.	An employee is termed as Specified Employee, if such Employee is : a. Director in the employer company b. Employee has substantial interest in the employer business – 20% or more share in the ownership c. profit of the employer company d. Employee has cash taxable salary more than Rs.50,000 during the year.	CBSE	3	57	2
16.	Ans. Expenses incurred prior to commencement of trade is called preliminary expenses. These expenses are allowed in case of an Indian company or resident individuals business. Such expenses are allowed in to 5 equal annual instalments. Total deduction of such expenses can not be more than 5% of the project or 5% of the total capital of the business.	CBSE	4	134	2
Answer any 2 out of the given 3 questions in 30– 50 words each (3 x 2 = 6 marks)					
17.	Following persons are considered as Deemed Assessee: a. In case of a deceased person who dies after writing his will the executors of the	CBSE	2	7	3

	<p>property of deceased are deemed as assessee.</p> <p>b. In case a person dies intestate (without writing his will) his eldest son or other legal heirs are deemed as assessee.</p> <p>c. In case of a minor, lunatic or idiot having income taxable under Income-tax Act, their guardian is deemed as assessee.</p> <p>d. In case of a non-resident having income in India, any person acting on his behalf is deemed as assessee.</p>				
18.	<p>All Indian companies within the meaning of Section 2(26) of the Act are always resident in India regardless of the place of control and management of its affairs. Whereas Non-Indian company (foreign company) would be resident in India only if the whole of the control and management of its affairs throughout the relevant previous year are exercised from India. In other words, even if a negligible part of the control and management is exercised from outside India the company would be a non-resident for income-tax purposes.</p>	CBSE	3	24	3
19.	<p>Winnings from Horse races, lotteries, crossword puzzles, card games and other game of any sort, gambling or betting of any form whatsoever, are always taxed under "Income from Other Sources". Such income is taxable under this head even if the assessee claims to carry on any trade or adventure in these activities as part of his business.</p> <p>The entire income of winnings will be taxable without any deductions under Sections 80C to 80U. However, expenses relating to the activity of owning and maintaining race horses are allowable. Further, the rate of income-tax on such income is 30% + surcharge + cess @ 3%.</p>	CBSE	4	161	3
Answer any 3 out of the given 5 questions in 50– 80 words each (4 x 3 = 12 marks)					
20.	<p>Ans: Agriculture income is exempt under the Indian Income Tax Act. However while computing tax on non agricultural income, agricultural income is also taken into consideration. Agriculture income is computed same as business income. Losses from agricultural operations could be carried forward and set off with</p>	CBSE	1	10	4

	<p>agricultural income of next eight assessment years.</p> <p>Example of Incomes, which are treated as Agriculture Incomes:</p> <p>(a) Income from sale of replanted trees. (b) Rent received for agricultural land. (c) Income from growing flowers and creepers.</p> <p>i) Example of Incomes, which are not treated as Agricultural Income; (a) Income from poultry farming. (b) Income from bee hiving. (c) Income from sale of spontaneously grown trees.</p>				
21.	<p>As per section 10(10)(ii), exemption in respect of gratuity in case of employees covered by the Payment of Gratuity Act, 1972 will be lower of following :</p> <ul style="list-style-type: none"> • 15 days' salary × years of service. • Maximum amount specified, i.e., Rs. 10,00,000. • Gratuity actually received. <p>Following points are to be taken care while calculating the same:</p> <ol style="list-style-type: none"> 1. Instead of 15 days' salary, only 7 days salary will be taken into consideration in case of employees of seasonal establishment. 2. 15 days' salary = Salary last drawn × 15/26 3. Salary for this purpose will include basic salary and dearness allowance only. Items other than basic salary and dearness allowance are not to be considered. 4. In case of piece rated employee, 15 days' salary will be computed on the basis of average of total wages (excluding overtime wages) received for a period of three months immediately preceding the termination of his service. 5. Part of the year, in excess of 6 months, shall be taken as one full year. 	CBSE	1	34	4
22.	<p>Solution:</p> <p>The tax treatment of various items in the hands of Mrs. Sudha will be as follows:</p> <ol style="list-style-type: none"> 1. Gift received from mother will not be charged to tax (since mother is covered in the definition of relatives). Hence, gift of gold amounting to Rs. 2,84,000 received from her 	CBSE	2	169-170	4

	<p>mother will not be charged to tax.</p> <p>2. Gift received from brother will not be charged to tax (since brother is covered in the definition of relatives). Hence, gift of shares amounting to Rs. 20,000 received from her brother will not be charged to tax.</p> <p>3. Gift received on account of marriage of an individual is covered in exemptions. Hence gift painting amounting to Rs. 2,50,000 received from a friend on the occasion of her marriage will not be charged to tax.</p> <p>4. Gift received on account of marriage of an individual is not charged to tax. But, in this case the gift is received on the occasion of marriage of a friend of Mrs. Verma. Hence, gift of diamond necklace amounting to Rs. 60,000 received from friend on the occasion of her friend's marriage will not be covered in the exemptions prescribed above.</p> <p>5. The gold bangles are purchased at Rs. 64,000 while the fair market value is Rs. 1,34,000. The excess of fair market value over the purchase price will amount to Rs. 70,000 i.e. Rs. 1,34,000 – Rs. 64,000). Hence, Rs. 70,000 will be charged to tax in respect of purchase of gold jewellery.</p> <p>6. The fair market value of bullion is Rs. 5,40,000. However, the same is purchased for Rs. 5,70,000 which is more than the fair market value. In other words, in this case the purchase price is more than the fair market value and, hence, nothing will be charged to tax.</p> <p>7. Refrigerator does not come under the definition of specified movable property, hence, nothing will be taxed in respect of purchase of refrigerator.</p> <p>Considering above discussion, the total amount of gift not covered in any of the specified exemptions will come to Rs. 1,30,000 (60,000 + 70,000). If the gift not covered in specified exemptions exceeds Rs. 50,000 then the entire amount of such gift is charged to tax. Hence, taxable amount of gift will come to Rs. 1,30,000.</p>				
23.	The residential status of the assessee	CBSE	3	21	4

	<p>should be determined for each year separately. This is because a person resident in one year may become non-resident or not ordinarily resident in another year and vice versa.</p> <p>1. The residential status of an individual for tax purposes does not depend upon his citizenship, nationality and place of birth or domicile. This is because for tax purposes, an individual may be resident in more than one country in respect of the same year.</p> <p>2. The period of stay required in each of the conditions need not necessarily be continuous nor is the purpose of stay is insignificant in determining the residential status.</p> <p>3. It is not required that the stay should be at the usual place of residence, business or employment of the individual. The stay may be anywhere in India and for any length of time at each place.</p> <p>(i) 4. India means territory of India, its territorial waters, continental shelf, Exclusive Economic Zone (upto 200 nautical miles) and airspace above its territory and territorial waters.</p> <p>5. Where the exact arrival and departure time is not available then the day he comes to India and the day he leaves India is counted as stay in India.</p>				
24.	<p>Yes, Accountant is right. Prize money would be taxed under the head "Income from other sources". There are certain incomes which are always taxed under head "Income from other Sources.". These incomes are as follows:</p> <p>1. Dividends : Dividends are always taxed under this head. However, dividends from domestic company other than those covered by section 2(22)(e) are exempt from tax under section 10(34).</p> <p>2. Income by way of interest received on compensation or on enhanced compensation: Income by way of interest received on compensation or on enhanced compensation shall be chargeable to tax under the head "Income from other sources". Such income shall be deemed to be the</p>	CBSE	4	160-161	4

	<p>income of the year in which it is received, irrespective of the method of accounting followed by the assessee. However, a deduction of a sum equal to 50% of such income shall be allowed from such income. Apart from this, no other deduction shall be allowed from such an income.</p> <p>3. Winnings from lotteries: Winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form whatsoever, are always taxed under this head. Such income is taxable under this head even if the assessee claims to carry on any trade or adventure in these activities as part of his business. The entire income of winnings will be taxable without any deductions under Sections 80C to 80U. However, expenses relating to the activity of owning and maintaining race horses are allowable. Further, the rate of income-tax on such income is 30% + surcharge + cess @ 3%</p> <p>4. Gifts: Gifts received by an individual or HUF (which are chargeable to tax) are also taxed under this head.</p>				
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