

CBSE – DEPARTMENT OF SKILL EDUCATION

TAXATION (SUBJECT CODE 822)

MARKING SCHEME OF Sample Question Paper

Class-XII Session 2019–2020

Time: 3 Hours

Max. Marks: 60

General Instructions:

1. *This Question Paper consists of two parts viz. Part A: Employability Skills and Part B: Subject Skills.*
2. **Part A: Employability Skills (10 Marks)**
 - i. *Answer any 4 questions out of the given 6 questions of 1 mark each.*
 - ii. *Answer any 3 questions out of the given 5 questions of 2 marks each.*
3. **Part B: Subject Skills (40 Marks):**
 - i. *Answer any 10 questions out of the given 12 questions of 1 mark each.*
 - ii. *Answer any 5 questions from the given 7 questions of 2 marks each.*
 - iii. *Answer any 5 questions from the given 7 questions of 3 marks each.*
 - iv. *Answer any 3 questions from the given 5 questions of 5 marks each.*
4. ***This question paper contains 42 questions out of which 30 questions are to be answered.***
5. *All questions of a particular part/section must be attempted in the correct order.*
6. *The maximum time allowed is 3 hrs.*

PART A: EMPLOYABILITY SKILLS (10 MARKS)

Answer any 4 questions out of the given 6 questions of 1 mark each:

Sr. No.	Questions	Marks
1.	Hearing is _____process. a. Passive b. Active c. Both of the Above	(1)
2.	Which of the following are the sources of motivation and inspiration _____. a. Music b. Books c. Both of the Above	(1)
3.	Dreaming big is a journey not a destination. a. True b. False	(1)
4.	Which of the following is not a advantage of the spreadsheet? a. Built-in functions make calculations easier, faster, and more accurate. b. Large volumes of data cannot be manipulated. c. Data can be exported to or imported from other software	(1)
5.	Entrepreneurship is a process of_____ a. developing a business plan b. Launching and running a business using innovation. c. Both of the Above	(1)

6.	<p>Green jobs are required to Plan_____</p> <ol style="list-style-type: none"> a. Destination management b. Destination managers, Trainer c. Both of the above 	(1)
-----------	--	-----

Answer any 3 questions out of the given 5 questions of 2 marks each:

7.	<p>Describe Active listening? Ans: Active listening refers to the act of making conscious efforts to perceive the sound. (1+1)</p>	(2)
8.	<p>Why is Self-Motivation important? Ans: 1. It increases individual's energy and activity. 2. It directs an individual towards specific goals. (1+1)</p>	(2)
9.	<p>Write the few components of Open Office Impress Window? Ans: <ul style="list-style-type: none"> • Title Bar • Menu Bar • Standard Bar • Formatting Bar (½ *4=2) </p>	(2)
10.	<p>What are the key problems an Entrepreneur may face while running a business? Ans: 1. Idea: What should my business idea be? How do I know that this idea will work? 2. Money: How much money should be raised to start a business?(1+1)</p>	(2)
11.	<p>What is the role of Green Job in toxin free House? Ans: In our daily lives we do household work, that releases harmful gases into the atmosphere and contribute to the warming of our planet.(1) Green jobs will promote the usage of ecofriendly raw materials and conserve energy through Reuse, Reduce, and Recycle, Use less heat and reconditioning etc. (1)</p>	(2)

PART B: SUBJECT SKILLS (50 MARKS)

Answer any 10 questions out of the given 12 questions:

12.	<p>What is the nature of deduction u/s 80GG? Ans. The nature of deduction under 80GG is for the house rent paid in the previous year for his accommodation (furnished or unfurnished) on a condition that he or his spouse or any minor child or HUF of which he is a member does not own any house at the place of assessee's work or dwelling. (1)</p>	(1)
13.	<p>On which payments is the section 194B applicable? Ans. Under Section 194B, winnings from lottery or crossword puzzle or card game and other game of any sort exceeding Rs.10,000 are also subject to deduction of tax at source as per rates in force. (1)</p>	(1)

14.	What do you mean by Goods and Services Tax? Ans. GST is a destination based indirect tax on consumption of goods and services, i.e., the tax would accrue to the taxing authority (State/Union Territory) which has jurisdiction over the place of consumption, which is termed as place of supply. (1)	(1)
15.	What is the quantum of deduction allowed u/s 80QQB i.e. Royalty income of authors? Ans. The quantum of deduction allowed u/s 80QQB i.e. Royalty income of authors is 100% of such income; or Rs. 3,00,000; whichever is less. (1)	(1)
16.	Who is liable to pay advance tax? Ans. As per section 208, every person whose estimated tax liability for the year is Rs. 10,000 or more, shall pay his tax in advance, in the form of "advance tax". (1)	(1)
17.	What are the different tax slabs applicable under GST? Ans. GST rates will be uniform across the country. Initially, the Government categorised 1211 items under five tax slabs, i.e., 0%, 5%, 12%, 18% and 28%. The list is not exhaustive. Some of the items also attract cess in addition to GST at the applicable rates. (1)	(1)
18.	Who is allowed to claim deduction u/s 80G i.e. in respect of donations? Ans. All Assessee are allowed to claim deduction u/s 80G. (1)	(1)
19.	When does the liability to deduct TDS arise in case salaries? Ans. The responsibility to deduct tax from salaries arises only at the time of payment. (1)	(1)
20.	Name any two central taxes that have been subsumed under GST. Ans. Any two of the following: i. Central Excise Duty ii. Additional Excise Duty iii. Excise Duty levied under the Medicinal and Toiletries Preparation Act iv. Service Tax v. Additional Customs Duty, commonly known as Countervailing Duty (CVD) vi. Special Additional Duty of Customs (SAD) (1/2 X 2)	(1)
21.	What is the tax rate applicable to winning from horse races ? Ans. The prescribed rate is 30%. No surcharge, education cess or SHEC shall be added. (1)	(1)
22.	What is the threshold limit for registration under GST? Ans. The threshold limits varied from state to state. Under the system of GST, the threshold limit is Rs. 20 lakh (Rs. 10 lakh for northeastern states, Uttarakhand, Sikkim and Himachal Pradesh) (1)	(1)
23.	What is meant by Return under GST? Ans. A return is a document, which is filed by the taxpayer according to law with the tax Administrative authorities. Under Goods and Service Tax law a normal taxpayer will be Required to furnish three returns monthly and one annual return. (1)	(1)

Answer any 5 questions out of the given 7 questions of 2 marks each:

24.	Explain the provisions of Section 80LA. Ans. 1. Who can claim: Offshore Banking Unit/ International financial services Centre 2. Nature of deduction: Income from i) Offshore Banking Unit in SEZ. ii) Business with an undertaking located in SEZ. iii) Any Unit of ISC from its business. 3. Amount of Deduction: 100% of such income for 5 years, 50% such income for next 5	(2)
-----	--	-----

	years (1/2+1+1/2)							
25.	<p>What are the conditions to claim rebate u/s 87A? Ans. The Act has provided rebate for the tax payable by an assessee, if the following conditions are satisfied:</p> <ul style="list-style-type: none"> i) The assessee is an individual, ii) He is resident in India, iii) His total income does not exceed Rs. 3,50,000 (2) 	(2)						
26.	<p>What are the certificates required to be issued by the deductor of TDS? Ans. Following certificates have to be issued:</p> <ul style="list-style-type: none"> a) Form No. 16, if the deduction or payment of tax is under section 192 (case of salary); and b) Form No. 16A if the deduction is under any other provision of Chapter XVII-B (cases other than salary). (2) 	(2)						
27.	<p>Compare zero rated supplies with exempted supplies. Ans.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Zero rated supplies</th> <th style="text-align: center;">Exempted Supplies</th> </tr> </thead> <tbody> <tr> <td>Zero Rating means that the tax payable on supply of a commodity is fixed at 0%.</td> <td>Exempted Supplies means that the tax payable is exempt.</td> </tr> <tr> <td>In case of Zero rated supplies, prior stage tax is allowed to be set off and effectively the entire tax paid on inputs used in export is eligible for refund.</td> <td>In exempted supplies, no benefit of prior stage tax is allowed.</td> </tr> </tbody> </table> <p>(1X2= 2)</p>	Zero rated supplies	Exempted Supplies	Zero Rating means that the tax payable on supply of a commodity is fixed at 0%.	Exempted Supplies means that the tax payable is exempt.	In case of Zero rated supplies, prior stage tax is allowed to be set off and effectively the entire tax paid on inputs used in export is eligible for refund.	In exempted supplies, no benefit of prior stage tax is allowed.	(2)
Zero rated supplies	Exempted Supplies							
Zero Rating means that the tax payable on supply of a commodity is fixed at 0%.	Exempted Supplies means that the tax payable is exempt.							
In case of Zero rated supplies, prior stage tax is allowed to be set off and effectively the entire tax paid on inputs used in export is eligible for refund.	In exempted supplies, no benefit of prior stage tax is allowed.							
28.	<p>Who can claim deduction u/s 80TTB? Ans. Eligible assessee - A senior citizen (a resident individual who is of the age of 60 years or more at any time during the relevant previous year), whose gross total income includes income by way of interest on deposits with -</p> <ul style="list-style-type: none"> a) banking company to which banking Regulation Act. 1949 applies b) co-operative society engaged in carrying on the business of banking (including a co-operative and mortgage bank or a Cooperative and development bank C) a Post Office. (2) 	(2)						
29.	<p>Write a short note on GST council. Ans. GST council is the main decision making body, which is formed to finalized the design of Goods and Service Tax. It is a Governing body and Union Finance Minister is the chairman of this council, it also includes the Minister of State (Revenue) and the State Finance / Taxation Ministers. The GST council will make recommendation on:</p> <ul style="list-style-type: none"> a) Taxes, cesses and surcharges to be subsumed under GST; b) Goods and services, which may be taxed to, or exempt from GST; c) The threshold limit of turnover for application of GST; 	(2)						

	d) Rates of GST. (2)	
30.	<p>To whom the provisions of AMT are applicable? Ans.</p> <p>The provisions of AMT shall apply to a person who has claimed any deduction under –</p> <p>(a) Sections 80-IA to 80RRB other than section 80P; or (b) Section 10AA. (2)</p>	(2)

Answer any 5 questions out of the given 7 questions of 3 marks each:

31.	<p>What is the tax treatment of Income earned as a partner of a firm? Ans.</p> <p>Income Earned as a partner of a Firm or a limited liability partnership: Following types of incomes can be earned by an individual as partner of a firm or limited liability partnership:</p> <p>(a) Share of Profit of the Firm or Limited Liability Partnership: The share of profit from a partnership firm or a limited liability partnership, is exempt from tax at the time of individual assessment of the partner; [Section 10(2A)];</p> <p>(b) Remuneration from a Firm: The remuneration by way of salary, bonus, commission, etc., received by a partner, is taxable as business income in the hands of a partner [Section 28(v)];</p> <p>(c) Interest on Capital or loan: Interest on capital or loan to a firm or limited liability partnership, in which he is a partner, is also assessed as income from business.</p> <p>(1+1+ 1=3)</p>	(3)
32.	<p>What are the consequences in case of failure to deposit tax in government account after deduction? Ans.</p> <p>Failure to deposit tax in govt. account after deduction: Where the employer has deducted the tax at source but failed to deposit wholly or partly, the tax so deducted in government account, the following statutory provisions are attracted:-</p> <p>a) Interest u/s 201(1A): The deductor is treated as an assessee in default and interest u/s 201(1A) is leviable @ 1.5% for every month or part of the month on the amount of such tax from the date on which such tax was deducted to the date on which such tax is actually paid. Further, the tax along with the simple interest u/s 201(1A) becomes a charge upon all the assets of the deductor.</p> <p>b) penalty u/s 221: Penalty to the extent of tax not deposited is leviable by the A.O. as discussed earlier.</p> <p>c) prosecution proceedings u/s 276 B : Where the deductor has failed to deposit tax deducted at source, in Government account without a reasonable cause then he is punishable with rigorous imprisonment for a term extending from 3 months to 7 years and with fine.</p> <p>(1+1+ 1=3)</p>	(3)
33.	<p>Explain Composition Scheme under GST. Ans.</p> <p>Small taxpayers including start ups and many Small and Medium Enterprises may find it difficult to have resources and expertise to meet the increased tax compliances under GST regime. Thus, a taxpayer with an aggregate turnover in a financial year up to Rs. One crore may register under composition scheme. (75 lakhs in case of seven special category states). A dealer registered under composition scheme is not required to maintain detailed records as in the case of a normal taxpayer and shall pay tax as a</p>	(3)

percentage of his turnover during the year without the benefit of ITC (Input Tax Credit). Such a dealer cannot issue a tax invoice as well. A buyer from composition dealer will not be able to claim input tax on such goods. A Composition dealer shall not collect any tax from his customers. Tax payers making inter-state supplies or paying tax on reverse charge basis shall not be eligible for composition scheme.

The rates for this scheme are as follows:

Category of registered person	Rate of CGST	Rate of SGST	total
Manufacturer (other than manufacturers of notified goods)	1%	1%	2%
Supplier of food and drinks for human consumption (except alcohol)	2.5%	2.5%	5%
Other supplies like traders	0.5%	0.5%	1%
Service Providers (other than restaurants)	Not eligible for composition scheme		

(2+1)

34. What are the due dates for the payment of advance tax?

(3)

Ans.

By 15 th June of the previous year	By 15 th Sept. of the previous year	By 15 th Dec. of the previous year	By 15 th March of the previous year
Upto 15% of advance tax due	Upto 45% of advance tax due as reduced by amount paid in earlier installments	Upto 75% of advance tax due as reduced by amount paid in earlier installments	Upto 100% of advance tax due as reduced by amount paid in earlier installments

(3)

35. Explain the Provisions of Section 194J i.e. TDS on payment for professional or technical fees etc

(3)

Ans.

Any person other than an individual or a HUF is required to deduct tax @ 10% on professional or technical fees or on any remuneration or fees or commission by whatever name called, other than those on which tax is deductible under section 192, to a director of a company, or royalty, or any sum referred to in clause (va) of section 28.

The obligation to deduct TDS shall arise at the time of payment or credit whichever is earlier.

This obligation shall arise if the aggregate of such fees given to a person exceeds Rs. 30,000 in a financial year.

Rate of Tax: The prescribed rate is 10%. No surcharge, education cess or SHEC shall be added. When the payee does not furnish his PAN to the deductor, tax will be deducted @ 20%. (3)

36. What do you mean by input Tax credit? Also explain, the manner in which it is utilized?

(3)

Ans.

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

setting off the amount of input tax by a registered dealer against the amount of his output tax. The GST is based on the value addition to the goods and the related tax liability of the dealer can be arrived at by the supplier by discharging input tax credit from tax collected on supplies during the payment period.

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

- ITC of CGST allowed for payment of CGST & IGST in that order;
- ITC of SGST allowed for payment of SGST & IGST in that order;
- ITC of IGST allowed for payment of IGST, CGST & SGST in that order.
- ITC of CGST cannot be used for payment of SGST and vice versa.

(2+1=3)

37.

Mr. X has gross total income Rs. 4,90,000 for the assessment year 2019-20 which include Rs. 3,90,000 as long term capital gain? He has deposited Rs. 1,40,000 in PPF during the year. Compute tax liability assuming he is Less than 60 years of age.

(3)

Ans.

Gross total income (excluding LTCG)	1,00,000	
Less: Deduction u/s 80C subjected to GTI	1,00,000	
Total income (excluding LTCG)	NIL	(1/2)
Tax on total income exclusive of long term capital gain (NIL+ Rs. 2,50,000 shifted from LTCG)	NIL	(1/2)
Tax on LTCG @ 20% on Rs. 1,40,000 (3,90,000-2,50,000 consumed in minimum exemption limit)	28000	(1/2)
Less: Rebate under 87A	2500	(1/2)
	25500	(1/2)
Add: Cess	1020	
Total tax liability	27540	(1/2)

Answer any 3 questions out of the given 5 questions of 5 marks each:

38.

Mr. X, being an author and a businessman, provides us the following information for the year ending 31.03.2019

(5)

Income from Business	4,20,000
Income from house property	80,000
Long term capital gain	2,10,000
Short term capital loss	70,000
LIP on his own life (sum	1,000

assured-10,000)	
LIP on his wife (sum assured-8,000)	400
Amount incurred on education of younger child	800
Deposit in PPF	13,000
Contribution to RPF	3,000
Premium of Medi-claim insurance taken for self	7,000
Premium of Medi-claim insurance taken for child (Independent)	8,000
Premium of Medi-claim insurance taken for wife	9,000
Payment for medical treatment of child (40% disabled)	20,000
Royalty received on a novel written	50,000
Royalty received on a registered patent	3,20,000

Calculate his total income for the relevant previous year.

Ans.

Particulars	Details	Amount
Income from business		4,20,000
Income from house property		80,000
Income from capital gains		
Long term gain	2,10,000	
less: Short term loss	(70,000)	1,40,000 (1/2)
GROSS TOTAL INCOME		6,40,000 1/2
Less: Deduction under section 80C	W.N.1	(18,200) (1)
Less: Deduction under section 80D	W.N.2	(16,000) (1)
Less: Deduction under section 80DD	W.N.3	(75,000) (1/2)
Less: Deduction under section 80QQB	W.N.4	(50,000)

		(1/2)
Less: Deduction under section 80RRB	W.N.5	(3,00,000)
		(1/2)
Total Income	1,80,800	(1/2)

Working Notes:

1.Deduction u/s 80C:	
LIP on his own life	1,000
LIP on his wife	400
Tuition fee of younger child	800
Deposit in PPF	13,000
Deposit in RPF	3,000
Total	18,200
2.Deduction u/s 80D:	
Premium paid on Medi-claim taken for self	7,000
Medi-claim premium for independent child	NIL
Premium paid on Medi-claim taken for wife	9,000
Total	16,000
3.Deduction u/s 80DD:	
In case of 40% disability of dependent child flat 75,000 deduction provided irrespective of the amount paid.	
4.Deduction u/s QOB:	
Royalty received in his work of literacy.	
Deduction u/s RRB:	
Royalty received in respect of patent Rs. 3,20,000 but it is subject to a maximum of Rs. 3,00,000	

39.

Write down the step to compute total income and tax liability of an individual.

Ans.

Computation of total income and tax liability

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 section 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.

Step 4: Carry forward and set off of the losses of the past years, if permissible, from such income.

Step 5: The income computed under step 1 to 4 is known as Gross Total Income from

(5)

	<p>which deductions under section 80C to 80U (Chapter VIA) will be allowed. However, no deduction under these sections will be allowed from short term capital gain covered under section 111A, any long term capital gain and winning of lotteries etc., though these incomes are part of gross total income.</p> <p>Step 6: The balance income after allowing the deductions is known as total income which will be rounded off to the nearest Rs. 10.</p> <p>Step 7: Compute tax on such total income at the prescribed rates of tax.</p> <p>Step 8: Add education cess and secondary and higher education cess @4%.</p> <p>Step 9: Allow relief under section 89, if any.</p> <p>Step 10: Deduct the TDS and advance tax paid for the relevant assessment year. The balance is the net tax payable which must be rounded off to the nearest Rs. 10. This tax has to be paid as self-assessment tax before submitting the income tax return.</p> <p>(1/2 X 10 = 5)</p>	
<p>40.</p>	<p>What are the challenges that were faced during the implementation of GST?</p> <p>Ans.</p> <p>The challenges that were faced during the implementation of GST are as follows:</p> <ol style="list-style-type: none"> 1. Establishment and upgradation of IT framework <p>The number of taxpayers is likely to go up significantly. Also, the process of tracking inter (or intra) State transactions will be online. The type of clearing house mechanism through GSTN considered in the dual model GST will handle large volumes of data.</p> <p>For this purpose, the Goods and Service Tax Network (GSTN) has been set up by the Government to create enabling environment for smooth introduction and implementation of GST</p> 2. Meeting implementation challenges <p>The implementation of GST systems and procedures would not be very lengthy and complex process in a long run. A GST Implementation Advisory Committee has been constituted within CBEC for overall supervision and monitoring of progress towards implementation of GST.</p> 3. Tax administration <p>The Central Board of Excise and Customs (CBEC) and the State Tax Administrations will be responsible for implementing CGST and SGST respectively. For implementing dual GST, a robust and integrated tax administration is required to efficiently track supply of goods and services across the country as also to precisely account for the taxes. Putting in risk management system will give meaningful results only when there will be an efficient tax administration.</p> 4. Effective coordination between Centre & State tax Administrations <p>The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST would require a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by them. For it to be effective, such a mechanism also needs to have Constitutional force. There is a need of harmonization of processes & procedures between CGST / SGST & IGST Law.</p> 5. Training of Officials and Trade & Industry <p>Until the people from trade and industry are adequately educated about the laws and procedures related to GST, there is possibility of non compliance and tax evasion. Training / familiarization of trade industry on a large scale will also be required.</p> 	<p>(5)</p>

(1X5=5)

41. Explain the quantum of deduction allowed u/s 80 D (in respect of medical Insurance Premium). (5)

Ans.

1. In case of an Individual

1. Deduction in respect of insurance premium paid for family: A deduction to the extent of Rs. 25,000 is allowed in respect of premium paid to effect or to keep in force an insurance on the health of self, spouse and dependent children.

2. Deduction in respect of insurance premium for parents: A further deduction up to Rs. 25,000 is allowable to effect or to keep in force an insurance on the health of parents of the assessee.

Quantum of deduction in case of senior citizen: An increased deduction of Rs 50,000 (instead of Rs 25,000) shall be allowed in case any of the persons mentioned above is a i.e., an individual resident in India of the age of 60 years or more at any time during the relevant previous year

3. Deduction in respect of payment towards preventive health check-up: Section 80D provides that deduction to the extent of Rs. 5,000 shall be allowed in respect of payment made on account of preventive health check-up of self, spouse, dependent children or parents during the previous year. However, the said deduction of ` 5,000 is within the overall limit of Rs 25,000 or Rs. 50,000, specified in (i) and (ii) above.

2. In case of a HUF

Deduction under section 80D is allowable in respect of premium paid to insure the health of any member of the family. The maximum deduction available to a HUF would be Rs. 25,000 and in case any member is a senior citizen.

Further, the amount paid on account of medical expenditure incurred on the health of any member(s) of a family who is a resident senior citizen would qualify for deduction subject to a maximum of Rs 50,000 provided no amount has been paid to effect or keep in force any insurance on the health of such person(s).

(5)

42. Balamurugan furnishes the following information for the year ended 31-03-2020: (5)

Particulars	
Income from business	1,35,000
Income from house property	(15,000)
Lottery winning (Gross)	5,00,000
Income by way of salary (Computed)	60,000
Long term capital gain u/s 112	70,000

Compute his total income and tax liability.

Ans.

Computation of total income of Balamurugan for the year ended 31.03.2020

Salaries	60,000	
Less: Loss from house property	(15,000)	
Net Salary (after set off of loss from house property)		45,000

Profits and gains of business or profession		
Income from business		1,35,000
Capital Gains		
Long term capital gain		70,000
Income from other sources		
Lottery winnings (Gross)		5,00,000
Total Income		7,50,000

Computation of tax liability

On total income of 2,50,000 (excluding lottery winning)	Nil
On lottery winnings of ` 5,00,000 @ 30%	1,50,000
<i>Add:</i> Health and Education cess @ 4%	6,000
Total tax liability	1,56,000

Notes:

The basic exemption limit of Rs. 2,50,000 has to be first exhausted against salary income of 45,000 and business income of Rs. 1,35,000. The unexhausted basic exemption limit of 70,000 can be adjusted against long-term capital gains of Rs. 70,000 as per section 112, but not against lottery winnings which are taxable at a flat rate of 30% under section 115BB.(5)