**Taxation Direct and Indirect**

**September 2023 Examination**

**Q1. Suppose you have been hired as a tax consultant by an individual who is an Indian citizen but has been living outside India for the past few years. The individual wants to know how their residential status will affect their tax liability in India. Prepare a report that outlines the criteria for determining the residential status of an individual under Indian tax laws and explain how the tax liability is calculated based on the residential status.(10 Marks)**

**Ans :**

**Tax Liability in India Based on Residential Status: A Comprehensive Guide**

**Introduction:**

In India, an individual's residential popularity performs multiple functions in determining their tax legal responsibility. The Profits Tax Act of 1961 provides specific criteria for figuring out residential status, that's critical for ascertaining the scope and applicability of taxation. This report objectives to outline the requirements for determining residential status under Indian tax legal guidelines and give an explanation for how tax liability is calculated primarily based on residential repute.

**Concept and Application:**

**1.1 Definition of Residential Status:**

An individual's residential reputation is decided by assessing their physical presence in India

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**Q2. Explain the concept of Input Tax Credit (ITC) under the Goods and Services Tax (GST) regime in India. Discuss the conditions for claiming ITC, and the various scenarios where ITC can or cannot be claimed. Provide examples to support your explanation. (10 Marks)**

**Ans :**

**Introduction:**

Under India's goods and services Tax (GST) regime, enter Tax credit (ITC) is a crucial concept that lets businesses say credit for the taxes paid on the inputs used in producing or delivering goods and services. ITC allows to put off the cascading effect of taxes and ensures that the final consumer bears the tax burden handiest. It is a fundamental function of GST that promotes an unbroken float of credit scores throughout the supply chain, making the tax gadget more transparent and efficient.

**Concept and Application:**

**1. Meaning of Input Tax Credit (ITC):**

Input Tax credit refers to the recognition that a registered taxpayer can claim for the GST

**Q3. A) Compute the taxable income from salaries for Mr. Rohit, a resident individual in India, for the assessment year 2022-23. Provide a detailed computation of his gross salary, exemptions, deductions, and tax liability. (5 Marks)**

**Given details:**

**- Basic salary: Rs. 5, 00,000 per annum**

**- Dearness Allowance: Rs. 1, 00,000 per annum**

**- House Rent Allowance (HRA): Rs. 2, 00,000 per annum (out of which Rs. 1, 00,000 is exempt)**

**- Leave Travel Allowance (LTA): Rs. 50,000 per annum (fully exempt)**

**- Medical Reimbursement: Rs. 20,000 per annum (fully exempt)**

**- Professional Tax: Rs. 2,400 per annum**

**- Provident Fund Contribution: Rs. 60,000 per annum**

**- Standard Deduction: Rs. 50,000 per annum**

**Ans:**

**Introduction:**

The computation of taxable income from salaries is a vital aspect of personal finance, particularly for individuals residing in India. Understanding how exclusive income additives are considered for taxation functions and using the applicable exemptions and deductions can help individuals efficaciously plan their finances and optimize their tax liability.

In this state of affairs, we can recognize the case of Mr. Rohit, a resident of India, and

**Q3. B) Compute the taxable income from other sources for Mr. Aryan, a resident individual in India, for the assessment year 2022-23. Provide a detailed computation of his income from other sources, exemptions, deductions, and tax liability. (5 Marks)**

**Given details:**

**- Interest earned on savings bank account: Rs. 15,000 per annum’**

**Interest earned on fixed deposit: Rs. 30,000 per annum**

**- Dividend received from stocks: Rs. 12,000 per annum**

**- Gift received from a relative: Rs. 75,000**

**- Interest received on loan given to a friend: Rs. 20,000 per annum**

**- Professional Tax paid: Rs. 2,400 per annum**

**- Standard Deduction: Rs. 50,000 per annum**

**Ans:**

**Introduction:**

To compute the taxable profits from other sources for Mr. Aryan, we need to consider the income he earned from various resources and apply the applicable exemptions and deductions. Let us calculate his taxable profits step by step.

**Concept & Application:**

**1. Interest earned on savings bank account: Rs. 15,000 per annum**

Interest earned on financial savings accounts is taxable beneath "profits from other sources."