**Taxation- Direct and Indirect**

**April 2024 Examination**

**1. What do the following terms mean and how do they differ from one another: tax planning, tax avoidance, tax evasion, and tax management, and how do they affect an individual's or business's tax liabilities? (10 Marks)**

**Ans 1.**

**Introduction**

Taxation is an essential component of a country's fiscal policy, playing a pivotal role in shaping economic behavior and funding public expenditures. The concepts of tax planning, tax avoidance, tax evasion, and tax management are intricately linked to how individuals and businesses navigate the complex landscape of taxation laws to optimize their tax liabilities. While these terms are often used interchangeably, they have distinct meanings and implications under the law. Tax planning and management are legal and encouraged practices that involve strategizing to make the most efficient use of tax laws to reduce tax liability. In contrast, tax avoidance, though legal, treads a fine line, utilizing the tax system to one's

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**2. David Warner, an Australian player visits India for 95 days in every financial year. This has been his practice for the past 15 financial years.**

**Find out residential status of David Warner for the assessment year 2023-24.**

**Would your answer change if the above facts relate to Ish Sodhi, an Indian Origin who resides in New Zealand and represents the New Zealand cricket team?**

**What would be your answer if David Warner had visited India for 130 days instead of 95 days every year, including P.Y.2021-22? (10 marks)**

**Ans 2.**

**Introduction**

The concept of residential status under the Indian Income Tax Act is pivotal in determining an individual's tax liability in India. It categorizes taxpayers into residents and non-residents, based on their physical presence in India during a financial year and preceding years. This status directly influences the extent to which an individual's income, both earned in India and abroad, is taxable in India. The case of David Warner, an Australian cricket player who visits India for a significant part of the year, and the hypothetical scenario involving Ish Sodhi, an Indian-origin player residing in New Zealand, highlight the intricacies involved in determining the residential status of individuals with international engagements. These scenarios underscore the importance of understanding the specific criteria set forth by the

**3. Ms. Ria, a resident individual in India, earned income during the financial year 2022- 2023 from multiple sources. Her income details are as follows:**

**i. Salary income from her job: INR 6,00,000**

**ii. Interest income from a Fixed Deposit: INR 20,000**

**iii. Profit from the sale of shares: INR 50,000**

**iv. Rental income from a property: INR 1,80,000**

**Ms. Ria wants to understand the income tax implications of her earnings for the financial year 2022-2023. Can you help her with the following questions?**

**a. What are the various sources of income for Ms. Ria, and how will they be categorized under the Income Tax Act in India? (5 Marks)**

**Ans 3a.**

**Introduction**

Ms. Ria's diverse income streams during the financial year 2022-2023 present a comprehensive scenario for understanding the income tax implications as per the Indian Income Tax Act. Her earnings, sourced from salary, interest on deposits, profits from share sales, and rental income, offer an illustrative example of how various types of income are

**b. How will her total taxable income and tax liability be calculated for the financial year 2022-2023? (5 Marks)**

**Ans 3b.**

**Introduction**

Calculating the total taxable income and tax liability for an individual like Ms. Ria, who has multiple sources of income in the financial year 2022-2023, involves a systematic approach as per the provisions of the Indian Income Tax Act. This process entails aggregating income from various sources, applying the relevant deductions and exemptions, and then determining the tax rates applicable based on the total taxable income. Understanding this calculation is