

CBSE | DEPARTMENT OF SKILL EDUCATION

TAXATION (SUBJECT CODE: 822)

MARKING SCHEME FOR CLASS XI (SESSION 2023-2024)

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/PS SCIVE/ CBSE Study Material) | Unit/ Ch. No. | Page no. of source material | Marks |
|--|--|---|---------------|-----------------------------|-------|
| Answer any 4 out of the given 6 questions on Employability Skills (1 x 4 = 4 marks) | | | | | |
| i. | d) Both (a) and (b) | NCERT | 1 | 9 | 1 |
| ii. | a) Internal | NCERT | 2 | 95 | 1 |
| iii. | d) Making a to-do-list | NCERT | 2 | 105 | 1 |
| iv. | b) Edit | NCERT | 3 | 111 | 1 |
| v. | b) Service Business | NCERT | 4 | 140 | 1 |
| vi. | All the living organisms in a particular area and, the non-living environment with which the organisms interact, such as air, mineral, soil, water and sunlight, together form an ecosystem. | NCERT | 5 | 171 | 1 |

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|--|---|------|---|-------|---|
| Answer any 5 out of the given 7 questions (1 x 5 = 5 marks) | | | | | |
| i. | d) Reimbursement of travelling expenses | CBSE | 1 | 13 | 1 |
| ii. | c) Rs. 5000, Rs. 2500 | CBSE | 1 | 10 | 1 |
| iii. | Flat rate of 30% | CBSE | 1 | 10 | 1 |
| iv. | Eight years | CBSE | 1 | 10 | 1 |
| v. | b. Dividend | CBSE | 1 | 13 | 1 |
| vi. | b. Casual | CBSE | 1 | 10 | 1 |
| vii. | d. Rent received from Agriculture land | CBSE | 1 | 12-13 | 1 |

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| 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. | a. Fully exempted from Tax | CBSE | 2 | 34 | 1 |
| iv. | It is exempted from tax in the hands of the partner | CBSE | 2 | 31 | 1 |
| v. | b. 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. | Employer's contribution to such fund is not treated as income of the employee. | CBSE | 2 | 37 | 1 |

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|--|--|------|---|----|---|
| Answer any 5 out of the given 6 questions (1 x 5 = 5 marks) | | | | | |
| i. | a. where the service has been rendered | CBSE | 3 | 44 | 1 |
| ii. | d. Section 15 | CBSE | 3 | 44 | 1 |
| iii. | It is treated as Loan | CBSE | 3 | 46 | 1 |
| iv. | c. An amount in excess of Rs.5,000 is taxable. | CBSE | 3 | 58 | 1 |
| v. | a. Employee has cash taxable salary more than Rs. 50,000 during the year | CBSE | 3 | 57 | 1 |
| vi. | d. Specified employee only | CBSE | 3 | 63 | 1 |

| Answer any 5 out of the given 6 questions (1 x 5 = 5 marks) | | | | | |
|--|--|------|---|-----|---|
| i. | a. Resident | CBSE | 2 | 30 | 1 |
| ii. | c. 10(33) | CBSE | 2 | 172 | 1 |
| iii. | Exemption does not apply to interest on capital and remuneration received by the partner from the firm/LLP | CBSE | 2 | 31 | 1 |
| iv. | 10 months immediately preceding the month of retirement. | CBSE | 2 | 35 | 1 |
| v. | d. All of above | CBSE | 3 | 172 | 1 |
| vi. | c. 8 years | CBSE | 3 | 112 | 1 |

| Q 6. Answer any 5 out of the given 6 questions (1 x 5 = 5 marks) | | | | | |
|---|--|------|---|-----|---|
| i. | d. Any distribution on the reduction of capital of a company to the extent of accumulated profits of the company | CBSE | 3 | 172 | 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. | b. Rs. 20,000 | CBSE | 3 | 143 | 1 |
| v. | It is treated as Income from Profession | CBSE | 3 | 143 | 1 |
| vi. | b. Rs. 1.5 Lakh | 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. | <p>What are the advantages of Assertive Communication? Following are the advantages of Assertive Communication:</p> <ul style="list-style-type: none"> • builds self-confidence and self-respect, • prevents from saying words or doing actions that a person may regret later, • makes a person and others feel positive, • makes sure that everyone expresses their ideas and meets the needs of all, and • helps you to become a more confident worker and a better communicator. | NCERT | 1 | 23 | 2 |
| 8. | <p>What do you mean by SMART goals? S – Specific (means something straight</p> | NCERT | 2 | 97 | 2 |

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| | <p>forward and clear)</p> <p>M – Measurable (means something that can be measured)</p> <p>A – Achievable (means something that can be completed)</p> <p>R - Realistic (means something that is real and is applicable in our lives)</p> <p>T – Time bound (means the goal has to be completed within a certain fixed time)</p> | | | | |
| 9. | <p>How to insert a shape into a document?</p> <ul style="list-style-type: none"> • To insert a shape in a document, click Insert and then Shape. • This will open a sub-menu with the basic shapes. • Select one option — for example, Basic. • This will further show several basic shapes such as Rectangle, Circle, Square etc. • Select a shape and then click and drag the mouse to specify the size of the shape. <p>This will insert a shape into the document.</p> | NCERT | 3 | 128 | 2 |
| 10. | <p>What is a Business Idea?</p> <p>A business idea is a solution that an entrepreneur thinks of, to serve the customer. An idea determines what business activity an entrepreneur would take up to make financial gains. An idea can be product-service based or a hybrid model..</p> | NCERT | 4 | 156 | 2 |
| 11. | <p>What is National Green Tribunal (NGT)?</p> <p>The National Green Tribunal is like a court for cases related to environmental protection, conservation of forests and other natural resources. It acts on disputes related to environmental issues and may ask people causing ecological damage to pay heavy fines, take actions to stop and correct environmental damage or even send such people to jail.</p> | NCERT | 5 | 179 | 2 |

| Answer any 3 out of the given 5 questions in 20 – 30 words each (2 x 3 = 6 marks) | | | | | |
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| 12. | What do you mean by Representative Assessee? 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. | What do you mean by Gross Total Income? A person may earn income from many sources. The income received from different sources is grouped under five heads of income. Aggregate of incomes computed under the five heads: <ul style="list-style-type: none"> • salary , • house property, • business or profession, • capital gain, • other sources After applying clubbing provisions and making adjustments of set off and carry forward of losses is known as gross total income. | CBSE | 1 | 9 | 2 |
| 14. | What is the treatment of Share of Profit received by a partner from the firm? 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 |

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| 15. | <p>What do you mean by Specified employee?</p> <p>An employee is termed as Specified Employee, if such Employee is :</p> <p>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.</p> | CBSE | 3 | 87 | 2 |
| 16. | <p>What do you mean by Profession?</p> <p>The term “Profession ‘has been defined in Section 2(36) of the Income Tax Act, 1961 to include any vocation. Profession ‘involves the concept of an occupation requiring either intellectual skill or manual skill controlled and directed by the intellectual skill of the operator. For example an auditor carrying on his practice, the lawyer or a doctor, a painter, an actor, an architect or sculptor, would be persons carrying on a profession and not a business. The common feature in the case of both profession as well as business is that the object of carrying them out is to derive income or to make profit.</p> | CBSE | 3 | 127 | 2 |
| Answer any 2 out of the given 3 questions in 30– 50 words each (3 x 2 = 6 marks) | | | | | |
| 17. | <p>What do you mean by Assessee-in-default?</p> <p>A person is deemed to be an Assessee-in-default if he fails to fulfill his statutory obligations. In case of an employer paying salary or a person who is paying interest, it is their duty to deduct tax at source and deposit the amount of tax so collected in Government treasury. If he fails to deduct tax at source or deducts tax but does not deposit it in the treasury, he is known as assessee-in-default.</p> | CBSE | 2 | 7 | 3 |
| 18. | <p>How the residential status of Companies is found?</p> <p>All Indian companies within the meaning of Section 2(26) of the Act</p> | CBSE | 3 | 24 | 3 |

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| | 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. | | | | |
| 19. | <p>On 25-2-2023, Mr. Kumar sold his personal house to his friend Mr. Sharma for Rs. 1,00,000. The market value of the building was Rs. 20,60,000 and the value of the building adopted by the Stamp Valuation Authority for charging stamp duty was Rs. 22,00,000. What will be the tax implications of the above items in the hands of Mr. Kumar?</p> <p>The house has been gifted by Mr. Kumar to his friend Mr. Sharma. So, there is no question of taxing the value of building in the hands of Mr. Kumar because the question of tax implications of gift arises when gift is received by an individual/HUF and not when the gift is given by the individual/HUF. Thus, in this case the taxability will arise in the hands of Mr. Sharma who is the receiver who has received the building without adequate consideration. The stamp duty value of the property exceeds the purchase price by an amount exceeding Rs. 50,000 i.e. by Rs. 21,00,000 (the value adopted to charge stamp duty less consideration paid). Thus, Rs. 21,00,000 will be taxed in the hands of Mr. Sharma and not in the hands of Mr. Kumar.</p> | CBSE | 4 | 170-171 | 3 |
| Answer any 3 out of the given 5 questions in 50– 80 words each (4 x 3 = 12 marks) | | | | | |
| 20. | What do you mean by “Casual Income”? What are the provisions regarding Tax treatment of “Casual Income”? | CBSE | 1 | 9-10 | 4 |

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| | <p>If an assessee, by chance or without any pre-expectation or accidentally gets any income which is of non-recurring nature is regarded as casual income.</p> <p>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.</p> <p>The tax treatment of casual incomes is:</p> <ul style="list-style-type: none"> • It is taxable under the head 'income from other sources'. • Maximum amount of casual income up to Rs. 5000 and Rs 2500 in case of horse race is exempted from income tax. • Expense incurred to earn such income is not allowed as deduction • The benefit of basic exemption limit i.e. RS. 250000 is not allowed. In other words, if you earn Rs. 50,000 from casual income which is the total income in a F.Y then also tax will be deducted irrespective of basic exemption limit. • Tax on casual income is deducted at flat rate of 30% for all assesses u/s 115BB. • Losses cannot be set-off against casual income. Even casual losses cannot be set-off against casual income. • No deduction is allowed under chapter VI-A against casual income. | | | | |
| 21. | <p>What are the provisions regarding claiming exemption in respect to Leave Travel Concession?</p> <p>An employee (Indian as well as foreign citizens) can claim exemption under section 10(5) in respect of Leave Travel Concession. Exemption is available in respect of</p> | CBSE | 1 | 32 | 4 |

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| | <p>value of any travel concession or assistance received or due to the employee from his employer (including former employer) for himself and his family members in connection with his proceeding on leave to any place in India. Quantum of exemption will be as follows:</p> <p>a. Where journey is performed by air, amount of exemption will be lower of amount of economy class air fare of the National Carrier by the shortest route or actual amount spent.</p> <p>b. Where place of origin of journey and destination are connected by rail and the journey is performed by any mode of transport other than by air, air-conditioned first class rail fare by the shortest route to the place of destination..</p> <p>c. Where the place of origin and destination are not connected by rail and journey is performed by any mode of transport other than by air the exemption will be:</p> <p>i. If recognised public transport exists, lower of first class or deluxe class fare by the shortest route or actual amount spent.</p> <p>ii. If no recognised public transport exists, lower of amount of air conditioned first class rail fare by the shortest route (considering as if journey is performed by rail) or actual amount spent.</p> | | | | |
| 22. | <p>From the following information provided by Mrs. Sudha, ascertain the tax treatment of various items.</p> <p>1. Gold jewellery worth Rs. 2,84,000 received from her mother.</p> <p>2. Shares valuing Rs. 20,000 received by way of gift from her brother.</p> <p>3. A painting worth Rs. 2,50,000 received from a friend on the occasion of her marriage.</p> <p>4. A diamond necklace amounting to Rs. 60,000 received from a friend on the occasion of her friend's marriage.</p> <p>5. Gold bangles purchased for Rs. 64,000; the fair market value of gold jewellery is Rs.</p> | CBSE | 2 | 169-170 | 4 |

1,34,000.

6. Bullion purchased for Rs. 5,70,000; the fair market value of the bullion is Rs. 5,40,000.

7. A refrigerator purchased for Rs. 38,000, the fair market value of refrigerator is Rs. 90,000.

Solution:

The tax treatment of various items in the hands of Mrs. Sudha will be as follows:

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 mother will not be charged to tax.

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.

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.

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.

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.

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

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| | <p>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. | <p>What are the basic conditions required for an individual to be considered as “Resident”? Also Explain the exceptions to such conditions, if any?</p> <p>Under Section 6(1) of the Income-tax Act, an individual is said to be resident in India in any previous year if he:</p> <ol style="list-style-type: none"> 1. he has been in India for at least 182 days during the previous year; or, 2. He has been in India for at least sixty days (60 days) during the previous year and for at least three hundred and sixty-five days (365 days) during the four years immediately preceding the previous year. <p>Following are the Exceptions to above conditions:</p> <p>In the following two cases, second condition is not applicable, i.e., if condition (1) is satisfied then an individual is resident otherwise he will be non-resident:</p> <ol style="list-style-type: none"> i. the individual is a citizen of India, who leaves India in any previous year as a member of the crew of an Indian ship, or for the purpose of employment outside India, or | CBSE | 2 | 19 | 4 |

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| | <p>ii. The individual is a citizen of India or person of Indian origin engaged outside India (whether for rendering service outside or not) and who comes on a visit to India in the any previous year.</p> <p>Therefore, in the above two exceptional cases, only the basic condition 1 needs to be checked. If it is satisfied, then the individual is treated as a resident, otherwise he will be treated as nonresident.</p> | | | | |
| 24. | <p>Briefly explain the different type of incomes which are chargeable under the head “Income from other sources”?</p> <p>Following are the incomes, which are always taxed under head “Income from other Sources.”. These incomes are as follows:</p> <ol style="list-style-type: none"> 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). 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 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. 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 | CBSE | 4 | 160-161 | 4 |

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%

4. **Gifts:** Gifts received by an individual or HUF (which are chargeable to tax) are also taxed under this head.