**Taxation - Direct and Indirect**

**NMIMS Solved Assignments for December 2024**

**Q.1. You are required to compute the taxable income for Mr. Sharan for the Assessment Year 2023-24 from the information provided below:**

* **Basic salary - Rs. 20,000 per month**
* **Bonus - Rs. 30,000**
* **Cash gift - Rs. 40,000**
* **Arrears of salary - Rs. 10,000**
* **Dearness allowance - Rs. 8,000 per month**
* **Insurance premium paid by Employer - Rs. 20,000 per annum**
* **Medical expenses paid by employer - Rs. 18,000**
* **Education allowance for his two children - Rs. 600 per month**
* **City compensatory allowance - Rs. 2,000 per month**
* **He is given lunch allowance - Rs. 100 per day for 250 days during the previous year.**
* **He contributes 15% of his salary to a recognized provident fund and his employer also contributes the same.**
* **He is provided with a mobile phone, the bill of which is paid by the company - Rs. 6,000.**

**Answer:**

**Introduction:**

In this task, we are required to compute the taxable income for Mr. Sharan for the Assessment Year 2023-24, utilizing various components of his income and benefits received during the financial year. Taxable income calculation involves identifying and summarizing all sources of income, including salary, bonuses, allowances, and any other perks. Additionally, specific deductions and exemptions may apply based on prevailing tax laws. Mr. Sharan's income consists of a basic salary, bonuses, and various allowances such as dearness, education, and city compensatory allowances. Moreover, employer-paid expenses, such as insurance premiums and medical costs, must also be considered. By thoroughly analyzing these details, we will accurately determine Mr. Sharan's taxable income and provide insights into the applicable tax implications for the assessment year.

**This is partially solved sample answer**

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**Q.2. Mr. Fenil is a 52-year-old IT professional. He provides you with the following information related to the premium payments made by him for the year ending 31st March 2024 towards the mediclaim policy.**

**From the above information, you are required to help Mr. Fenil in computing the correct deduction value under section 80D considering the fact that he has made all the premium payments by cheque and only one payment towards preventive health check-up is made in cash as mentioned in the list below.**

**a. Payment made for dependent father’s medical expenditure (Age: 81 years): Rs.50,000**

**b. Premium paid for dependent mother (Age: 72 years): Rs. 7,000**

**c. Payment made for preventive health check-up of self and spouse (Cash payment): Rs.6,000**

**d. Premium paid for self (Age: 52 years): Rs. 10,000**

**e. Premium paid for spouse (Age: 49 years): Rs. 9,000**

**f. Premium paid for dependent mother-in-law (Age: 65 years): Rs.5,000**

**Also comment whether the computed value of deduction under section 80D would change if the above premium payments were made in cash.**

**Answer:**

**Introduction:**

In India, Section 80D of the Income Tax Act provides deductions for premiums paid towards health insurance policies, including mediclaim policies. This section aims to encourage individuals to invest in health insurance for themselves and their dependents, thereby promoting a culture of health security. Deductions are available for premiums paid for self, spouse, children, and parents, with additional benefits for senior citizens. The maximum allowable deduction varies based on the age of the insured individuals. In this case, Mr. Fenil, a 52-year-old IT professional, has provided various details about his premium payments and expenditures for health insurance for himself and his dependents for the financial year ending March 31, 2024. The task is to compute the appropriate deduction value under Section 80D while also considering the implications of cash payments on the deduction eligibility.

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**Q.3 (a) “Direct Taxes. are taxes that are to be paid by an assessee or the tax payer directly to the government, whereas, Indirect Taxes are the taxes that are levied on various business activities including manufacturing, trading, imports, exports, etc.”**

**In the context of the above, highlight 5 points of differences between the Direct and Indirect Taxes.**

**Answer:**

**Introduction:**

Direct and indirect taxes are fundamental components of a country's tax system. They serve different purposes and are levied in distinct ways, affecting taxpayers in various manners. Understanding the differences between these two types of taxes is essential for individuals and businesses alike, as it influences financial planning, compliance, and economic behavior. Below are five key points of difference between direct and indirect taxes.

Differences between Direct and Indirect Taxes:

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**Q.3 (b) Sam is a British citizen, comes to India for the first time during PY 2018-19. He stays in India for 55 days during 2018-19. In the following financial years as well, he stays in India for the following duration:**

**2019-20: 60 days**

**2020-21: 90 days**

**2021-22: 150 days**

**2022-23: 70 days**

**From the above information, you are required to determine Sam’s residential status for the AY 2023-24.**

**Answer:**

**Introduction:**

The determination of an individual's residential status is crucial for tax purposes, as it affects their tax liability in a country. In this case, we analyze the residential status of Sam, a British citizen, based on his duration of stay in India over several financial years, culminating in the assessment year 2023-24. This assessment involves applying the relevant residency criteria outlined in Indian tax laws to ascertain whether Sam qualifies as a resident, non-resident, or resident but not ordinarily resident.

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