

PAPER
3

INTERMEDIATE COURSE
STUDY MATERIAL
GROUP-I
TAXATION
SECTION-A: INCOME TAX LAW
MODULE 1 OF 2

(Income-tax Law as amended by the Finance Act, 2023)
Assessment Year 2024-25
Relevant for May, 2024 and November, 2024 Examinations



Board of Studies (Academic)
The Institute of Chartered
Accountants of India

(Set up by an Act of Parliament)



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BEFORE WE BEGIN.....

BoS (Academic) – Value added Study Materials

The Board of Studies (Academic) is the department which serves as the Institute's interface with its students. BoS (Academic) leaves no stone unturned to provide the best-in-class services to you in terms of value-added study materials wherein the concepts and provisions are explained in lucid language with illustrations and examples to aid understanding the application of concepts and provisions. Test Your Knowledge Questions at the end of each chapter contain questions which will hone your analytical skills. BoS (Academic) also publishes Revision Test Papers to assist you in revising your concepts and updating yourself and Mock Test Papers to enable you to assess your level of preparedness for the examination.

Professional Knowledge and Skills required at Intermediate Level

At the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired professional competence.

Significant Components of Income-tax Law

Taxation is one of the core competence areas of chartered accountants. The subject of "Taxation" at the Intermediate level is divided into two sections, namely, Section A: Income-tax law and Section B: Goods and Services Tax. Income-tax is a direct tax i.e., it is a tax levied directly on the income of a person. Income-tax law, at the Intermediate level, largely involves application of provisions of the Income-tax Act, 1961 in problem solving. The tax laws of the country undergo significant changes every year on the passing of the Finance Act of that year. Apart from these significant amendments ushered in every year through the Finance Act, notifications and circulars are also issued from time to time by the Central Board of Direct Taxes (CBDT), the statutory authority in charge with the administration of direct taxes, to implement the provisions of the Act and clarify issues regarding the meaning and scope of certain provisions. Thus, the Income-tax Act, 1961, the

Income-tax Rules, 1962, circulars and notifications issued by the CBDT are the significant components of income-tax law.

Scope of Coverage of the subject – Read the Syllabus along with Study Guidelines

The syllabus of the subject “Income-tax law” has to be read along with the Study Guidelines which would be webhosted separately. The Study Guidelines specify the topic-wise exclusions from the syllabus. The provisions of the excluded sections are not discussed in the Study Material. However, a reference may have been made to these sections at certain places either by way of a footnote or otherwise, wherever required. As regards section 10, the Study Guidelines specify the topic-wise inclusions.

Know the relevant Finance Act and Assessment Year applicable for Examination

This Study Material on Income-tax law is based on the provisions of income-tax law as amended by the Finance Act, 2023, and the significant notifications and circulars issued and legislative amendments made upto 30th April, 2023. The computational problems have been solved on the basis of the provisions of income-tax law applicable for A.Y.2024-25. The Study Material is, therefore, relevant for May, 2024 and November, 2024 examinations. The amendments made by the Finance Act, 2023, latest notifications/circulars are indicated in italics/**bold italics** in the Study Material.

The significant notifications/circulars issued and other legislative amendments, if any, made between 1.5.2023 and 31.10.2023, relevant for May, 2024 examination, will be webhosted as Statutory Update for May, 2024 examination at the BoS Knowledge Portal. Likewise, the significant notifications/circulars issued and other legislative amendments, if any, made between 1.5.2023 and 30.4.2024, relevant for November, 2024 examination, will be webhosted as Statutory Update for November, 2024 examination at the BoS Knowledge Portal.

Framework of the Study Material – Two Modules with Five Sections comprising of Nine Chapters

Efforts have been made to present the complex law of income-tax in a lucid manner. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. The nine Chapters in the Study Material are grouped into five Sections, namely, Sections I to V and weightages are assigned to each Section. The Section-wise weightages and Skill-wise weightages would be webhosted separately at the BOS Knowledge Portal. The Study Material is divided into two modules - Module 1 comprises of chapters covered in Sections I and II and Module 2 comprises of chapters covered in Sections III, IV and V.

Module	Section	Chapters	
1	Section I	Chapter 1	Basic Concepts
		Chapter 2	Residential Status and Scope of Total Income
	Section II	Chapter 3	Heads of Income
2	Section III	Chapter 4	Income of other persons included in assessee's total income
		Chapter 5	Aggregation of Income, Set-off and Carry Forward of Losses
		Chapter 6	Deductions from Gross Total Income
	Section IV	Chapter 7	Advance Tax, Tax Deduction at Source and Tax Collection at Source
		Chapter 8	Provisions for filing Return of Income and Self-assessment
	Section V	Chapter 9	Income-tax Liability - Computation and Optimisation

Special features of the Study Material – Section Overview, Scenario and Crossword Puzzle

Each of the five Sections begin with a Section Overview followed by an interesting Scenario. Crossword Puzzles have been included in Sections I to IV. These are the special features of this Study Material.

	Elements of each Section	About each Element
1.	Section Overview	In order to ensure that you have an enhanced learning experience, Overview of each Section is given before the chapters in that section. The Section Overview contains a broad description of the provisions which would be covered in the chapters comprised therein.
2.	Scenario	<p>In each Section, learning commences with a Scenario which is essentially a story which is later divided into components and "Points to Ponder" are raised in respect of each component thereof to instill curiosity and interest in you. After reading the Scenario and the "Points to Ponder" raised in respect thereof, you are expected to read the chapters in that Section, analyze the tax consequences and write your responses in the space provided in the last column of the table against the respective Scenario component. By relating the various components of the Scenario to the relevant provisions of income-tax law, you would be able to grasp the provisions quickly and appreciate the application of the provisions in different situations.</p> <p>The Scenario in Section V comprising of "Chapter 9 Income-tax Liability – Computation and Optimisation" requires integration of your learning in the first eight chapters to compute the total income and tax liability of an individual under the alternative tax regimes by filling up the blank spaces in the income computation sheet and tax computation sheet forming part thereof. Thereafter, based on the computation, you are required to write your response as to which tax regime is more beneficial for the</p>

		individual. Through this exercise, you will be able to effectively comprehend the manner of computation of total income and tax liability under the alternative tax regimes.
3.	Crossword Puzzle	There is no doubt that use of gamification will make learning more interesting. In order to make learning of income-tax law more engaging and enjoyable, Crossword puzzles have been included in Sections I to IV, which you have to solve after reading the Chapters in the Section.

Framework of Chapters – Uniform Structure comprising of specific components

The various chapters/units of each subject at the Intermediate level have been structured uniformly and comprises of the following components:

	Components of each Chapter	About the component
1.	Learning Outcomes	Learning outcomes which you need to demonstrate after learning each topic have been detailed in the first page of each chapter/unit. Demonstration of these learning outcomes would help you to achieve the desired level of technical competence
2.	Chapter Overview	As the name suggests, the flow chart/table/diagram given at the beginning of each chapter would give a broad outline of the contents covered in the chapter.
3.	Proforma for computation of income under different heads	Chapter 3 Heads of Income has five units, each unit dealing with a particular head of income. Units 1,3,4 and 5 begin with a detailed proforma for computation of income under that head. The proforma has been given separately for computation under the default tax regime and optional tax regime in Units 1 and 3.

4. Content	The concepts and provisions of income-tax law are explained in a student-friendly manner with the aid of examples/illustrations/diagrams/flow charts. Diagrams and Flow charts would help you understand and retain the concept/provision learnt in a better manner. Examples and illustrations would help you understand the application of concepts/provisions. These value additions would, thus, help you develop conceptual clarity and get a good grasp of the topic.
5. Let us Recapitulate	A summary of the chapter is given at the end to help you revise what you have learnt. It would especially facilitate quick revision of the chapter the day before the examination.
6. Test Your Knowledge	The questions and answers at the end of each chapter would help you to apply what you have learnt in problem solving, and, thus, sharpen your application skills. In effect, it would test your understanding of concepts/provisions as well as your ability to apply the concepts/provisions learnt in solving problems and addressing issues.

We hope that these student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

Happy Reading and Best Wishes!

SYLLABUS

PAPER – 3 : TAXATION

(One paper — Three hours – 100 Marks)

SECTION A: INCOME TAX LAW (50 MARKS)

Objective:

- (a) To develop an understanding of the provisions of income-tax law
- (b) To acquire the ability to apply such provisions to solve problems and address application-oriented issues.

Contents:

- 1. Basic Concepts
 - (i) Income-tax law: An introduction
 - (ii) Significant concepts in income-tax law, including person, assessee, previous year, assessment year, income, agricultural income
 - (iii) Basis of Charge
 - (iv) Procedure for computation of total income and tax payable in case of individuals
- 2. Residential status and scope of total income
 - (i) Residential status
 - (ii) Scope of total income
- 3. Heads of income and the provisions governing computation of income under different heads
 - (i) Salaries
 - (ii) Income from house property
 - (iii) Profits and gains of business or profession
 - (iv) Capital gains
 - (v) Income from other sources

4. Provisions relating to clubbing of income, set-off or carry forward and set-off of losses, deductions from gross total income
5. Advance Tax, Tax deduction at source and tax collection at source
6. Provisions for filing return of income and self-assessment
7. Computation of total income and income-tax payable by an individual under the alternative tax regimes under the Income-tax Act, 1961 to optimise tax liability

Note: If any new legislation(s) are enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in the place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation(s) on income tax law ceases to be in force, the syllabus will accordingly exclude such legislation(s) with effect from the date to be notified by the Institute.

Further, the specific inclusions/exclusions in any topic covered in the syllabus will be effected by way of Study Guidelines every year, if required. Specific inclusions/exclusions in a topic may also arise due to additions/deletions made every year by the Annual Finance Act.

SECTION B: GOODS AND SERVICES TAX (50 MARKS)

Objective:

- (a) To develop an understanding of the provisions of goods and services tax law.
- (b) To acquire the ability to apply such provisions to address/solve issues in moderately complex scenarios.

Contents:

1. GST Laws: An introduction including Constitutional aspects
2. Levy and collection of CGST and IGST
 - (i) Application of CGST/IGST law
 - (ii) Concept of supply including composite and mixed supplies
 - (iii) Charge of tax including reverse charge
 - (iv) Exemption from tax
 - (v) Composition levy

3. Basic concepts of:
 - (i) Classification
 - (ii) Place of supply
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 - (iv) Value of supply
 - (v) Input tax credit
4. Computation of GST liability
5. Registration
6. Tax invoice; Credit and Debit Notes; Electronic way bill
7. Accounts and Records
8. Returns
9. Payment of tax

Note – If any new legislation(s) is enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State GST Law.

Consequential/corresponding amendments made in the provisions of the Goods and Services Tax laws covered in the syllabus of this paper which arise out of the amendments made in the provisions not covered in the syllabus will not form part of the syllabus. Further, the specific inclusions/exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines. The specific inclusions/exclusions may also arise due to additions/ deletions every year by the annual Finance Act.

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