

**Course Description:**

This module would cover the knowledge requirements of Indian Tax System, specifically related to Direct Taxes and personal taxation. The tax treatment of the types of income such as agricultural, business, salary and the attendant exemptions and benefits need to be discerned. The emphasis is on tax efficiency of transactions at all stages, viz. structuring of emoluments, saving taxes within permissible limits as suited to long-term goals, investing, spending, gifting and transferring wealth. The knowledge of various business forms and related tax strategies is also covered. The Estate planning is emphasized not as a late stage requirement but a necessary succession arrangement always in place for all assets – fixed, physical and financial. The discerning knowledge of tax laws and succession laws and their compliance procedures is a rigid requirement of this module.

**Learning Objectives:**

**At the end of this module, a student should be able to:**

1. Understand the incidence of tax on various incomes, transactions, residential status, individual status and various business forms.
2. Compute client's eligibility for various tax deductions from gross salary income, tax treatment of various allowances and perquisites, income from house property and other income, tax admissible expenses from business or profession income.
3. Compute the tax liability of a client after considering all types of income and eligible deductions, evaluating the incidence of capital gains tax on the basis of period of holding an asset, the type of asset and the status of taxpayer.
4. Recommend tax planning strategies by discerning short-term and long-term tax incidence of investing in various financial products and the appropriateness of such financial instruments in achieving a client's financial goals.
5. Assimilate estate planning at all stages of a client's life by identifying, evaluating and integrating all assets in a suitable estate planning vehicle.
6. Help a client discern the need of a suitable succession strategy for wealth transfer, and seek/facilitate experts' advice, if ownership of assets is complex.

<b>Pattern of Question Bank TPEP module – 80% in Exam 4</b>											
		<b>Section-I</b>		<b>Section -II</b>		<b>Section -III</b>		<b>Section -IV</b>		<b>Section -V</b>	
		No. of Items	Marks	No. of Items	Marks	No. of Items	Marks	No. of Items	Marks	No. of Items	Marks
<b>Marks Category</b>	<b>1</b>	10	10	3	3	3	3	4	4	8	8
	<b>2</b>	4	8	2	4	2	4	2	4	2	4
	<b>3</b>	0	0	5	15	5	15	2	6	0	0
	<b>4</b>	0	0	1	4	4	16	3	12	0	0
<b>Total</b>		<b>14</b>	<b>18</b>	<b>11</b>	<b>26</b>	<b>14</b>	<b>38</b>	<b>11</b>	<b>26</b>	<b>10</b>	<b>12</b>

## Section I: Features of Indian Tax System and Direct Taxes

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2'
Total weight to Exam 4	12%
Nature of Test Items	10 items: 1 mark each 4 items : 2 marks each

### Sub-sections and topics covered:

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>1.1. Features of Indian Tax System</b>	'Grade 1 & 2'
Detailed Topics	
1.1.1. Three-tier federal structure of Taxation - Union Government, State Governments and Urban/Rural Local Bodies	
1.1.2. Direct and Indirect Taxes	
1.1.3. Predominance of Indirect Taxes	
1.1.4. Tax-induced distortions on investment and financing decisions	
<b>1.2. Indian Direct Tax structure</b>	'Grade 1'
Detailed Topics	
1.2.1. Central Board of Direct Taxes (CBDT)	
1.2.2. Income-tax (IT) Act, 1961 and Income Tax Rules (ITR), 1962	
1.2.3. Wealth Tax Act-1957	
1.2.4. Finance Act	
1.2.5. Judicial precedents - Tax tribunals and the Courts	
<b>1.3. Tax Compliance Matters</b>	'Grade 1 & 2'
Detailed Topics	
1.3.1. Tax Returns and Procedure of Assessment	
1.3.2. ITR Forms, Filing dates and Documentation	
1.3.3. E-filing of Income Tax Returns	
1.3.4. Advance tax and due dates	
1.3.5. Tax Deducted at Source (TDS)	
1.3.6. Interest and Penalties	
1.3.7. Fraud/concealment penalties	
1.3.8. Tax Refund	
<b>1.4. Residency Rules</b>	'Grade 1 & 2'
Detailed Topics	
1.4.1. Residential status of an individual	
1.4.2. Residential status of other taxable entities	
1.4.3. Indian income and Foreign income	
1.4.4. Tax incidence for different taxpayers	

## Section II: Personal Taxation and Business Taxation- Computation and Tax Efficiency

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skill sets: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 4	17.33%
Nature of Test Items	3 items: 1 mark each 2 items: 2 marks each 5 items: 3 marks each 1 item : 4 marks

### Sub-sections and topics covered:

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>2.1. Salary Income</b>	'Grade 1,2 & 3'
Detailed Topics	
2.1.1. Gross Salary Income - Basic pay, Bonus, Allowances, Retirement benefits and Perquisites	
2.1.2. Treatment of various Allowances	
2.1.3. Perquisites - Valuation and Taxability	
2.1.4. Treatment of Retirement Benefits and Voluntary Retirement Scheme (VRS)	
2.1.5. Profit in lieu of Salary	
2.1.6. Deductions from Salary	
<b>2.2. Income from House Property</b>	'Grade 2, 3 & 4'
Detailed Topics	
2.2.1. Basis of charge and applicability	
2.2.2. Self Occupied and Let out House Property	
2.2.3. Determination of Gross and Net Annual Value	
2.2.4. Deductions and Special provisions	
<b>2.3. Income from Business or Profession</b>	'Grade 2 & 3'
Detailed Topics	
2.3.1. Scope of Income and its computation	
2.3.2. Deductible and Inadmissible Expenses	
2.3.3. Deemed Income and Special Provisions	
2.3.4. Tax Shelter and Tax Holidays	
<b>2.4. Capital Gains in Transfer of Capital Assets</b>	'Grade 1, 3 & 4'
Detailed Topics	
2.4.1. Nature of Capital Gain - Short Term or Long Term depending on capital asset and holding period	
2.4.2. Application of Cost Inflation Index (CII) in computing indexed cost of acquisition/renovation	
2.4.3. Computation of Capital Gains/Losses	
2.4.4. Netting rules and carry forward of capital losses	
2.4.5. Exemptions in Capital Gains	

<b>2.5. Income from Residuary Sources and Tax Calculation Rules</b>	'Grade 2 & 3'
Detailed Topics	
2.5.1. Income from Other Sources - Chargeability, Exemptions and Deductions 2.5.2. Clubbing of Income 2.5.3. Deductions under Chapter VI-A 2.5.4. Taxable income 2.5.5. Tax liability	
<b>2.6. Tax Characteristics of Business Forms</b>	'Grade 1 & 2'
Detailed Topics	
2.6.1. Sole Proprietorship 2.6.2. Partnership Firm 2.6.3. Hindu Undivided Family (HUF) 2.6.4. Association of persons (AOP) 2.6.5. Cooperative Societies 2.6.6. Trusts 2.6.7. Companies 2.6.8. Others	

### Section III: Taxation of Various Financial Products and Transactions, Tax Planning Strategies

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skill sets: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 4	25.33%
Nature of Test Items	3 items: 1 mark each 2 items: 2 marks each 5 items: 3 marks each 4 items: 4 marks each

### Sub-sections and topics covered:

Sub-sections	Testing and Difficulty grade
<b>3.1. Tax Implications for Non-resident Indians (NRIs)</b>	'Grade 1 & 2'
Detailed Topics	
3.1.1. Exempt Income of Non-resident Indians (NRIs) 3.1.2. Special provisions on certain transactions 3.1.3. Double Taxation Relief	
<b>3.2. Tax Planning - Various Avenues and Techniques</b>	'Grade 1, 2, 3 & 4'
Detailed Topics	
3.2.1. Need and Importance of Tax Planning 3.2.2. Tax Planning vs. Tax Evasion and Avoidance 3.2.3. Tax Planning vs. Tax Management 3.2.4. Deferral of tax liability 'Grade 3 & 4' 3.2.5. Maximizations of exclusions and credits 'Grade 3' 3.2.6. Managing loss limitations 'Grade 3'	

3.2.7. Deductible expenditures of individuals and business forms	'Grade 3 & 4'
<b>3.3. Taxability of Various Financial Products</b>	'Grade 1, 2, 3 & 4'
Detailed Topics	
3.3.1. Provident Fund and Small Savings Schemes - Contribution, Interest, Withdrawal and Terminal value	
3.3.2. Equity shares - Listed and unlisted	
3.3.3. Equity Transactions - stock market and off market	
3.3.4. Equity oriented products - Equity schemes of Mutual Funds, ETFs, ELSS, etc.	
3.3.5. Debt products - Bonds, Debentures, Government Securities, Income schemes of Mutual Funds including Fixed Maturity Plans (FMPs)	
3.3.6. Income distribution and dividends on various investment products	
'Grade 3 & 4'	
3.3.7. Securities Transaction Tax (STT) and Dividend Distribution Tax (DDT)	
3.3.8. Life and Health Insurance products, Unit Linked Insurance Plans (ULIPs), Unit Linked Pension Plans (ULPPs), etc.	
3.3.9. Annuities, Pension Products and Reverse Mortgage Scheme	
<b>3.4. Taxation of Various Financial Transactions</b>	'Grade 2, 3 & 4'
Detailed Topics	
3.4.1. Transaction in the nature of Gifts/Prizes/Winnings	
3.4.2. Agricultural Income	
3.4.3. Cash payment over a specified limit	
3.4.4. Dividend and Bonus stripping provisions - shares, MF schemes including with reinvestment option	

#### **Section IV: Estate Planning Process, Strategies and Taxation Aspects**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skill sets: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 4	17.33%
Nature of Test Items	4 items: 1 mark each 2 items: 2 marks each 2 items: 3 marks each 3 items: 4 marks each

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>4.1. Estate Planning Overview</b>	'Grade 1 & 2'
Detailed Topics	
4.1.1. The concept of Estate Planning 4.1.2. Purpose and Need of Estate Planning 4.1.3. Risks and Drawbacks involved in Estate Planning 4.1.4. Hindu and Indian Succession Act 4.1.5. Succession - Testate and Intestate	
<b>4.2. Estate Planning Process</b>	'Grade 2, 3 & 4'
Detailed Topics	
4.2.1. Collect comprehensive information and examine circumstances to set Estate planning goals 4.2.2. Determine value of client's estate and liquidity aspects 4.2.3. Estimate cost of transfer and other expenses 4.2.4. Develop a plan of transfer 4.2.5. Implement plan and review periodically	
<b>4.3. Methods of Estate Planning</b>	'Grade 1 & 2'
Detailed Topics	
4.3.1. Will 4.3.2. Trust 4.3.3. Insurance 4.3.4. Gift 4.3.5. Power of Attorney 4.3.6. Transfer of property and partition 'Grade 3'	
<b>4.4. Will</b>	'Grade 1 & 2'
Detailed Topics	
4.4.1. Characteristics and Contents of a Will 4.4.2. Types of Will - Unprivileged, Privileged, Joint, Mutual and Conditional 4.4.3. Legal requirements and Testamentary capacity 4.4.4. Modifying or revoking a Will 4.4.5. Probate Process	
<b>4.5. Powers of Attorney</b>	'Grade 1 & 2'
Detailed Topics	
4.5.1. Use and purpose 4.5.2. Types - General and Special 4.5.3. Revocation 4.5.4. Role of the executor	
<b>4.6. Trust Structure for Efficient Transfer</b>	'Grade 2, 3 & 4'
Detailed Topics	
4.6.1. Trust structures for Tax Efficiency 4.6.2. Trust structure to align strategic objectives of the settler 4.6.3. Trust Perpetuities 4.6.4. Trust as Pass-through entity 4.6.5. Lower taxes on future earnings and capital gains 4.6.6. Direct acquisition of assets - Benefit of Stamp duty and Capital gains tax 4.6.7. Distributable net income	

### Section V: Vehicles of Estate Planning- Features

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical testing clarity of concepts: 'Grade 2'
Total weight to Exam 4	8%
Nature of Test Items	8 items: 1 mark each 2 items: 2 marks each

### Sub-sections and topics covered:

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>5.1. Intra-Family Business and Property Transfer</b>	'Grade 1 & 2'
Detailed Topics	
5.1.1. Estate planning for family business 5.1.2. Forms of family business ownership 5.1.3. Calculating the value of the family business 5.1.4. Transfer of Business and inter-generation wealth transfer 5.1.5. Forms of property transfer - joint tenancy and tenancy-in-common 5.1.6. Offshore trusts and regulatory requirements 5.1.7. 'Asset protection' and 'Creditor protection period'	
<b>5.2. Trusts - Characteristics &amp; Regulation</b>	'Grade 1 & 2'
Detailed Topics	
5.2.1. The Indian Trust Act-1882 5.2.2. Classification of Trust - Revocable/Irrevocable and Simple/Complex 5.2.3. Characteristics of Trust - Discretionary and Determinate 5.2.4. Different types of a family trust 5.2.5. Family Trust V/s Will 5.2.6. Parties to Trust 5.2.7. Hybrid Trusts 5.2.8. Cancellation (Extinguishing) and Revocation of Trust 5.2.9. Other Provisions	

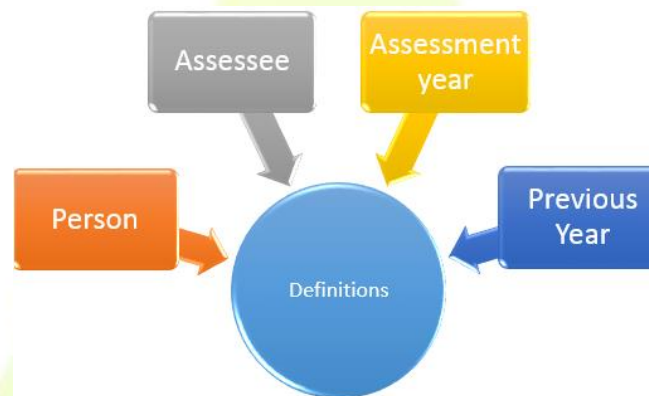


## Chapter -1 Basic Concepts

*"It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold" –  
- Kalidas in Raghuvansh eulogizing King Dalip.*

### Introduction

- △ Taxes are broadly divided into two parts i.e.
  - Direct taxes and
  - Indirect taxes.
- △ Indirect tax is a tax collected by an intermediary from the person who bears the ultimate economic burden.
- △ Direct tax is one where burden of tax is directly on the payer e.g. income tax, etc.



### Assessment Year

- △ Assessment year is the period of 12 months starting from April 1 of every year and ending on March 31 of the next year.
- △ The period of assessment year is fixed by statute.
- △ Income of the previous year of an assessee is taxed during the following assessment year at the rates prescribed for such assessment year by the Finance Act

### Previous Year

- △ The year in which income is earned is known as previous year.
- △ And the next year in which income is taxable is known as assessment year.

### Person

The term Person includes,

1. Individual
2. HUF
3. Company
4. Firm
5. Association of persons and Body of Individual



6. Local authority
7. Every artificial judicial person, not falling within any of the preceding category

### Assessee

#### Category – 1

- △ Means a person by whom any tax or any other sum of money (interest, penalty) is payable under the Act

#### Category – 2

- △ A person in respect of whom any proceeding under this act has been taken (whether or not he is liable for any tax, interest or penalty) for assessment of the following:
  - His income/loss
  - Income/loss of any other person in respect of which he is assessable
  - Amount of Refund due to him or to such other person

#### Category – 3

- △ Every person who is a deemed assessee e.g. Representative Assessee

#### Category – 4

- △ Assessee in default

### Tax Slabs

Tax Rate	Individual Resident below 60 years, HUF, NRI of any age	Indian Resident ≥ 60 years <80 years (Resident Senior Citizen)	Indian Resident ≥ 80 years (Resident Super Senior Citizen)
Nil	Upto 2,50,000	Upto 3,00,000	Upto 5,00,000
5%	>2,50,000 ≤ 5,00,000	>3,00,000 ≤ 5,00,000	Not applicable
20%	>5,00,000 ≤ 10,00,000	>5,00,000 ≤ 10,00,000	>5,00,000 ≤ 10,00,000
30%	>10,00,000	>10,00,000	>10,00,000

### Format of Income Tax Computation

Particulars	Amount Rs.
Income under the head Salary	X
Income under the head House Property	X
Income under the head Profits and Gains from Business & Profession	X
Income under the head Capital Gain	X
Income from other Sources	_____ X _____
Gross Total Income	X
Less: Deductions u/s. 80C to 80U	_____ (X) _____
Total Income	X
Tax on Total Income	X
Less: Rebate u/s. 87A	_____ (X) _____
Total Tax Liability	X
Add: Surcharge (10%/15% on Tax Liability)	_____ X _____