Module - 3

Section - A : Income-tax Law
[As amended by the Finance Act, 2017]

Assessment Year 2018-19

(Relevant for May, 2018 and November, 2018 examinations)
This Study Material has been prepared by the faculty of the Board of Studies. The objective of the Study Material is to provide teaching material to the students to enable them to obtain knowledge in the subject. In case students need any clarification or have any suggestion for further improvement of the material contained herein, they may write to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the Study Material has not been specifically discussed by the Council of the Institute or any of its Committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees. Permission of the Institute is essential for reproduction of any portion of this material.

© The Institute of Chartered Accountants of India

All rights reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Edition : July, 2017
Website : www.icai.org
E-mail : bosnoida@icai.in
Committee/Department : Board of Studies
ISBN No. : 978-81-8441-880-4
Price : ₹ 400/- (For All Modules)
Published by : The Publication Department on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi 110 002, India.
Printed by : Sahitya Bhawan Publications, Hospital Road, Agra -282 003
July/2017/P2117 (New)

© The Institute of Chartered Accountants of India
CONTENTS

MODULE – 1
Chapter 1 : Basic Concepts
Chapter 2 : Residence and Scope of Total Income
Chapter 3 : Incomes which do not form part of Total Income

MODULE – 2
Chapter 4 : Heads of Income

MODULE – 3
Chapter 5 : Income of Other Persons included in Assessee's Total Income
Chapter 6 : Aggregation of Income, Set-off and Carry Forward of Losses
Chapter 7 : Deductions from Gross Total Income
Chapter 8 : Computation of Total Income and Tax Payable
Chapter 9 : Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source
Chapter 10 : Provisions for filing Return of Income and Self-assessment
## DETAILED CONTENTS : MODULE – 3

### CHAPTER – 5: INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE’S TOTAL INCOME

**Learning Outcomes** ........................................................................................................................................... 5.1

**Chapter Overview** ........................................................................................................................................... 5.2

**Contents:**

1. Clubbing of Income – An Introduction ................................................................................................. 5.3
2. Transfer of income without transfer of asset [Section 60] ..................................................................... 5.3
3. Income arising from revocable transfer of assets [Section 61] ................................................................. 5.4
4. Exceptions where clubbing provisions are not attracted even in case of revocable transfer [Section 62] ........................................................................................................................................... 5.4
5. Clubbing of income arising to spouse ...................................................................................................... 5.5
   5.1 Income by way of remuneration from a concern in which the individual has substantial interest [Section 64(1)(ii)] ........................................................................................................................................... 5.5
   5.2 Income arising to the spouse from an asset transferred without adequate consideration [Section 64(1)(iv)] ........................................................................................................................................... 5.7
6. Transfer of assets for the benefit of spouse [Section 64(1)(vii)] .............................................................. 5.9
7. Income arising to son’s wife from the assets transferred without adequate consideration by the father-in-law or mother-in-law [Section 64(1)(vi)] ................................................................. 5.9
8. Transfer of assets for the benefit of son’s wife [Section 64(1)(viii)] .......................................................... 5.10
9. Clubbing of minor’s income [Section 64(1A)] .......................................................................................... 5.11
10. Cross Transfers ......................................................................................................................................... 5.13
11. Conversion of self-acquired property into the property of a Hindu Undivided Family [Section 64(2)] ........................................................................................................................................... 5.14
12. Income includes loss ................................................................................................................................. 5.15
13. Distinction between section 61 and section 64 ...................................................................................... 5.15

**Exercise** ......................................................................................................................................................... 5.15

**Let us Recapitulate** ...................................................................................................................................... 5.23

**Test Your Knowledge** ................................................................................................................................. 5.25
### CHAPTER 6: AGGREGATION OF INCOME, SET-OFF AND CARRY FORWARD OF LOSSES

**Learning Outcomes**

**Chapter Overview**

**Contents:**
1. Aggregation of Income ................................................................. 6.3
2. Concept of set-off and carry forward of losses .............................. 6.3
3. Inter-source adjustment [Section 70]................................................. 6.3
4. Inter-head adjustment [Section 71].................................................... 6.4
5. Set-off and carry forward of loss from house property [Section 71B].... 6.6
6. Carry forward and set-off of business losses [Sections 72 & 80] ......... 6.6
7. Losses in Speculation Business [Section 73] ..................................... 6.8
8. Carry forward & set off of losses by specified businesses [Section 73A] ... 6.9
9. Losses under the head ‘Capital Gains’ [Section 74] ............................. 6.10
10. Losses from the activity of owning and maintaining race horses  
    [Section 74A(3)] ......................................................................... 6.11

**Exercise** .......................................................................................... 6.13

**Let us Recapitulate** ......................................................................... 6.34

**Test Your Knowledge** ....................................................................... 6.36

### CHAPTER 7: DEDUCTIONS FROM GROSS TOTAL INCOME

**Learning Outcomes**

**Chapter Overview**

**Contents:**
1. General Provisions ........................................................................... 7.3
2. Deduction in respect of payments ..................................................... 7.6
   2.1 Deduction in respect of investment in specified assets [Section 80C] ..... 7.6
   2.2 Deduction in respect of contribution to certain pension funds  
       [Section 80CCC] ....................................................................... 7.16
   2.3 Deduction in respect of contribution to pension scheme notified  
       by the Central Government [Section 80CCD] ................................. 7.17
2.4 Limit on deductions under sections 80C, 80CCC & 80CCD(1)

[Section 80CCE] ........................................................................................................................................ 7.19

2.5 Deduction in respect of investment made under an equity savings scheme [Section 80CCG] ...................................................................................................................... 7.22

2.6 Deduction in respect of medical insurance premium [Section 80D] ........................................ 7.28

2.7 Deduction in respect of maintenance including medical treatment of a dependent disabled [Section 80DD] ........................................................................................................ 7.32

2.8 Deduction in respect of medical treatment etc. [Section 80DDB] ........................................ 7.34

2.9 Deduction in respect of interest loan taken for higher education [Section 80E] ........................................ 7.35

2.10 Deduction for interest on loan borrowed for acquisition of self-occupied house property by an individual [Section 80EE] ........................................ 7.37

2.11 Deduction in respect of donations to certain funds, charitable institutions etc. [Section 80G] ......................................................................................................................... 7.38

2.12 Deduction in respect of rent paid [Section 80GG] ........................................................................ 7.43

2.13 Deduction in respect of donations for scientific research and rural development [Section 80GGA] ......................................................................................................................... 7.44

2.14 Deduction in respect of contributions given by companies to political parties [Section 80GGB] ......................................................................................................................... 7.45

2.15 Deduction in respect of contributions given by any person to political parties [Section 80GGC] ......................................................................................................................... 7.46

3. Deduction in respect of certain incomes ................................................................. 7.47

3.1 Deduction in respect of employment of new employees [Section 80JJAA] ......................................................................................................................... 7.47

3.2 Deduction in respect of royalty income, etc., of authors of certain books other than text books [Section 80QQB] ........................................................................................................ 7.50

3.3 Deduction in respect of royalty on patents [Section 80RRB] ........................................ 7.51

4. Deduction in respect of other income ........................................................................ 7.51

5. Other Deductions ........................................................................................................... 7.54

Exercise .............................................................................................................................. 7.55

Let us Recapitulate ......................................................................................................... 7.61

Test Your Knowledge ........................................................................................................ 7.67
# CHAPTER 8: COMPUTATION OF TOTAL INCOME AND TAX PAYABLE

**Learning Outcomes** ........................................................................................................................... 8.1  
**Chapter Overview** ............................................................................................................................... 8.2  
**Contents:**  
1. Meaning of Total Income...................................................................................................................... 8.3  
2. Income to be considered while computing Total Income of Individuals........................................ 8.3  
3. Computation of Total Income and Tax Liability of Individuals ...................................................... 8.4  
**Exercise** ...........................................................................................................................................8.12  
**Let us Recapitulate** ...........................................................................................................................8.48  
**Test Your Knowledge** ......................................................................................................................8.50  

# CHAPTER 9: ADVANCE TAX, TAX DEDUCTION AT SOURCE AND INTRODUCTION TO TAX COLLECTION AT SOURCE

**Learning Outcomes** ........................................................................................................................... 9.1  
**Chapter Overview** ............................................................................................................................... 9.3  
**Contents:**  
1. Deduction of Tax at Source and Advance Payment [Section 190]................................................. 9.4  
2. Direct Payment [Section 191]............................................................................................................. 9.4  
3. Deduction of Tax at Source ............................................................................................................. 9.4  
   3.1 Salary [Section 192]..................................................................................................................... 9.4  
   3.2 Premature withdrawal from employees provident fund [Section 192A] ......................... 9.7  
   3.3 Interest on securities [Section 193]............................................................................................ 9.8  
   3.4 Dividends [Section 194]........................................................................................................... 9.10  
   3.5 Interest other than interest on securities [Section 194A] .................................................... 9.10  
   3.6 Winnings from lotteries, crossword puzzles and horse races
       [Sections 194B and 194BB]............................................................................................................ 9.15  
   3.7 Payments to contractors and sub-contractors [Section 194C]............................................. 9.16  
   3.8 Insurance Commission [Section 194D]..................................................................................... 9.21  
   3.9 Payment in respect of life insurance policy [Section 194-DA] ............................................. 9.22  
   3.10 Payments to non-resident sportsmen or sports association
       [Section 194E]............................................................................................................................. 9.23
3.11 Payments in respect of deposits under National Savings Scheme etc.
   [Section 194EE] ..................................................................................................................9.24
3.12 Repurchase of units by Mutual Fund or Unit Trust of India
   [Section 194F] .....................................................................................................................9.24
3.13 Commission etc. on the sale of lottery tickets [Section 194G] ..........................9.25
3.14 Commission or brokerage [Section 194H] ..............................................................9.25
3.15 Rent [Section 194-I] .........................................................................................................9.28
3.16 Payment on transfer of certain immovable property other than
   agricultural land [Section 194-IA] ...............................................................................9.31
3.17 Payment of rent by certain individuals or Hindu undivided
   family [Section 194-IB] ......................................................................................................9.33
3.18 Payment under specified agreement [Section 194-IC] ......................................9.34
3.19 Fees for professional or technical services [Section 194J] ................................9.35
3.20 Payment of compensation on acquisition of certain immovable
   property [Section 194LA] ...............................................................................................9.38
3.21 Income payable net of tax [Section 195A] ..............................................................9.39
3.22 Interest or dividend or other sums payable to Government,
   Reserve Bank or certain corporations [Section 196] ......................................................9.39

5. No Deduction in Certain Cases [Section 197A] ..............................................................9.40

6. Miscellaneous Provisions .........................................................................................................9.43
   6.1 Tax deducted is income received [Section 198]......................................................9.43
   6.2 Credit for tax deducted at source [Section 199] ....................................................9.43
   6.3 Duty of person deducting tax [Section 200] ............................................................9.44
   6.4 Correction of arithmetic mistakes and adjustment of incorrect claim
      during computerized processing of TDS statements [Section 200A].................9.46
   6.5 Consequences of failure to deduct or pay [Section 201].........................................9.47
   6.6 Deduction only one mode of recovery [Section 202] ..............................................9.49
   6.7 Certificate for tax deducted [Section 203]..............................................................9.49
   6.8 Furnishing of statement of tax deducted [Section 203AA]......................................9.50
   6.9 Person responsible for paying taxes deducted at source [Section 204]............9.52
   6.10 Bar against direct demand on assessee [Section 205]..........................................9.52
6.11 Furnishing of statements in respect of payment of interest to residents without deduction of tax [Section 206A] .............................................9.53
6.12 Mandatory requirement of furnishing PAN in all TDS statements, bills, vouchers and correspondence between deductor and deductee [Section 206AA] .................................................................................................9.53

7. Advance Payment of Tax [Sections 207 to 219] ..............................................................9.54
7.1 Liability for payment of advance tax...........................................................................9.54
7.2 Computation of advance tax......................................................................................9.55
7.3 Installments of advance tax and due dates..............................................................9.56
7.4 Credit for advance tax [Section 219].........................................................................9.58
7.5 Interest for non-payment or short-payment of advance tax [Section 234B] .................9.58
7.6 Interest payable for deferment of advance tax [Section 234C] ..........................9.58

8. Tax collection at source – Basic concept [Section 206C].............................................9.60

Exercise ...........................................................................................................................................9.67
Let us Recapitulate........................................................................................................................9.72
Test Your Knowledge .......................................................................................................................9.87

CHAPTER 10: PROVISIONS FOR FILING RETURN OF INCOME AND SELF ASSESSMENT

Learning Outcomes .........................................................................................................................10.1
Chapter Overview .............................................................................................................................10.3
Contents:
1. Return of Income ........................................................................................................................10.4
2. Compulsory filing of return of income [Section 139(1)]..................................................10.4
3. Interest for default in furnishing return of income [Section 234A].................................10.8
4. Fee for default in furnishing return of income [Section 234F]...........................................10.8
5. Option to furnish Return of Income to Employer [Section 139(1A)] .........................10.9
6. Income-tax Return through computer readable media[Section 139(1B)].....................10.9
7. Specified class or classes of persons to be exempted from filing Return of Income [Section 139(1C)] ................................................................................................................................. 10.10
8. Return of Loss [Section 139(3)] .......................................................................................... 10.10
9. Belated Return [Section 139(4)] ........................................................................................................ 10.11
10. Revised Return [Section 139(5)] .................................................................................................. 10.11
11. Particulars to be furnished with the return [Section 139(6)] .................................................. 10.13
12. Particulars to be furnished with return of income in the case of an assessee engaged in business or profession [Section 139(6A)] .................................................. 10.13
13. Defective Return [Section 139(9)] .............................................................................................. 10.13
14. Permanent Account Number (PAN) [Section 139A] ................................................................ 10.15
15. Quoting of Aadhar Number [Section 139AA] ........................................................................... 10.21
16. Scheme for submission of returns through Tax Return Preparers
   [Section 139B] ............................................................................................................................... 10.22
17. Power of CBDT to dispense with furnishing documents etc. with the return and filing of return in electronic form [Sections 139C & 139D] .................. 10.24
18. Persons authorised to verify Return of Income [Section 140] .................................................. 10.25
19. Self-Assessment [Section 140A] ................................................................................................ 10.28

Exercise ........................................................................................................................................ 10.29
Let us Recapitulate ....................................................................................................................... 10.32
Test Your Knowledge .................................................................................................................. 10.35