BEFORE WE BEGIN …

Revised Scheme of Education and Training: Bridging the competence gap

The role of a chartered accountant is evolving continually to assume newer responsibilities in a dynamic environment. There has been a notable shift towards strategic decision making and entrepreneurial roles that add value beyond traditional accounting and auditing. The causative factors for the change include globalisation leading to increase in cross border transactions and consequent business complexities, significant developments in information and technology and financial scams underlining the need for a stringent regulatory set up. These factors necessitate an increase in the competence level of chartered accountants to bridge the gap in competence acquired and competence expected from stakeholders. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being stepped up to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Concurrent Practical Training along with academic education: Key to achieving the desired level of Professional Competence

Under the Revised Scheme of Education and Training, at the Final Level, you are expected to apply the professional knowledge acquired through academic education and the practical exposure gained during articleship training in addressing issues and solving practical problems. The integrated process of learning through academic education and practical training should also help you inculcate the requisite technical competence, professional skills and professional values, ethics and attitudes necessary for achieving the desired level of professional competence.

Direct Tax Laws: Dynamic Subject Area

Direct Tax Laws is one of the dynamic subjects of the chartered accountancy course. The subject “Direct Tax Laws and International Taxation” at the Final level is divided into two parts, namely, Part I: Direct Tax Laws for 70 marks and Part II: International Taxation for 30 marks. Part I: Direct tax laws comprises of the law and procedures under the Income-tax Act, 1961. The direct tax laws of the country undergo significant changes every year with the passing of the annual Finance Act. 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. Further, decisions are pronounced by various Courts interpreting the provisions of tax laws.

With increased cross border transactions and the whole world virtually becoming one market there is a need for chartered accountants to enhance their knowledge base in international taxation. Countries across the globe are entering into tax treaties to avoid double taxation of a single
transaction. In a highly advanced IT enabled business scenario where an entity operates from many establishments spread throughout the globe, chartered accountants have to be well versed with the nuances of international taxation to be able to give an informed and correct advice and ensure compliance with tax laws. With this objective, a dedicated part on International Taxation has been introduced in the Revised Scheme of Education and Training for 30 marks in Paper 7 - Direct Tax Laws and International Taxation.

### The relevant Finance Act and Assessment Year

This Study Material is based on the provisions of direct tax laws as amended by the Finance Act, 2017 and the significant notifications and circulars issued upto 30th April, 2017. The computational problems have been solved on the basis of the provisions of law applicable for A.Y.2018-19. The Study Material is, therefore, relevant for May 2018 and November, 2018 examinations. The amendments made by the Finance Act, 2017 and latest notifications/circulars are indicated in *italics/bold italics* in the Study Material.

### Framework of Chapters: Uniform Structure comprising of specific components

Efforts have been made to present the complex direct tax laws in a lucid manner. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. The Study Material has been divided into four modules for ease of handling by students. The first three modules are on direct tax laws and the fourth module is on international taxation.

Each chapter of the Study Material has been structured uniformly and comprises of the following components:

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<td>2. Content</td>
<td>The concepts and provisions of direct tax laws and international taxation are explained in 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.</td>
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<td>3. Exercise Questions with Answers</td>
<td>The exercise questions and answers would help you to analyse the provisions of direct tax laws and international taxation and apply the same in problem solving, thus, sharpening your application skills. In effect, these questions would test your ability to analyse and apply the concepts/provisions learnt in solving problems and addressing issues. Small case scenarios</td>
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have also been given to test your analytical ability and interpretational skills.

| 4. Significant Select Cases | The recent significant select Supreme Court and High Court rulings have been reported at the end of each chapter to help you appreciate the interpretation of the provisions of tax laws by the Courts. |

We hope that these student-friendly features in the Study Material improves your learning curve and sharpens your analytical and interpretational skills.

*Happy Reading and Best Wishes!*
PAPER – 7 : DIRECT TAX LAWS AND INTERNATIONAL TAXATION
(One paper — Three hours –100 Marks)

Part I : Direct Tax Laws (70 Marks)

Objective:
To acquire the ability to analyze and interpret the provisions of direct tax laws and recommend solutions to practical problems.

Contents:

Law and Procedures under the Income-tax Act, 1961,

1. Basis of charge, residential status, income which do not form part of total income, heads of income, income of other persons included in assessee’s total income, aggregation of income, set-off and carry forward of losses, deductions from gross total income, rebates and reliefs

2. Special provisions relating to companies and certain persons other than a company

3. Provisions relating to charitable and religious trust and institutions, political parties and electoral trusts

4. Tax Planning, Tax Avoidance & Tax Evasion

5. Collection & Recovery of Tax, Refunds

6. Income-tax Authorities, Procedure for assessment, Appeals and Revision

7. Settlement of Tax Cases, Penalties, Offences & Prosecution

8. Liability in Special Cases


---

1 Including firms, LLPs, Trusts, AOPs, BOIs, Securitsation Trusts, Business Trusts, Investment Fund etc.

2 Representative assessee, Executors etc.

3 The entire income-tax law is included at the Final level. Any residuary provision under the Income-tax Act, 1961, not covered under any of the above specific provisions or under Part II: International Taxation would be covered under “Other Provisions”. Further, if any new Chapter is included in the Income-tax Act, 1961, the syllabus will accordingly include the provisions relating thereto.

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Part II: International Taxation (30 Marks)

Objective:

To develop an understanding of the concepts, principles and provisions of International Taxation and acquire the ability to apply such knowledge to make computations and to address application-oriented issues.

Contents:

1. Taxation of international transactions and Non-resident taxation
   (i) The provisions under the Income-tax Act, 1961, including
       a) Specific provisions relating to Non-residents
       b) Double Taxation Relief
       c) Transfer Pricing & Other Anti-Avoidance Measures
       d) Advance Rulings
   (ii) Equalisation levy
2. Overview of Model Tax Conventions – OECD & UN
3. Application and interpretation of Tax Treaties
4. Fundamentals of Base Erosion and Profit Shifting

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 direct tax laws 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.
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