Final Course
(Revised Scheme of Education and Training)
Study Material

Elective Paper 6C
International Taxation

(Relevant for May, 2020 and November, 2020 examinations)

BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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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 between 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.

In the Revised Scheme of Education and Training, the concept of electives has been introduced at the Final level in line with the school of thought that specialisation is the key to developing professionally competent chartered accountants. As per this school of thought, an emerging chartered accountant has to be geared up to assume new roles as consultants and advisors, necessitated on account of growing business complexities, dynamic changes in legislations and regulatory requirements and client expectations.

Elective Paper on International Taxation: Paving way for specialization in this key concern area of businesses engaged in cross border transactions and tax administrations

Consequent to borderless economies, it has become imperative that subjects which transcend borders be added in the curriculum, for instance, Global Financial Reporting Standards and International Taxation. In fact, globalisation, capital mobility and increased trade and services have resulted in the whole world virtually becoming one market and consequently, international taxation has become a key concern area both for business enterprises engaged in cross border transactions as well as for tax administrations of the concerned States. 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, International Taxation has been introduced as an elective paper in the Final Course. In fact,
the core paper on Direct Tax Laws and International Taxation [Paper 7] in the Final Course, in which there is a dedicated part on International Taxation for 30 marks, lays the foundation for further specialisation in the area of International Taxation by opting for the Elective Paper [Paper 6C] on International Taxation.

**Syllabus of International Taxation: Division into two parts**

The syllabus of this elective paper on International Taxation is divided into two parts: Part I comprises of “Taxation of International Transactions and Non-resident Taxation in India” covering Transfer Pricing provisions under the Income-tax Act, 1961, Non-resident Taxation, Double Taxation Relief, Advance Rulings as well as an Overview of the Law and Procedures under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. Part II comprises of “Other aspects of International Taxation” covering Taxation of E-Commerce Transactions, Overview, Features, Application and Interpretation of Tax Treaties, Anti Avoidance Measures and Overview of Model Tax Conventions.

**Elective Paper on International Taxation: Building on the knowledge base of the Core Paper on Direct Taxes and International Taxation**

Part I of the syllabus of this paper comprises of five chapters and Part II comprises of four chapters. In this Study Material, the contents of Part I on Taxation of International Transactions and Non-resident Taxation in India are based on the provisions of income-tax law, as amended by the Finance (No. 2) Act, 2019. The relevant assessment year is A.Y.2020-21.

Students may note that in the chapters comprised in Part I of the Syllabus of this Elective Paper, the special provisions relating to non-resident taxation, transfer pricing, double taxation relief and advance rulings under the Income-tax Act, 1961 are dealt with in detail in this Study Material. Also, certain general provisions of the Income-tax Act, 1961 which would apply in the same or modified form to non-residents have been discussed at some length. Since these general provisions and other general provisions of the income-tax law are dealt with in detail in the core paper on Direct Tax Laws and International Taxation [Final Paper 7], students are expected to integrate and apply the provisions of income-tax law (dealt with in Final Paper 7: Direct Tax Laws and International Taxation and in the Elective Paper 6C: International Taxation) in making computations and addressing relevant issues in case study based questions raised in the Elective Paper on International Taxation.

**Enhance your knowledge through the webpages on international taxation and non-resident taxation and relevant Acts and Rules available at the Income-tax Department website**

Along with the Study Material, students are also advised to read the relevant provisions of the Income-tax Act, 1961 [as amended by the Finance (No.2) Act, 2019], the updated edition of the Income-tax Rules, 1962, Black Money (Undisclosed Foreign Income and Assets) and Imposition of

The double taxation avoidance agreements (DTAAs) entered into by India with different countries are available on this website, and it is important that students read and appreciate the different articles forming part of the DTAAs. Furthermore, the webpage on international taxation https://www.incometaxindia.gov.in/pages/international-taxation.aspx contains useful compilation on various topics relating to international taxation, like, advance ruling, transfer pricing, withholding tax, DTAAs etc and the webpage on non-resident taxation https://www.incometaxindia.gov.in/pages/non-resident-specific-content.aspx details the specific provisions relating to non-residents. Students are advised to go through the contents of these webpages and enhance their knowledge on international taxation. This would help them to solve the case study based questions in a more effective manner. Students may note that case studies on international taxation are being hosted at the BoS Knowledge Portal on the Institute’s website www.icai.org from time to time.

Happy Reading and Best Wishes!
Objective:
To develop an understanding of the concepts, principles and provisions relevant to international taxation and acquire the ability to apply such knowledge to make computations and address issues in practical case scenarios.

Content:

Part I - Taxation of International Transactions and Non-resident Taxation in India

1. Transfer Pricing provisions under the Income-tax Act, 1961, including
   (i) Arm’s Length Price
   (ii) International Transactions
   (iii) Most Appropriate Method
   (iv) Functions, Assets and Risk Analysis
   (v) Documentation & Compliances
   (vi) Specific Reporting Regime in respect of Country by Country reporting and master file
   (vii) Advance Pricing Agreements

2. Other Provisions relating to taxation of international transactions and non-resident taxation under the Income-tax Act, 1961
   (i) Non-resident Taxation (including Source Rule of Taxation)
   (ii) Double Taxation Relief
   (iii) Advance Rulings

3. Law and Procedures under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 – An Overview.
Part II – Other aspects of International Taxation

1. Overview of Model Tax Conventions
   (i) OECD Model Tax Convention
   (ii) UN Model Tax Convention
   (iii) US Model Tax Convention

2. Tax treaties, Application and Interpretation
   (i) Features of Tax treaties
   (ii) Overview of Tax Information Exchange Agreements
   (iii) Commentaries and their importance
   (iv) Role of Vienna Convention in application and interpretation of tax treaties

3. Anti Avoidance Measures
   (i) Controlled Foreign Corporations
   (ii) Base Erosion and Profit Shifting
   (iii) Other Anti Avoidance Measures

4. Taxation of E-Commerce Transactions
   (i) Introduction
   (ii) Emerging issues
   (iii) Equalisation levy

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.

The specific inclusions/ exclusions in any topic covered in the syllabus will be effected by way of Study Guideline 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.

* Excluded from Syllabus by way of Study Guidelines

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