

Intermediate Course

Study Material

(Modules 1 & 2)

PAPER 3

Taxation

Section – A: Income-tax Law
[As amended by the Finance Act, 2025]
Assessment Year 2026-27

**(Relevant for May, 2026, September, 2026
and January, 2027 Examinations)**

MODULE – 1



BOARD OF STUDIES (ACADEMIC)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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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.

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BEFORE WE BEGIN.....

BoS – Value added Study Materials

The Board of Studies is the department which serves as the Institute's interface with its students. BoS 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 also publishes Saransh wherein the concepts and provisions are presented in attractive colours in the form of tables, diagrams and flow charts for facilitating easy retention and quick revision of topics, 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. 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, 2025, and the significant notifications and circulars issued and legislative amendments made upto 15th July, 2025. The computational problems have been solved on the basis of the provisions of income-tax law applicable for A.Y.2026-27. The Study Material is, therefore, relevant for May, 2026, September, 2026 and January, 2027 examinations. The amendments made by the Finance Act, 2025, 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 upto 31.10.2025, 28.2.2026 and 30.6.2026 but not covered in this material, relevant for May, 2026, September, 2026 and January, 2027 examinations, respectively, will be webhosted as Statutory Update 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	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. 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 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.
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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
 - (iii) Time of supply
 - (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.

STUDY GUIDELINES

Paper-3A: Income-tax Law

List of topic-wise exclusions from the syllabus

Topics of the Syllabus		Exclusions (Provisions which are excluded from the corresponding topic of the Syllabus)								
1.	Basic Concepts	-								
2.	Residential status and scope of total income	Section 9A - Certain activities not to constitute business connection in India								
3.	Heads of income and the provisions governing computation of income under different heads									
	Salaries	-								
	Income from house property	-								
	Profits and gains of business or profession	1. Income computation and disclosure standards (ICDSs) notified under section 145 and the related provisions in the Income-tax Act, 1961; 2. The provisions contained in the following sections given hereunder: <table><tr><th>Section</th><th>Particulars</th></tr><tr><td>33AB</td><td>Tea Development Account/ Coffee Development Account/ Rubber Development Account</td></tr><tr><td>33ABA</td><td>Site Restoration Fund</td></tr><tr><td>35(2AB)</td><td>Expenditure on scientific research on in-house research and development facility by a company engaged in business of bio-technology or manufacturing of article or thing etc.</td></tr></table>	Section	Particulars	33AB	Tea Development Account/ Coffee Development Account/ Rubber Development Account	33ABA	Site Restoration Fund	35(2AB)	Expenditure on scientific research on in-house research and development facility by a company engaged in business of bio-technology or manufacturing of article or thing etc.
Section	Particulars									
33AB	Tea Development Account/ Coffee Development Account/ Rubber Development Account									
33ABA	Site Restoration Fund									
35(2AB)	Expenditure on scientific research on in-house research and development facility by a company engaged in business of bio-technology or manufacturing of article or thing etc.									

		35ABA	Expenditure for obtaining right to use spectrum for telecommunication services
		35ABB	Expenditure for obtaining licence to operate telecommunication services
		35CCA	Expenditure by way of payment to associations and institutions for carrying out rural development programmes
		35CCC	Expenditure on agricultural extension project
		35CCD	Expenditure on skill development project
		35DD	Amortisation of expenditure in case of amalgamation or demerger
		35E	Deduction of expenditure on prospecting and development of certain minerals
		36(1)(ia)/ (vi)/(vii)/ (viii)/(xii)/ (xiv)/ (xvii)	• Insurance premium paid by a Federal Milk Co-operative Society [Section 36(1)(ia)] • Allowance for animals used for the purposes of business or profession, otherwise than as stock in trade [Section 36(1)(vi)] • Special provision for bad and doubtful debts made by Banks, Public Financial Institution, State Financial Corporation, State Industrial Investment Corporation [Section 36(1)(vii)] • Deduction for Special Reserve created and maintained by Specified Entities engaged in eligible business [Section 36(1)(viii)] • Deduction for expenditure incurred by entities established under any Central, State or Provincial Act [Section 36(1)(xii)] • Deduction of contribution by a public financial institution to Credit guarantee fund trust for small industries [Section 36(1)(xiv)]

		Deduction of expenditure incurred by a co-operative society for purchase of sugarcane at price fixed by the Government [Section 36(1)(xvii)]
40(a)(ib)		Consideration paid or payable to a non-resident for specified service on which equalization levy is deductible under Chapter VIII of the Finance Act, 2016 and such levy has not deducted or after deduction has not been paid on or before the due date of filing return of Income
40(a)(iib)		Any amount paid by way of royalty, licence fee, service fee, privilege fee, service charge, etc., which is levied exclusively on, or any amount appropriated, directly or indirectly, from a State Government undertaking by the State Government (SG)
40(ba)		Any payment of interest, salary, bonus, commission or remuneration by AoP or Bol to a member of such AoP or Bol
42		Special provisions for deduction in case of business for prospecting etc. for mineral oil
43C		Special Provision for Computation of Cost of Acquisition of Certain Assets
43D		Special Provision in case of income of Public Financial Institutions, public companies etc.
44		Insurance Business
44A		Special provision for deduction in the case of trade, professional or similar association
44B to 44DB		- Special provision for computing the profits and gains of shipping business other than cruise shipping in case of non-residents [Section 44B] - Special provision for computing profits and gains in connection with the business of exploration etc., of mineral oils [Section 44BB] - Special provision for computing profits and gains of the business of operation of

		aircraft in the case of non-residents [Section 44BBA] • Special provision for computing profits and gains of foreign companies engaged in the business of civil construction etc. in certain turnkey power projects [Section 44BBB] • Special provision for computing profits and gains of business of operation of cruise ships in case of non-residents [Section 44BBC] • Special provisions for computing profits and gains of non-residents engaged in business of providing services or technology for setting up an electronics manufacturing facility or in connection with manufacturing or producing electronic goods, article or thing in India [Section 44BBD] • Deduction of head office expenditure in the case of non-residents [Section 44C] • Special provisions for computing income by way of royalties etc. in case of non-residents [Section 44DA] • Special provision for computing deductions in the case of business reorganisation of co-operative banks [Section 44DB]
	Capital gains	• Distribution of capital assets or stock in trade on dissolution or reconstitution of firm/AOP or BOI [Section 9B] • Receipts from unit linked insurance policy [Section 45(1B)] • Profits or gains arising from transfer made by the depository or participant of beneficiary interest in any securities [Section 45(2A)] • Introduction of capital asset as capital contribution in a firm/AOP or BOI [Section 45(3)]

		• Distribution of money or capital assets on reconstitution of firm/AOP or BOI [Section 45(4)] • Taxability of capital gains in case of Specified Agreement [Section 45(5A)]	
		Section	Particulars
		2(42A)	Sub-clauses consequent to excluded clauses of section 47, sub-clause (he) of clause (i) of Explanation 1 relating to period of holding of share(s) of a company acquired by non-resident on redemption of GDRs referred to in section 115AC(1)(b) and sub-clause (hg) relating to period of holding of unit or units in the segregated portfolio and sub-clause (hh) relating to period of holding of original units or units in the main portfolio.
	47(via)/(viaa)/ (viab)/(vic)/ (vica)/(vicb)/ (vicc)/(viiia)/ (viiiaa)/ (viiab)/ (viiac)/ (viiad)/ (viiiae)/ (viiiaf)/(xa)/ (xii)/(xiii)/ (xiiia)/(xiiib)/ (xiv)/(xv)/ (xvii)/ (xviii)/(xix)/ (xx)	• Any transfer of a capital asset being a share or shares held in an Indian company, in a scheme of amalgamation, by amalgamating foreign company to the amalgamated foreign company [Section 47(via)] • Any transfer of a capital asset, in a scheme of amalgamation of a banking company with a banking institution [Section 47(viaa)] • Any transfer, in a scheme of amalgamation, of a capital asset, being a share of a foreign company [Section 47(viab)] • Any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerger foreign company to the resulting foreign company [Section 47(vic)]	

			• Any transfer by a shareholder, in a business reorganisation, of a capital asset being a share or shares held by him in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any share or shares in the successor co-operative bank or to the converted banking company [Section 47(vicb)] • Any transfer in case of a demerger of a capital asset, being a share of a foreign company [Section 47(vicc)] • Any transfer of bonds of an Indian company or Global Depository Receipts purchased in foreign currency referred to in section 115AC(1) [Section 47(viia)] • Any transfer, made outside India, of a capital asset being Rupee denominated bond of an Indian company issued outside India, by a non-resident to another non-resident [Section 47(viiaa)] • Any transfer of a capital asset, being GDR, rupee denominated bonds, derivative or other notified securities by a non-resident in foreign currency on a recognized stock exchange located in any IFSC [Section 47(viiab)] • Any transfer, in a relocation, of a capital asset by the original fund to the resulting fund [Section 47(viiac)]
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			- Any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund [Section 47(viiad)] - Any transfer of capital asset by IIFCL to an institution established for financing the Infrastructure and Development, set up under an act of Parliament and notified by the Central Government [Section 47(viiae)] - Any transfer of capital asset by a public sector company to another public sector company notified by the Central Government or to the Central Government or to a State Government under a plan approved by the Central Government [Section 47(viiaf)] - Any transfer of by way of conversion of Foreign Currency Exchangeable Bonds into shares or debentures of a company [Section 47(xa)] - Any transfer of land under a scheme prepared and sanctioned under section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, by a sick industrial company which is managed by its workers' co-operative [Section 47(xii)]
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		- Any transfer of a membership right by a member of recognised stock exchange in India for acquisition of shares and trading or clearing rights in accordance with a scheme for demutualization or corporatisation approved by SEBI [Section 47(xiiia)] - Any transfer of a capital asset or intangible asset by a private company or unlisted public company to a LLP [Section 47(xiiib)] - Any transfer of a capital asset or intangible asset where a sole proprietary concern is succeeded by a company [Section 47(xiv)] - Any transfer in a scheme for lending of any securities under an agreement or arrangement which is subject to SEBI guidelines [Section 47(xv)] - Any transfer of a capital asset being share of a SPV to a business trust in exchange of units allotted by the trust to the transferor [Section 47(xvii)] - Any transfer of unit or units by a unit holder under consolidated scheme of mutual fund [Section 47(xviii)] - Any transfer of unit or units by a unit holder under consolidated plan of mutual fund scheme [Section 47(xix)] - Any transfer of a capital asset, being an interest in a joint venture, held by a public sector company, in exchange of share of a company incorporated outside India by the Government of a foreign State [Section 47(xx)]
	47A	Withdrawal of exemption in certain cases

		49	• Sub-sections consequent to excluded clauses of section 47 • Cost of acquisition of share(s) of a company acquired by a non-resident on redemption of GDRs referred under section 115AC(1)(b) [Section 49(2ABB)] • Cost of acquisition of shares in case of business reorganization of a co-operative bank [Section 49(2E)] • Cost of acquisition of a unit or units in the segregated portfolio [Section 49(2AG)] • Cost of acquisition of the original units held by the unitholder in the main portfolio [Section 49(2AH)] • Cost of acquisition of capital asset transferred by holding to its 100% subsidiary Indian company or vice versa in case of attraction of section 47A [Section 49(3)] • Cost of acquisition of an asset declared under the Income Declaration Scheme, 2016 [Section 49(5)] • Cost of acquisition of specified capital asset to an assessee, being an individual or HUF under Land Pooling Scheme in case of transfer of reconstituted plot or land after the expiry of two years from the end of the financial year in which the possession was handed over to the assessee [Section 49(6)]
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			• Cost of acquisition of capital asset, being share in the project referred under section 45(5A) [Section 49(7)] • Cost of acquisition of capital asset of entities in case of levy of tax on accreted income under section 115TD [Section 49(8)]						
		54G	Exemption of Capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area						
		54GA	Exemption of capital gains on transfer of certain capital assets in case of shifting of an industrial undertaking from an urban area to any SEZ						
		55(2)(ab)	Cost of acquisition in respect of capital asset, being equity share or shares allotted to a shareholder of a recognised stock exchange of India under a scheme for demutualization or corporatization						
	Income from Other Sources	Section 56(2)(xii) – Specified sum received by a unit holder from a business trust during the previous year with respect to a unit held by him at any time during the previous year.							
4.	Income of other persons included in assessee's total income	Section 65: Liability of person in respect of income included in the income of another person							
5.	Aggregation of income; Set-off, or carry forward and set-off of losses	<table><tr><th>Section</th><th>Particulars</th></tr><tr><td>67A</td><td>Method of computing a member's share in income of association of persons or body of individuals</td></tr><tr><td>72A</td><td>Carry forward and set-off of accumulated business losses and unabsorbed depreciation in certain cases of Amalgamation/ Demerger, etc.</td></tr></table>		Section	Particulars	67A	Method of computing a member's share in income of association of persons or body of individuals	72A	Carry forward and set-off of accumulated business losses and unabsorbed depreciation in certain cases of Amalgamation/ Demerger, etc.
Section	Particulars								
67A	Method of computing a member's share in income of association of persons or body of individuals								
72A	Carry forward and set-off of accumulated business losses and unabsorbed depreciation in certain cases of Amalgamation/ Demerger, etc.								

		72AA	Provisions relating to carry forward and set-off of accumulated losses and unabsorbed depreciation of a – - banking company against the profit of a banking institution or a company subsequent to a strategic disinvestment under a scheme of amalgamation; or - one or more corresponding new bank with any other corresponding new bank; or - government company with any other government company under a scheme of amalgamation										
		72AB	Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation in business reorganisation of co-operative banks										
		78	Carry forward and set-off of losses in case of change in constitution of firm or succession										
		79	Carry forward and set-off of losses in case of certain companies										
		79A	No set off of losses consequent to search, requisition and survey										
6.	Deductions from gross total income	Deductions in respect of certain income: <table><tr><th>Section</th><th>Particulars</th></tr><tr><td>80-IA to 80-IE</td><td>Profit-linked deductions under Chapter VI-A</td></tr><tr><td>80JJA</td><td>Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste.</td></tr><tr><td>80LA</td><td>Deduction in respect of certain incomes of Offshore Banking units and International Financial Services Centers</td></tr><tr><td>80M</td><td>Deduction in respect of certain inter-corporate dividends</td></tr></table>		Section	Particulars	80-IA to 80-IE	Profit-linked deductions under Chapter VI-A	80JJA	Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste.	80LA	Deduction in respect of certain incomes of Offshore Banking units and International Financial Services Centers	80M	Deduction in respect of certain inter-corporate dividends
Section	Particulars												
80-IA to 80-IE	Profit-linked deductions under Chapter VI-A												
80JJA	Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste.												
80LA	Deduction in respect of certain incomes of Offshore Banking units and International Financial Services Centers												
80M	Deduction in respect of certain inter-corporate dividends												

		80P	Deduction in respect of income of co-operative societies
		80PA	Deduction in respect of certain income of Producer Companies
7.	Advance tax, tax deduction at source and tax collection at source	Section	Particulars
		194E	Payments to non-resident sportsmen or sports associations
		194EE	Payments in respect of deposits under NSS
		194-IC	Payment under specified agreement
		194LB to 194LD	• Interest income from Infrastructure Debt Fund [Section 194LB] • Income from units of business trust [Section 194LBA] • Income in respect of units of investment fund [Section 194LBB] • Income in respect of investment in securitization trust [Section 194LBC] • Income by way of interest payable to non-residents by Indian company [Section 194LC] • Income by way of interest on certain bonds and Government securities payable to a Foreign Institutional Investor or a Qualified Foreign Investor [Section 194LD]
		194-O	Payment of certain sums by e-commerce operator to e-commerce participant
		194S	Payment on transfer of Virtual digital asset
		195	Other sums (payable to non-residents)
		196A to 196D	• Income in respect of units of non-residents [Section 196A] • Income from units referred to in section 115AB [Section 196B] • Income from foreign currency bonds or shares of Indian company [Section 196C]

			Income of Foreign Institutional Investors from securities [Section 196D]
		202	Deduction only one mode of recovery
		206CB	Processing of statements of tax collected at source
8.	Provisions for filing return of income and self-assessment	Sections 139(4A) to 139(4F) dealing with provisions for filing of return of charitable or religious trusts, research institutions, political party, university, college or other institution, business trust, investment fund.	
		Section	Particulars
		139(6)	Particulars to be furnished with the Return
		139(6A)	Particulars to be furnished with return of income in the case of an assessee engaged in business or profession
		139C & 139D	Power of CBDT to dispense with furnishing documents etc. with the return and filing of return in electronic form
9.	Income-tax liability - Computation and optimization	Section 5A – Apportionment of income between spouses governed by Portuguese Civil Code Section 89A - Manner and year of taxation of income of a specified person accrued in a specified account	

List of topic-wise inclusion of clauses of section 10 in the syllabus

	Topics of the Syllabus	Inclusion (Provisions which are included in the Syllabus)	
1.	Basic Concepts	Agricultural income [Section 10(1)]	
2.	Residential Status and Scope of Total Income	-	
3.	Heads of Income		
	Salaries	Section	Particulars
		10(5)	Leave travel concession

		10(6)	Remuneration received by Individuals, who are not citizen of India
		10(7)	Allowance payable outside India by the Government to a citizen of India
		10(10)	Gratuity
		10(10A)	Commutation of pension
		10(10AA)	Leave Encashment
		10(10B)	Retrenchment Compensation
		10(10C)	Voluntary Retirement Receipts
		10(10CC)	Income-tax paid by employer on non-monetary perquisite
		10(11)	Payment from Statutory Provident Fund or PPF
		10(12)	Payment from Recognised Provident Fund
		10(13)	Payment from Superannuation Fund
		10(13A)	House Rent Allowance
		10(14)	Special Allowance or benefit to meet expenses relating to duties or personal expenses
		10(18)	Pension received by recipient of gallantry awards
	Income from house property	-	
	Profits and gains of business or profession	Section	Particulars
		10(2A)	Share income of a partner
		10(30)	Income of Tea Board
		10(31)	Income of Rubber Board and Coffee Board
	Capital Gains	Section	Particulars
		10(37)	Capital gains on compulsory acquisition of agricultural land situated within specified urban limits
		10(43)	Income received in a transaction of reverse mortgage

	Income from Other Sources	Section	Particulars
		10(4)(ii)	Interest on moneys standing to the credit of individual in his NRE A/c
		10(10BC)	Compensation received on account of disaster
		10(10D)	Payment of maturity proceeds by LIC (other than ULIPs)
		10(15)(i)/(vi)/(vii)	Interest income arising to certain persons
		10(16)	Educational scholarship
		10(17)	Payment to MPs & MLAs
		10(17A)	Awards for literary, scientific and artistic works and other awards by the Government
		10(19)	Family pension received by widow/children/nominated heirs of armed forces members
4.	Income of other persons included in assessee's total income	Minor's income included in the hands of parent [Section 10(32)]	
5.	Aggregation of income; Set-off, or carry forward and set-off of losses	-	
6.	Deductions from gross total income	Section	Particulars
		10(11A)	Payment from Sukanya Samriddhi Account
		10(12A)	Payment from NPS Trust to an assessee on closure of his account or on his opting out of the pension scheme
		10(12B)	Payment from NPS Trust to an employee on partial withdrawal

		10(12BA)	Payment from NPS Trust to an assessee, being parent or guardian of a minor, on partial withdrawal
		10(12C)	Payment from Agniveer Corpus Fund to a person enrolled under Agnipath Scheme or to his nominee
		10AA	Tax holiday for units established in SEZ
7.	Advance tax, tax deduction at source and tax collection at source	-	
8.	Provisions for filing return of income and self-assessment	-	
9.	Income-tax liability - Computation and optimisation	Amount received by a member from the income of HUF [Section 10(2)]	

Note - As far as the Income-tax Rules, 1962 are concerned, only the significant Rules included in the respective chapters of the Study Material as well as in the Statutory Update for May, 2026, September, 2026 and January, 2027 examinations, respectively, would be relevant at the Intermediate level. Even in respect of those sections and rules which are included in the syllabus, the coverage is restricted to the extent of the content discussed in the Study Material and Statutory Update.

Highlights of Significant Changes in the Study Material

This edition of the study material on Income-tax Law has been meticulously updated in line with the Income-tax Law, as amended by the Finance Act, 2025 along with significant Notifications and Circulars issued upto 15.07.2025. It is specifically designed for A.Y. 2026-27 and is applicable for May 2026, September 2026 and January 2027 examinations.

The amendments made by the Finance Act, 2025, significant Notifications and Circulars issued upto 15.07.2025 have been incorporated in this material. Accordingly,

- the content including tabular presentations, diagrams, flow charts etc have been added, deleted, modified on the basis of provisions of income-tax law applicable for A.Y. 2026-27.
- Additionally, examples, illustrations given during the discussion and "Test Your Knowledge" questions have been updated, deleted or modified in accordance with these amendments.
- Examples, illustrations and questions have been added in almost all the chapters.

Chapters where major amendments/ changes have been incorporated are as follows:

Chapter/ Unit Number	Name of the Chapter/ Unit
Chapter 1	Basic Concepts
Unit 4 of Chapter 3	Capital Gains (Refer Note below)
Unit 5 of Chapter 3	Income from Other Sources
Chapter 6	Deductions from Gross Total Income
Chapter 7	Advance Tax, Tax Deduction at Source and Tax Collection at Source
Chapter 8	Provisions for filing Return of Income and Self Assessment
Chapter 9	Income Tax Liability – Computation and Optimisation

Note: The provisions of period of holding for classifying capital asset as long term or short term, indexation benefit, tax rates for capital gains taxable u/s 112, 111A and 112A etc. have been amended by the Finance (No. 2) Act, 2024. Certain amendments were applicable with effect from certain date like 23.7.2024. Accordingly, both pre and post amended provisions were discussed in this unit. However, for May 2026, September 2026 and January 2027 examinations, the relevant previous year is P.Y. 2025-26. Therefore, this unit has been revamped to reflect only post amended provisions.

While the amended provisions are distinctly highlighted in *italics/bold and italics* throughout the material for easy access and quick reference, the concise summary of some of the **key amendments** introduced by the Finance Act, 2025 are given here below:



Default Tax Regime [Section 115BAC] - The tax slabs under the Default Tax Regime have been restructured as follows:

Total income	Rate of tax
Upto ₹ 4,00,000	Nil
From ₹ 4,00,001 to ₹ 8,00,000	5%
From ₹ 8,00,001 to ₹ 12,00,000	10%
From ₹ 12,00,001 to ₹ 16,00,000	15%
From ₹ 16,00,001 to ₹ 20,00,000	20%
From ₹ 20,00,001 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%



Increase in limit of rebate under section 87A: The limit of total income for claiming rebate under section 87A is increased from ₹ 7 lakhs to ₹ 12 lakhs and corresponding, the limit of rebate from ₹ 25,000 to ₹ 60,000. It implies that the tax liability of a resident individual who is paying tax under default tax regime having total income upto ₹ 12 lakhs excluding income taxable at special rates u/s 111A, 112, 112A etc. will be Nil. Marginal relief will still be applicable for income marginally higher than ₹ 12 lakhs.



Exemption from withdrawals from National Savings Scheme (NSS):

Section 80CCA provides for a deduction for any amount deposited in the NSS. No deduction would be allowed in relation to such amount deposited on or after 1.4.1992.

The NSS 1987 accounts are still operational, however due to the notification G.S.R.538E dated 29.8.2024 issued by Ministry of Finance through National Savings Scheme (Amendment) Rules, 2024, the balances at the credit of the subscribers of the National Savings Scheme on or after 1st October, 2024, would not earn any interest.

Consequent to this notification, depositors who had intended to leave their NSS balances untouched for future use will lose interest benefit and be compelled to withdraw the balances, making these amounts taxable.

Section 80CCA has been amended to provide exemption to the withdrawals made from National Savings Scheme (NSS) on or after 29th August, 2024, for any amount deposited under the scheme and the interest accrued thereon in respect of which a deduction has been allowed.



Deduction u/s 80CCD for contributions made to the NPS Vatsalya:

Section 80CCD(1B) provides for an additional deduction of upto ₹ 50,000 in respect of contributions made by an individual to the National Pension System (NPS). The scope of this sub-section has been extended to include contributions made to NPS Vatsalya accounts. The NPS Vatsalya Scheme, enables parents and guardians to start a National Pension Scheme (NPS) account for their children. However, the aggregate deduction under section 80CCD(1B), including contributions to both regular NPS and NPS Vatsalya accounts, shall not exceed ₹ 50,000 in a financial year.



Reduction in tax deduction at source (TDS) and tax collection at source (TCS) rates: The TDS and TCS rates in the following sections have been brought down:

S. No	Section	Existing TDS/TCS Rate	Revised TDS/TCS Rate
1.	194D - Insurance Commission	5%	2%

2.	206C(1) - TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and - TCS on timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Section 206C(1G) – TCS on remittance under LRS for purpose of education, financed by loan from financial institution referred to in section 80E	0.5% after ₹ 7 lakhs	Nil



Increase in threshold limit for deduction or collection of tax at source:

The threshold limit for requirement to deduct tax at source or collect tax at source under the following sections have been increased:

S.No	Section	Existing Threshold limit (₹)	Revised Threshold limit (₹)
1.	193 - Interest on securities	Nil	10,000
2.	194 – Dividend for an individual shareholder	5,000	10,000
3.	194A - Interest other than Interest on securities	(i) ₹ 50,000 for senior citizen; (ii) ₹ 40,000 in case of others when payer is bank, cooperative society and post office	(i) ₹ 1,00,000 for senior citizen (ii) ₹ 50,000 in case of others when payer is bank, co-operative society and post office

		(iii) ₹ 5,000 in other cases	(iii) ₹ 10,000 in other cases
4.	194B - Winnings from lottery, crossword puzzle etc.	Aggregate of amounts exceeding ₹ 10,000 during the financial year	₹ 10,000 in respect of a single transaction
5.	194BB - Winnings from horse race	Aggregate of amounts exceeding ₹ 10,000 during the financial year	₹ 10,000 in respect of a single transaction
6.	194D - Insurance commission	15,000	20,000
7.	194G - Income by way of commission, prize etc. on lottery tickets	15,000	20,000
8.	194H - Commission or brokerage	15,000	20,000
9.	194-I Rent	₹ 2,40,000 during the financial year	₹ 50,000 per month or part of a month
10.	194J - Fee for professional or technical services	30,000	50,000
11.	194K - Income in respect of units of a mutual fund or specified company or undertaking	5,000	10,000
12.	194LA - Income by way of enhanced compensation	2,50,000	5,00,000

13.	206C(1G) – Remittance under LRS and overseas tour program package	7,00,000	10,00,000
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No TCS on sale of goods: In cases where the provisions of section 194Q (relating to tax deduction at source by the buyer) were previously not attracted and TCS under section 206C(1H) applied if conditions specified thereunder are satisfied. However, with effect from April 1, 2025, the provisions of section 206C(1H), which required the collection of tax at source (TCS) on the sale of goods, has been abolished. Consequently, only section 194Q will now be relevant.

As per section 194Q, the buyer is required to deduct tax at source at the rate of 0.1% on value of goods exceeding ₹ 50 lakhs in a financial year for the purchase of goods from a resident seller, provided the buyer's turnover exceeds ₹ 10 crores in the preceding financial year.



Removal of higher TDS/TCS for non-filers of return of income: Section 206AB and 206CCA which requires deduction/ collection of tax at higher rate when the deductee specified therein is a non-filer of income-tax return have been omitted.



Extending the time-limit to file the updated return: Earlier, an updated return can be filed under section 139(8A) upto 24 months from the end of the relevant assessment year. The time limit for filing updated return has been extended to 48 months from the end of the relevant assessment year.

Rate of additional tax payable in the above case

Updated return filed after expiry of 24 months and upto 36 months from the end of relevant assessment year	60% of the aggregate of tax and interest payable
Updated return filed after expiry of 36 months and upto 48 months from the end of relevant assessment year	70% of the aggregate of tax and interest payable

Apart from the above key amendments, the following notifications have been included in this edition of study material -

S. No.	Relevant Chapter/ Unit name	Notifications	Details
1.	Profits and Gains of Business or Profession	Notification No. 38/2025 dated 23.4.2025	Disallowance under section 37 of expenses incurred to settle proceedings related to contraventions under certain Acts
		Notification No. S.O. 1364(E) dated 21.3.2025	Revision in the definition and classification criteria for micro, small and medium enterprises
2.	Capital Gains	Notification No. 31/2025 dated 7.4.2025	Bonds issued by HUDCO notified as "Long-Term Specified Asset" for section 54EC exemption
		Notification No. 70/2025 dated 1.7.2025	CII of F.Y. 2025-26 notified
		Notification No. 73/2025 dated 9.7.2025	Bonds issued by IREDA notified as "Long-Term Specified Asset" for section 54EC exemption
3.	Advance Tax, Tax Deduction at Source and Tax Collection at Source	Notification No. 36/2025 dated 22.4.2025	Luxury Goods notified for levy of TCS under section 206C(1F)
4.	Provisions for filing Return of Income and Self Assessment	Notification No. 25 and 26/2025 dated 3.4.2025	Notified date for intimation of Aadhaar Number by person who has been allotted PAN before 1.10.2024 on the basis of Aadhaar Enrolment ID

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