

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 – 2



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

This Study Material has been prepared by the faculty of the Board of Studies (Academic). 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 Joint Director, Board of Studies (Academic).

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.

Basic draft of this publication was prepared by CA. (Dr.) Rashmi Goel.

Edition	:	July 2025
Committee/Department	:	Board of Studies (Academic)
E-mail	:	bosnoida@icai.in
Website	:	www.icai.org
Price	:	₹ /- (For All Modules)
ISBN No.	:	
Published by	:	The Publication & CDS Directorate 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	:	

CONTENTS

MODULE - 1

- Chapter 1 : Basic Concepts
- Chapter 2 : Residence and Scope of Total Income
- Chapter 3 : Heads of Income

MODULE – 2

- 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
- 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

DETAILED CONTENTS: MODULE – 2

SECTION III 1 – 12

Overview	1
Scenario	2
Crossword Puzzle	11

CHAPTER – 4: INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME

Learning Outcomes	4.1
Chapter Overview	4.2

Contents:

1.	Clubbing of income – An introduction	4.3
2.	Income of other persons includible in Assessee's total income	4.3
2.1	Transfer of Income without transfer of asset [Section 60]	4.3
2.2	Income arising from revocable transfer of assets [Section 61].....	4.4
3.	Income of other persons includible in individual's total income	4.5
3.1	Clubbing of income arising to spouse	4.5
3.2	Clubbing of income arising to son's wife.....	4.11
3.3	Clubbing of minor's income [Section 64(1A)]	4.12
4.	Cross Transfers	4.16

5.	Conversion of self-acquired property into property of a Hindu Undivided Family [Section 64(2)]	4.18
6.	Incomes includes loss	4.19
7.	Distinction between section 61 and section 64	4.19
	Let us Recapitulate	4.20
	Test your Knowledge.....	4.24

CHAPTER 5: AGGREGATION OF INCOME, SET-OFF AND CARRY FORWARD OF LOSSES

Learning Outcomes.....	5.1
-------------------------------	------------

Chapter Overview	5.2
-------------------------------	------------

Contents:

1.	Aggregation of Income.....	5.4
2.	Concept of set-off and carry forward of losses	5.4
3.	Inter source adjustment [Section 70]	5.4
4.	Inter head adjustment [Section 71]	5.6
5.	Carry forward & set-off of loss from house property [Section 71B].....	5.7
6.	Carry forward and set-off of business losses [Sections 72].....	5.9
7.	Losses in Speculation Business [Section 73]	5.12
8.	Carry forward & set-off of losses of specified businesses [Section 73A]	5.13
9.	Losses under the head 'Capital Gains' [Section 74]	5.14
10.	Losses from the activity of owning and maintaining race horses [Section 74A(3)].....	5.15
11.	Order of set-off of losses	5.17

12. Submission of return of losses [Section 80].....	5.19
Let us Recapitulate	5.20
Test your Knowledge	5.24

CHAPTER -6: DEDUCTIONS FROM GROSS TOTAL INCOME

Learning Outcomes.....	6.1
Chapter Overview	6.2

Contents:

1. General provisions	6.3
2. Deductions in respect of certain payments	6.10
2.1 Deduction in respect of investment in specified assets [Section 80C].....	6.10
2.2 Deduction in respect of contribution to certain pension funds [Section 80CCC]	6.23
2.3 Deduction in respect of contribution to pension scheme notified by the Central Government [Section 80CCD]	6.24
2.4 Limit on deductions under sections 80C, 80CCC & 80CCD(1) [Section 80CCE].....	6.28
2.5 Deduction in respect of contribution to Agnipath Scheme [Section 80CCH].....	6.32
2.6 Deduction in respect of medical insurance premium [Section 80D].....	6.33
2.7 Deduction in respect of maintenance including medical treatment of a dependant disabled [Section 80DD].....	6.39
2.8 Deduction in respect of medical treatment etc. [Section 80DDB]....	6.42
2.9 Deduction in respect of interest loan taken for higher education [Section 80E]	6.43

2.10	Deduction for interest on loan borrowed for acquisition of residential house property by an individual [Section 80EE].....	6.45
2.11	Deduction for interest payable on loan borrowed for acquisition of residential house property [Section 80EEA]	6.47
2.12	Deduction in respect of interest payable on loan taken for purchase of electric vehicle [Section 80EEB]	6.50
2.13	Deduction in respect of donations to certain funds, charitable institutions etc. [Section 80G]	6.53
2.14	Deduction in respect of rent paid [Section 80GG]	6.60
2.15	Deduction in respect of donations for scientific research and rural development [Section 80GGA]	6.61
2.16	Deduction in respect of contributions given by companies to political parties [Section 80GGB]	6.64
2.17	Deduction in respect of contributions given by any person to political parties [Section 80GGC]	6.65
3.	Deduction in respect of certain incomes	6.66
3.1	Deduction in respect of employment of new employees [Section 80JJAA]	6.66
3.2	Deduction in respect of royalty income, etc., of authors of certain books other than text books [Section 80QQB].....	6.71
3.3	Deduction in respect of royalty on patents [Section 80RRB]	6.73
4.	Deduction in respect of other income	6.74
4.1	Deduction in respect of interest on deposits in savings accounts [Section 80TTA]	6.74
4.2	Deduction in respect of interest on deposits in case of senior citizens [Section 80TTB]	6.75
5.	Other Deductions.....	6.79

6.	Deduction under section 10AA.....	6.80
	Let us Recapitulate	6.88
	Test your Knowledge	6.103

SECTION IV	1 – 12
-------------------------	---------------

Overview.....	1
Scenario	2
Crossword Puzzle.....	11

CHAPTER-7: ADVANCE TAX, TAX DEDUCTION AT SOURCE AND TAX COLLECTION AT SOURCE

Learning Outcomes	7.1
Chapter Overview	7.3

Contents:

1.	Deduction of Tax at Source and Advance Payment [Section 190]	7.4
2.	Direct Payment [Section 191]	7.4
3.	Deduction of Tax at Source	7.5
3.1	Salary [Section 192]	7.5
3.2	Interest on securities [Section 193]	7.9
3.3	Interest other than interest on securities [Section 194A]	7.11
3.4	Winnings from online games [Section 194BA]	7.17
3.5	Payments to contractors and sub-contractors [Section 194C]	7.19
3.6	Commission or brokerage [Section 194H]	7.25
3.7	Rent [Section 194-I].....	7.28

3.8	Payment of rent by certain individuals or Hindu undivided family [Section 194-IB].....	7.32
3.9	Fees for professional or technical services [Section 194J]	7.34
3.10	Payment made by an individual or a HUF for contract work or by way of commission or brokerage or fees for professional services [Section 194M].....	7.40
3.11	TDS on cash withdrawal [Section 194N].....	7.44
3.12	Other TDS provisions.....	7.46
3.13	Income payable "net of tax" [Section 195A]	7.63
3.14	Interest or dividend or other sum payable to Government, Reserve Bank or certain Corporations [Section 196]	7.64
4.	Certificate for deduction of tax at a lower rate [Section 197]	7.64
5.	No Deduction in Certain Cases [Section 197A]	7.65
6.	Miscellaneous Provisions	7.67
6.1	Tax deducted is income received [Section 198]	7.67
6.2	Credit for tax deducted at source [Section 199].....	7.67
6.3	Duty of person deducting tax [Section 200]	7.68
6.4	Correction of arithmetic mistakes and adjustment of incorrect claim during computerized processing of TDS and other statements [Section 200A]	7.68
6.5	Consequences of failure to deduct or pay [Section 201].....	7.70
6.6	Certificate for tax deducted [Section 203]	7.71
6.7	Person responsible for paying taxes deducted at source [Section 204]	7.73
6.8	Bar against direct demand on assessee [Section 205]	7.74

6.9	Mandatory requirement of furnishing PAN in all TDS statements, bills, vouchers and correspondence between deductor and deductee [Section 206AA].....	7.74
7.	Advance Payment of Tax [Sections 207 to 219]	7.75
7.1	Liability for payment of advance tax.....	7.75
7.2	Computation of advance tax	7.76
7.3	Instalments of advance tax and due dates.....	7.78
7.4	Credit for advance tax [Section 219].....	7.79
7.5	Interest for non-payment or short-payment of advance tax [Section 234B].....	7.79
7.6	Interest payable for deferment of advance tax [Section 234C]	7.80
8.	Tax collection at source	7.82
Let us Recapitulate		7.101
Test your Knowledge		7.124

CHAPTER – 8: PROVISIONS FOR FILING RETURN OF INCOME AND SELF ASSESSMENT

Learning Outcomes	8.1
--------------------------------	------------

Chapter Overview	8.3
-------------------------------	------------

Contents:

1.	Return of income.....	8.4
2.	Compulsory filing of return of income [Section 139(1)].....	8.4
3.	Specified class or classes of persons to be exempted from filing Return of Income [Section 139(1C)].....	8.10
4.	Return of Loss [Section 139(3)]	8.10
5.	Belated Return [Section 139(4)]	8.11

6.	Revised Return [Section 139(5)].....	8.11
7.	Interest for default in furnishing Return of Income [Section 234A].....	8.13
8.	Self-Assessment [Section 140A]	8.15
9.	Updated Return of Income [Section 139(8A)]	8.16
10.	Tax on Updated Return [Section 140B].....	8.18
11.	Defective Return [Section 139(9)]	8.24
12.	Fee for default in furnishing return of income [Section 234F].....	8.25
13.	Permanent Account Number (PAN) [Section 139A]	8.25
14.	Quoting of Aadhaar Number [Section 139AA]	8.37
15.	Scheme for submission of returns through Tax Return Preparers [Section 139B].....	8.41
16.	Persons authorised to verify Return of Income [Section 140].....	8.44
	Let us Recapitulate	8.48
	Test your Knowledge.....	8.57

SECTION V	1 – 16
------------------------	---------------

Overview.....	1
Scenario	3

CHAPTER - 9 : INCOME TAX LIABILITY – COMPUTATION AND OPTIMISATION
--

Learning Outcomes	9.1
Chapter Overview	9.2

Contents:

1.	Meaning of Total Income	9.3
2.	Income to be considered while computing Total Income of Individuals	9.3
3.	Computation of Total Income and Tax Payable by an Individual	9.4
4.	Tax Planning in respect of Salary Income	9.20
Test your Knowledge.....		9.30
Answers to the Scenario and Crossword puzzle of Section III.....		1-13
Answers to the Scenario and Crossword puzzle of Section IV.....		14-26
Answers to the Scenario of Section V.....		27-39