Final Course
Study Material
(Modules 1 to 4)

Paper 4
Direct Tax Laws & International Taxation

[As per the Income-tax Act, 2025
as amended by the Finance Act, 2026]
Tax Year 2026-27

Module – 1

(Relevant for May 2027 and November 2027 Examinations)

BOARD OF STUDIES (ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BEFORE WE BEGIN ...

Direct Tax Laws & International Taxation: Dynamic Subject Area

Direct Tax Laws & International Taxation is one of the dynamic subjects of the chartered accountancy course. The subject is constantly evolving in response to legislative reforms, judicial interpretations, technological advancements and the changing domestic and global business environment. Consequently, a sound understanding of its principles, coupled with the ability to apply them in practical situations, is indispensable for every aspiring Chartered Accountant.

With effect from 1st April, 2026, the Income-tax Act, 2025, as amended by the Finance Act, 2026, has replaced the six-decade-old Income-tax Act, 1961, marking a significant milestone in India's direct tax landscape. The Income-tax Rules, 2026, along with the prescribed forms, were also notified on 20th March, 2026, thereby completing the statutory framework

Apart from legislative change and 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. Accordingly, international taxation has been included as an integral part of this paper.

The contents of the syllabi of this paper is divided into three parts –

1. Chapters based on substantive law of direct taxes including tax planning and tax avoidance;
2. Chapters based on the compliance and procedural law of direct taxes; and
3. Chapters based on international taxation.

The relevant Finance Act and Tax Year

This Study Material on direct tax laws is based on the provisions of the Income-tax Act, 2025 as amended by the Finance Act, 2026, the Taxation and Other Laws (Amendment) Act, 2026 and the significant notifications, circulars issued upto 30th September, 2026. The computational problems have been solved on the basis of the provisions of direct tax laws applicable for tax year (T.Y.) 2026-27. The Study Material is, therefore, relevant for May 2027 and November 2027 examinations.

The significant circulars and notifications issued and other legislative amendments, if any, made upto 31.10.2026 and 30.4.2027 relevant for May, 2027 and November 2027 examinations, respectively but not covered in this material will be webhosted as Statutory Update at the BoS Knowledge Portal.

Read the Bare Act & Rules along with Study Material

At the Final level, along with the Study Material, students are also advised to read the Income-tax Act, 2025 as amended by the Finance Act, 2026 and Income-tax Rules, 2026, available at the website of the income-tax department www.incometaxindia.gov.in. This will help you to understand the language of law and sequence of sections and rules. The circulars and notifications issued by CBDT, the income-tax return forms, important provisions relating to firms, companies, trusts, FAQs etc. are also available at this website. Students are advised to visit the income-tax department's website and enhance their knowledge.

Scope of Coverage of the subject – Read the Syllabus along with Study Guidelines

The syllabus of the subject "Direct Tax Laws & International Taxation" has to be read along with the Study Guidelines. The Study Guidelines specify the topic-wise exclusions/inclusions in 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.

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:

	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. Demonstration of these learning outcomes would help you achieve the desired level of technical competence
2.	**Content**	The concepts and provisions of direct tax laws and international taxation 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.
3.	**Circulars/ Guidelines & Notifications**	Section 536(2)(j) of the Income-tax Act, 2025 provides that any agreement entered into, appointment made, approval granted, recognition granted, circular, direction, instruction, notification, order, rule or scheme framed under the repealed Income-tax Act, 1961 shall, insofar is not inconsistent with the corresponding provisions of the Income-tax Act, 2025, be deemed to have been entered into, made, granted, issued or

		framed under the corresponding provisions of the new Act and shall continue to remain in force. Accordingly, Notifications and Circulars/Guidelines issued under the repealed Income-tax Act, 1961, which are not inconsistent with the corresponding provisions of the Income-tax Act, 2025, continue to remain relevant. Therefore, such Notifications and Circulars/Guidelines have been appropriately incorporated in the Study Material and reference to the sections of repealed Income-tax Act, 1961 have been replaced with the corresponding sections of the Income-tax Act, 2025 for ease of comprehension.
4.	**Significant Select Cases**	The significant select Supreme Court and High Court rulings which were decided with respect to the repealed Income-tax Act, 1961 and not inconsistent with the provisions of the new Income-tax Act, 2025 are captured along with the related provision/concept in each chapter. Consequently, reference to the sections of the repealed Income-tax Act, 1961 in the content of these case laws have been replaced with the corresponding sections of the Income-tax Act, 2025 for ease of comprehension.
5.	**Test Your Knowledge**	The questions and answers at the end of each chapter 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.

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 – 4 : DIRECT TAX LAWS & INTERNATIONAL TAXATION

(One paper — Three hours –100 Marks)

Objective:

(a) To acquire the ability to analyse and interpret the provisions of direct tax laws and recommend optimal solutions to practical problems in a tax efficient manner; and

(b) To apply the provisions of direct tax laws and the concepts, principles and provisions of international taxation to recommend solutions to issues involved in cross border transactions.

Contents:

I. (i) Comprehensive computation of income-tax liabilities of companies and other entities under the alternative tax regimes under the Income-tax Act, 2025 to optimise tax liability

- General provisions under the Act for computation of total income and tax liability for companies and other entities
- Special tax regimes under the Act for companies and other entities
- Optimisation of tax liability of companies and other entities through tax planning

(ii) Special Provisions relating to registered non-profit organisations, political parties and electoral trusts, business trusts, securitisation trusts, investment funds and other funds/trusts

(iii) Anti-avoidance provisions under the Act

(iv) Provisions to address tax challenges on digitalization

II. Tax Administration and Appellate Mechanism

Deduction, Collection and Recovery of Tax

Income-tax Authorities

Assessment Procedures

Appeals and Revision; and Dispute Resolution

Provisions to counteract unethical tax practices

- Taxation of undisclosed income under the Income-tax Act, 2025
- Taxation of undisclosed foreign income and assets
- Penalties and offences and prosecution

Miscellaneous Provisions

Tax Audit and Ethical Compliances

III. International Taxation

(i) Taxation of cross border transactions and Non-resident taxation under the Income-tax Act, 2025, including

- Transfer Pricing
- Non-resident Taxation
- Double Taxation Relief
- Advance Ruling

(ii) Other Aspects of International Taxation, namely,

- Significant articles of OECD and UN Model Tax Conventions
- Fundamentals of BEPS
- Application and Interpretation of Tax Treaties
- Latest developments in international taxation

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.

STUDY GUIDELINES

Final Paper 4: Direct Tax Laws & International Taxation

LIST OF TOPIC WISE EXCLUSIONS/INCLUSIONS IN THE SYLLABUS

<table>
<tr><th>Topic</th><th>Exclusion/ Inclusion (Provisions to be excluded/ included)</th></tr>
<tr><td>Incomes which do not form part of Total Income</td><td>
<u>Schedule III</u>

The following items listed in Table to Schedule III with respect to certain income not to be included in the total income of certain eligible persons are excluded:
<table>
<tr><th>Sl. No.</th><th>Income not to be include in the total income</th><th>Eligible persons</th></tr>
<tr><td>23</td><td>Any income of research association</td><td>A research association for the time being approved for the purpose of section 45(3)(a)</td></tr>
<tr><td>24</td><td>Any income (other than income chargeable under the head “Income from house property” or any income received for rendering any specific services or income by way of interest or dividends derived from its investments).</td><td>An association or institution established in India having as its object the control, supervision, regulation or encouragement of the profession of, law, medicine, accountancy, engineering or architecture or such other profession as the Central Government may, by notification specify in this behalf.</td></tr>
<tr><td>25</td><td>Any income attributable to the business of production, sale, or marketing, of khadi or products of village industries.</td><td>An institution constituted as a public charitable trust or registered under the Societies Registration Act, 1860 or under any other</td></tr>
</table>
</td></tr>
</table>

			law corresponding to that Act in force in any part of India.
	27	Any income, by way of contributions received from recognised stock exchanges and the members thereof.	Any Investor Protection Fund set up by recognised stock exchanges in India, either jointly or separately.
	28	Any income, by way of contributions received from commodity exchanges and the members thereof.	Any Investor Protection Fund set up by commodity exchanges in India, either jointly or separately.
	29	Any income, by way of contributions received from a depository.	Any Investor Protection Fund set up as per the regulations by a depository.
	30	(a) Any income by way of contribution received from specified persons; (b) any income by way of penalties imposed by the recognised clearing corporation and credited to the Core Settlement Guarantee Fund; (c) any income from investment made by the Fund.	Any Core Settlement Guarantee Fund, set up by a recognised clearing corporation.
	31	Any income chargeable under the heads "Income from house property" and "Income from other sources".	(a) A registered union within the meaning of the Trade Unions Act, 1926 or (b) an association of registered unions
	32	Any interest on securities, and any capital gains of the fund arising from the sale,	Provident Fund to which the Provident Funds Act, 1925

	exchange or transfer of such securities.	
33	Any income of the nature and to the extent, arising from the international sporting event held in India.	Any person notified by the Central Government
34	Any income, of the nature and to the extent, which the Central Government may notify in this behalf.	A body or authority which has been established or constituted or appointed under a treaty or an agreement entered into by the Central Government with two or more countries or a convention signed by the Central Government.
36	Any income of the nature and to the extent which the Central Government may, by notification, specify in this behalf.	A body or authority or Board or Trust or Commission (by whatever name called), or a class thereof, other than those covered under Schedule VII (Table: Sl. No. 42).
37	Any income accruing or arising as a result of arrangement for replenishment of crude oil stored in its storage facility in pursuance of the directions of the Central Government in this behalf.	Indian Strategic Petroleum Reserves Limited, being a wholly owned subsidiary of the Oil Industry Development Board under the Ministry of Petroleum and Natural Gas.
39	Any income falling under section 10(15)(iic) or (15)(iv)(i) or (19A) or (40) of the Income-tax Act, 1961.	-

Schedule IV

The following item listed in Table to Schedule IV with respect to certain income not to be included in the total income of eligible

non-residents, foreign companies and such other persons are excluded:

Sl. No.	Income not to be include in the total income	Eligible persons
10	Any income derived in India by way of interest, dividends or Capital gains from investments made.	The European Economic Community.
14	Any income falling under section 10(6A), (6B), (6BB), (15A), (15)(iiib), (15)(iiic) or (15)(iv)(a) or (15)(iv)(b) of the Income-tax Act, 1961.	-

Schedule V

The following items listed in Table to Schedule V with respect to certain income not to be included in the total income of certain eligible persons including investment funds, business trusts and their unit holders are excluded:

Sl. No.	Income not to be include in the total income	Eligible persons
6	Any income from investment in a venture capital undertaking.	Venture capital company or venture capital fund other than an investment fund specified in section 224(10)(a).
7	Any income of the nature of – (a) dividend; (b) interest; (c) any sum referred to in section 92(2)(k); or (d) long-term capital gains (whether or not such capital gains are deemed as short-term capital gains under section 76), arising from an investment made by a	A Specified person

	specified person in India, whether in the form of debt or share capital or unit.	
8	Any income falling under section 10(23F) and (23FA) of the Income-tax Act, 1961.	-

Schedule VI

The following items listed in Table to Schedule VI with respect to certain income not to be included in the total income of certain eligible persons in International Financial Services Centre or having income therefrom are excluded:

Sl. No.	Income not to be include in the total income	Eligible persons
1	Any income accrued or arisen to, or received, as a result of transfer of capital asset referred to in section 70(*1*)(*r*) where such transfer takes place on a recognised stock exchange located in any International Financial Services Centre.	Any specified fund
2	Any income accrued or arisen to, or received, as a result of transfer of securities (other than shares in a company resident in India).	Any specified fund
3	Any income from securities issued by a non-resident where such securities are not issued by a permanent establishment of a non-resident in India	Any specified fund
4	Any income from a securitisation trust, which is chargeable under the head "Profits and gains of business or profession".	Any specified fund
10	Any income of the nature of Capital gains, arising or received on account of transfer of share of a company resident in India	A specified fund

<table>
<tr><td></td><td>

Note – *Consequent to exclusion of exemption provisions with respect to the Specified Fund above, the provisions contained in section 210 and TDS provisions contained in section 393(2) Table Sl. No. 16 to the extent relating to specified funds are also excluded.*

Schedule VII

All the items listed at Sl. No. 1 to 49 **<u>except items listed in the Sl. No. 17, 18 and 19</u>** listed in Table to Schedule VII with respect to persons exempt from tax are excluded from the syllabus. **Thus, the following items listed in the Sl. No. 17, 18 and 19 are included in the syllabus:**

<table>
<tr><th>Sl. No.</th><th>Eligible Persons</th></tr>
<tr><td>17</td><td>Any University or other educational institution wholly or substantially financed by the Government.</td></tr>
<tr><td>18</td><td>Any hospital or other institution wholly or substantially financed by the Government.</td></tr>
<tr><td>19</td><td>(a) Any University or other educational institution;
(b) any hospital or other institution.</td></tr>
</table>

</td></tr>
<tr><td>Non-resident Taxation</td><td>Section 9(12): Fund management activity carried out by an eligible investment fund through an eligible fund manager not to constitute business connection in India.

Schedule I: Conditions for certain activities to constitute Business Connection in India</td></tr>
<tr><td rowspan="3">Profits and Gains of Business or Profession</td><td>Schedule XII: List of minerals and group of associated minerals.</td></tr>
<tr><td>Schedule XIII: List of articles or things</td></tr>
<tr><td>Section 55 and Schedule XIV: Insurance Business</td></tr>
</table>

Note *- As far as the Income-tax Rules, 2026, Notifications, Circulars, Press release etc. are concerned, only the significant Rules, Notifications, Circulars, Press release etc. included in the respective chapters of the Study Material as well as in the Statutory Update for the particular examination, would be relevant at the Final 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.*

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