

## **Module V (Exam 4) - Tax Planning and Estate Planning (TPEP)**

**Exam 4 Topic List to the extent of 80% of Total Marks (150) i.e. 120 marks  
(30 marks reserved for the Module I – Introduction to Financial Planning)**

### **Course Description:**

This module would cover the knowledge requirements of Indian Tax System, specifically related to Direct Taxes and personal taxation. The tax treatment of the types of income such as agricultural, business, salary and the attendant exemptions and benefits need to be discerned. The emphasis is on tax efficiency of transactions at all stages, viz. structuring of emoluments, saving taxes within permissible limits as suited to long-term goals, investing, spending, gifting and transferring wealth. The knowledge of various business forms and related tax strategies is also covered. The Estate planning is emphasized not as a late stage requirement but a necessary succession arrangement always in place for all assets – fixed, physical and financial. The discerning knowledge of tax laws and succession laws and their compliance procedures is a rigid requirement of this module.

### **Learning Objectives:**

At the end of this module, a student should be able to:

1. Understand the incidence of tax on various incomes, transactions, residency status, individual status and various business forms.
2. Compute client's eligibility for various tax deductions from gross salary income, tax treatment of various allowances and perquisites, income from house property and other income, tax admissible expenses from business or profession income.
3. Compute the tax liability of a client after considering all types of income and eligible deductions, evaluating the incidence of capital gains tax on the basis of period of holding an asset, the type of asset and the status of taxpayer.
4. Recommend tax planning strategies by discerning short-term and long-term tax incidence of investing in various financial products and the appropriateness of such financial instruments in achieving a client's financial goals.
5. Assimilate estate planning at all stages of a client's life by identifying, evaluating and integrating all assets in a suitable estate planning vehicle.
6. Help a client discern the need of a suitable succession strategy for wealth transfer, and seek/facilitate experts' advice, if ownership of assets is complex.

### **Detailed Topic List:**

The topics are structured into five distinct sections as follows. The weights of these individual sections in relation to the Module TPEP are given along with testing objective and the nature of testing. A summary of distribution of marks is provided below:

<b>Pattern of Question Bank TPEP module – 80% in Exam 4</b>											
		<b>Section-I</b>		<b>Section -II</b>		<b>Section -III</b>		<b>Section -IV</b>		<b>Section -V</b>	
		No. of Items	Marks	No. of Items	Marks	No. of Items	Marks	No. of Items	Marks	No. of Items	Marks
<b>Marks Category</b>	<b>1</b>	10	10	3	3	3	3	4	4	8	8
	<b>2</b>	4	8	2	4	2	4	2	4	2	4
	<b>3</b>	0	0	5	15	5	15	2	6	0	0
	<b>4</b>	0	0	1	4	4	16	3	12	0	0
<b>Total</b>		<b>14</b>	<b>18</b>	<b>11</b>	<b>26</b>	<b>14</b>	<b>38</b>	<b>11</b>	<b>26</b>	<b>10</b>	<b>12</b>

**Total Items: 60 / Total Marks – TPEP Module: 120**

**Total Marks – Exam 4: 150**

## **Section I: Features of Indian Tax System and Direct Taxes**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2'
Total weight to Exam 4	12%
Nature of Test Items	10 items: 1 mark each 4 items : 2 marks each

### **Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>1.1. Features of Indian Tax System</b>	'Grade 1 & 2'
Detailed Topics	
1.1.1. Three-tier federal structure of Taxation - Union Government, State Governments and Urban/Rural Local Bodies	
1.1.2. Direct and Indirect Taxes	
1.1.3. Predominance of Indirect Taxes	
1.1.4. Tax-induced distortions on investment and financing decisions	
<b>1.2. Indian Direct Tax structure</b>	'Grade 1'
Detailed Topics	
1.2.1. Central Board of Direct Taxes (CBDT)	
1.2.2. Income-tax (IT) Act,1961 and Income Tax Rules (ITR),1962	
1.2.3. Wealth Tax Act-1957	
1.2.4. Finance Act	
1.2.5. Judicial precedents - Tax tribunals and the Courts	
<b>1.3. Tax Compliance Matters</b>	'Grade 1 & 2'
Detailed Topics	
1.3.1. Tax Returns and Procedure of Assessment	
1.3.2. ITR Forms, Filing dates and Documentation	
1.3.3. E-filing of Income Tax Returns	
1.3.4. Advance tax and due dates	
1.3.5. Tax Deducted at Source (TDS)	
1.3.6. Interest and Penalties	
1.3.7. Fraud/concealment penalties	
1.3.8. Tax Refund	
<b>1.4. Residency Rules</b>	'Grade 1 & 2'
Detailed Topics	
1.4.1. Residential status of an individual	
1.4.2. Residential status of other taxable entities	
1.4.3. Indian income and Foreign income	
1.4.4. Tax incidence for different taxpayers	

**Section II: Personal Taxation and Business Taxation- Computation and Tax Efficiency**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skill sets: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 4	17.33%
Nature of Test Items	3 items: 1 mark each 2 items: 2 marks each 5 items: 3 marks each 1 item : 4 marks

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>2.1. Salary Income</b>	'Grade 1,2 & 3'
Detailed Topics	
2.1.1. Gross Salary Income - Basic pay, Bonus, Allowances, Retirement benefits and Perquisites 2.1.2. Treatment of various Allowances 2.1.3. Perquisites - Valuation and Taxability 2.1.4. Treatment of Retirement Benefits and Voluntary Retirement Scheme (VRS) 2.1.5. Profit in lieu of Salary 2.1.6. Deductions from Salary	
<b>2.2. Income from House Property</b>	'Grade 2, 3 & 4'
Detailed Topics	
2.2.1. Basis of charge and applicability 2.2.2. Self Occupied and Let out House Property 2.2.3. Determination of Gross and Net Annual Value 2.2.4. Deductions and Special provisions	
<b>2.3. Income from Business or Profession</b>	'Grade 2 & 3'
Detailed Topics	
2.3.1. Scope of Income and its computation 2.3.2. Deductible and Inadmissible Expenses 2.3.3. Deemed Income and Special Provisions 2.3.4. Tax Shelter and Tax Holidays	
<b>2.4. Capital Gains in Transfer of Capital Assets</b>	'Grade 1, 3 & 4'
Detailed Topics	
2.4.1. Nature of Capital Gain - Short Term or Long Term depending on capital asset and holding period 2.4.2. Application of Cost Inflation Index (CII) in computing indexed cost of acquisition/renovation 2.4.3. Computation of Capital Gains/Losses 2.4.4. Netting rules and carry forward of capital losses 2.4.5. Exemptions in Capital Gains	

<b>2.5. Income from Residuary Sources and Tax Calculation Rules</b>	'Grade 2 & 3'
Detailed Topics	
2.5.1. Income from Other Sources - Chargeability, Exemptions and Deductions 2.5.2. Clubbing of Income 2.5.3. Deductions under Chapter VI-A 2.5.4. Taxable income 2.5.5. Tax liability	
<b>2.6. Tax Characteristics of Business Forms</b>	'Grade 1 & 2'
Detailed Topics	
2.6.1. Sole Proprietorship 2.6.2. Partnership Firm 2.6.3. Hindu Undivided Family (HUF) 2.6.4. Association of persons (AOP) 2.6.5. Cooperative Societies 2.6.6. Trusts 2.6.7. Companies 2.6.8. Others	

**Section III: Taxation of Various Financial Products and Transactions, Tax Planning Strategies**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skill sets: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 4	25.33%
Nature of Test Items	3 items: 1 mark each 2 items: 2 marks each 5 items: 3 marks each 4 items: 4 marks each

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>3.1. Tax Implications for Non-resident Indians (NRIs)</b>	'Grade 1 & 2'
Detailed Topics	
3.1.1. Exempt Income of Non-resident Indians (NRIs) 3.1.2. Special provisions on certain transactions 3.1.3. Double Taxation Relief	
<b>3.2. Tax Planning - Various Avenues and Techniques</b>	'Grade 1, 2, 3 & 4'
Detailed Topics	
3.2.1. Need and Importance of Tax Planning 3.2.2. Tax Planning vs. Tax Evasion and Avoidance 3.2.3. Tax Planning vs. Tax Management 3.2.4. Deferral of tax liability 'Grade 3 & 4' 3.2.5. Maximizations of exclusions and credits 'Grade 3' 3.2.6. Managing loss limitations 'Grade 3' 3.2.7. Deductible expenditures of individuals and business forms 'Grade 3 & 4'	

<b>3.3. Taxability of Various Financial Products</b>	'Grade 1, 2, 3 & 4'
Detailed Topics	
3.3.1. Provident Fund and Small Savings Schemes - Contribution, Interest, Withdrawal and Terminal value 3.3.2. Equity shares - Listed and unlisted 3.3.3. Equity Transactions - stock market and off market 3.3.4. Equity oriented products - Equity schemes of Mutual Funds, ETFs, ELSS, etc. 3.3.5. Debt products - Bonds, Debentures, Government Securities, Income schemes of Mutual Funds including Fixed Maturity Plans (FMPs) 'Grade 3 & 4' 3.3.6. Income distribution and dividends on various investment products 'Grade 3 & 4' 3.3.7. Securities Transaction Tax (STT) and Dividend Distribution Tax (DDT) 3.3.8. Life and Health Insurance products, Unit Linked Insurance Plans (ULIPs), Unit Linked Pension Plans (ULPPs), etc. 3.3.9. Annuities, Pension Products and Reverse Mortgage Scheme	
<b>3.4. Taxation of Various Financial Transactions</b>	'Grade 2, 3 & 4'
Detailed Topics	
3.4.1. Transaction in the nature of Gifts/Prizes/Winnings 3.4.2. Agricultural Income 3.4.3. Cash payment over a specified limit 3.4.4. Dividend and Bonus stripping provisions - shares, MF schemes including with reinvestment option	
<b>3.5. Wealth Tax</b>	'Grade 1 & 2'
Detailed Topics	
3.5.1. Chargeability 3.5.2. Clubbing of Assets 3.5.3. Exemptions in respect of Assets 3.5.4. Valuation of Assets	

#### **Section IV: Estate Planning Process, Strategies and Taxation Aspects**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical (predominantly) testing clarity of concepts or Numerical testing basic skills: 'Grade 2' Numerical testing basic skill sets: 'Grade 3' Numerical testing analytical skills & synthesis: 'Grade 4'
Total weight to Exam 4	17.33%
Nature of Test Items	4 items: 1 mark each 2 items: 2 marks each 2 items: 3 marks each 3 items: 4 marks each

**Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>4.1. Estate Planning Overview</b>	'Grade 1 & 2'
Detailed Topics	
4.1.1. The concept of Estate Planning 4.1.2. Purpose and Need of Estate Planning 4.1.3. Risks and Drawbacks involved in Estate Planning 4.1.4. Hindu and Indian Succession Act 4.1.5. Succession - Testate and Intestate	
<b>4.2. Estate Planning Process</b>	'Grade 2, 3 & 4'
Detailed Topics	
4.2.1. Collect comprehensive information and examine circumstances to set Estate planning goals 4.2.2. Determine value of client's estate and liquidity aspects 4.2.3. Estimate cost of transfer and other expenses 4.2.4. Develop a plan of transfer 4.2.5. Implement plan and review periodically	
<b>4.3. Methods of Estate Planning</b>	'Grade 1 & 2'
Detailed Topics	
4.3.1. Will 4.3.2. Trust 4.3.3. Insurance 4.3.4. Gift 4.3.5. Power of Attorney 4.3.6. Transfer of property and partition <i>'Grade 3'</i>	
<b>4.4. Will</b>	'Grade 1 & 2'
Detailed Topics	
4.4.1. Characteristics and Contents of a Will 4.4.2. Types of Will - Unprivileged, Privileged, Joint, Mutual and Conditional 4.4.3. Legal requirements and Testamentary capacity 4.4.4. Modifying or revoking a Will 4.4.5. Probate Process	
<b>4.5. Powers of Attorney</b>	'Grade 1 & 2'
Detailed Topics	
4.5.1. Use and purpose 4.5.2. Types - General and Special 4.5.3. Revocation 4.5.4. Role of the executor	
<b>4.6. Trust Structure for Efficient Transfer</b>	'Grade 2, 3 & 4'
Detailed Topics	
4.6.1. Trust structures for Tax Efficiency 4.6.2. Trust structure to align strategic objectives of the settler 4.6.3. Trust Perpetuities 4.6.4. Trust as Pass-through entity 4.6.5. Lower taxes on future earnings and capital gains 4.6.6. Direct acquisition of assets - Benefit of Stamp duty and Capital gains tax 4.6.7. Distributable net income	

## **Section V: Vehicles of Estate Planning- Features**

Testing Objective	Theoretical testing knowledge: 'Grade 1' Theoretical testing clarity of concepts: 'Grade 2'
Total weight to Exam 4	8%
Nature of Test Items	8 items: 1 mark each 2 items: 2 marks each

### **Sub-sections and topics covered:**

<b>Sub-sections</b>	<b>Testing and Difficulty grade</b>
<b>5.1. Intra-Family Business and Property Transfer</b>	'Grade 1 & 2'
Detailed Topics	
5.1.1. Estate planning for family business 5.1.2. Forms of family business ownership 5.1.3. Calculating the value of the family business 5.1.4. Transfer of Business and inter-generation wealth transfer 5.1.5. Forms of property transfer - joint tenancy and tenancy-in-common 5.1.6. Offshore trusts and regulatory requirements 5.1.7. 'Asset protection' and 'Creditor protection period'	
<b>5.2. Trusts - Characteristics &amp; Regulation</b>	'Grade 1 & 2'
Detailed Topics	
5.2.1. The Indian Trust Act-1882 5.2.2. Classification of Trust – Revocable/Irrevocable and Simple/Complex 5.2.3. Characteristics of Trust – Discretionary and Determinate 5.2.4. Different types of a family trust 5.2.5. Family Trust V/s Will 5.2.6. Parties to Trust 5.2.7. Hybrid Trusts 5.2.8. Cancellation (Extinguishing) and Revocation of Trust 5.2.9. Other Provisions	

## Pattern of Module VI (Exam 5):

The format of Exam 5: Advanced Financial Planning is the Case Study format where a candidate would be required to solve a set of 30 question items based on any two of a set of case studies. The probable case studies will be displayed on FPSB India's website at least 7 days prior to a candidate's scheduled date of exam. Any two of these case studies would appear (in random selection) for every candidate who logs in to appear in the examination. A total of fifteen question items are based on each case study and shall be in the following pattern distributed over five sections:

Exam 5: Pattern of Questions in each Case Study											
		Section-I		Section -II		Section -III		Section -IV		Section -V	
		No_Items	Marks	No_Items	Marks	No_Items	Marks	No_Items	Marks	No_Items	Marks
Marks Category	2	2	4	1	2	0	0	1	2	1	2
	3	1	3	1	3	1	3	0	0	1	3
	4	0	0	1	4	0	0	1	4	0	0
	5	0	0	0	0	1	5	2	10	1	5
Total		3	7	3	9	2	8	4	16	3	10

**Items per Case Study: 15 / Total Marks per Case Study: 50**

**Total items Exam 5 : 30 / Total Marks Exam 5 : 100**

Exam duration: 4 hours

### Detailed Testing of Competency over Various Components:

Each case study would be followed by a set of 15 question items spread over 5 distinct sections (above matrix) covering various financial planning components. The distribution of these items over the marks-categories of 2, 3, 4 and 5 marks constitutes the weights of these components in Advanced Financial Planning. These marks categories are broadly ordained to signify as follows which are their testing criteria. Also given alongside is these categories' total weight per case study.

Marks category	Significance	Grade	Total items	Total marks	Weight %
<b>2-mark</b>	Theoretical testing knowledge	'Grade 1'	5	10	20%
<b>3-mark</b>	Theoretical testing clarity of concepts or Numerical testing basic skills	'Grade 2'	4	12	24%
<b>4-mark</b>	Numerical testing analytical skills	'Grade 3'	2	8	16%
<b>5-mark</b>	Numerical testing advanced analytical skills, strategy evaluation & synthesis	'Grade 4'	4	20	40%
<b>Total</b>			15	50	100%

As can be seen from above and reiterated here is the relatively much higher bias towards testing analytical aptitude and strategic thinking requiring synthesis of various goals of a client in a unified financial plan. The pattern of exam exhorts a candidate to work out



optimum solutions in the given financial situation and to carry out various scenario analyses for evaluation of strategies.

The complexity and difficulty level of question items from 2-mark to 5-mark items would also involve time consumption individually to justify four-hour duration of Exam 5. The expected time consumption of on an average 90 seconds each in 2-mark items, 3 minutes each in 3-mark items, 10 minutes each in 4-mark items and 15 minutes each in 5-mark items, which is desired of a candidate possessing enough knowledge, technical skills and strategic thinking to be on the verge of being a professional making and executing financial plans, would justify the allotted duration to complete Exam 5. Enough time is also provisioned to link the question items to the case study, understand the subject household's financial goals, strategies adopted and available resources to arrive at the most appropriate alternatives.