

Advance Tax

Introduction

As we all know that the tax liability of a person should be paid in the self-assessment u/s 140A, but if the tax payable is Rs. 10,000 or more, then the tax is paid in the previous year itself. In other words, payment of tax is not allowed to be deferred to the assessment year. Perhaps the motive of government is to collect the big amount of tax at the earliest.

- Every person is liable to pay Advance Tax if the advance tax payable is RS 10000 or more.
- In the case of a resident senior citizen aged 60 years or more, who does not have any income from business & profession, then the person is not liable to pay advance tax.

Computation of Advance Tax

Estimated taxable income for the year	XXX
Tax on the Estimated Income	XXX
Less :-Tax deducted or collected at source	(XXX)
Amount payable as Advance Tax	XXX

When is advance tax payment due

Due Date	In case of corporate Assessee	In case of non corporate Assessee
15 th June	15% of advance tax payable	
15 th Sept	45% of advance tax payable minus the amount paid earlier	30% of advance tax payable
15 th Dec	75% of advance tax payable minus the amount paid earlier	60% of advance tax payable minus the amount paid earlier
31 st March	100% of advance tax payable minus the amount paid earlier	100% of advance tax payable minus the amount paid earlier

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Interest Payable by Assessee

Section 234A Interest for default in furnishing return of income

- Where the return of income for assessment year is furnished after the due date in section 139 (1) or 142 (1) or is not furnished,
- The assessee is liable to pay simple interest @1% p.m. or part thereof
- The interest shall be payable for the period commencing from the date immediately following due date and
 - a) Till the date when the return is furnished after due date
 - b) If no return is furnished, till the date of completion of assessment u/s 144 (Best Judgement Assessment)

Section 234B Interest in default in payment of Advance Tax

- If the assessee fails to pay advance tax or advance tax paid is less than 90 % of the assessed tax
- The assessee is liable to pay simple interest @1% p.m. or part thereof
- The period for which interest is payable would be the period from the 1st day of April following the financial year, to the date of determination of total income u/s 143 (1)
- The interest will be charged on the amount equal to assessed tax or the amount by which advance tax falls short of assessed tax

Section 234 C Interest for deferment of Advance Tax

In case of Companies:- It has been provided that the shortfall for the purpose of charging interest for deferment of advance tax ,in case of companies which are liable to pay advance tax, shall be the difference between:-

- a) 15% of the tax due on the assessed income & the advance tax paid by the co. on or before 15th June
- b) 45% of the tax due on the assessed income & the advance tax paid by the co. on or before 15th September
- c) 75% of the tax due on the assessed income & the advance tax paid by the co. on or before 15th December

Notes: It has also been provided that, where the advance tax paid by the company on or before 15th June is not less than 12% of the assessed income & the advance tax paid on or before 15th September is not less than 36% of the assessed income, then the company will not be liable to pay any interest on the amounts of the shortfalls on the aforesaid date.

In case of any other assessee

It has been provided that the shortfall for the purpose of charging interest for deferment of advance tax, in case of any other assessee liable to pay advance tax, shall be the difference between :-

- 15% of the tax due on the assessed income & the advance tax paid by the co. on or before 15th June
- 45% of the tax due on the assessed income & the advance tax paid by the co. on or before 15th September.

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The assessee is liable to pay simple interest at the rate of 1% p.m. or part thereof on the amount of the shortfall from the tax, on the due date on the assessed income

Important Case Laws

- **Interest u/s 234A:** The assessee paid the tax u/s 140A but filed the return belatedly. It was held that as there was no loss of interest to the Revenue, Interest u/s 234A is not applicable. Dr Prannoy Roy 254 ITR 755 (SC).
- **Interest u/s 234B:** Interest u/s 234B should be calculated after adjustment of cash seized towards advance tax liability of assessee after adjusting pending tax liabilities. Pandurang Dayaram Talmale 135 Taxman 196 (Bom.)

Thus advance payment of tax is required when the tax payable is Rs. 10,000/- or more, for non compliance in such payment one has to suffer interest u/s 234B and 234C, Section 234A comes into picture when the return is filed belatedly but if the tax has been already paid during self assessment, such interest will not be applicable as held by Supreme Court.