

## CHAPTER 09

## Advance Tax

**Introduction**

- ✚ We know that income earned during PY 2023-24 shall be taxed in AY 2024-25. But assessee is required to pay tax, in advance, on taxable income of PY 2023-24 during PY 2023-24 itself. Such tax paid is known as Advance Tax.
- ✚ Advance tax is payable on estimated current income in installments during the previous year.
- ✚ Such advance tax is in addition to TDS/TCS.
- ✚ **Credit for Advance Tax [Section 219]:** Advance tax paid by the assessee is treated as payment of tax for PY & Credit of Advance Tax paid is given to him while calculating tax payable u/s 140A.

**Who is Liable to Pay Advance Tax?**

- ✚ Any person whose estimated Tax liability ₹ 10000 or More in the FY on estimated current income is liable to pay Advance Tax.
- ✚ **Exception:** Senior Resident Individual (Age  $\geq$  60 yrs during PY) & does not have any Income u/h PGBP → No Advance Tax even if his Advance Tax liability ₹ 10,000 or more.

**Advance Tax is payable on Estimated Current Income**

- Estimated Current Income = Expected Income during current PY under 5 heads of Income.
- Thereafter, brought forward losses shall be set off.
- From Estimated GTI, deductions likely to be claimed u/s 80C to 80U will be deducted.

**How to calculate ADVANCE TAX LIABILITY?**

Tax on Estimated Total Income

Less: TDS/TCS or AMT Credit

Less: Rebate u/s 87A or Relief u/s 89

Add: Surcharge + Health &amp; Edu. Cess

If this amount comes out to be  $\geq$  ₹ 10,000;  
then such person is liable to pay advance tax.

**Points to Remember:**

1. Assessee is not required to submit any estimate or statement of estimated income to AO unless he has been asked (served with notice) by AO to submit the estimates.

2. Proviso to Section 209(1)(d): Tax deductible but not so deducted cannot be reduced for computing Advance Tax liability of the payee.

3. Estimated Net Agricultural Income of the PY must be considered for computing advance tax.

### Installments of Advance Tax & Due Dates

A. ASSESSEE COMPUTING PROFITS ON PRESUMPTIVE BASIS U/S 44AD/44ADA

- Pay whole amount of Advance Tax on/before 15th March of the PY in one installment.

B. ASSESSEES OTHER THAN MENTIONED ABOVE IN (A)

- SCHEDULE OF PAYMENT OF ADVANCE TAX (Minimum Installments)

### Points to Remember:

✚ Revision of Estimated Income: Each installment shall be calculated on estimated income on cumulative basis after revision of estimated income at every date of payment (15th June/Sep/Dec/March).

✚ Any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during each financial year on or before 15th March.

✚ Assessed in Default: Where the assessee does not pay any installment by the due date, he shall be deemed to be an assessee in default in respect of such installment.

✚ If Banks are closed on Last day for Payment of any instalment of Advance Tax → Assessee can pay such installment on next working day; No Interest u/s 234B/234C will be charged.

### Some Other Important Points.

**Question 1** Can Ao Issue Order to an Assessee to Pay Advance Tax?

**Answer :**

(a) If the person was required to pay advance tax & such person has not paid it. OR

(b) If any person has been already assessed by way of regular assessment for any earlier PY, AO can serve an order u/s 210(3) to such person to pay advance tax specifying the amount of Advance Tax & Installments in which such advance tax is to be paid. Such order may be served at any time but latest by last day of February.

### What shall be the basis for computation of Advance Tax payable?

For this purpose, basis for computation of advance tax payable shall be higher of (i) or (ii):

- (i) Total income of latest PY in which assessee has been assessed by way of regular assessment.
- (ii) Total income declared by assessee in any ROI for any subsequent PY of regular assessment.

#### Question 2 Can AO revise demand notice sent to the assessee?

**Answer :**

If after making demand notice (order) by AO, but before 1st March of the FY,

- (i) ROI is furnished by assessee u/s 139(1)/142(1);
- (ii) Regular assessment is completed for any later PY for higher amount of income, AO may revise such demand order u/s 210(4) on the basis of the computation of the returned income or assessed income. Such revision shall be made by AO before 1st March of the PY.

#### Question 3

Whether Assessee has the option to pay less advance tax than specified by AO in notice?

**Answer :**

Such person to whom the order has been passed by AO has the option to show lesser liability of advance tax than specified by AO in demand order by filing declaration in form no. 28A to AO & showing the calculation of his estimate on or before the due date of last installment.

#### Question 4

Whether assessee has option to show higher liability than specified by AO in notice?

**Answer :**

Option to show higher liability always exists & tax shall be paid on such higher income.

### Shortfall in Advance Tax Due to Capital Gains/Casual Incomes

✚ It is not possible for an assessee to estimate certain incomes which are generally unexpected.

✚ Such incomes include:

- \* Capital gains & Winnings from lotteries, crossword puzzles etc;
- \* Dividend income referred in U/s 2(22)(a) / (b) / (c) / (d).
- \* Income u/h 'PGBP' in cases where income accrues or arises for the first time.

If any such income arises after DD of any installment, then entire amount of advance tax payable (after TDS) on such income, shall be paid in remaining installments of advance tax or by 31st March of the relevant PY (if no installment is remaining).

If the entire amount of tax payable is paid, then No Interest u/s 234B or 234C shall be payable.

### Interest for Default in Furnishing Return of Income [Sec 234A] Circumstances

If No ROI is filed; OR

ROI is filed after the Due Date u/s 139(1).

#### Consequences

Simple Interest @ 1% p.m (or part of the month) is payable on Tax on Assessed Income - TDS/TCS - Advance Tax - Relief u/s 89.

Time for Levy of Interest

From	Next day following the Due Date for filing ROI.	
Upto	(i) If ROI is filed after DD	Date of filing ROI
	(ii) If NO ROI is filed	Date of Completion of BJA u/s 144

#### Points to Remember:

- No Interest u/s 234A shall be charged on SAT u/s 140A paid by assessee on/before DD of filing ROI (even if ROI is submitted after DD of filing ROI :- Dr Prannoy Roy Vs CIT). If SAT u/s 140A is paid after DD of filing ROI, Interest u/s 234A is applicable.
- Interest payable u/s 234A shall be reduced by Interest paid on SAT u/s 140A towards interest u/s 234A.

### Fee for Default in Furnishing Return of Income [Sec 234F]

If a person who is required to file ROI u/s 139 does not file ROI within DD u/s 139(1), fee payable shall be:

Circumstances for payment of fees	Amount of Fees
If ROI is filed on/before 31st December of AY / After	₹ 5,000
Due date U/s 139(1)	

**Note:** If Total Income of the person upto ₹ 5 lacs, fees payable shall not exceed ₹ 1,000.

### Interest for Non-Payment/Short-Payment of Advance Tax [Sec 234B]

#### Circumstances

- ✚ No Advance Tax is paid OR
- ✚ Advance Tax paid is less than 90% of Assessed Tax

Consequences SI @ 1% p.m (or part) is payable on Assessed Tax - Advance Tax paid

**Note:** Assessed Tax = Tax on Total Income - TDS/TCS - Advance Tax - Relief u/s 89 - Tax credit allowed to be set off in accordance with section 115JD.

#### Time for Levy of Interest

From 1st April of the relevant AY to Upto Date of Payment of advance tax / determination of total income u/s 143(1).

### Interest For Deferment of Advance Tax [Sec 234C]

1. ASSESSEEs OPTING FOR PRESUMPTIVE SCHEME U/S 44AD OR 44ADA
  - Interest u/s 234C = [Advance Tax Payable - Advance Tax paid] × 1%.
2. ASSESSEEs [OTHER THAN (1)]

DD	Adv Tax	INTEREST PAYABLE u/s 234C
15 June	15%	S.I @ 1% p.m for 3 months on shortfall from 15%. (No Interest if Advance Tax paid ≥ 12%)
15 Sep	45%	S.I @ 1% p.m for 3 months on shortfall from 45%. (No Interest if Advance Tax paid ≥ 36%)
15 Dec	75%	S.I @ 1% p.m for 3 months on shortfall from 75%.
15 Mar	100%	S.I @ 1% p.m for 1 month on shortfall from 100%.

Shortfall = [Advance Tax Payable - Advance Tax paid]

**Proviso to Sec 243C (Non-Applicability)** If the underpayment of advance tax is a result of under estimating below mentioned incomes, then 234C will not be applied.

- Casual income received by way of lottery winnings, crossword puzzles, etc.
- Capital Gains {LTCCG / STCCG}
- PGBP Income arise 1<sup>st</sup> time / Revenue from a new venture

- Dividend u/s 2(22)(a) to 2(22)(d), More than Rs.10,000 in dividend income from a domestic firm.
- ✓ If such income has accrued to assessee, the assessee is required to discharge the advance tax liability in the subsequent instalments.
- ✓ If the above-mentioned incomes are earned after 15<sup>th</sup> March of the relevant PY, the assessee should deposit advance tax till 31<sup>st</sup> March of the relevant PY to avoid 234B.

Rule 119A for computing interest u/s 234A / 234B/ 234C, the amount of shortfall shall be rounded off to the nearest hundred and any fraction of a hundred shall be ignored.

Example. Rs. 48699 / Rs. 48701 = Rs. 48700.

#### Interest on Refund of Income Tax - Sec 244A

When: - If amount of refund is at least 10% of total tax liability of the assessee.

Period for which Interest is chargeable: -

Case 1: - If ROI is filed on time, 1<sup>st</sup> April of AY to date of receipt of refund.

Case 2: - If ROI is filed after time limit u/s 139(1), date of filing of return to date of receipt of refund.

ROI: - 0.5% per month or part of the month.

Rule 119A for computing interest u/s 244A, the amount of shortfall shall be rounded off to the nearest hundred and any fraction of a hundred shall be ignored.

Example. Rs. 48699 / Rs. 48701 = Rs. 48700.