

CHAPTER 7A: ADVANCE PAYMENT OF TAX

Liability to pay Advance Tax

- Tax shall be payable in advance during any financial year in respect of an assessee's current income
- Obligation to pay advance tax arises in every case where the tax payable is ₹ 10,000 or more

Note :- In case of senior citizens who have passive source of income like interest, rent, etc., exemption from payment of advance tax has been provided to a resident individual-

- not having any income chargeable under the head PGBP and
- of the age of 60 years or more.

Such senior citizens need not pay advance tax and are allowed to discharge their tax liability (other than TDS) by payment of self-assessment tax.

Calculation of Advance Tax

The amount of advance tax payable in the financial year calculated by –

- the assessee himself based on his estimation of current income or
- the Assessing Officer as a result of an order

Installments of Advance Tax (Other than Presumptive basis)

Due date of Installment	Amount Payable
On or before 15th June	15% of advance tax liability
On or before 15th September	45% of advance tax liability, as reduced by the amount, if any, paid in the earlier instalment
On or before 15th December	75% of advance tax liability, as reduced by the amount or amounts, if any, paid in the earlier instalments
On or before 15th March	The whole amount of advance tax liability as reduced by the amounts, if any, paid in the earlier instalments

Note - 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 ending on 31st March.

Interest u/s 234C

If any person has defaulted in payment of advance tax, interest shall be charged @ 1% per month for a period of 3 months on the Amount of default in each installment, but for the last installment, interest shall be charged only for one month.

Circumstances	Amount On which Interest is to be Paid
Where advance tax paid on or before 15/06 is less than 12% of the tax due	15% of tax due on income less advance tax paid upto 15/06

Where advance tax paid on or before 15/09 is less than 36% of the tax due	45% of tax due on income less advance tax paid upto 15/09
Where advance tax paid on or before 15/12 is less than 75% of the tax due	75% of tax due on income minus advance tax paid upto 15/12
Where advance tax paid on or before 15/03 is less than 100% of the tax due	100% of tax due on income minus advance tax paid upto 15/03

Note :- In case of capital gains and casual income, no advance tax is payable on estimated basis but if there is actual accrual of casual income or capital gains, advance tax is to be paid in the subsequent installments and if such accrual is after 15th March, advance tax is to be paid upto 31st March of previous year otherwise interest shall be charged under section 234C

Interest u/s 234B

If advance tax paid is less than 90% of actual tax liability, assessee shall be required to pay interest @ 1% per month or part of a month from 1st April of assessment year upto the date of payment.

Interest u/s 234A

If any person has paid income tax after expiry of the last date of filing of return of income, interest shall be payable @ 1% p.m. or part of the month for the period subsequent to the last date of filing of return of income

Rule 119A

As per rule 119A, the principal Amount shall be rounded off in the multiples of ₹ 100 and for this purpose any fraction of ₹ 100 shall be ignored

Example 1.

Calculate Interest u/s 234C for AY 2025-26

Paid advance tax installment as follows :-

Upto 15/06/24 : 10,000

Upto 15/12/24 : 45,000

Upto 15/09/24 : 25,000

Upto 15/03/25 : 1,20,000

Actual Tax liability = 1,50,000

Example 2.

Calculate Interest u/s 234C for AY 2025-26

Paid advance tax installment as follows :-

Upto 15/06/24 : 15,000

Upto 15/12/24 : 1,00,000

Upto 15/09/24 : 60,000

Upto 15/03/25 : 1,40,000

Actual Tax liability = 1,50,000

Illustration 1.

Mr. X has paid advance tax as given below:

Upto 15.06.2024 15,000

Upto 15.09.2024 45,000

Upto 15.12.2024 95,000

Upto 15.03.2025 1,70,000

He had long term capital gains of 3,00,000 on 01.01.2025 and his income under the head business/ Profession is 11,00,000. He has filed return of income on 10.12.2025 and has paid difference of the tax on 10.12.2025. Last date for filing of return is 31.07.2025. Compute interest payable under section 234A, 234B and 234C.

Illustration 2.

C Ltd. has estimated its tax liability for assessment year 2025–26 4,40,000 and has paid advance tax accordingly but actual tax liability was found to be 10,00,000. The company has paid balance Amount on 02.01.2026 and filed return of income on the same date. Compute interest payable under section 234A, 234B, and 234C.

Illustration 3.

C Ltd. has paid advance tax for the previous year 2024–25 as given below:

Upto 15.06.2024 50,000

Upto 15.12.2024 3,00,000

Upto 15.09.2024 1,50,000

Upto 15.03.2025 6,00,000

Actual tax liability was found to be 7,00,000 and balance tax was paid on 10.12.2025.

Compute interest payable under section 234A, 234B, 234C.

Illustration 4.

MR. Ram has income under the head house property 18,00,000 and she has received gift of 3,00,000 in cash from her husband's sister and 1,00,000 from her sister's husband and 1,20,000 from sister of her mother in law. She has agricultural income of 4,00,000. She has paid advance tax as given below:

Upto 15th June 2024 15,000

Upto 15th Dec 2024 75,000

Upto 15th Sept 2024 45,000

Upto 15th March 2025 1,00,000

Balance Amount of tax was paid on 10th Dec 2025 and return of income filed on the same date and due date for filing return of income is 31.07.2025. Compute her tax liability for the Assessment Year 2025–26 and also interest under section 234A, 234B and 234C.