

ADVANCE TAX

What is advance Tax?

- As the name suggests it simply refers to paying a part of the yearly taxes in advance. Advance tax should be paid in the year in which the income is received. It is based on the concept "pay as you earn".

For eg:-

Income earned during the py-18-19 is taxable in the A.Y 19-20. But in the scheme of advance tax the assessee is required to pay advance tax in the py-18-19 itself.

Applicability

All assessee irrespective of his residential status and citizenship.

Scheme of advance Tax

- When the tax liability of the assessee is Rs 10,000 or more, then the assessee should pay such tax in the previous year within the due date.
- Advance tax is applicable when an individual has sources of income other than salary. Salaried person need not pay advance tax as the employer deducts TDS. But if an assessee has other sources of income like capital gains, interest on investments, lottery, house property then the concept becomes relevant.

How to calculate advance tax liability?

Estimated Gross total Income	xxx.
Less:- Any ded. ⁿ under chapter - VIA	xxx.
	<hr/>
Estimated total Income	xxx
	<hr/>
Gross tax liability on estimated	xxx.
Less:- Rebate u/s 87A	xxx.
	<hr/>
Add:- Surcharge	xxx.
	<hr/>
Add:- Education / highest education cess / health @ 4%.	xxx
Less:- Any TDS.	xxx
	<hr/>
Advance Tax liability	<u>xxx</u>

Due date of Payment of Advance Tax.

- ① An eligible assessee in respect of an eligible business referred to in Sec-44AD. - on or before 15th March - 100% of the tax liability

(Section - 44AD Presumptive taxation scheme :-

The firm or individual's gross receipts or annual turnover in the p.y does not exceed Rs 200 lacs.

except:- Individuals / firms engaged in the business of plying / hiring goods and carriages.

[Calculation:- 8% of the gross receipts or total annual turnover of the business].

Assesses who are not audited.

② other Assessee :-

on or before June 15 \rightarrow ^{upto} 15% of total tax liability

on or before 15th September \rightarrow upto 45% of tax liability.

on or before 15th December \rightarrow upto 75% of tax liability.

on or before 15th March \rightarrow 100% of tax liability.

Notes

Every income including capital gain, winning from lotteries is subject to advance tax. However, it is not possible to estimate capital gain or casual income therefore where the assessee has paid the whole of the amount of tax payable in respect of such income -

1) As a part of the remaining installments of advance tax which were due on,

2) where no installments were due by 31st March of the financial year immediately preceding the assessment year.

- then it is deemed that all provisions are complied.

Interest for deferment of Advance Tax - Section 234C.

Condition:- In case assessee fails to pay the amount or pays lesser amount as prescribed by the schedule then he has to pay interest for such deferment.

For all assessee other than assessee covered
u/s 44AD.

Cases.	Rate of Interest and Period for such interest is chargeable.	Amount on which such interest is chargeable.
① Advance tax paid on or before 15th June - less than 12% of the 'net tax due' (paid more than 12% the no interest).	SI @ 1% P.m for 3 months.	Amt of the shortfall (15% of the net tax due - advance tax paid on or before 15th June).
② Advance tax paid on or before 15th Sept is less than 36% of the 'net tax due' (paid more than 36% the no interest).	SI @ 1% P.m for 3 months.	Amt of the shortfall (45% of the net tax due - Advance tax paid on or before 15th September).
③ Advance tax paid on or before 15th Dec is less than 75% of the net tax due.	SI @ 1% P.m for 3 months.	Amt of shortfall (75% of the net tax due - Advance tax paid on or before 15th Dec).
④ Advance tax paid on or before 15th March is less than net tax due.	SI @ 1%.	Amt of shortfall (Net tax due - Advance tax paid on or before 15th March).

Tax assessees covered u/s 11AD.

Advance tax paid on 09/

before 15th March is less \rightarrow SI @ 1% - Amt of shortfall
than 100% of the 'net tax due'

(Net tax due -
Amt of advance
tax paid on
09/ before
15th of
March).

Net tax due \rightarrow Same calculation as
that of assessed tax.

Exceptions

Cases where Interest is not chargeable:-

① Such shortfall is on a/c of under-estimate or failure to estimate - Capital gains, Lottery, Crown wind, puzzles, PGBP in case where such income accrues for the first time, income referred in Sec 115BDD(1).

② The assessee has paid the whole amt of tax payable in respect of the above incomes (had such income been a part of the total income), as part of the remaining instalments of advance tax which are due on 09/ where no such instalments are due by 31st March of the financial year.

③ If the last date of payment of any instalment of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next day immediately following the working day, then interest u/s 284C will not be charged.

Fees for default in furnishing return of Income. (234F).

1) If a person required to furnish a return of income under s 139 fails to do so -

(a) within the 'due date' as per section 139(1) but furnishes return on or before 31st Dec of the assessment year \rightarrow Rs 5000.

(b) In other cases \rightarrow Rs 10,000.

Note

* If the total income of the person does not exceed Rs 5 lakh \rightarrow Amt of fees not exceeding Rs 1000/-.

Interest for default in furnishing return of Income - Sec - 234A.

Condition:- where a person, who is required to furnish return of Income -

- fail to furnish a return or,
- furnishes after the due date as per sec 139(1).

Case-A where the return is furnished after the due date.

• Rate of Interest \rightarrow SI @ 1% for every month or part of a month.

• Period \rightarrow Commencing on the date following the due date and ending on the date of furnishing the return.

• Amt on which interest is charged →
Tax determined u/s 143(1) or on regular assessment ***

Len: Advance Tax Paid. ***
Relief u/s 90, 90A or 91. ***
MAT Credit allowed. ***
TAS. ***

Amt of Interest calculation. ***

Sec-143(3) → scrutiny assessment.
144 → Best Judgement assessment.
147/153A, (first time)
↓
Re-assessment.

Case B Where no return has been furnished.

Rate of Interest :- Simple Interest @ 1% for every month or part of a month.

Period :- Such interest is chargeable for the period commencing on the date following the due date and ending on the date of completion of the assessment u/s 144.

• Amt → Same as case A.