

## # Chapter Name :- Advance Tax & Interest U/S 234A | 234B | 234C

### # Sections to be covered in this Chapter :-



- Section 207 } :- Obligation / liability to pay advance tax
- Section 208 }
- Section 209 :- Calculation of advance tax liability
  
- Section 211 :- Instalments of advance tax & their due dates
- Section 219 :- Credit for advance tax paid
- Section 234A :- Interest for default in furnishing the ROI
- Section 234F :- Fees for default in furnishing the ROI
- Section 234B :- Interest on non-payment or short-payment of advance tax
- Section 234C :- Interest on deferment of advance tax i.e. default in payment of advance tax instalments



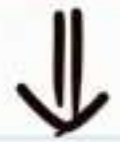
## # Concept of Advance Tax :-

Incomes earned by the Assessee during the PY

Specified Incomes



liable for tax deduction at source (TDS)



therefore, tax on such incomes is recovered during the PY itself

Incomes Other than Specified Incomes



not liable for tax deduction at source (TDS)



and in order to recover tax on such incomes during the PY itself concept of advance tax is introduced

\* Hence, from the above discussion it is clear that the income tax liability of an assessee is sought to be recovered by the Govt. during the PY itself. However, if the income tax liability of the assessee could not be paid during the PY in the form of TDS or advance tax, then, such assessee is liable to pay such tax during the AY as self-assessment tax.



## # Section 207 :-

Tax shall be payable in advance during any FY, in accordance with the provisions of section 208 to 219, in respect of assessee's current income

\* current income = estimated total income i.e. the total income of the assessee which would be chargeable to tax for the AY immediately following that FY.

## # Section 208 :-

Obligation to pay advance tax arises in every case where the amount of advance tax payable is  $\geq ₹10,000$ .

## \* Exception :-

No advance tax is required to be paid by a Senior Citizen who is not deriving any income taxable under the head PGBP.

(This relaxation from the applicability of advance tax provisions is given to the senior citizens earning passive incomes like interest, rent etc. and applicability of advance tax provisions to such senior citizens would cause genuine compliance hardship.)



## # Section 209 :- Calculation of Advance Tax Liability :-

- Step 1 :- Estimate the entire current income (i.e. estimated total income) for the FY. (Assessee need not submit any estimate or statement of income to the A.O. except where he has been served with a notice by the A.O. to do so).
- Step 2 :- Compute the basic tax on the Current Income computed in step 1 above. (Net Agricultural Income of the assessee shall also be taken into consideration for determining rates of tax applicable while calculating the advance tax liability).
- Step 3 :- Add Surcharge (if applicable) and Health & Education Cess @ 4%.
- Step 4 :- Deduct the amount of TDS/TCS actually deducted/collected and the amount of Relief u/s 89 (if applicable)
- Step 5 :- Balance Amount of tax shall be Advance Tax Payable if it is  $\geq$  ₹ 10,000. (Such Advance tax is to be paid in accordance with the provisions of Sec. 211).



## # Section 211:- Instalments of Advance Tax and Due Dates:-

### Due Date of Instalment

### Amount Payable

- |   |   |
|---|---|
| ⇒ On or before 15 <sup>th</sup> June of the FY      | ≥ 15% of Advance Tax liability  |
| ⇒ On or before 15 <sup>th</sup> September of the FY | ≥ 45% of Advance Tax liability<br>(-) amount paid in 1 <sup>st</sup> Instalment   |
| ⇒ On or before 15 <sup>th</sup> December of the FY  | ≥ 75% of Advance Tax liability<br>(-) amount paid in 1 <sup>st</sup> & 2 <sup>nd</sup> Instalment                         |
| ⇒ On or before 15 <sup>th</sup> March of the FY     | ≥ 100% of the Advance Tax liability<br>(-) amount paid in 1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Instalments |

# Note 1:- An eligible assessee, computing income from business or profession as per the presumptive provisions of section 44AD or 44ADA, shall be required to pay advance tax of the whole amount in one instalment on or before 15<sup>th</sup> March of the FY.



# Note 2:- Any tax paid by the assessee after 15<sup>th</sup> March, but on or before 31<sup>st</sup> March of the FY shall also be treated as advance tax paid during the FY.

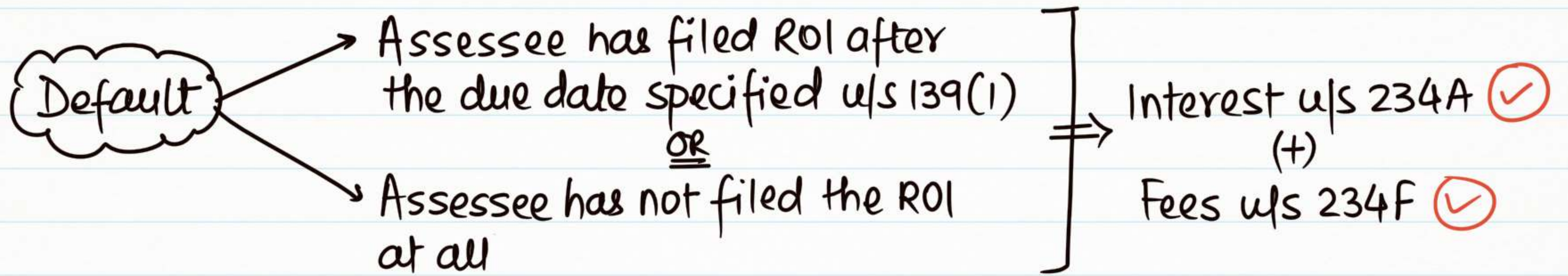
# Note 3:- If the last day of payment of any instalment of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the immediately following working day.  
(In such case mandatory interest u/s 234B & 234C would not be charged)

# Section 219:- Credit for Advance Tax Paid :-

Any sum paid by or recovered from the assessee as advance tax shall be treated as payment of tax in respect of income of the PY and credit thereof shall be allowed to the assessee out of the total tax payable by such assessee.



# # Section 234A :- Interest for default in furnishing the Return of Income :-



## # Interest u/s 234A #

Amount

(x)

Rate

(x)

Period

Gross Tax liability = xx  
less:- TDS/TCS = (xx)  
less:- Advance Tax Paid = (xx)  
less:- Relief u/s 89 = (xx)  
less:- AMT (credit) = (xx)  
xx

@ 1% per month  
 or part of the month

From the date immediately following the due date u/s 139(1)

Till the date on which ROI is filed  
 OR  
 Till the date of completion of assessment  
 (If ROI was not filed)



# Note :- No interest u/s 234A shall be charged on the amount of self-assessment tax paid by the assessee on or before the due date of furnishing the ROI u/s 139(1).

# Fees u/s 234F #

↓  
If the assessee has failed to furnish the ROI on or before the due date of filing the ROI u/s 139(1)

↓  
Fees u/s 234F ✓

↓  
₹ 5,000

# Note :- Fees u/s 234F shall not be more than ₹ 1000 if the total income of the assessee is ≤ ₹ 5,00,000.



\* Further, it is important to note that, if the assessee has paid entire tax liability on or before the due date specified u/s 139(1); then :-

Interest u/s 234 A (X)

↓  
Not Applicable

Fees u/s 234 F (✓)

↓  
Applicable

# Section 234B :- Interest for non-payment or short-payment of Advance Tax :-

Default

Assessee has not paid the advance tax liability at all

OR

Assessee has paid advance tax liability but the advance tax actually paid is less than 90% of advance tax payable

⇒ Interest u/s 234 B (✓)



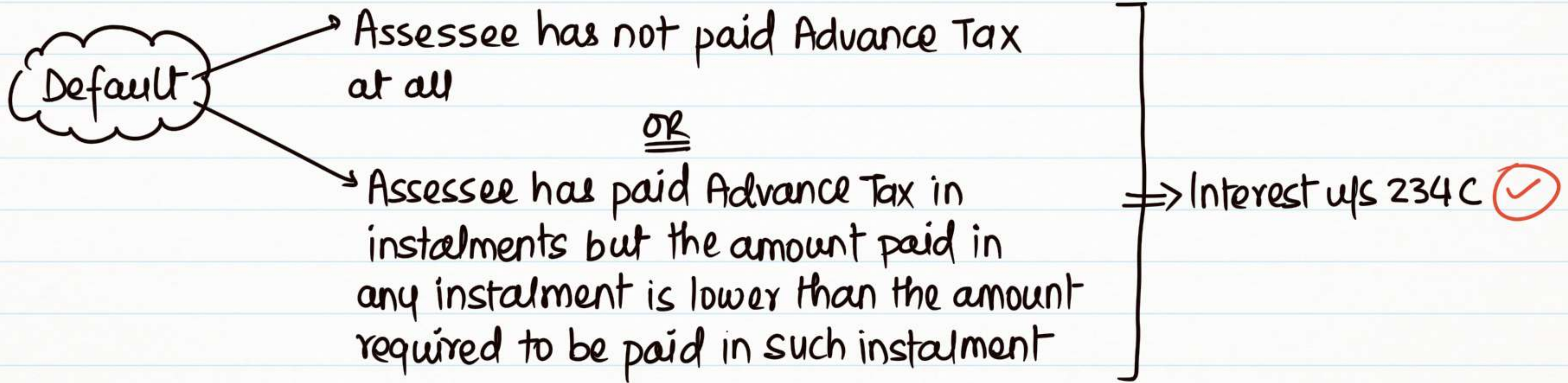
## # Interest u/s 234B #

Amount	(X)	Rate	(X)	Period	
$\Downarrow$		$\Downarrow$		$\swarrow$ $\searrow$	
Gross Tax Liability = XX		@ 1% per month		From the 1 <sup>st</sup> day	Till the date of
<u>less:-</u> TDS/TCS = (XX)		or part of the month		of the AY i.e.	determination of
<u>less:-</u> Advance Tax Paid = (XX)				from 1 <sup>st</sup> April	income u/s 143(1) <u>or</u>
<u>less:-</u> Relief u/s 89 = (XX)					till the date of
<u>less:-</u> AMT credit = (XX)					regular assessment
	<u>XX</u>				

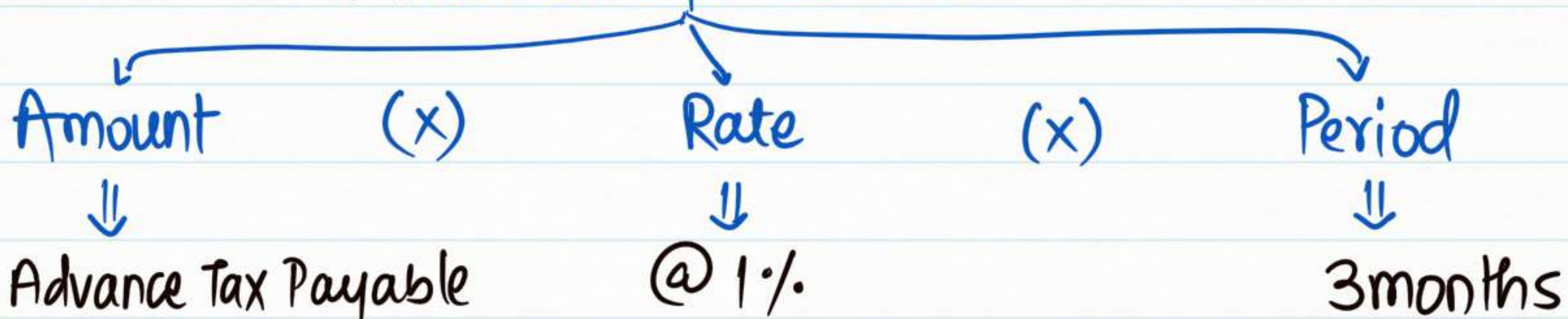
# Note :- If the assessee has paid self-assessment tax u/s 140A or otherwise, then, interest u/s 234B shall be calculated upto the date of payment of such tax.



# Section 234C :- Interest for deferment of Advance Tax i.e. default in payment of Advance Tax Instalments :-



# Interest u/s 234C #



For default in 1<sup>st</sup> Instalment 15% of Advance Tax Payable (-) Advance Tax Paid upto 15<sup>th</sup> June of the FY



\* No Interest u/s 234C shall be charged for default in 1<sup>st</sup> Instalment if the assessee has deposited at least 12% of the Advance tax payable on or before 15<sup>th</sup> June

	<u>Amount</u> (x)	<u>Rate</u> (x)	<u>Period</u>
For default in 2 <sup>nd</sup> Instalment	45% of Advance Tax Payable (-) Total Advance Tax Paid upto 15 <sup>th</sup> September	@ 1%	3 months

\* No Interest u/s 234C shall be charged for default in 2<sup>nd</sup> Instalment if the assessee has deposited at least 36% of the Advance Tax Payable on or before 15<sup>th</sup> September

	<u>Amount</u> (x)	<u>Rate</u> (x)	<u>Period</u>
For default in 3 <sup>rd</sup> Instalment	75% of Advance Tax Payable (-) Total Advance Tax Paid upto 15 <sup>th</sup> December	@ 1%	3 months

	<u>Amount</u> (x)	<u>Rate</u> (x)	<u>Period</u>
For default in 4 <sup>th</sup> Instalment	100% of Advance Tax Payable (-) Total Advance Tax Paid upto 15 <sup>th</sup> March	@ 1%	1 month



# Note:- In case of assessee declaring profits & gains from business or profession as per the presumptive provisions of section 44AD & 44ADA, the interest u/s 234C shall be computed in the following manner:-

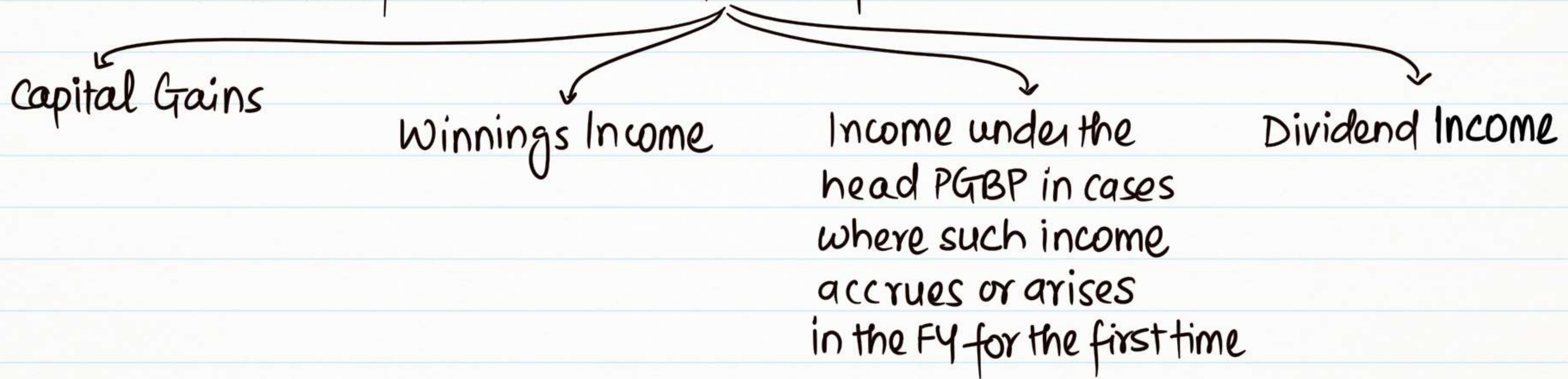
Amount	(x)	Rate	(x)	Period
↓		↓		↓
100% of Advance Tax Payable		@ 1%		1 month
(-) Total Advance Tax Paid upto 15th March				

# Note 2:- For the purpose of computing Interest u/s 234C, Advance Tax Payable means:-

Gross Tax Liability	=	XX	
<u>less</u> :- TDS/TCS	=	(XX)	
<u>less</u> :- Relief u/s 89	=	(XX)	
<u>less</u> :- AMT Credit	=	(XX)	
Advance Tax Payable	=	<u>XX</u>	⇒ If this amount is $\geq$ ₹10,000



# Note 3:- No Interest u/s 234C shall be leviable in respect of any short-fall in payment of advance tax instalment, if such shortfall is on account of under-estimation or failure to estimate :-



The above relaxation shall be available only if the tax on above incomes is paid by the assessee as a part of remaining instalments. However, where no instalments are remaining then such tax must be paid on or before 31<sup>st</sup> March of the FY.



## # Example to understand the Concept of Advance Tax & Interest u/s 234A/B/C :-

Mr. Raghu, a resident individual, aged 45 years, furnishes the following details for the FY 2022-23. Compute the amount payable u/s 140A :-

Gross Tax liability for the FY 2022-23 = 3,90,000

less:- Tax deducted during the FY 2022-23 = (1,90,000)

less:- Relief u/s 89 = (Nil)

less:- AMT Credit u/s 115JD = (Nil)

2,00,000

Advance Tax actually paid :-

on or before 15/06/22 = 20,000

on or before 15/09/22 = 40,000

on or before 15/12/22 = 70,000

on or before 15/03/23 = 40,000

on 28/03/23 = 5,000

Due Date of filing the ROI = 31/07/2023

Actual Date of filing the ROI = 11/12/2023

Mr. Raghu has paid the balance tax on the date of filing of ROI.



## # Solution :-

Amount Payable u/s 140A :-

$$\text{Self-Assessment Tax} = (3,90,000 - 1,90,000 - 1,75,000) = 25,000$$

Add :- Interest u/s :-

234A - (WN.1)	=	1,250	
234B - (WN.2)	=	2,250	
234C - (WN.3)	=	<u>2,100</u>	5,600

Add :- Fees Payable u/s 234F - (WN.4)

			<u>5,000</u>
			<u>35,600</u>

## # WN.1 :-

$$\text{Interest u/s 234A} = 25,000 \times 1\% \times 5 \text{ months} = \textcircled{1,250}$$

## # WN.2 :-

$$\text{Interest u/s 234B} = 25,000 \times 1\% \times 9 \text{ months} = \textcircled{2,250}$$

↳ Applicable  ⇒ Since,  $\left[ \begin{array}{l} \text{Advance Tax Paid} \\ \text{₹ 1,75,000} \end{array} < \begin{array}{l} 90\% \text{ of Advance Tax Payable} \\ \text{i.e. } 90\% \text{ of } 200,000 = \text{₹ 1,80,000} \end{array} \right]$



# WN.3 :-

Interest u/s 234C for default in payment of Advance tax on or before :-

=> 15/06/2022 :-

$$15\% \text{ of } 2,00,000 = 30,000$$

$$\underline{\text{less:- Advance Tax Paid till 15/06/2022}} = \underline{(20,000)}$$

$$\text{Default} = \underline{10,000}$$

$$\therefore \text{Interest u/s 234C} = 10,000 \times 1\% \times 3\text{mths} = \underline{300} \text{ (i)}$$

\* Interest u/s 234C for default in payment of 1<sup>st</sup> Instalment of advance tax would not have been levied if Mr. Raghur would have deposited ₹24,000 i.e. 12% of ₹2,00,000 on or before 15/06/2021.

=> 15/09/2022 :-

$$45\% \text{ of } 2,00,000 = 90,000$$

$$\underline{\text{less:- Advance Tax paid till 15/09/2022}} = \underline{(60,000)} \Rightarrow [20,000 + 40,000]$$

$$\text{Default} = \underline{30,000}$$

$$\therefore \text{Interest u/s 234C} = 30,000 \times 1\% \times 3\text{mths} = \underline{900} \text{ (ii)}$$



\* Interest u/s 234C for default in payment of 2<sup>nd</sup> Instalment of advance tax would not have been levied if Mr. Raghu would have deposited ₹52,000 i.e. 36% of ₹2,00,000 (-) ₹20,000 on or before 15/09/2022 :-

⇒ 15/12/2022 :-

$$75\% \text{ of } 2,00,000 = 1,50,000$$

$$\underline{\text{less}} :- \text{ Advance Tax Paid till } 15/12/2022 = \underline{(1,30,000)} \quad [20,000 + 40,000 + 70,000]$$

$$\text{Default} = \underline{20,000}$$

$$\therefore \text{Interest u/s 234C} = 20,000 \times 1\% \times 3 \text{ mths} = \underline{600} \quad (\text{iii})$$

⇒ 15/03/2023 :-

$$100\% \text{ of } 2,00,000 = 2,00,000$$

$$\underline{\text{less}} :- \text{ Advance Tax Paid till } 15/03/2023 = \underline{(1,70,000)} \quad [20,000 + 40,000 + 70,000 + 40,000]$$

$$\text{Default} = \underline{30,000}$$

$$\therefore \text{Interest u/s 234C} = 30,000 \times 1\% \times 1 \text{ mth} = \underline{300} \quad (\text{iv})$$

$$\therefore \text{Total Interest u/s 234C} = (\text{i}) + (\text{ii}) + (\text{iii}) + (\text{iv}) = 300 + 900 + 600 + 300 = \boxed{2,100}$$



# WN.4:-

Fees u/s 234F:-

Due date for filing the ROI u/s 139(1) = 31/07/2023 }  $\Rightarrow$   $\therefore$  Delay in furnishing  
Actual date of filing the ROI by Mr. Raghu = 11/12/2023 } the ROI (✓)



$\therefore$  Fees u/s 234F = ₹ 5,000

( $\because$  Total Income is  $>$  ₹ 5,00,000)

————— END OF NOTES —————