

ADVANCE PAYMENT OF TAX

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Advance payment of tax or 'Pay As You Earn' Scheme

'Pay as you earn' scheme means that assessee has to pay tax simultaneously along with the earning of his income. This tax is paid on the current year's income in the same year. In fact, it is paid as advance and it is called 'Advance payment of tax'.

Liability for payment of advance tax

(Sec. 207)

Advance tax shall be payable during any financial year in respect of the total income of the assessee which would be chargeable to tax for the assessment year immediately following that financial year, and it shall be called 'Current Income'.

However, an individual resident in India shall not be liable to pay advance tax, if he fulfils the following conditions :

- (i) He does not have any income chargeable under the head : Profits and gains of business or profession.
- (ii) He is of the age of sixty years or more at any time during the previous year.

Condition of liability to pay advance tax

(Sec. 208)

Advance tax shall be payable during a financial year in every case where the amount of such tax payable by the assessee during that year, as computed in accordance with the provisions of advance tax, is ₹ 10,000 or more.

Computation of Advance Tax

(Sec. 209)

The amount of advance tax payable by an assessee in the financial year shall be computed as follows :

I. (1) *Computation by the Assessee.* Where advance tax is payable, the assessee himself shall compute the advance tax payable on his estimated current income at the rates in force in the financial year and deposit the same whether or not he has been earlier assessed to tax or not.

(2) *Computation by Assessing Officer.* Where, a person has already been assessed by way of regular assessment and who has not paid any advance tax, the Assessing Officer will take the total income of the latest assessed previous year or the total income returned by the assessee for any subsequent previous year, whichever is higher. On such income, income tax will be calculated at the rates in force in the F.Y.

(3) The income tax calculated under para (1) or (2) above, as the case may be, shall, in each case, be reduced by the amount of tax deductible or collectible at source during the financial year from any income which has been taken into account in computing the current income or total income. The balance will be the amount of advance tax payable.

However, the deduction, for tax deductible at source or tax collectible at source, shall not be allowed if the tax deductor or tax collector has failed to deduct or collect the tax at source.

II. Net Agricultural Income to be taken into account

Where, in the case of any class of assessee, net agricultural income has to be taken into account for computing advance tax, such income will be added to the aforesaid income and the tax shall be computed in the manner discussed in the chapter 'Agricultural Income'.

(B) An eligible assessee in respect of eligible business (Sec. 44AD) shall pay the whole amount of advance tax on or before 15th March of the relevant previous year.

All assesseees other than Companies upto Financial Year 2015-16 :

<i>Due Date of Instalment</i>	<i>Amount Payable</i>
On or before the 15th Sept.	Not less than 30% of such advance tax.
On or before the 15th Dec.	Not less than 60% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
On or before the 15th March	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

Any payment of advance tax made on or before 31st March shall also be treated as advance tax paid during the financial year.

Credit for advance tax

(Sec. 219)

Any sum paid by the assessee as advance tax shall be treated as a payment of tax and credit therefor shall be given to the assessee in the regular assessment.

Interest for default in payment of advance tax

(Sec. 234B)

(1) If an assessee who is liable to pay advance tax (u/s 208) has failed to pay such tax, or where the advance tax paid (u/s 210) is less than 90% of the assessed tax, he shall be liable to pay simple interest @ 1% for every month or part of a month. The interest shall be charged from 1st April next following such financial year to the date of determination of income u/s 143(1) or the regular assessment on an amount equal to the assessed tax or on the amount by which the advance tax paid as aforesaid falls short of the assessed tax, as the case may be.

Explanation. "Assessed tax" shall mean the tax on the total income determined on the basis of return [u/s 143(1)] and where a regular assessment is made, the tax on the total income determined under regular assessment after deducting the following amounts :

- (i) any tax deducted at source; or
- (ii) tax collected at source.

(2) Where, before the date of determination of income [u/s 143(1)] or completion of regular assessment, tax is paid by the assessee on self-assessment [u/s 140A] the interest shall be computed as under :

(a) Interest shall be charged according to the foregoing provisions from 1st April till the date on which the tax is so paid, and reduced by the interest, if any, paid along with the self-assessment tax.

(b) Thereafter, interest shall be calculated on the amount by which the tax so paid (Self-assessment) together with the advance tax paid falls short of the assessed tax.

(3) Where as a result of an order of re-assessment [u/s 147], the amount of tax has been increased the interest shall be charged for the period falling between the date of regular assessment and the date of the re-assessment. The interest shall be charged on the amount by which the tax on the total income determined on the basis of re-assessment exceeds the tax on the total income determined on the basis of regular assessment.

(4) The amount of interest shall automatically be revised where the amount of tax is varied as a result of revision, appeal, rectification of mistake or settlement.

Interest for deferment of advance tax

(Sec. 234C)

If an assessee is liable to pay advance tax, he has to pay it upto the prescribed dates in instalments. If he pays advance tax less than the prescribed percentage, he shall be liable to pay interest as under upto Assessment Year 2016-17 :

<i>Due date and instalment</i>	<i>Rate of interest and period</i>	<i>Amount on which interest is payable</i>
Assessee other than company		
(1) Upto 15 Sept. of the F.Y. If less than 30%	@ 1% p.m. for 3 months	30% of advance tax less amount paid upto 15 Sept.
(2) Upto 15 Dec. of the F.Y. If less than 60%	do	60% of advance tax less amount paid upto 15 Dec.

Payment of advance tax by the assessee of his own accord or in pursuance of order of Assessing Officer

(Sec. 210)

(1) Every person who is liable to pay advance tax (whether or not he has been previously assessed by way of regular assessment) shall, of his own accord, pay, on or before each of the due dates specified below, the appropriate percentage specified therein, of the advance tax on his current income.

(2) A person who pays any instalment or instalments of advance tax under sub-section (1) may increase or reduce the amount of advance tax payable in the remaining instalment or instalments to accord with his estimate of his current income and the advance tax payable thereon.

(3) In the case of a person who had already been assessed to income tax in respect of the total income of any previous year and the Assessing Officer is of the opinion that such person is liable to pay advance tax, he may, at any time during the financial year but not later than the last day of February, require such person to pay advance tax calculated in the manner laid down in section 209, and to issue to such person a notice of demand specifying the instalment or instalments in which such tax is to be paid.

(4) If, after the making of any order by the Assessing Officer under (3) and at any time before 1st March, a return is furnished by the assessee for any later year or any assessment of the assessee is made at a higher figure in respect of a previous year later than that referred to in (3), the Assessing Officer may make an amended order accordingly.

(5) A person who is served with an order of the Assessing Officer under (3) or (4) may, if in his estimation the advance tax payable on his current income would be less than the amount of the advance tax specified in the order, send an intimation to the Assessing Officer to that effect and pay such tax as accords with his estimate.

(6) A person who is served with an order of the Assessing Officer under (3) or (4) shall, if in his estimation the advance tax payable on his current income would exceed the amount of advance tax specified in the order or exceeds the amount of advance tax as intimated by him under (5) above, pay on or before the due date of the last instalment, the whole of such higher amount of advance tax as accords with his estimate.

Payment of advance tax in case of capital gains or winnings from lotteries, crossword puzzle, card game, race etc.

Generally, it is not possible to estimate such income in advance. Hence, if any such income arises after the due date of any instalment(s), the amount of tax payable on capital gains or lottery etc. (after deduction of tax at source) should be paid in remaining instalment(s) of advance tax.

Where no instalment is due (such income arises after 15th March during the financial year) the tax should be paid by 31st March. If the amount of tax payable is so paid, no interest will be leviable u/s 234C.

Instalments of advance tax and due dates

(Sec. 211)

Advance tax on the current income shall be payable by all assessees except mentioned in (B), who are liable to pay the same as per the following table during the financial year 2016-17 :

(A)

<i>Due Date of Instalment</i>	<i>Amount Payable</i>
(1) On or before 15th June	Not less than 15% of advance tax.
(2) On or before 15th September	Not less than 45% of advance tax. It means 45% of advance tax, less the amount paid in earlier instalment.
(3) On or before 15th December	Not less than 75% of advance tax. It means 75% of advance tax less amount paid in earlier instalments.
(4) On or before 15th March	100% of advance tax as reduced by the amounts paid in earlier instalments.

3) Upto 15 March of the F.Y. If less than 100%	@ 1% p.m. for one month	100% of advance tax less amount paid upto 15 March
Company assessee		
1) Upto 15 June of the F.Y. If less than 12%	@ 1% p.m. for 3 months	15% of advance tax less amount paid upto 15 June
2) Upto 15 Sept. of the F.Y. If less than 36%	— do —	45% of advance tax less amount paid upto 15 Sept.
3) Upto 15 Dec. of the F.Y. If less than 75%	— do —	75% of advance tax less amount paid upto 15 Dec.
4) Upto 15 March of the F.Y. If less than 100%	@ 1% p.m. for one month	100% of advance tax less amount paid upto 15 March

Exception. No interest will be levied in respect of any shortfall in the payment of advance tax due on the returned income, if:

the shortfall is on account of under-estimate or failure to estimate the amount of capital gains or the income from lottery, crossword puzzles, races including horse races, card games, gambling or betting etc. and the assessee has paid the amount of tax payable in respect of such come, as part of the remaining instalments of advance tax which are due or where no such statement is due, by 31st March of the financial year.

Explanation. "Tax due on the returned income" shall mean the tax chargeable on the total income declared in the return of income after deducting the following amounts:

- (i) Any tax deducted at source;
- (ii) Any tax collected at source.

Note: W.e.f. 1.6.2016 (Financial year 2016-17, Assessment year 2017-18) the provisions relating to interest for deferment of advance tax (w/s 234C) shall be as under:

- (1) The provisions given in the Table under the head "Company assessee" shall apply to all category of assessees.
- (2) The exception given below the Table shall also apply to income under the head "Profits and gains of business or profession" in cases where the income accrues or arises under the said head for the first time.

Rates of Tax for payment of Advance Tax during the Financial year 2016-17 for the Assessment Year 2017-18:

1. In the case of an individual or HUF or AOP or BOI:

- (a) Individual—Senior citizen (resident in India, who is of the age of 60 years or more but less than 80 years during the previous year):

On ₹ 3,00,000	Nil
Next ₹ 2,00,000	@ 10%
Next on ₹ 5,00,000	@ 20%
Next—Balance	@ 30%
- (b) Individual—Super Senior citizen (resident in India, who is of the age of 80 years or more during the previous year):

On ₹ 5,00,000	Nil
Next ₹ 5,00,000	@ 20%
Next—Balance	@ 30%
- (c) Other individuals, HUF, AOP or BOI:

On ₹ 2,50,000	Nil
Next on ₹ 2,50,000	@ 10%
Next on ₹ 5,00,000	@ 20%
Next—Balance	@ 30%

Surcharge. Surcharge @ 15% if total income exceeds one crore rupees.

Marginal relief: Where total income exceeds ₹ one crore the total amount payable as advance tax and surcharge on such income shall not exceed the total amount payable as income tax on a total income of ₹ one crore by more than the amount of income that exceeds ₹ one crore.

Penalties and Secondary and Higher education cess. On the amount of income tax

and SHFC @ 4% shall be charged.