

ADVANCE PAYMENT OF TAX OR PAY AS YOU EARN SCHEME SECTION 207 TO 219

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**ADVANCE PAYMENT OF TAX
SECTIONS 207 TO 219**

**LIABILITY FOR PAYMENT OF ADVANCE TAX
SECTION 207/208**

Tax shall be payable in advance during any financial year, in accordance with the provisions of sections 208 to 219, in respect of an assessee's current income i.e. the total income of the assessee which would be chargeable to tax for the assessment year immediately following that financial year [Section 207].

Under section 208, obligation to pay advance tax arises in every case where the advance tax payable is `10,000 or more.

An assessee who is liable to pay advance tax of less than ` 10,000 will not be saddled with interest under sections 234B and 234C for defaults in payment of advance tax. However, the consequences under section 234A regarding interest for belated filing of return would be attracted.

An assessee has to estimate his current income and pay advance tax thereon. He need not submit any estimate or statement of income to the Assessing Officer, except where he has been served with notice by the Assessing Officer.

Where an obligation to pay advance tax has arisen, the assessee shall himself compute the advance tax payable on his 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.

PAYMENT OF ADVANCE TAX BY SENIOR CITIZENS

In case of senior citizens who have passive source of income like interest, rent, etc., the requirement of payment of advance tax causes genuine compliance hardship. Therefore, in order to reduce the compliance burden on such senior citizens, exemption from payment of advance tax has now been provided to a resident individual –

- (1) not having any income chargeable under the head “Profits and gains of business or profession”;
- and
- (2) of the age of 60 years or more.

**PAYMENT OF INSTALLMENTS OF ADVANCE TAX AND DUE DATES
SECTION 211**

Advance tax shall be payable by companies and other assesseees as per the following schedule of installments:

Companies - Four installments

Due date of installment	Amount payable
On or before the 15 th June	Not less than 15% of advance tax liability.
On or before the 15 th September	Not less than 45% of advance tax liability, as reduced by the amount, if any, paid in the

earlier installment.

On or before the 15th December Not less than 75% of advance tax liability, as reduced by the amount or amounts, if any, paid in the earlier installment or installments.

On or before the 15th March The whole amount of advance tax liability as reduced by the amount or amounts, if any, paid in the earlier installment or installments.

Example

For the previous year 2013-14, ABC Ltd. has estimated its tax payable to be `2,00,000, in this case advance tax shall be paid by the company as given below:

Upto 15.06.2013	30,000
Upto 15.09.2013	90,000
Upto 15.12.2013	1,50,000
Upto 15.03.2014	2,00,000

Non-corporate assesseees - Three installments

Due date of installment

Amount payable

On or before the 15th September Not less than 30% of advance tax liability

On or before the 15th December Not less than 60% of advance tax liability, as reduced by the amount, if any, paid in the earlier installment.

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 installment or installments.

Example

Mr. Raj Kumar has estimated his tax payable for previous year 2013-14 `1,00,000, in this case he should pay advance tax in the manner given below:

Upto 15.09.2013	30,000
Upto 15.12.2013	60,000
Upto 15.03.2014	1,00,000

If the last day for payment of any installment of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day.

**INTEREST PAYABLE FOR DEFERMENT OF ADVANCE TAX
SECTION 234C**

(1) Interest under section 234C is attracted for deferment of advance tax beyond the due dates.

- (2) The interest liability would be 1% per month, for a period of 3 months, for every deferment.
- (3) However, for the last installment of 15th March, the interest liability under this section would be 1% for one month.
- (4) The interest is to be calculated on the difference between the amount arrived at by applying the specified percentage of tax on returned income and the actual amount paid by the due date.

The last date for payment of the whole amount of advance tax is 15th March of the relevant financial year. However, any amount paid by way of advance tax on or before 31st March is also considered as advance tax paid for the financial year. Interest liability for late payment will arise in such a case.

Illustration 1: Mr. Pradeep Chauhan has estimated his tax liability to be `1,35,000 and has paid advance tax accordingly but subsequently his tax liability was found to be `1,90,000, in this case, interest payable by him under section 234C shall be

15.09.2013	57,000 – 40,500 = 16,500 x 1% x 3 = 495
15.12.2013	1,14,000 – 81,000 = 33,000 x 1% x 3 = 990
15.03.2014	1,90,000 – 1,35,000 = 55,000 x 1% x 1 = 550
Total Interest Payable	2,035

INTEREST FOR NON-PAYMENT OR SHORT-PAYMENT OF ADVANCE TAX SECTION 234B

- (1) Interest under section 234B is attracted for non-payment of advance tax or payment of advance tax of an amount less than 90% of assessed tax.
- (2) The interest liability would be 1% per month or part of the month from 1st April following the financial year upto the date of determination of income under section 143(1).
- (3) Such interest is calculated on the amount of difference between the assessed tax and the advance tax paid.
- (4) Assessed tax is the tax calculated on total income less tax deducted at source.

INTEREST FOR PAYMENT OF INCOME TAX AFTER EXPIRY OF THE LAST DATE OF FILING THE RETURN OF INCOME SECTION 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. E.g. If in the last example, income tax of `1,00,000 has been paid by Mr. Raj Kumar on 10.12.2014 and last date of filing of return of income is 30.09.2014, in this case interest payable under section 234A shall be

$$1,00,000 \times 1\% \times 3 = `3,000$$

Also the assessee has to pay interest under section 234B and interest payable under section 234B shall be

$$1,00,000 \times 1\% \times 9 = `9,000$$

Illustration 2: ABC Ltd. has estimated its tax payable to be ₹1,00,000 and the company has paid advance tax as given below:

Upto 15.06.2013	15,000
Upto 15.09.2013	45,000
Upto 15.12.2013	75,000
Upto 15.03.2014	1,00,000

However, the company has computed its tax payable to be ₹1,80,000 at the time of filing the return of income. Compute interest payable by the company under section 234C

Solution:

Installments if tax payable is ₹1,80,000

15.06.2013	$27,000 - 15,000 = 12,000 \times 1\% \times 3 = 360$
15.09.2013	$81,000 - 45,000 = 36,000 \times 1\% \times 3 = 1,080$
15.12.2013	$1,35,000 - 75,000 = 60,000 \times 1\% \times 3 = 1,800$
15.03.2014	$1,80,000 - 1,00,000 = 80,000 \times 1\% \times 1 = 800$
Total Interest Payable	4,040

The interest so computed has to be paid at the time of self assessment i.e. at the time of filing the return of income. The amount of tax payable should be paid as advance tax and if there is any deficiency, it should be paid upto 31st March of that particular previous year otherwise assessee has to pay interest under section 234B also and if tax is paid after the last date of filing the return of income, assessee has to pay interest under section 234A also.

Illustration 3: ABC Ltd. has tax liability of ₹7,00,000 for the previous year 2013-14 and the company has not paid any advance tax and entire tax amount was paid by the company on 31.12.2014. In this case, interest shall be calculated in the manner given below:

1. Interest in case of default/non-payment of advance tax section 234C

Default in instalment payable on 15.06.2013	$1,05,000 \times 1\% \times 3 = 3,150$
Default in instalment payable on 15.09.2013	$3,15,000 \times 1\% \times 3 = 9,450$
Default in instalment payable on 15.12.2013	$5,25,000 \times 1\% \times 3 = 15,750$
Default in instalment payable on 15.03.2014	$7,00,000 \times 1\% \times 1 = 7,000$
Total interest payable	35,350

2. Interest in case of payment of tax after the end of relevant previous year section 234B

$$7,00,000 \times 1\% \times 9 = 63,000$$

3. Interest in case of payment of tax after the last date of filing of return of income section 234A

7,00,000 x 1% x 3 =	21,000
Total Interest Payable	1,19,350

PAYMENT OF ADVANCE TAX IN CASE OF CAPITAL GAINS/CASUAL INCOME SECTION 234C

(1) Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles etc.

(2) Since it is not possible for the assessee to estimate his capital gains, income from lotteries, etc., it has been provided that if any such income arises after the due date for any installment, then, the entire amount of tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining installments of advance tax which are due.

(3) Where no such installment is due, the entire tax should be paid by 31st March of the relevant financial year.

(4) No interest liability would arise if the entire tax liability is so paid.

Note: In case of casual income (winnings from lotteries, crossword puzzles, card games, gambling, betting, races including horse races etc.), the entire tax liability is fully deductible at source @ 30% under section 194B and 194BB. Therefore, advance tax liability would arise only in respect of the education cess and secondary and higher education cess element of such tax, if the same, along with tax liability in respect of other income, if any, is ` 10,000 or more.

Illustration 4: Mr. X has paid advance tax as given below:

Upto September 15, 2013	`45,000
Upto December 15, 2013	`95,000

He has not estimated any capital gain but he had long term capital gains of `3,00,000 on 01.01.2014. He has paid advance tax upto 15th March 2014 `1,70,000.

His actual income other than capital gains was found to be `11,00,000.

He has filed return of income on 10.12.2014 and has paid difference of the tax on 10.12.2014.

Last date for filing of return is 31.07.2014.

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

Solution:

Computation of Tax Liability

Normal Income	11,00,000
Long term capital gains	3,00,000
Total Income	14,00,000
Tax on `11,00,000 at slab rate	1,60,000
Tax on `3,00,000 @ 20%	60,000
Add: Education cess @ 2%	4,400
Add: SHEC @ 1%	2,200

Tax Liability	2,26,600
(Tax liability excluding capital gains `11,00,000 at slab rate + EC @ 3%)	1,64,800)

Computation of Interest under section 234C

Since capital gains arises on 1st January 2014, installments for 15th September and 15th December shall be checked without including tax on capital gain and shall be as given below:

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto September 15, 2013 (1,64,800 x 30%)	49,440	45,000	4,440 (4,400 x 1% x 3)	132
Upto December 15, 2013 (1,64,800 x 60%)	98,880	95,000	3,880 (3,800 x 1% x 3)	114

Installment for 15th March shall be including tax on capital gains and is as given below:

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto March 15, 2014 (2,26,600 x 100%)	2,26,600	1,70,000	56,600 (56,600 x 1% x 1)	566

Interest payable under section 234C

` 812

Interest under section 234B

56,600 x 1% x 9

`5,094

Interest under section 234A

56,600 x 1% x 5

`2,830

Special Provision for Company Section 234C

If the advance tax paid by the company **upto 15th June is 12%** of the tax payable and **upto 15th September, it is 36%** of the tax payable, in such cases no interest shall be charged for default in such instalment.

Interest on Refunds Section 244A

If any assessee is eligible for refund, he will be allowed interest @ 0.5% per month or part of the month from the 1st April of the assessment year upto the date on which the refund is granted however no interest is payable if the amount of refund is less than 10% of the tax liability.

Example

For the previous year 2013-14, ABC Ltd. has paid advance tax of `5,00,000 but actual tax liability of the company is `3,00,000 and a refund of `2,00,000 was granted on 10.07.2014, in this case interest payable to the assessee shall be

$$2,00,000 \times 0.5\% \times 4 = `4,000$$

If in the above case actual tax liability is `4,80,000, no interest is payable because the amount of refund is less than 10% of the tax liability.

Rounding off for the purpose of calculating Interest 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. E.g. `1,60,275 shall be rounded off as 1,60,200.

**POWERS OF ASSESSING OFFICER TO DIRECT THE ASSESSEE TO PAY
ADVANCE TAX SECTION 209, 210**

- 1) In the case of a person who has been already assessed by way of a regular assessment in respect of the total income of any previous year, the Assessing Officer, if he is of the opinion that such person is liable to pay advance tax, can serve an order in writing under section 210(3) requiring the assessee to pay advance tax in Form No.28.
- 2) For this purpose, the total income of the latest previous year in respect of which the assessee has been assessed by way of regular assessment or the total income returned by the assessee in any return of income for any subsequent previous year, whichever is higher, shall be taken as the basis for computation of advance tax payable.
- 3) The above order can be served by the Assessing Officer at any time during the financial year but not later than the last date of February.
- 4) If, after sending the above notice, but before 1st March of the financial year, the assessee furnishes a return relating to any later previous year or an assessment is completed in respect of a later return of income, the Assessing Officer may amend the order for payment of advance tax on the basis of the computation of the income so returned or assessed.
- 5) If the assessee feels that his own estimate of advance tax payable would be less than the one sent by the Assessing Officer, he can file estimate of his current income in Form No.28A and advance tax payable thereon.
- 6) Where the advance tax payable on assessee's estimation is higher than the tax computed by the Assessing Officer, then, the advance tax shall be paid based upon such higher amount.
- 7) In all cases, the tax calculated shall be reduced by the amount of tax deductible at source.
- 8) The amount of advance tax payable by an assessee in the financial year calculated by -
 - (i) the assessee himself based on his estimation of current income; or
 - (ii) the Assessing Officer as a result of an order under section 210(3) or amended order under section 210(4) is subject to the provisions of section 209(2), as per which the net agricultural income has to be considered for the purpose of computing advance tax.
- 9) Where advance tax is payable by virtue of the notice of demand issued under section 156 by the Assessing Officer, the whole or the appropriate part of the advance tax specified in such notice shall be payable on or before each of such due dates as fall after the date of service of notice of demand.

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. (Section 218)

Example

For the previous year 2013-14, ABC Ltd. has not paid any advance tax till 10.10.2013 and in the earlier years the company was assessed in the manner given below:

2010-11	143(3) (Scrutiny Assessment)	7,00,000
2011-12	144 (Best Judgement Assessment)	10,00,000

2012-13 ROI 8,00,000

In this case Assessing officer shall have the powers to give notice to the assessee and its estimated income shall be considered to be `10,00,000. If any assessee has received a notice in form no. 28 but he finds that his tax liability shall be less than the amount computed by the Assessing Officer, in that case he can give a reply in form no. 28A and can pay tax as per his own estimate.

WHEN ASSESSEE DEEMED TO BE IN DEFAULT
SECTION 218

If any assessee does not pay on the date specified in sub-section (1) of section 211, any instalment of the advance tax that he is required to pay by an order of the Assessing Officer under sub-section (3) or sub-section (4) of section 210 and does not, on or before the date on which any such instalment as is not paid becomes due, send to the Assessing Officer an intimation under sub-section (5) of section 210 or does not pay on the basis of his estimate of his current income the advance tax payable by him under sub-section (6) of section 210, he shall be deemed to be an assessee in default in respect of such instalment or instalments.

CREDIT FOR ADVANCE TAX
SECTION 219

Any sum, other than interest or penalty, paid by or recovered from an assessee as advance tax, is treated as a payment of tax in respect of the income of the previous year and credit thereof shall be given in the regular assessment.

No reduction of 'tax deductible but not deducted' while computing advance tax liability

- (i) As per the provisions of section 209, the amount of advance tax payable by a person is computed by reducing the amount of income-tax which would be deductible at source during the financial year from any income which has been taken into account in computing the total income.
- (ii) Some courts have opined that in case where the payer pays any amount (on which tax is deductible at source) without deduction of tax at source, the payee shall not be liable to pay advance tax to the extent tax is deductible from such amount.
- (iii) With a view to make such a person (payee) liable to pay advance tax, the proviso to section 209(1)(d) provides that the amount of tax deductible at source but not so deducted by the payer shall not be reduced from the income tax liability of the payee for determining his liability to pay advance tax.
- (iv) In effect, only if tax has actually been deducted at source, the same can be reduced for computing advance tax liability of the payee. Tax deductible but not so deducted cannot be reduced for computing advance tax liability of the payee.

**PLEASE STUDY IT ONLY AFTER STUDYING THE CHAPTER –
DEDUCTION OF TAX AT SOURCE**

Illustration 5: A partnership firm made the following payments of advance tax during the financial year 2013-14:

Upto September 15, 2013	8,25,000
Upto December 15, 2013	16,64,000
Upto March 15, 2014	26,23,000

The income returned by the firm is `88,00,000 under the head “profits and gains of business or profession” and `9,50,000 by way of long term capital gains on sale of a property effected on December 1, 2013. What is the interest payable by the assessee under section 234B and section 234C for assessment year 2014-15? Assume that the return of income was filed on 30.09.2014 i.e. the due date and tax was fully paid on self assessment.

Solution:**Computation of Tax Liability**

Business income	88,00,000
Long term capital gains	9,50,000
Total Income	97,50,000
Tax on `88,00,000 @ 30%	26,40,000
Tax on `9,50,000 @ 20%	1,90,000
Add: Education cess @ 2%	56,600
Add: SHEC @ 1%	28,300
Tax Liability	29,14,900
(Tax liability excluding capital gains `88,00,000 x 30% + EC@ 3%)	27,19,200

Interest under section 234C

Since capital gains arises on 1st December 2013, installment for 15th September shall be checked without including tax on capital gain and shall be as given below:

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto September 15, 2013 (27,19,200 x 30%)	8,15,760	8,25,000	Nil	Nil

Installments for 15th December and 15th March shall be including tax on capital gains and is as given below:

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto December 15, 2013 (29,14,900 x 60%)	17,48,940	16,64,000	84,940 (84,900 x 1% x 3 month)	2,547
Upto March 15, 2014 (29,14,900 x 100%)	29,14,900	26,23,000	2,91,900 (2,91,900 x 1% x 1 month)	2,919

Interest payable under section 234C

`5,466

Interest under section 234B

2,91,900 x 1% x 6

`17,514

Illustration 6: ABC Ltd. has estimated its tax liability for assessment year 2014-15 `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 02.01.2015.

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

Solution:

Tax payable is ₹4,40,000

Upto 15.06.2013	66,000
Upto 15.09.2013	1,98,000
Upto 15.12.2013	3,30,000
Upto 15.03.2014	4,40,000

Interest in case of default/non-payment of advance tax section 234C

Installments if tax payable is ₹10,00,000

15.06.2013	$1,50,000 - 66,000 = 84,000 \times 1\% \times 3 = 2,520$
15.09.2013	$4,50,000 - 1,98,000 = 2,52,000 \times 1\% \times 3 = 7,560$
15.12.2013	$7,50,000 - 3,30,000 = 4,20,000 \times 1\% \times 3 = 12,600$
15.03.2014	$10,00,000 - 4,40,000 = 5,60,000 \times 1\% \times 1 = 5,600$
Total interest payable u/s 234C	28,280

Interest in case of payment of tax after the end of the relevant previous year section 234B

$10,00,000 - 4,40,000 = 5,60,000$

$5,60,000 \times 1\% \times 10 =$

56,000

Interest in case of payment of tax after the last date of filing of return of income section 234A

$5,60,000 \times 1\% \times 4 =$

22,400

Total interest payable (28,280 + 56,000 + 22,400)

1,06,680

PRACTICE PROBLEMS

TOTAL PROBLEMS 3

Problem 1.

Mr. X has incomes as given below:

1. Income under the head house property ₹15,00,000
2. Gift of a painting from a friend with market value ₹2,00,000
3. Gift of shares and securities from Mrs. X valued ₹3,00,000
4. Agricultural income ₹3,00,000

He has paid advance tax as given below:

Upto 15 th Sept 2013	₹30,000
Upto 15 th Dec 2013	₹50,000
Upto 15 th March 2014	₹60,000

Balance amount of tax was paid on 10th Sept 2014.

Compute his tax liability for the Assessment Year 2014-15 and also interest under section 234A, 234B and 234C.

Answer = Tax Liability: ₹4,12,000; Interest under section 234A: ₹7,040; Interest under section 234B: ₹21,120; Interest under section 234C: ₹12,244

Problem 2.

XY Partnership Firm has income as given below:

1. Income from Business ₹20,00,000
2. Income under the head House Property ₹7,00,000

The firm has paid advance tax as given below:

Upto 15 th June 2013	₹ 20,000
Upto 15 th Sept 2013	₹ 30,000
Upto 15 th Dec 2013	₹ 80,000
Upto 15 th March 2014	₹1,00,000

Balance amount of tax was paid on 10th Dec 2014.

Due date for filing of ROI in case of partnership firm is 31.07.2014.

Compute tax liability for the Assessment Year 2014-15 and also interest under section 234A, 234B and 234C.

Answer = Tax Liability: ₹8,34,300; Interest under section 234A: ₹36,715; Interest under section 234B: ₹66,087; Interest under section 234C: ₹26,564

(b) Presume the assessee is ABC Ltd. an Indian company.

Answer = Tax Liability: ₹8,34,300; Interest under section 234A: ₹22,029; Interest under section 234B: ₹66,087; Interest under section 234C: ₹37,229

Problem 3.

Mrs. X 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 15 th Sept 2013	` 30,000
Upto 15 th Dec 2013	` 80,000
Upto 15 th March 2014	`1,00,000

Balance amount of tax was paid on 10th Dec 2014.

Compute her tax liability for the Assessment Year 2014-15 and also interest under section 234A, 234B and 234C.

Answer = Tax Liability: `4,90,280; Interest under section 234A: `19,510; Interest under section 234B: `35,118; Interest under section 234C: `13,835

SOLUTIONS TO PRACTICE PROBLEMS

Solution 1:

Computation of Total Income

Income under the head House Property	15,00,000
Income under the head Other Sources	
Gift in kind received from a friend	2,00,000
Gross Total Income	17,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	17,00,000
Agricultural Income	3,00,000

Computation of Tax Liability

Step 1. Tax on (agricultural income + non agricultural income) i.e. Tax on ` 20,00,000/- at slab rates	4,30,000
Step 2. Tax on (` 2,00,000 + agricultural income) at slab rates	30,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1	4,00,000
Add: Education cess @ 2%	8,000
Add: SHEC @ 1%	4,000
Tax Liability	4,12,000

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto 15 th Sept, 2013 (4,12,000 x 30%)	1,23,600	30,000	93,600 (93,600 x 1% x 3 month)	2,808
Upto 15 th Dec, 2013 (4,12,000 x 60%)	2,47,200	50,000	1,97,200 (1,97,200 x 1% x 3 month)	5,916
Upto 15 th March, 2014 (4,12,000 x 100%)	4,12,000	60,000	3,52,000 (3,52,000 x 1% x 1 month)	3,520

Interest liability under section 234C

` 12,244

Interest under section 234B

3,52,000 x 1% x 6

` 21,120

Interest under section 234A

3,52,000 x 1% x 2

` 7,040

Solution 2:**Computation of Total Income**

Income under the head Business/Profession	20,00,000
Income under the head House Property	7,00,000
Gross Total Income	27,00,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	27,00,000

Computation of Tax Liability

Tax on `27,00,000 @ 30%	8,10,000
Add: Education cess @ 2%	16,200
Add: SHEC @ 1%	8,100
Tax Liability	8,34,300

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto 15 th Sept, 2013 (8,34,300 x 30%)	2,50,290	30,000	2,20,290 (2,20,200 x 1% x 3 month)	6,606
Upto 15 th Dec, 2013 (8,34,300 x 60%)	5,00,580	80,000	4,20,580 (4,20,500 x 1% x 3 month)	12,615
Upto March 15, 2014 (8,34,300 x 100%)	8,34,300	1,00,000	7,34,300 (7,34,300 x 1% x 1 month)	7,343

Interest liability under section 234C

`26,564

Interest under section 234B

7,34,300 x 1% x 9

`66,087

Interest under section 234A

7,34,300 x 1% x 5

`36,715

Solution 2(b):

Total Income	27,00,000
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Computation of Tax Liability

Tax on `27,00,000 @ 30%	8,10,000
Add: Education cess @ 2%	16,200
Add: SHEC @ 1%	8,100
Tax Liability	8,34,300

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto 15 th June 2013 (8,34,300 x 15%)	1,25,145	20,000	1,05,145 (1,05,100 x 1% x 3)	3,153
Upto 15 th Sept, 2013	3,75,435	30,000	3,45,435	10,362

Advance Payment Of Tax

(8,34,300 x 45%)			(3,45,400 x 1% x 3 month)	
Upto 15 th Dec, 2013 (8,34,300 x 75%)	6,25,725	80,000	5,45,725	16,371
			(5,45,700 x 1% x 3 month)	
Upto 15 th March, 2014 (8,34,300 x 100%)	8,34,300	1,00,000	7,34,300	7,343
			(7,34,300 x 1% x 1 month)	

Interest liability under section 234C ₹ 37,229

Interest under section 234B

7,34,300 x 1% x 9 ₹ 66,087

Interest under section 234A

7,34,300 x 1% x 3 ₹ 22,029

Solution 3:

Computation of Total Income

Income under the head House Property	18,00,000
Income under the head Other Sources	
Gift received from sister of her mother in law	1,20,000
Gross Total Income	19,20,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	19,20,000
Agricultural Income	4,00,000

Computation of Tax Liability

Step 1. Tax on (agricultural income + non agricultural income) i.e. Tax on ₹ 23,20,000/- at slab rates	5,26,000
Step 2. Tax on (₹ 2,00,000 + agricultural income) at slab rates	50,000
Step 3. Deduct Tax at Step 2 from Tax at Step 1	4,76,000
Add: Education cess @ 2%	9,520
Add: SHEC @ 1%	4,760
Tax Liability	4,90,280

	Amount payable as advance tax	Amount actually paid by way of advance tax	Shortfall	Interest
Upto 15 th Sept, 2013 (4,90,280 x 30%)	1,47,084	30,000	1,17,084 (1,17,000 x 1% x 3 month)	3,510
Upto 15 th Dec, 2013 (4,90,280 x 60%)	2,94,168	80,000	2,14,168 (2,14,100 x 1% x 3 month)	6,423
Upto 15 th March, 2014 (4,90,280 x 100%)	4,90,280	1,00,000	3,90,280 (3,90,200 x 1% x 1 month)	3,902

Advance Payment Of Tax

125

Interest liability under section 234C

`13,835

Interest under section 234B

3,90,200 x 1% x 9

`35,118

Interest under section 234A

3,90,200 x 1% x 5

`19,510

EXAMINATION QUESTIONS

IPCC MAY – 2013

Question 7(a)**(4 Marks)**

Briefly discuss the provisions relating to payment of advance tax in case of capital gains and casual income.

Solution:**Payment of advance tax in case of capital gains and casual income**

(1) Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles etc.

(2) Since it is not possible for the assessee to estimate his capital gains, income from lotteries, etc., it has been provided that if any such income arises after the due date for any installment, then, the entire amount of tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining installments of advance tax which are due.

(3) Where no such installment is due, the entire tax should be paid by 31st March of the relevant financial year.

(4) If the entire tax liability is so paid, no interest liability under section 234C would arise for deferment of advance tax,

Note: In case of casual income (winnings from lotteries, crossword puzzles, card games, gambling, betting, races including horse races etc.), the entire tax liability is fully deductible at source @ 30% under section 194B and 194BB. Therefore, advance tax liability would arise only in respect of the education cess and secondary and higher education cess element of such tax, if the same, along with tax liability in respect of other income, if any, is \geq 10,000 or more.

PCC NOV – 2009

Question 5**(4 Marks)**

Interest is chargeable under section 234A for delay or default in furnishing return of income. Discuss briefly.

Answer.**Interest for default in furnishing return of Income (Section 234A)**

If any person has not paid the amount of income tax till the last date of filing the return of income, such person has to pay interest under section 234A @ 1% per month or part of the month for the period of delay beyond the last date of filing the return of income. The assessee has to pay interest under section 234B also for the same period. As per the language of the Act, interest shall be charged for delay in filing the return of income but as per decision of Delhi High Court in Dr. Prannoy Roy v. CIT (2001), interest shall be charged only if there was delay in payment of income tax i.e. if income tax has been paid till the last date of filing of return of income but return was filed after the last date, no interest should be charged under section 234A.

Facts of the case of Dr. Prannoy Roy v. CIT

The petitioner had earned substantial capital gains for the assessment year 1995-96 for which the return was due to be filed on 31-10-1995. However, taxes due were paid on 25-9-1995, i.e., before the due date of filing of the return, but the return was filed on 29-9-1996, i.e., after a delay of about 11 months. Interest had been charged under the provisions of section 234A. As per the Judgement of the High Court interest was deleted.

PCC JUNE – 2009

Question 5**(4 Marks)**

Enlist the installments of advance tax and due dates thereon in case of companies.

Answer.

Advance tax shall be payable by companies as per the following schedule of installments:

Companies - four installments

Due date of installment

Amount payable

On or before the 15th June

Not less than 15% of tax payable

On or before the 15th September

Not less than 45% of tax payable

On or before the 15th December

Not less than 75% of tax payable

On or before the 15th March

The whole amount of tax payable

PCC MAY – 2008

Question 5**(4 x 2 = 8 Marks)**

(a) Briefly discuss about the interest chargeable under Section 234A for delay or default in furnishing return of income.

(b) What are the due dates of instalments and the quantum of advance tax payable by companies?

Answer 5(a). Refer to Answer given in PCC NOV – 2009 Question No.5

Answer 5(b). Refer to Answer given in PCC JUNE – 2009 Question No.5

PCC NOV – 2007

Question 5**(4 Marks)**

Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.

Answer.

Refer to Answer given in IPCC MAY – 2013 Question No.7(a)

*NOTES

1. **Please use a separate challan for each type of payment.**
2. Please note that quoting your Permanent Account Number (PAN) is mandatory.
3. Please note that quoting false PAN may attract a penalty of `10,000/- as per section 272B of I.T. Act, 1961.
4. Please note that to deposit Appeal Fees either **Major Head 020 or 021** (depending upon the tax payer's status) has to be ticked under 'Tax Applicable'. Followed by this; **Minor Head: Self Assessment Tax (300)** has to be ticked under 'Type of Payment' and the amount is to filled under **Others** in 'Details of Payments'.
5. To deposit taxes, appeal fees, etc. in respect of block period cases, enter the first Assessment Year of the block period followed by the last Assessment Year of the period. For example, if the block period is 1/04/85 to 5/3/96, it would be entered as 1986-97 in the space indicated for Assessment Year. If taxes are being deposited, tick the box Self Assessment (300) under Type of Payment and fill up amount under 'Tax' while in respect of appeal fees, enter amount under 'Others'.

PLEASE USE THIS CHALLAN FOR DEPOSITING TAXES (TYPES OF PAYMENT) MENTIONED OVERLEAF. KINDLY DO NOT USE THIS CHALLAN FOR DEPOSITING TAX DEDUCTION AT SOURCE (TDS)

KINDLY ENSURE THAT THE BANK'S ACKNOWLEDGEMENT CONTAINS THE FOLLOWING:

1. 7 DIGIT BSR CODE OF THE BANK BRANCH
2. DATE OF DEPOSIT OF CHALLAN (DD MM YY)
3. CHALLAN SERIAL NUMBER

THESE WILL HAVE TO BE QUOTED IN YOUR RETURN OF INCOME.

FORM NO. 28

[See rule 38]

Notice of demand under section 156 of the Income-tax Act, 1961 for payment of advance tax under sub-section (3) or sub-section (4) of section 210

To

This is to give you notice under section 210 of the Income-tax Act, 1961, that the sum of _____ as specified in the enclosed order has been determined to be payable by you during the financial year _____

2. The amount is payable in two instalments as mentioned in the Table.

TABLE

Due date of instalment	Amount payable
On or before the 15th December	Not less than fifty per cent * of such advance tax.
On or before the 15 th March	The whole amount of such advance tax as reduced by the amount, or amounts, if any, paid in the earlier instalment or instalments

*Sixty per cent with effect from 1-4-1992 vide Finance Act, 1992.

The amount is payable to Manager, authorised bank/ Manager, State Bank of India/Reserve Bank of India at _____ When, if the amount is paid, you will be granted a receipt _____ Challan(s) is/are enclosed for the purpose, in which you should enter the amount of each instalment at the time of payment.

3. If at any time before the 1st instalment as aforesaid is due, you estimate that your income subject to advance tax for the previous year relevant to the assessment year commencing on the 1st day of April, _____ is less than the income on which you have been asked to pay advance tax as above and accordingly you wish to pay an amount less than the amount which you have been so required to pay you may send to the Assessing Officer in Form 28A reasons for the lower estimate made by you and enclose an estimate of the advance tax so payable on such income calculated in the manner laid down in section 209 and in that event you should pay such amount (less any instalment already paid in accordance with paragraph 2 of this notice) as accords with your estimate in such proportions on such dates specified therein. For this purpose you should enter in the appropriate challans the amount payable according to your estimate. You may revise the amount payable at any time before the last instalment is due and may adjust any excess or deficiency in respect of the instalment already paid in the subsequent instalment.

4. If in your estimation, the advance tax payable on your current income exceeds the amount of advance tax specified in an order of the Assessing Officer under sub-section (3) or sub-section (4) of section 210 or as intimated by you under sub-section (5) of that section, you will pay on or before the due date of last instalment specified in section 211, an appropriate part or, as the case may be, the whole of such higher amount of advance tax according to your estimate.

5. If you are liable to pay advance tax under section 208 and have failed to pay such tax or the advance tax paid by you under the provisions of section 210 is less than 90% of the assessed tax, you will be liable to pay interest according to the provisions of section 234B. If you have failed to pay the instalments of advance tax by the specified dates, interest will be charged as per section 234C of the Income-tax Act, 1961.

Place _____

Assessing Officer

Date _____

Address

ENCLOSURE TO FORM NO. 28

Order under section 210 of the Income-tax Act, 1961

Name of the assessee	District or area
Status *	Permanent Account Number
Address	

1. Total income on the basis of which regular assessment has been made/return of income has been filed by you, for a subsequent year, being that for the year
2. Income subject to advance tax.
3. Net agricultural income, if any, to be taken into account for purposes of computing advance tax.
4. Gross income-tax chargeable on 'income subject to advance tax'.
5. Sums included in 'income subject to advance tax' in respect of which income-tax is not payable or on which a rebate of income-tax is admissible-
 - (i) Share of income from an association of persons or body of individuals or an unregistered firm on the profits of which tax has already been paid
 - (ii) Interest on income-tax free securities
 - (iii) Other items.
6. Total amount on which tax is not payable and the proportionate tax on such an amount
7. Deduct : Tax which is deductible under sections 192 to 195 on any income (as computed before allowing any deductions admissible under the Act) and which has been taken into account in computing the 'income subject to advance tax'
8. Net amount of income-tax
9. Less : Amount on account of estimated double income-tax relief, if any
10. Balance payable
11. Less : Tax already paid in the financial year under section 210 in compliance with the previous notice of demand served on
NET AMOUNT OF TAX PAYABLE
12. Total sum payable (in figures as well as words)

Date _____

Assessing Officer _____

*Note : In the case of a Hindu undivided family, please state whether the Hindu undivided family has at least one member whose total income of the relevant previous year exceeds the maximum amount not chargeable to income-tax in his case.

FORM NO. 28A

[See rule 39]

Intimation to the Assessing Officer under section 210(5) regarding the notice of demand under section 156 of the Income-tax Act, 1961 for payment of advance tax under section 210(3)/210(4) of the Act

Dated

To
The Assessing Officer,

Sir,

Re.: Notice of demand under section 156 of the I.T. Act, 1961 for payment of income-tax under section 210(3)/210(4) of the Act in the case of _____ For assessment year _____.

The notice of demand under section 156 of the Income-tax Act for payment of advance tax and the order under section 210(3)/210(4) of the Act, dated _____ has been served on me on (date of service of notice)

2. I do hereby intimate that the estimate of income and the advance tax payable made by you and contained in the enclosure to Form No. 28, is high because of the following reasons :

- (i) There is an arithmetical error in the computation shown in Form No. 28.
- (ii) In respect of the income assessed for assessment year _____, there was a mistake apparent from record within the meaning of section 154 of the Income-tax Act, 1961 for which the application has been filed on _____ / is being filed.
- (iii) There has been loss/no income under the head 'Capital gains' in the current year.
- (iv) There has been no income of the nature referred to in section 2(24)(ix) in the current year.
- (v) Any other reasons (specifying the reasons).

3. The estimate of income for the previous year relevant to the assessment year _____ taking into account the reasons mentioned in para 2 above is as follows :

Estimated 'income subject to advance tax' :

- (1) Income from 'salaries':
- (2) Income from capital gains :
- (3) Income from house property :
- (4) Profits and gains of business or profession :

(a) Profits and gains from business and profession carried on by me/us.

Name	Address	

(b) Share from firm(s) :

Name of the firm	Address	Whether firm has been registered in the last completed assessment	Share of income

(c) Income from an association of persons or body of individuals.

Total : (a) + (b) + (c)

(5) Income from other sources

(i) Dividends

(ii) Interest

(iii) Other incomes [including income referred to in section 2(24)(ix)]

Total

Aggregate of sub-items (1) to (5)

Less :

1. (i) carried forward losses, etc., eligible for set off

(ii) deductions admissible under Chapter VI-A.

Income subject to advance tax :

2. Estimated net agricultural income

3. Gross income-tax chargeable on income subject to advance tax.

4. Sums included in income subject to advance tax in respect of which no tax is payable on which a rebate of tax is admissible-

(i) Share of income from an unregistered firm on which the tax will be paid by the firm.

(ii) Share from an association of persons or body of individuals on which tax will be paid by the association or body.

(iii) Interest on income-tax free securities

(iv) Other items

Total amount on which tax is not payable and the proportionate tax on such amount.

5. Excess of 3 over 4.

6. Deduct : Amount of tax deductible under sections 192 to 195 on any income (as computed before allowing any deduction admissible under the Act) and which has been taken into account in computing the income subject to advance tax.

7. Net amount of income-tax.

8. Less : Amount on account of estimated double income-tax relief, if any

9. Net amount payable.

10. Less :

(i) tax already paid in the financial year under section 210.

11. Balance payable

Place :

Date :

Signature of the person making the estimate

Status

To

The Assessing Officer,

Notes :

1. The estimate of tax should be signed by a person who is authorised to sign a return of income as provided in section 140 of the Income-tax Act, 1961.

2. In the case of a registered firm, the firm has to submit an estimate of the advance tax payable, if any, by it in accordance with Part III of the First Schedule to the annual Finance Act. The individual partners have also to submit an estimate of the advance tax payable by each including therein the share of income from the registered firm.

3. In the case of an assessee being a Hindu undivided family which has no member whose total income of the previous year is likely to exceed the maximum amount not chargeable to income-tax in his case please attach declaration(s) to this effect from all members.
4. Item 2 to be filled in only by individuals, Hindu undivided families, unregistered firms, other associations of persons or bodies of individuals, whether incorporated or not, referred to in sub-clause (v) of clause (31) of section 2 of the Income-tax Act, 1961, and artificial juridical persons referred to in sub-clause (vii) of the said clause (31).
5. In this Form, 'net agricultural income' shall have the meaning assigned to it in the relevant Finance Act.
6. Details of arithmetical error if any in the order of the Assessing Officer referred to in para 2 of this Form, may be annexed.