INTEREST

Under what circumstances is interest u/s **234A chargeable?**

Applicability/situation	(a) the return of income is not filed within the due date u/s 139(1) or within the time allowed by the notice u/s 142(1) (b) the return of income is not furnished
Rate of interest Period of interest	1% for every month or part of the month (a) where return of income is filed: from the due date of filing the return till the date of furnishing the return of income (b) where the return of income is not filed: from the due date of filing return of income upto the date of completion of assessment
Computation of on which interest is payable	(A) Tax payable u/s 143(1)/143(3)/144 or the first assessment is made u/s 147/153A (B) Less: TDS,TCS and Advance Tax paid, Relief u/s 90 or 90A, Deduction u/s 91, MAT credit u/s 115JAA (C) Amount on which interest is payable [A-B]
Computation of interest	Amount on which interest is payable x 1% per month x no. of months Less: interest paid u/s 234A at the time of self-assessment u/s 140 A

Interest for default in furnishing **return of income for a notice u/s 148** / **153A:**

The income has already been determined u/s 143(1)/143(3)/144/147 and subsequently Assessing Officer issued notice u/s 148 for reassessment or recomputation:

Applicability:

(a) Assessee furnished the return of income after the time allowed in the notice u/s 148 / 153A, or

(b) The return of income is not furnished,

Rate of Interest: 1 % for every month or part of the month

Period of Interest:

(a) Where **return of income is filed:** From the expiry of time limit given in notice u/s 148 upto the date of furnishing the return of income.

(b) **Where return of income is not filed:** From the due date of filing return of return upto the date of completion of assessment u/s 147/153A.

Computation of amount on which interest is payable:

Tax payable u/s 147	xxxx
Less: Tax determined on total income u/s 143(1)/143(3)/144/147	xxx
Amount on which interest is payable	xxxx

Computation of Interest: Amount on which interest is payable x 1% per month x No of months

WHEN & HOW IS INTEREST U/S 234B COMPUTED

1. Circumstances:
   (a) The assessee fails to pay advance tax, or
   (b) The advance tax paid by the assessee is less than 90% of the assessed tax.
2. Procedure:

Step 1: Compute Assessed tax. Assessed Tax means:

Tax determined u/s 143(1) / 143(3) / 144 or first assessment u/s 147 / 153A	**XXX**
Less: TDS/TCS on any income which is taken into account for computing tax payable as above, relief u/s 90 or 90A, deduction u/s 91,MAT credit u/s 115J AA	**XXX**
Assessed Tax	**XXX**

Step 2: Compute amount on which interest is payable. [Assessed Tax **Less** Advance Tax paid]

Step 3: Computation of Interest is as follows:

Situation	**Interest Payable u/s 234B** upon assessment
When return of income is not furnished	Amount in Step 2 × Number of months from 1st April of assessment year to the month of completion of assessment ×1% p.m.
When return of income is filed and 140A tax is paid, returned income and assessed income are same.	Amount in Step 2 × Number of months from 1st April of assessment year to month of payment of tax u/s 140A × 1% p.m. **Less:** Interest paid u/s 234B at the time of filing return.
	Amount in Step 2 x Number of months from 1st April of assessment year to the month of tax paid u/s 140A × 1% p.m.
Where return of income is filed, assessed income is higher than returned income.	**Add:** (Amount in Step 2 - Self-Assessment Tax paid) × Number of months between payment of tax u/s 140A and actual assessment × 1% per month **Less:** Interest paid u/s 234B at the time of filing return.
Where any subsequent re-assessment is made u/s 147 or 153A	(Tax payable on reassessment - Tax paid upto assessment) × Number of months from date, of assessment to the date of re-assessment x 1% p.m.).

WHEN & HOW IS INTEREST U/S 234C COMPUTED?

1. Applicability: Where the assessee fails to pay any installment of advance tax or pays **less** amount than prescribed, he shall be liable to pay interest u/s 234C.
2. **Procedure:**

Step 1: Compute the advance tax payable on returned income after TDS and TCS

	Particulars	**Rs.**
	Tax due on returned income	xxxx
Less:	Rebates and Relief	**(xxx)**
	Net tax payable	xxxx
Add:	Surcharge	xxx
	Tax and surcharge payable	xxxx
Add:	Education Cess @ 2%	xxx
Add:	Secondary and Hiqher Education Cess @ 1%	xxx
	Net tax payable	xxxx
Less:	TDS and TCS on any income which is taken into account in computing Total Income for the Assessment Year	xxx
	Relief of Tax u/s 90 / 90A or Deduction u/s 91 for tax paid outside India	xxx
	Tax Credit available u/s 115JAA	
	Advance tax payable	xxx

Step 2: Computation of interest payable is as under: A. For non-corporate assessees:

Due date	**Advance Tax payable**	**Cumulative Advance Tax actually paid bfore due date**	**Difference [(2)less (3)]**	**Interest at 1% per month**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
15th September	30% of Step 1			(4) x 3 Mths x 1%
15th December	60% of Step 1			(4) x 3 Mths x 1%
15th March	100% of Step 1			(4)x 1 Mths x 1 %

B. For corporate assessees:

Due date	Advance Tax payable	Cumulative Advance Tax actually paid bfore due date	Minimum tax payable	Difference [(2)less (3)]	Interest at 1% per month
(1)	(2)	(3)	(4)	(5)	
15th June	15% of Step 1		12% of Step 1	Considered only if (3) is less than (4)	(5) × (3) months× 1%
15th September	45% of Step 1		36% of Step 1		(5) × 3 months ×1 %
15th December	75% of Step 1		NA		(5)×3 months ×1%
15th March	100%				(5) × 1 month × 1

3. **No Interest:**

(a) **Shortfall due to:** If shortfall in payment of tax due on the returned income is on account of under-estimation or failure to estimate:

* Capital gains
* Winnings from lotteries, crossword puzzles, races (including horse races), card games and any other activity in the nature of gambling, betting etc.

(b) **Payment before 31st March:** The assessee has paid the amount of tax payable in respect of such income as part of the remaining instalments of advance tax which are due or where no such instalments are due, by the 31st March of the financial year, **no interest shall be leviable in respect of such shortfall.**

PROCEDURE TO BE FOLLOWED IN CALCULATING INTEREST [RULE 119A]

In calculating the interest payable by the assessee, the following procedures are to be followed–

1. **Calculation of interest :**

Where the interest is to be calculated on annual basis	• Period shall be rounded off to whole month • Fractions shall be ignored
Where interest is to be calculated for every month or part of a month	Fractions shall be rounded off to full month.

2. **Rounding off:** The amount of tax, penalty or other sum in respect of which the interest is to be calculated shall be rounded off to nearest multiple and for this purpose any fraction of 100 shall be ignored.

INTEREST PAYABLE AN EXCESS REFUND. [SECTION 234D]

1. **Applicability:** Refund must have been granted to the assessee u/s 143(1)
2. **Condition:** No refund is due or it is reduced on Regular Assessment u/s 143(3).

Note: Regular assessment includes assessment made for the first time u/s 147 or 153A.

3. **Amount of Interest-** Excess refund made u/s 143(1) x 0.5% x No. of months or part thereof.
4. **Reduction in interest:** The interest charged under this section may be reduced by giving effect to the order u/s 154/245D/250/260/262/264.

WAIVER OF INTEREST

Power to Waive: The CBDT has empowered the CCIT and DGIT to reduce or waive interest charged u/s 234A / 234B / 234C for the following cases or classes of income for the period and to the extent they deem fit -

Cases / Class of Persons	**Interest Waived**
(a) Where, in the course of search and seizure operations u/s 132 - • Books of account have been seized by the Department, and • Assessee was not able to furnish the return of income for the previous year in which such operation took place, and • The delay furnishing such return cannot reasonably be attributed to the Assessee.	Interest u/s 234A only
(b) Any income other than 'capital gains' which was received or accrued after the date of the first or subsequent installment of advance tax, which was neither anticipated nor contemplated by the taxpayer and on which advance tax was paid by the tax payer after the receipt of such income	Interest u/s 234C only
(c) Any income was exempt for an assessee due order of Jurisdictional High Court, and subsequently the said sum was taxable due to : • Any retrospective amendment of law, • Decision of the Supreme Court • Decision of a larger bench of the 3unsdictional High Court (which was not challenged before the Supreme Court and hence become final). Since no advance tax would normally be paid in respect of such receipts during the relevant financial year, interest u/s 234B/234C would be levied for the default in payment of advance tax	Interest u/s 234B and 234C only
(d) Where a return of income - • Could not be filed by the assessee due to unavoidable circumstances, and • Such return is filed voluntarily by the assessee or his legal heirs without detection by the Assessing Officer	Interest u/s 234A only

2. **No Reduction / Waiver:** No reduction or waiver of such interest will be ordered unless -

(a) **Return of Income Filed:** The assessee has filed the return of income for the relevant assessment year.

(b) **Payment of Tax Due:** The Assessee has paid the entire income-tax (principal component of demand) due on the income as assessed.

(c) **Other Condition:** The OCIT / DGIT may also impose any other conditions as deemed fit for the said reduction or waiver of interest.

POWERS OF THE SETTLEMENT COMMISSION TO WAIVE INTEREST U/S 234 A/B/C

1. Settlement Commission is a **quasi-judicial body** and does not have any administrative power like CBDT.
2. Only CBDT has the power u/s 119 to waive interest u/s 234A, 234B and 234C.
3. Hence the power to waive interest cannot be exercised by Settlement Commission.
4. However, Settlement Commission can grant relief from levy of interest in accordance with the Circulars issued by the Board u/s 119.