LESSON - 16
ADVANCE TAX

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STRUCTURE

16.0 INTRODUCTION

As you have already understood the calculation of taxable income and tax on it. In the previous lesson you have also read about the payment of tax; you have read that the tax liability of a person should be paid in the self-assessment u/s 140A. Let us now elaborate further, if the tax payable is Rs. 5,000 or more, then the tax is paid in the previous year itself. In other words, payment of tax is not allowed to be deferred to the assessment year. Perhaps the motive of government is to collect the big amount of tax at the earliest.

16.1 OBJECTIVE

After going through this lesson you will be able to understand when and how advance tax is paid. The due dates for payment of advance tax, and the concept of “the pay as you earn” scheme.

16.2 ADVANCE TAX SCHEME

Tax is paid in advance when the liability of advance tax is Rs.5, 000 or more. The provisions of advance tax are applicable on all types of persons irrespective of the residential status of the person. The advance tax is paid in the previous year itself. Thus, the tax is paid in the year of earning of income, in other words the earning of income and payment of tax goes simultaneously. Thus, the tax is paid as income is earned. This scheme of advance payment of tax is also called *pay as you earn* scheme, i.e., pay tax as you earn income.

16.3 DATES OF PAYMENT OF ADVANCE TAX

Advance tax is paid by the all persons, both corporate assessee (company assessee) and non-corporate assessee (other than non-corporate assessee). The advance tax is to be paid in the following installments on the following dates:

For Non-Corporate Assessee

Due Dates	**Amount of Tax payable**
On or before 15 September	- not less than 30% of tax payable
On or before 15 December	- not less than 60% of tax payable
On or before 15 March	- not less than 100% of tax payable

For Corporate Assessee

Due Dates	**Amount of Tax payable**
On or before 15 June	- not less than15% of tax payable
On or before 15 September	- not less than 30% of tax payable
On or before 15 December	- not less than 60% of tax payable
On or before 15 March	- not less than 100% of tax payable

Since, the actual tax and actual income can be computed only after completion of the year therefore, the income is estimated at different due dates mentioned above. The tax on such estimated income is computed and percentage of the tax as mentioned above is payable by the assessee at different due dates.

CHECK YOUR PROGRESS

Activity A: State whether Mr. X is liable to pay advance tax and if yes then what amount should be paid by what date. The income of Mr. X is Rs. 2, 00,000.

Solution: The tax is Rs. 15,300 on income of Rs. 2, 00,000. Since, tax is more than Rs. 5,000, therefore, advance tax is payable. The advance tax is payable as under:

Since Mr. X is a non-corporate assessee therefore, the first installment will be due on 15th September.

Date	**installment**	**total tax paid**
On or before 15th September	- first 30% of Rs. 15,300 = Rs. 4,590	Rs. 4,590
On or before 15th December	- next 30% of Rs. 15,300 = Rs. 4,590	Rs. 9,180
On or before 15th September	- balance 40% of Rs. 15,300 = Rs. 6,120	Rs. 15,300

16.4 LET US SUM UP

All persons whose tax liability is Rs. 5,000 or more pay advance tax. Advance payment of tax is made in installments. The first installment is paid on 15th June by corporate assessee while non-corporate assessee pays the first installment on 15th September. The whole of advance tax is paid by 15th March by both corporate and non-corporate assessee. The payment of advance tax is thus made in the previous year itself and therefore, it helps government to speed up payment of tax and earn interest on it. Since advance tax is paid simultaneous to earning of income therefore the scheme of advance payment of tax is also known as *pay as you earn* scheme.

16.5 GLOSSARY

Corporate: Corporate means an organization which is registered under any act and therefore it is recognized by law as a separate legal entity, e.g., A Company, A Society etc.

16.6 SELF ASSESSMENT EXCERCISE

1. Discuss the provisions of the advance Tax in the income tax act.
2. Mr. X estimate his income to be Rs. 1, 50,000 is he required to pay advance tax. If yes then what is the amount of tax payable on 15th September.
3. Write Short notes on:
    a. Due dates of payment of advance tax
    b. Pay as you earn scheme