ADVANCE TAX

(Section-207 to 219)

Liability for payment of Advance Tax (Sec-207)

As per the provisions of advance tax, tax shall be payable in advance during the 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 . Such total income is called Current income in this chapter.

Conditions of liability to pay advance tax (Sec-208)

Every assessee whose estimated tax liability for any financial year exceeds Rs. 10,000. He is liable for payment of advance tax. No Advance tax will be payable if the assessee has opt presumptive basis of taxation under Section- 44AD / AE.

Resident Senior citizens are exempted from payment of advance tax from AY 2013-14 if not having income under "Business & profession" head.

The assessee has to estimate his current year's income and tax liability on it on 1st day of the accounting year or before payment of first installment of advance tax there on after considering all deductions, rebates, TDS deducted as well as TDS deductible but not deducted.

From FY 12-13: It is amended that only TDS actually deducted will be considered to determine advance tax liability. TDS required to be deducted but not actually deducted will not be taken into account from 1/4/12.

Computation and payment of Advance tax where the calculation is made by the Assessee, himself [Sec-209]

The advance tax payable by the assessee on estimated current income. It considers to all heads of income through which assessee generating their income during the financial year. Advance tax payable by the assesses as per (Sec-210) of the Act

Following steps follow at the time of computation of advance tax liability:

Step-1 Estimate the current income of the financial year.
Step-2 Compute tax on such estimated current income.
Step-3 Add surcharge in case of company if applicable and ED+SHEC.
Step-4 Allow relief,if any, under Sec-89,90,90A & 91.
Step-5 Deduct the tax deductible or collectable at source during the financial year from any income.
Step-6 The balance amount is the advance tax payable provided it is Rs.10, 000 or more. Amount will be paid in following installments:

Advance Tax may be payable in the following installments:

Date	Company assessee	Non-company assessee
Upto 15th June	15%	Nil
Upto 15th Sept.	45%	30%
Upto 15th Dec.	75%	60%
Upto 15th March	100%	100%

If holiday on last day, then next working day will be consider.

Computation of advance tax liability:

(i) By the assessee on his own (Sec-210):-

- ✓ Any assessee required to pay advance tax has to estimate his income and pay advance tax there on and not submit any statement to ITO.
- ✓ Revision of tax can be made after each installment.
- ✓ TDS, rebates etc. all will be allowed for calculating liability of more than 5000.

(ii) By the assessing officer (Sec-210[3]):-

- ✓ When an assessee fails to pay advance tax, then AO may pass order in FN 28 to pay advance tax.
- ✓ If assessee estimates lower income than by AO, then he will send his calculation of lower income to AO in FN 28A and accordingly AO will revise his order.
- ✓ If however assessee estimates higher income, then no intimation is to be given and assessee is to pay advance tax on such higher income.
- ✓ Such order can be passed only against those assessees who are earlier assessed to income tax.
- ✓ **The AO has to pass the order for payment of advance tax before the end of the last day of February of the relevant accounting year.** The different amount of installments must be specified in the order.

Basis for calculation of income for working out advance tax liability by the Assessing Officer

The Assessing Officer will deem higher of the following as current year's income

- ➢ Total assessed income of latest previous year
- ➢ Total returned income (highest) for any subsequent year thereafter.

The Assessing Officer can revise order of advance tax passed u/s [210(3) &210(4)]

The AO after passing his order of advance tax can revise it subsequently if assessment of any year is completed at a higher income or return of any year thereafter is submitted declaring higher income.

However, the AO cannot revise his order after last day of February of the accounting year. The assessee has to then pay the tax according to the revised order.

Payment of advance tax in case of Capital gain/casual income (Sec-234C)

Advance tax is payable on all types of income, including capital gain and winning of lotteries, crossword puzzles etc.however, it is not possible for an assessee to estimate his capital gain or winnings from lotteries. Which are generally unexpected. Therefore in such cases it is provided that if any such income arises after the due date of any installment, then the entire amount of tax payable on such capital gain or casual income should be paid in remaining installments of advance tax which are due or where no such installment is due by 31st march of the relevant financial year. If the entire amount of tax payable is so paid, then no interest on late payment will be livable.

Liability for payment of Advance Tax on Capital Gains & Casual Income applies from the date on which income arisen.

Assessee deemed to be in Default [Sec-218]

If, any assessee does not pay installment on the specified date. He shall be deemed as Default and liable for interest and Penalty.

Interest payable if advance tax is not paid or paid less than 90% (Sec-234B)

If advance tax is not paid or paid less than 90% of the assessed tax, the assessee shall be liable to payable to pay simple interest @ 1% per month from first day of April following the financial year, U/S-234B.

Interest for deferment of advance tax (Sec-234C)

Advance tax payable in various installments. Where any installment is not paid or less paid, interest is chargeable for non-payment of such installment.