HOW TO CALCULATE INTEREST u/s 234

OF INCOME TAX ACT

Interest u/s 234A is the Interest for default for Furnishing Return of Income u/s 139(1) or 139(4) or Return filed in response to notice u/s 142(1).

1.- CONDITIONS FOR LEVY OF INTEREST u/s 234A

a) Where Return of Income (ITR) is not furnished by Assessee.

b) Where Return of Income (ITR) is furnished by assessee after Due Date of furnishing Return specified u/s 139(1).

2.- RATE OF INTEREST

>1% per month or part of month.

(Part of month means Interest for whole month is charged @1% even if the default is for 1 day)

3.- AMOUNT ON WHICH INTEREST u/s 234 A IS COMPUTED

	Total Tax Liability		XXX
Less-	TDS	XX	
	Relief u/s 89(1)	XX	
	Relief u/s 90/91	XX	
	Advance Tax	XX	
	NET TAX LIABILITY		**XXX**

4.- CHARACTERSTICS OF INTEREST U/S 234A

>Interest u/s 234A is mandatory in nature which can only be waived off by chief Commissioner of Income Tax (CCIT) or Direct General of Income Tax (DG).

>If the amount of self assessment tax paid by assessee fall short of the amount required to be paid u/s 140A as self assessment tax.

Then the amount so paid shall be first adjusted towards Interest and balance towards Income Tax.

5.- ILLUSTRATIONS

Suppose an individual furnish his ITR on 1st Sept.2015 and the due date of filing is 31st July,2015.

Income from salary = Rs 3,50,000

Tax Payable By Individual = Rs 10,000

TDS deducted on salary = Rs 2,000

Then, Interest required to be paid by such individual u/s 234A is:

Period of default	=	2 months (August/September)
Rate of Interest	=	1%
Amount of Interest	=	(10,000-2,000)1%*2 months
	=	Rs 160

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