SHORT NOTES ON ADVANCE TAX

All items of income (including capital gains, winnings from lotteries, crossword puzzle etc) are liable to advance tax payment.

RELEVANT SECTIONS FOR ADVANCE TAX

1. *SECTION 208*

This section says that a person is liable to pay advance tax where his/her advance tax payment liability = Rs. 10000/- or more.

NOTE:

A senior citizen not having income from business and profession is not liable to pay advance tax.

2. SECTION 209

At the time of calculating advance tax liability only TDS/TCS actually paid/deducted/collected is reduced from total tax liability to calculate advance tax liability.

TDS/TCS which was deductible/collectible but not deducted/collected is not reduced from total tax liability to calculate advance tax liability.

3. SECTION 210

Advance tax payment made by assessee pursuant to order issued by AO to pay advance tax.

Now the question arises , when does AO issues order to pay advance tax??

AO issues order when

- When the assessee fails to Pay advance tax.
- Advance tax already paid by assessee is lower than the correct amount.

This order should be issued by AO before 1st feburary of relevant
Financial year.

Such estimate of advance tax is made by assessing officer on the basis of preceding year assessed income of assessee by way of regular assessement(i.e., u/s 143(1))

Or

Income returned by assessee in any return of income in subsequent previous year **Whichever is higher.**

TIME LIMIT FOR PAYMENT OF ADVANCE TAX BY ASSEESSEE ON ORDER OF ASSESSING OFFICER

Advance tax amount to be paid within 30 days of service of notice.

4. SECTION 210(4)

Revision of order of AO previously issued u/s 210

The order issued by AO to pay advance tax can be revised by him in case where subsequent to making order u/s 210 to pay advance tax but before 1st March of that Previous year, a Return of income of asseessee of later assessment year has been furnished and assessement is done at any rate higher than rate at which previous advance tax is determined by AO
On receipt of revised order assessee has to pay advance tax.

Assessee can pay low tax by intimating AO in Form 28A.

Interest U/s 220(2)

If an assessee fails to pay advance tax as per order of AO within 30 days of service of order,

Then Interest amount = 1 % of every month

Or

Part of month

from expiry of 30 days period.

Note: Where interest @1% or 1.5% is already charged in respect of TDS/TCS u/s 201(1A) or 206(7) then no interest u/s 220(2) shall be charged on same amount for the same period.

AO asked assessee to pay demand (Advance tax) within 30 days of service of notice

Conditions that could happen

Assessee paid the demand within 30 days of service of notice & after Payment filed an appeal to CIT (A) Against the demand issued by AO

In this case No Interest of 1% u/s 220(2) will be paid by assessee

Asseessee did not pay the demand within 30 days of service of notice(i.e, paid the demand after 30 days) and after paying the demand went to appeals to CIT(A) against the demand issued by AO.

Interest of 1% u/s 220(2) will be paid by assessee (but we have to determine the Period)

When case is decided in favour of AO by last appellate authority

Then Interest is charged @ 1 % from the Date of expiry of 30 days from the service of original notice by AO to assessee till the Date of payment of tax by assessee as per Order of last authority.