Ambit of Advance Tax

What is Advance Tax?

Advance Tax is where an assessee pays the government taxes on your income right throughout the year, i.e., payment of taxes within the Financial Year. It can be called as ‘PayasyouEarn’

scheme.

Who shall pay Advance Tax?

Advance Tax should be paid by all the assessee’s where the Tax payable by him during

the financial year is Rs 10,000 or more. While computing the tax liability, income under all the

heads should be considered.

Who is exempted from payment of Advance Tax?

Resident Individuals not having any income chargeable under the head “Profits and Gains from Business or Profession” AND of the age 60 or more.

How to compute Advance Tax?

Step 1: Arrive at Estimated Taxable Income# for current Financial Year. (Consider income from all the sources of heads)

Step 2: Calculate the Tax on Estimated Taxable Income as derived in Step 1 as per the rate provided by Finance Act for the relevant Assessment Year.

Step 3: Reduce the Rebate u/s 87A\* (if applicable)

Step 4: Add surcharge to above computed Tax Liability

Step 5: Add the Education Cess @ 3%

Step 6: Deduct the followings:

Relief, if any, u/s 89, 90, 90A and 91

Credit, if allowable u/s 115JAA or 115JD

TDS/ TCS on income considered above in computing the total income.

#Estimated Total Income is derived after allowing deductions under Chapter VI A and setoff

of brought forward losses.

\*Rebate of Rs.2000 is allowable on tax payable where the Total Taxable Income of an assessee is LESS than Rs. 500,000 during the Financial Year.

Payment of Advance Tax

Instalments for payment of Advance Tax are predefined in the Act along with the due dates. These are listed as under:

 **For INDIVIDUALS For COMPANIES**

|  |  |  |
| --- | --- | --- |
| Due Date | Amount Payable | Amount Payable |
| 15th June | Not Applicable | Not less than 15% |
| 15th September |  Not less than 30%  | Not less than 45% |
| 15th December |  Not less than 60%  | Not less than 75% |
| 15th March | 100% of such advance tax  | 100% of such advance tax |

Note: Where the last date on which the instalment of advance tax is due, the receiving bank is closed, the assessee can make the payment on next immediate following working day.

Consequences on Failure to pay Advance Tax

1. If the assessee fails to pay advance tax within the due date, the assessee shall be deemed to be an assessee in default in respect of such instalment.
2. Where the assessee is deemed to be assessee in default, the penalty equal to amount of taxes due may be levied u/s 221.
3. Assessee will be liable to pay interest @ 1% for every month or part thereof u/s 234B from 1st April following the Financial Year, if an assessee fails to pay such taxes or advance tax paid is less than 90% of the assessed tax.
4. Further, assessee shall be liable to pay interest @ 1% per month u/s 234C, where the assessee fails to pay any instalment of advance tax or payment made is less than what has been prescribed as above.

Note: Amount deposited on or before 31st March shall be treated as Advance Tax. However, any payment made after 15th March but on or before 31st March shall be subjected to Interest u/s 234C, although interest u/s 234B could be avoided.

**Advance Tax for Salaried Employees**

As the employers already deduct the taxes at source (TDS), where the assessee is only in receipt of Salary Income, need not worry about the advance tax. However, where along with the salary if such assessee is in receipt of any other incomes and where the taxes are not paid or deducted against such income, the assessee should consider payment of advance taxes.

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