

ADVANCE TAX AND ASSESSMENT PROCEDURE



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If the Income Tax Liability of any taxpayer is more than ₹ 10,000 in a financial year, then he is liable to pay such tax in installments during the year itself rather than paying this tax at the end of the year. This tax which is payable during the year is called “**Advance Tax**” or “pay as you earn tax” as the tax is liable to be paid at the time the income is earned i.e. during the year itself rather than paying this tax at the end of the year.

Advance Tax receipts help the Govt. to receive a constant flow of tax receipts throughout the year so that the Govt can incur its expenses timely rather than receiving all tax payments at the end of the year. Advance Tax is liable to be paid by all assesses like Salaried, Self Employed, Businessman etc. before the filing of Income Tax Return. An Income Tax Return cannot be filed till the income tax is fully paid.

For Individuals with Salary as the sole source of income, Advance Tax would be taken care of by the TDS deducted by the employer at the time of payment of salaries as reflected in Form 16 and thus there would hardly be any Advance Tax payable. Senior Citizens not having any Business Income are also exempted from the payment of Advance Tax

What are the benefit of Advance Tax?

It reduces the burden of tax payment. It helps in mitigating stress that a taxpayer may undergo while making tax payment at the end of fiscal year. It saves people from failing to make their tax payments. It helps in raising government funds as the government receives interest on the tax collected.



Installment of Advance Tax and Due dates (section 211)

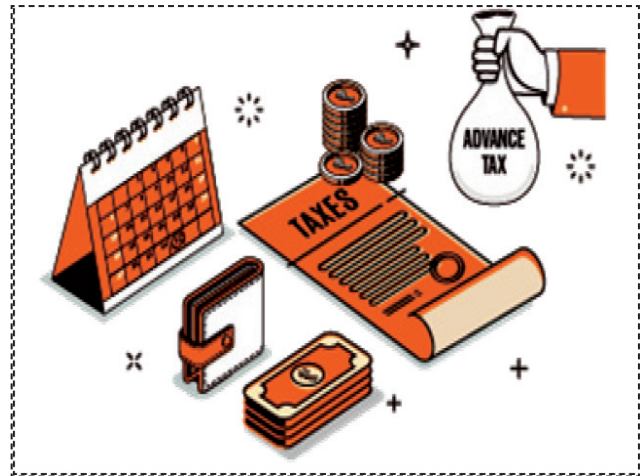
Due date of installment in the relevant previous year.	Other than 44AD or 44 ADA	Eligible assessee carrying on eligible business under section 44 AD or 44 ADA
On or before June 15	15% of such advance tax	
On or before September 15	45% of such advance tax payable	

Due date of installment in the relevant previous year.	Other than 44AD or 44 ADA	Eligible assessee carrying on eligible business under section 44 AD or 44 ADA
On or before December 15	75% of such advance tax payable	
On or before March 15	100% of advance tax payable	100% of advance tax payable

KEYNOTES TO REMEMBER

- a. Any amount paid under section 211 on or before 31st March of the previous year, shall be treated as advance tax paid during the financial year.
- b. Provisions of advance tax is not applicable in the following cases:-
Where an assessee is a senior citizen and does not have any income chargeable under the head "Profits and gains of business or profession". In other words, senior citizen not having business income is not liable to pay advance tax.
- c. Every income including capital gain, winning from lotteries, etc. is subject to advance tax. However, it is not possible to estimate capital gain or casual gain, therefore, where the assessee has paid the whole of the amount of tax payable in respect of such income:
 1. As part of the remaining installments of advance tax which were due; or
 2. Where no installments were due, by March 15 of the financial year immediately preceding the assessment year, Then it is deemed that all the provisions are complied.
- d. If the last day for payment of any instalment of advance tax is a day on which the receiving bank is closed the assessee can make the payment on the next working day. In such case, the mandatory interest leviable under section 234B and 234C would not be charged (Circular no. 676 dt. 14.1.1994)
- e. While calculating advance tax, net agricultural income shall also be taken into consideration for computing tax liability.

- f. If any assessee does not pay any instalment within due date he shall be deemed to be an assessee in default in respect of such instalment (Section 218).
- g. Any sum, other than a penalty or interest, paid by an assessee as advance tax shall be treated as a payment of tax and credit for such shall be given to the assessee in the regular assessment (Section 219).



The advance on certain income can be paid after its occurrence as it cannot be estimated:

- Long term capital gain
- Casual Income
- Dividend Income chargeable under section 115BBDA.

Interest on Delayed Payment of Advance Tax under section 234C

If shortfall in payment of advance tax is on account of under estimation or failure in estimation of income of the nature referred to insert 115BBDA the interest under section 234C shall not be levied

FAQs

Q.1 Is there any compliance if an assessee revises its estimate of income for advance tax?

Ans. An assessee can revise the estimation of income and pay the taxes accordingly without any requirement of filing the estimation of income with the department.

Q.2 Can estimate of income be revised for the purpose of advance tax?

Ans. In case the assessee wants to revise the estimate of income after making payment of first/ second instalment of advance tax, the assessee can revise the remaining

instalment of advance tax in accordance with his revised estimate of current income and pay the advance tax accordingly.

Q.3 What will be the due date for the payment of advance tax if the same is payable by virtue of an order from the Assessing Officer/ Income Tax Officer?

Ans. Where advance tax is payable due to the notice of demand issued by Assessing Officer then whole or part of the advance tax is payable in the remaining instalments, i.e., instalments due during the financial year after the date of notice.

Q.4 Who is not required to pay Advance tax?

Ans. A **resident senior citizen**(i.e., an individual of the age of 60 years or above during the financial year) not having any income from business or profession is not liable to pay advance tax.

Taxpayer who opted for presumptive taxation scheme of section 44AD or section 44ADA is liable to pay 100% of advance tax by 15th March.

Q.5 Can I claim the deduction of Advance tax payments against my profits?

Ans. Advance Tax is not an expense.

- It is considered as an asset and adjusted against one's tax liabilities at the time of finalization of the Balance Sheet.
- It is a charge on income and not considered as an expenditure.
- It is shown under Loans and Advances in the Balance Sheet.

Q.6 How do advance tax paid get reflected in Form 26AS ?

Ans. Once the Advance Tax is paid, it will be reflected on assessee's Form 26AS within 3-4 working days of making the payment.

- The banks upload challan details to TIN in 3 working days after the realization of the tax payment online.
- After the bank uploads the details of self -assessment/ advance tax to TIN, it is automatically posted into assessee's Form 26AS.

Q.7 What should we do if the bank is closed on the last day for payment of advance tax?

Ans. Any taxes paid **till 31st March will** be treated as advance tax.

If the last day for the payment of advance tax is the day on which the banks are closed, then one should pay the advance tax on the immediately following working day and no interest shall be charged on such payments of advance tax.

Q.8 Does credit of TDS allowed while calculating advance tax?

Ans. As per section 208 of the income-tax Act, 1961, every person whose estimated tax liability for the year is INR 10,000 or more, after TDS (taxes deducted at source), shall pay advance tax.

Therefore, credit of TDS is to be taken while calculating the advance tax liability.

However, if the amount is given or credited by payer without deduction of tax then the benefit of TDS cannot be given while calculating the advance tax liability. ●