

Advance Tax

Introduction

Advance Tax, also known as the "Pay-As-You-Earn" scheme, requires taxpayers to pay income tax during the same financial year in which the income is earned. The scheme of advance tax helps maintain a regular flow of revenue to the government. Under this scheme, every taxpayer is required to estimate the income likely to be earned during the financial year, and if the tax liability on this estimated income exceeds a specified limit, the taxpayer is required to pay the tax in instalments within the same financial year. The tax rates for advance tax purposes are prescribed each year in Part III of the first schedule of the Finance Act and section 2 thereof.

Liability to Pay Advance Tax

- Applicable if the estimated tax liability for the financial year is Rs.10,000 or more.
- **Exemption:** Senior citizens (age 60 or above) without business/professional income.

Computation

1. **Calculate Estimated Income:** Include all income, deductions under Chapter VI-A, and apply the relevant tax rates.
2. **Account for Tax Credits:** Deduct MAT/AMT credits, relief under Sections 89, 90, 90A, or 91, and prepaid taxes (TDS/TCS).
3. **Determine Advance Tax Liability:** Compute net liability and round off to the nearest multiple of Rs.10.

Payment Schedule

- **Taxpayers not opting for presumptive tax scheme under Section 44AD or 44ADA**
 - 15% by June 15
 - 45% by September 15
 - 75% by December 15
 - 100% by March 15
- **Taxpayers opting for presumptive tax scheme under Section 44AD or 44ADA:** Pay 100% by March 15.
- Payments made by March 31 are treated as advance tax.

Modes of Payment

- Mandatory e-payment for companies and taxpayers requiring tax audit under Section 44AB).

- Tax can be paid using Challan ITNS 280 via internet banking, debit card or authorised banks.

Non-compliance

- **Interest:** Penal provisions under Sections 234B and 234C apply for defaults or deferments.
- **Demand Notice:** Assessing Officers can issue demand notices (Form 28) for unpaid advance tax. If the assessee does not pay the advance as per the demand notice, he is deemed to be an assessee-in-default

Adjustments & Revision

Taxpayers can adjust subsequent instalments based on revised income estimates.

Credit for Advance Tax

Amounts paid are treated as tax credits during regular assessments.