



Income Tax Department

Ministry of Finance, Government of India

Introduction

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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

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

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

Payment Schedule

- **Taxpayers not opting for presumptive tax scheme under Section 44AD or 44ADA**
 - o 15% by June 15
 - o 45% by September 15
 - o 75% by December 15
 - o 100% by March 15
- If an assessee pays excess or short advance tax in an earlier instalment, he may adjust it in later instalments.
- **Taxpayers opting for presumptive tax scheme under Section 44AD or 44ADA:** Pay 100% of advance tax in a single instalment by March 15.
- Payments made by March 31 are treated as advance tax.

Modes of Payment

Modes of Payment

- Mandatory e-payment for companies and taxpayers requiring tax audit under Section 44AB).
- Tax can be paid offline through authorised banks by submitting the details using Challan ITNS 280.
- The electronic payment of tax can be made through internet banking, debit card.

Non-compliance

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
- A notice for payment of advance tax can be issued anytime during the financial year, but not later than 28th February, specifying the amount and instalments payable.

Payment of Advance Tax Demand by Assessee

Payment of Advance Tax Demand by Assessee

- If the assessee estimates a lower liability than the notice, he may file Form 28A electronically and pay accordingly.
- If the assessee estimates a higher liability, he should pay as per his estimate (no need to submit computation to AO).
- If the notice is served after any due date has passed, the assessee must pay the advance tax for the remaining unexpired due dates.

Credit for Advance Tax



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Amounts paid are treated as tax credits during regular assessments.

