



Income Tax Department

Ministry of Finance, Government of India

Interest and Fees

Interest and Fees under the Income-tax Act

Introduction

Interest and fees are compensatory charges levied for defaults under the Income-tax Act. Interest is applied for delays in tax payments, while fees are levied for non-compliance with filing requirements. These are charged automatically without prior notice.

Default in filing statements

• Income-tax Return Filing

o Interest (Section 234A):

- Delay in filing return: 1% per month or part thereof on unpaid tax from the due date to the actual filing date.
- Non-filing of return: 1% per month or part thereof on unpaid tax from the due date to the date of completion of assessment.

o Fee (Section 234F):

- Rs. 1,000 if total income \leq Rs. 5,00,000.
- Rs. 5,000 if total income $>$ Rs. 5,00,000.
- No fee is payable where assessee is not liable to furnish his return of income.

• TDS/TCS Statements

- o Fee (Section 234E): Rs. 200 per day of default, capped at the TDS/TCS amount.

Defaults in Tax Payments

• Advance Tax (Sections 234B and 234C):

- o Section 234B: 1% per month on unpaid tax from April 1 to the date of regular assessment if advance tax paid $<$ 90% of assessed tax.
- o Section 234C: 1% per month for underpayment in specific instalments of advance tax [15%,45%,75% and 100%]

• TDS/TCS Deduction or Deposit

- o Section 201: 1% per month for failure to deduct tax and 1.5% per month for failure to deposit the tax deducted.
- o Section 206C: 1% per month for failure to collect tax and 1.5% per month for failure to deposit the tax collected..

• Tax on accreted income of trust

- o Failure to pay tax on accreted income under Section 115TE by trusts or institutions results in interest at 1% per month.

Interest on refunds

• Delayed Refund by Department (Section 244A):

0.5% per month on the refund amount. The period for which interest is payable shall depend on the type of tax out of which the refund arises and the date of furnishing return of income.

• Excess Refund to Assessee (Section 234D):

0.5% per month on the excess refund from the date of grant of refund to the date of completion of regular assessment.

Aadhaar and PAN Compliance

• Failure to Intimate Aadhaar (Section 234H):

Fee of up to Rs. 1,000 for non-compliance under Section 139AA.

Waiver of Interest

The Chief Commissioner or Director General may waive or reduce interest under Sections 234A, 234B, 234C, or 201 in the prescribed circumstances upon satisfying certain conditions.

Interest for Default in Furnishing Return

Interest for Default in Furnishing Return

Introduction

Interest at the rate of 1% per month or part thereof is levied on outstanding tax liability if an assessee fails to furnish the Income-tax return within the due date or does not file it at all.

Key Provisions

• Applicability

Interest under Section 234A applies when:

- o The return is filed after the due date under Section 139(1).



o The return is not filed at all.

• **Rate of Interest**

- o Simple interest at 1% per month or part thereof.
- o Interest is computed on the outstanding tax liability.

• **Period of Interest**

- o For delayed filing: From the day after the due date to the actual filing date.
- o For non-filing: From the day after the due date to the completion of assessment.

Round-off

- The amount of tax, penalty or other sum in respect of which such interest is to be calculated shall be rounded off to the nearest multiple of Rs. 100 and for this purpose any fraction of Rs. 100 shall be ignored.
- The interest amount so computed shall also be rounded off to the nearest multiple of Rs. 10.

Special Scenarios

• **Belated Filing with Full Payment Before Due Date**

No interest is charged if all tax liability, including self-assessment tax, is paid before the due date, even if the return is filed late. [Circular No. 2/2015 [F.NO.385/03/2015-IT(B)], Dated 10-2-2015]

• **Updated Return Filing**

Interest is levied from the day after the original due date to the updated return filing date on the declared self-assessment tax, where no return of income was previously filed.

An assessee shall not be required to pay interest at the time of furnishing of updated return if he has already filed the original return, revised return, or belated return for the relevant assessment year.

• **Re-assessment**

Interest applies if the return required by notice under Sections 148 or 153A is filed late or not furnished at all.

Computation of Interest

Interest is calculated on net tax liability after deducting:

- TDS/TCS, advance tax, and self-assessment tax paid before the due date.
- Credits for MAT, AMT, and foreign tax as applicable.

Waiver of Interest

Interest cannot be waived or reduced except under specific circumstances as prescribed by the CBDT.

Recalculation of Interest

Adjustments or recalculations can occur based on appeal outcomes or rectifications or reference to Commissioner under Sections 263 or 264 or order of the Settlement Commission, the interest shall be increased or reduced accordingly. In case of increase in interest liability, the Assessing Officer will serve on the assessee a notice of demand specifying the sum payable. In case interest is reduced, the excess interest paid shall be refunded

Interest for Default in Payment of Advance Tax

Interest for Default in Payment of Advance Tax

Introduction:

Interest under Section 234B is levied if the assessee fails to pay advance tax or if the amount paid is less than 90% of the assessed tax. If no advance tax liability exists, this section does not apply.

Key Provisions:

- o **Levy of Interest:** Applicable when advance tax paid is less than 90% of the assessed tax.
- o **Assessed Tax:** Tax on total income, reduced by TDS/TCS, MAT/AMT credit, Section 89 relief, or foreign tax credit. Only tax actually deducted/collected is considered.
- o **Interest Rate:** Simple interest at 1% per month or part thereof, calculated on the shortfall.
- o **Round-off:** The amount of tax, penalty or other sum in respect of which such interest is to be calculated shall be rounded off to the nearest multiple of Rs. 100. The interest amount so computed shall also be rounded off to the nearest multiple of Rs. 10.

Computation Basis:

- o **If Advance Tax is Not Paid:** Interest is charged on the entire assessed tax.
- o **If Advance Tax Paid is Less Than 90%:** Interest is calculated on the shortfall, reduced by any self-assessment tax paid.

Computation Period:



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- o **No Self-Assessment Tax Paid:** From April 1 of the assessment year to the date of assessment.
- o **Self-Assessment Tax Paid:** Two periods—(i) April 1 to the date of self-assessment tax payment; (ii) from the date of payment of self-assessment tax to the date of assessment (if additional tax is due).
- o **Reassessment:** Interest applies from April 1 of the assessment year to the date of reassessment.
- o **Recalculation of interest:** Where the amount of tax payable is increased or reduced as a result of rectification or appeal or reference to Commissioner or order of the Settlement Commission, the interest shall be increased or reduced accordingly.

Special Situations:

- o **Updated Return:** Interest is computed based on assessed tax declared in the updated return.
- o **Settlement Commission (SetCom):** Interest is charged on additional tax disclosed or determined by SetCom.
- o **MAT/AMT:** Companies and non-corporate assessees under MAT/AMT are also liable for interest if advance tax defaults occur.

Waiver: Interest cannot be waived by assessing officers but may be reduced/waived by CBDT in specified circumstances.

Interest for Deferment of Advance Tax

Interest for Deferment of Advance Tax

Introduction:

Section 234C levies interest if the assessee fails to pay advance tax instalments on time or pays less than the prescribed percentage of advance tax. This applies to all assessees liable to pay advance tax.

Due Dates and Percentages:

Advance tax is payable in four instalments by the following dates:

- o June 15: At least 15% of the advance tax.
- o September 15: At least 45% of the advance tax.
- o December 15: At least 75% of the advance tax.
- o March 15: 100% of the advance tax.

Presumptive taxpayers under Sections 44AD and 44ADA can pay 100% of their liability by March 15 of the relevant financial year.

Levy of Interest:

Interest applies if the advance tax paid is less than:

- o 12% of assessed tax by June 15.
- o 36% of assessed tax by September 15.
- o 75% of assessed tax by December 15.
- o 100% of assessed tax by March 15.

Meaning of “Assessed Tax”: Tax on total income declared in income-tax return /updated return reduced by TDS/TCS, MAT credit/AMT credit, relief under section 89 and foreign tax credit under Section 90,90A or 91.

Exemptions:

No interest is charged if the shortfall arises due to failure to estimate the accrual of the following income:

- o Capital gains.
- o Lottery winnings.
- o First-time income under “Profits and Gains of Business or Profession.”
- o Dividend income
(subject to timely payment before the next instalment or year-end).

Rate and Calculation of Interest:

- o Interest is charged at 1% per month or part thereof.
- o Rounded to the nearest ₹100 for tax amount and ₹10 for interest amount.
- o Calculated on the shortfall in the respective instalment.

Special Cases:

- o **Presumptive Taxpayers:** Interest is charged at 1% for one month if 100% of the tax is not paid by March 15.
- o **Updated Returns:** Interest is computed based on income reported in the updated return, with adjustments for any previously paid interest.

Waiver:

Interest under Section 234C is mandatory and cannot be waived by assessing officers. However, the CBDT may prescribe conditions for a waiver.



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Interest on Excess Refund

Interest on Excess Refund

Introduction:

Interest under Section 234D is levied when a refund granted to an assessee on summary assessment is later found to be excessive upon regular assessment.

Applicability:

Interest is charged when:

- Refund granted on summary assessment exceeds the amount due as per the regular assessment.
- Refund is granted in summary assessment, but no refund is due upon completion of the regular assessment.

Rate of Interest:

- o Simple interest at 0.5% per month or part thereof is levied.
- o Calculated on the excess refund amount.

Period of Interest:

- o From the date of refund issuance (post-summary assessment) to the date of completion of regular assessment.

Calculation Methodology:

- o Rounded off to the nearest Rs. 100 for tax amount and Rs. 10 for interest amount.

Recalculation:

- o If tax payable changes due to rectification, appeal, or Settlement Commission order, interest is adjusted.
- o Any excess interest paid is refunded.

Interest for Late Payment of Income-tax Demand

Interest for Late Payment of Income-tax Demand

Introduction

Interest under Section 220 is charged at 1% per month (or part thereof) on unpaid tax demands specified in the notice of demand if not paid within the prescribed time.

Key Provisions

- **When Levied (Section 220(1)):** Interest applies if the tax demand is unpaid 30 days after the notice is served. Extensions or instalments can be requested.
- **Exceptions:**
 - o When interest is already charged under Section 201(1A) or Section 206C(7) for TDS/TCS default on the same amount for the same period.
 - o When tax is due on income earned outside India, and foreign law prohibits or restricts remittance of such income to India.
 - o Disputed tax demands under appeal before CIT(A).

Rate of Interest and Computation

- Simple interest at 1% per month is charged on unpaid amounts from the demand notice's due date until payment.
- Amounts and interest are rounded off to the nearest Rs. 100 and Rs. 10, respectively.

Recalculation of interest

- If tax liability changes due to rectification, appeals, or revisions, interest is recalculated accordingly.

Waiver of Interest (Section 220(2A)):

Income-tax authorities can reduce or waive interest if:

- Payment causes genuine hardship.
- The default was beyond the assessee's control.
- The assessee cooperated in assessments or recovery proceedings.

Authorities empowered to waive interest

Waiver authority depends on the interest amount:

- **Principal CIT or CIT:** Up to Rs. 50 lakhs.
- **CCIT or DGIT:** Above Rs. 50 lakhs to Rs. 1.5 crores.
- **Principal CCIT:** Above Rs. 1.5 crores. [Circular No 15/2024, Dated 04-11-2024]

Appeals and Revisions

An assessee can apply for revision of interest orders but cannot file an appeal.



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Waiver or Reduction of Interest

Waiver or Reduction of Interest

Introduction

The Chief Commissioner of Income Tax (CCIT) and Director General are authorised to waive or reduce interest levied under Sections 234A, 234B, 234C, or 201, subject to prescribed conditions.

Interest under Sections 234A, 234B, and 234C

- **Authority:** CCIT or Director General, as per CBDT Order [F. No. 400/234/95-IT(B), Dated 30-01-1997].
- **Conditions:** The assessee must file the return for the relevant assessment year and pay all due taxes.
- **Circumstances for Waiver or Reduction:**
 1. **Search and Seizure:** Books or cash seized, causing delay in filing returns or paying advance tax.
 2. **Delayed Income Receipt:** Income received or accrued unexpectedly after the due date of the advance tax instalment.
 3. **Change in Law:** Retrospective amendments or Supreme Court/High Court decisions resulting in higher tax liability.
 4. **Unavoidable Circumstances:** Return couldn't be filed on time due to unavoidable reasons.

Waiver Period:

The Chief CIT or Director General can waive or reduce interest for a suitable period if the assessee has disclosed the income and paid the tax. Where income arises due to a Court's order after the year's end, waiver can apply as follows:

- o Section 234A: From the due date of filing return till the month-end of relevant court order.
- o Section 234B: From April 1 of the assessment year till the month-end of court order.
- o Section 234C: For the specific period as mentioned in section.

Quantum of interest to be waived:

The quantum of interest to be reduced or waived shall be the difference between:

- Interest computed for the period as referred to above with reference to tax on the total income inclusive of the relevant income; and
- Interest computed for the same period with reference to the tax on the total income as reduced by the relevant income.

Interest under Section 201(1A)

- **Authority:** Waiver or reduction by CCIT or Director General per CBDT Circular No. 11/2017 [F. No. 275/56/2016-IT(B), Dated 24-03-2017].
- **Circumstances for Waiver or Reduction:**
 1. **Search and Seizure:** Delay in TDS deduction due to document seizure.
 2. **Change in Law:** Retrospective changes or judicial decisions causing default in TDS.
 3. **Mutual Agreement Procedure (MAP):** Resolution of disputes under DTAA.
- **Special Case (Section 194S):** Interest waived for TDS not deposited due to unavailability of Form 26QE during 01-07-2022 to 28-02-2023 (CBDT Circular No. 04/2024, Dated 07-03-2024).

General Conditions

- The principal demand, interest, and late filing fees under Section 234E must be paid or arranged.
- Speaking orders must be passed after providing an opportunity for the assessee to be heard.

Fee for Default in Furnishing TDS/TCS Statement

Fee for Default in Furnishing TDS/TCS Statement

Introduction

Failure to furnish a TDS/TCS Statement by the due date attracts a fee under Section 234E. The fee is Rs. 200 per day during the period of default, capped at the amount of tax deductible or collectible.

Key Provisions

- **Nature of Default:**

Applicable when TDS/TCS Statements are not submitted on or before the prescribed due date. The fee is in addition to any penalty under Section 271H.
- **Amount of Fee:**
 - o Rs. 200 per day for each day of default.
 - o The fee cannot exceed the tax deductible or collectible.



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- **Time of Payment:**

Must be paid before submitting the belated TDS/TCS Statement.

Fee for Default in Furnishing Return of Income

Fee for Default in Furnishing Return of Income

Introduction

Under Section 234F, a fee is levied if a person fails to furnish a return of income by the due date specified under Section 139(1). The fee amount is determined based on the total income and the timing of the return filing.

Key Provisions

- **Nature of Default:**

Applicable when a person required to file a return of income under Section 139(1) fails to do so by the prescribed due date.

- **Fee Structure:**

- o Rs. 1,000: If total income does not exceed Rs. 5,00,000.

- o Rs. 5,000: If total income exceeds Rs. 5,00,000.

- o **No Fee:**

- If return is filed on or before the due date.
- If the person is not liable to file a return of income.

Waiver of Fee

The CBDT has the authority to issue orders waiving the fee for defaults in furnishing the return of income.

Fee for Default in Furnishing Statement or Certificate of Donation

Fee for Default in Furnishing Statement or Certificate of Donation

Introduction

Under Section 234G, a fee is charged when specified institutions fail to deliver a statement of donation or furnish a certificate of donation on or before 31st May of the financial year immediately following the financial year in which the donation is received. The fee is Rs. 200 per day during the period of default, subject to a cap equal to the amount involved.

Key Provisions

- **Nature of Default:**

Applicable to the following entities failing to deliver statements or furnish certificates:

1. Research associations, universities, colleges, or institutions as per Sections 35(1)(ii) or 35(1)(iii).
2. Companies referred to in Section 35(1)(ia).
3. Institutions or funds under Section 80G.

- **Fee Structure:**

- o Rs. 200 per day for each day of default.

- o Maximum fee is limited to the amount related to the failure.

- **Additional Penalty:**

The fee under Section 234G is in addition to penalties imposed under Section 271K.

- **Time of Payment:**

The fee must be paid before delivering the statement of donation or furnishing the certificate of donation.

Fee for Failure to Intimate Aadhaar Number

Fee for Failure to Intimate Aadhaar Number

Introduction

Failure to intimate Aadhaar to the Income-tax Department as required under Section 139AA(2) attracts a fee. The fee is subject to a maximum of Rs. 1,000.

Nature of Default

A person required to intimate their Aadhaar Number but failing to do so by the prescribed date is liable for this fee.

Fee Structure

- Rs. 500 if Aadhaar is intimated between 01-04-2022 and 30-06-2022.

- Rs. 1,000 for all other cases.

The fee must be paid at the time of intimating Aadhaar after the due date.



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Consequences of Non-linkage

As per Rule 114AAA, a person shall face the following consequences if his PAN has become inoperative due to non-linking with Aadhaar. From 01-07-2023, if PAN becomes inoperative due to non-linkage with Aadhaar, the following consequences apply until the PAN becomes operative:

- Higher tax deduction (Section 206AA).
- Higher tax collection (Section 206CC).
- No issuance of tax refund
- No interest on refund for the inoperative period

Note: No higher TDS/TCS applies in following cases:

- Transactions up to 31-03-2024, if PAN linked by 31-05-2024, or if the deductee/collectee died on or before 31-05-2024.
- Payments/credits from 01-04-2024 to 31-07-2025, if the PAN is operative by 30-09-2025.
- Payments/credits on or after 01-08-2025, if the PAN is operative within 2 months from the end of the month in which the amount is paid or credited.

