"This document contains the provisions of the Income-tax Act, 2025, as amended by the Finance Act, 2026."

FAQs on interest under section 423, 424, 425 and 426

Q1. When is interest under Section 423 levied?

Ans: Interest under section 423 shall be levied if the Income-tax return is furnished after the due date or is not furnished.

Relevant Content

Section - 423

Q2. What is the rate of interest that shall be charged under Section 423?

Ans: Simple interest shall be charged at the rate of 1% per month or part thereof.

Relevant Content

Section - 423

Q3. Which period shall be considered for interest under Section 423 if the return is furnished belatedly?

Ans: If the income-tax return is furnished after the due date specified in section 263(1), the interest shall be charged for the period commencing from the date immediately following the due date for filing of return of income and ending with the date on which the return of income is furnished.

The Circular No. 2/2015 [F.No.385/03/2015-IT(B)], dated 10-02-2015, has clarified that no interest under section 234A of Income tax Act, 1961 (corresponding to Section 423 of the ITA 2025) is chargeable on the amount of self-assessment tax paid by the assessee before the due date of filing of return of income.

Relevant Content

Section - 423

Q4. Which period shall be considered for interest under Section 423 if the return is not furnished?

Ans: If the income-tax return is not furnished, interest shall be charged for the period commencing from the date immediately following the due date for filing of return of income and ending with the date on which the best judgment assessment is completed.

Relevant Content

Section - 423

Q5. Which period shall be considered for interest under section 423 if the return is furnished belatedly in re-assessment?

Ans: Where return of income is required by a notice issued under section 280 (Income escaping assessment), but it is furnished after the expiry of the time allowed under such notice, the interest shall be charged for the period commencing from the day immediately following the expiry of the time allowed under the notice and ending on the date of furnishing of return.

Interest shall be charged on the amount by which the tax determined under re-assessment exceeds the tax determined as per the completed assessment.

Relevant Content

Section - 423

Q6. Which period shall be considered for interest under Section 423 if the return is not furnished in re-assessment?

Ans: Where return of income is required by a notice issued under Section 280 (Income escaping assessment), but it is not furnished, the interest shall be charged for the period commencing from the day immediately following the expiry of the time allowed under the notice and ending on the date of completion of re-assessment.

Interest shall be charged on the amount by which the tax determined under re-assessment exceeds the tax determined as per the completed assessment.

Relevant Content

Section - 423

Q7. Which period shall be considered for interest under Section 423 if the return is not furnished and an updated return is filed?

Ans: If the income-tax return is not furnished by the assessee and subsequently he files an updated return, interest shall be charged on the amount of self-assessment tax payable on the total income as declared in such updated return.

The interest shall be charged for the period commencing from the date immediately following the due date for filing the original return of income and ending with the date on which the updated return is furnished.

Relevant Content

Section - 423

Q8. Which period shall be considered for interest under section 423 if the return is furnished and an updated return is also filed?

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

Relevant Content

Section - 423

Q9. Whether interest under Section 423 shall be levied on the additional income tax payable under Section 267?

Ans: No

Relevant Content

Section - 423
Section - 267

Q10. When is interest under Section 424 levied?

Ans: Interest under Section 424 shall be levied if the assessee has the liability to pay the advance tax, but he fails to pay the same or the amount paid as advance tax is less than 90% of the 'assessed tax'.

Relevant Content

Section - 403
Section - 404

Section – 405

Section – 406

Section – 407

Section - 424

Q11. What is the meaning of assessed tax?

Ans: 'Assessed tax' means the tax on the total income determined in summary assessment or the regular assessment less TDS or TCS, MAT Credit or AMT Credit, Relief under Section 157, and Foreign Tax Credit under Sections 159 or 160.

Relevant Content

Section - 403
Section - 404

Section – 405

Section – 406

Section – 407

Section - 424

Q12. What is the rate of interest that shall be charged under Section 424?

Ans: Simple interest shall be charged at the rate of 1% per month or part thereof.

Relevant Content

Section - 424

Q13. Which amount shall be considered to calculate interest under Section 424 if advance tax is not paid?

Ans: Where the assessee has the liability to pay the advance tax, but he failed to pay the same, the interest shall be charged on the whole amount of tax computed on his total income.

Relevant Content

Section - 424

Q14. Which amount shall be taken to calculate interest under Section 424 if the advance tax paid is less than 90% of the assessed tax?

Ans: Where the advance tax paid by the assessee is less than 90% of the assessed tax, the interest shall be charged on the amount of assessed tax less advance tax paid.

If tax is paid on the basis of self-assessment under Section 266, interest will be calculated on the amount by which advance tax paid falls short of assessed tax up to the date of payment of self-assessment tax, after that interest will be calculated on the amount by which aggregate of advance tax and self-assessment tax paid under Section 266 falls short of the assessed tax.

Relevant Content

Section - 424

Q15. Which period shall be considered for interest under section 424 if self-assessment tax is not paid?

Ans: If the assessee did not pay the self-assessment tax, the interest shall be charged for the period commencing from April 1 of the assessment year and ending on the date of determination of income under Section 270(1) and where a regular assessment is made to the date of such regular assessment.

However, if the return is accepted as filed by the assessee and no addition is made during the assessment, then interest shall be charged till the date of filing of the return by the assessee.

Relevant Content

Section - 424

Q16. Which period shall be considered for interest under Section 424 if self-assessment tax is paid?

Ans: If the assessee has paid the self-assessment tax, the interest under this provision shall be computed for the two periods:

- The first period starts on April 1 of the relevant tax year and ends on the date on which the self-assessment tax is paid.
- The second period starts from the date on which the self-assessment tax was paid and ends on the date on which the assessment is completed (if the tax liability is increased during the assessment).

Relevant Content

Section - 424

Q17. Which period shall be considered for interest under Section 424 in case of re-assessment without regular assessment?

Ans: If the assessment is made for the first time under Section 279 (Income escaping assessment), interest is payable from April 1 immediately following such tax year till the date of such assessment order.

Relevant Content

Section - 424

Q18. Which period shall be considered for interest under Section 424 in case of re-assessment after the regular assessment?

Ans: If proceedings under Section 279 are initiated after the determination of tax under Section 270(1) (summary assessment) or Section 270(3) (scrutiny assessment), the interest shall be leviable from April 1 immediately following such tax year till the order of re-assessment.

The interest shall be charged on the amount of tax determined in re-assessment, less the amount of tax determined in summary or scrutiny assessment.

Relevant Content

Section - 424

Q19. Whether interest under Section 424 shall be levied on the amount of additional income tax payable under Section 267?

Ans: No

Relevant Content

Section - 424
Section - 267

Q20. What are the due dates for payment of advance tax?

Ans: The advance tax shall be payable by an assessee in 4 instalments on or before the prescribed due dates as specified in the table below:

Due date for payment of advance tax	**Advance tax to be payable**
On or before June 15	At least 15% of advance tax
On or before September 15	At least 45% of advance tax
On or before December 15	At least 75% of advance tax
On or before March 15	100% of advance tax
Note: Any tax paid, on or before 31st March, shall also be treated as advance tax paid during the Tax year.	Note: Any tax paid, on or before 31st March, shall also be treated as advance tax paid during the Tax year.

Relevant Content

Section - 407
Section - 408
Section - 403
Section - 404
Section - 425

Q21. When interest under Section 425 shall be levied?

Ans: The interest under Section 425 shall be levied if payment of advance tax in an instalment is less than the prescribed percentage (given in the above table). However, the interest shall be levied if:

- Advance tax paid on or before 15th June is less than 12% of the assessed tax.
- Advance Tax paid on or before 15th September is less than 36% of the assessed tax.
- Advance Tax paid on or before 15th December is less than 75% of the assessed tax.
- Advance Tax paid on or before 15th March is less than 100% of the assessed tax.

Relevant Content

Section - 425

Q22. What is the due date for payment of advance tax if the assessee has opted for the presumptive taxation scheme under Sections 58(2) [Table S. No. 1] or 58(2) [Table S. No. 3]?

Ans: An assessee who has opted for the presumptive taxation scheme of Section 58(2) [Table S. No. 1] or Section 58(2) [Table S. No. 3] can pay the whole amount of his advance tax liability on or before March 15th of the tax year. Thus, he can pay 100% of the advance tax in a single instalment on or before March 15th of the tax year.

Relevant Content

Section - 425
Section - 58(2) [Table S. No. 3]
Section - 58(2) [Table S. No. 1]

Q23. When shall interest under Section 425 be charged if the assessee has opted for the presumptive taxation scheme of Section 58(2) [Table S. No. 1] or Section 58(2) [Table S. No. 3]?

Ans: If the assessee has opted for the presumptive taxation scheme of Section 58(2) [Table S. No. 1] or Section 58(2) [Table S. No. 3], the interest under this provision shall be levied if the advance tax paid on or before 15th March of the Tax Year is less than 100% of the advance tax payable.

Relevant Content

Section - 425
Section - 58(2) [Table S. No. 3]
Section - 58(2) [Table S. No. 1]

Q24. What is the rate of interest that shall be charged under section 425?

Ans: Simple interest shall be charged at the rate of 1% per month or part thereof.

Relevant Content

Section - 425

Q25. How to calculate interest under section 425?

Ans:

When is interest payable?	Period of interest	Amount on which interest shall be payable
If the advance tax paid on or before June 15 is less than 12% of the assessed tax	3 months	15% of assessed tax less tax deposited on or before June 15
If the advance tax paid on or before September 15 is less than 36% of the assessed tax	3 months	45% of assessed tax less tax deposited on or before September 15
If the advance tax paid on or before December 15 is less than 75% of the assessed tax	3 months	75% of assessed tax less tax deposited on or before December 15
If the advance tax paid on or before March 15 is less than 100% of the assessed tax	1 month	100% of assessed tax less tax deposited on or before March 15

Relevant Content

Section - 425

Q26. How to calculate interest under Section 425 if the assessee has opted for the presumptive taxation scheme of Section 58(2) [Table S. No. 1] or 58(2) [Table S. No. 3]?

Ans: If the assessee has opted presumptive taxation scheme of Sections 58(2) [Table S. No. 1] or 58(2) [Table S. No. 3] and advance tax paid on or before March 15th is less than 100% of the assessed tax, simple interest at the rate of 1% shall be charged for 1 month on the shortfall amount (i.e. 100 % of assessed tax less tax deposited on or before March 15).

Relevant Content

Section - 425
Section - 58(2) [Table S. No. 3]
Section - 58(2) [Table S. No. 1]

Q27. What are the exceptional cases where a shortfall in payment of advance tax shall be ignored for calculation of interest under section 425?

Ans: If a shortfall in payment of tax happens on account of underestimating or failure to estimate the accrual of the following income, then such shortfall shall be ignored while determining the interest under Section 425:

- Gains arising
- Any winnings from lotteries, crossword puzzles, races including horse races, card games, or any other sort of gambling or betting of any form or nature;
- First-time accrual of income under head 'Profits and gains from business or profession';
- Dividend income.

This exception is available provided the assessee pays the whole amount of tax in respect of such income as part of the remaining instalments of advance tax which are immediately due after the accrual of such income, or if no instalment is due, then such tax is paid before the end of the tax year.

Relevant Content

Section - 425

Q28. Whether interest under section 425 shall be levied on the amount of additional income tax payable under Section 267?

Ans: No

Relevant Content

Section - 267
Section - 425

Q29. When is interest under Section 426 levied?

Ans: Where any refund is granted to an assessee on summary assessment, but it is found on completion of regular assessment that no refund is due to the assessee, or the amount refunded exceeds the amount refundable on regular assessment, the assessee shall become liable to pay interest under Section 426 on such amount of refund which was not actually due to him.

Relevant Content

Section - 426

Q30. What is the rate of interest that shall be charged under Section 426?

Ans: Simple interest shall be charged at the rate of 0.5% per month or part thereof.

Relevant Content

Section - 426

Q31. Which amount shall be taken to calculate interest under Section 426?

Ans: Where the amount is refunded on summary assessment, but no refund is found due on regular assessment, the interest shall be charged on the whole amount of the tax refund.

Further, if any refund is granted to the assessee after summary assessment and the refund so granted exceeds the amount refundable on regular assessment, the interest shall be charged on such excess amount refunded to the assessee.

Relevant Content

Section - 426

Q32. Which period shall be considered for interest under Section 426?

Ans: The interest shall be charged for the period commencing on the date of grant of refund, upon completion of the summary assessment under Section 270(1), and ending on the date of completion of the regular assessment.

Relevant Content

Section - 426