UNIVERSITY OF DELHI

# BUSINESS TAX PROCEDURES AND MANAGEMENT

## DSE 5.8 | DSE 5.7

B.Com (Hons.) | B.Com (Prog.) — Third Year, Semester V

### UNIT 1 · PART A

# ADVANCE PAYMENT OF TAX

*The Tax that is Paid Before the Income has been Earned in Full*

*Liability • Computation • Instalments • Default • Credit*

*Sections 403 to 410*

*read with Rules 222 and 223 and Forms 151 and 152*

**Governed by the INCOME-TAX ACT, 2025**

*(Act No. 30 of 2025, as amended by the Finance Act, 2026)*

**read with the INCOME-TAX RULES, 2026**

## TAX YEAR 2026-27

1 April 2026 to 31 March 2027

*Academic Year 2026-27*

*Compiled by*

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## The Prescribed Syllabus for this Part

**UNIT 1: ADVANCE PAYMENT OF TAX AND COLLECTION AND RECOVERY OF TAX (18 HOURS)**

"Advance payment of Tax; Tax deduction/ collection at source: Provisions, documentation, returns and Certificates; Interest payable by assessee/ Government; Collection and recovery of Tax."

*Discipline Specific Elective Course 5.8 for B.Com (Hons.) and 5.7 for B.Com (Prog.), Department of Commerce, University of Delhi, under the Undergraduate Curriculum Framework 2022, as notified by CNC-II/093/1(28)/ 2023-24/282 dated 13.11.2023 and revised on 02.01.2025. The syllabus of DSE 5.8 and DSE 5.7 is identical for this Unit.*

**THE AUTHORITY FOR THIS SYLLABUS**

**Resolution No. 4-1-15** — "Resolved that the Amendment to Income tax related papers for B.Com (H), B.Com (Prog), and B.A. (Commerce) papers (In the light of the Income Tax Act 2025 duly approved by the Govt of India) be accepted." — **Appendix-103**

Placed before the **Executive Council of the University of Delhi, EC (1282) dated 29.04.2026**. The amended syllabus takes effect from the **Academic Year 2026-27**.

The amendment is what makes this paper a paper on the **Income-tax Act, 2025**. Every section reference in this material is in the numbering of the new Act. The corresponding provisions of the Income-tax Act, 1961 have no application to Tax Year 2026-27.

### The two courses compared

The syllabus of the two courses is word for word the same — the same five units, the same content, the same six practical exercises and the same readings. There are exactly two differences, and neither of them affects what is taught.

| Point | B.Com (Hons.) — DSE-5.8 | B.Com (Prog.) — DSE-5.7 |
|---|---|---|
| Eligibility criteria | Pass in Class XII with **Mathematics / Accountancy** | Pass in Class XII |
| **Unit 2** — Administration and Return of Income | **5 hours** | **4 hours** |
| **Unit 5** — GAAR, Securities Transaction Tax, TAN and TIN | **4 hours** | **5 hours** |
| Units 1, 3 and 4 | 18, 9 and 9 hours — identical | |
| Credits, lecture, tutorial, practical | 4 credits; 3 lecture, 1 tutorial, 0 practical — identical | |
| Unit content, exercises and readings | Word for word identical | |

Units 2 and 5 together carry **nine hours in either course**; only the division between them differs. Students of both courses may therefore use this material without any adjustment whatever.

### Where each Unit is dealt with

| Unit | Prescribed content | Where dealt with |
|---|---|---|
| **Unit 1**<br>18 hours | Advance payment of tax; tax deduction and collection at source — provisions, documentation, returns and certificates; interest payable by the assessee and by the Government; collection and recovery of tax | **Unit 1 Part A** (Advance Payment of Tax) — this booklet; **Part B** (Deduction and Collection at Source); **Part C** (Interest, Collection and Recovery) |

| Unit | Prescribed content | Where dealt with |
|---|---|---|
| **Unit 2**<br>5 hours (Hons.) · 4 hours (Prog.) | Income Tax authorities; return of income | **Unit 2** (Administration and Return of Income) |
| **Unit 3**<br>9 hours | Assessment, re-assessment and rectification of mistakes; appeals and revisions; preparation and filing of appeals with appellate authorities | **Unit 3 Part A** (Assessment, Re-assessment and Rectification); **Part B** (Appeals, Revisions and Filing of Appeals) |
| **Unit 4**<br>9 hours | Penalties and prosecutions; provisions relating to undisclosed income and investment; search, seizure and survey | **Unit 4 Part A** (Penalties and Prosecutions); **Part B** (Undisclosed Income, Search, Seizure and Survey) |
| **Unit 5**<br>4 hours (Hons.) · 5 hours (Prog.) | Transactions with persons located in a notified jurisdictional area; general anti-avoidance rule; tax clearance certificate; securities transaction tax; TAN; TIN | **Unit 5** (GAAR, Securities Transaction Tax, TAN and TIN) |

**A WORD TO THE STUDENT**

You are also the **first batch in the country** to study this paper under a brand-new law — the **Income-tax Act, 2025**, which replaced the sixty-four-year-old Income-tax Act, 1961 with effect from **1 April 2026**. Almost every section number you may have heard from a senior student, a coaching class or an old book has changed. This material is written entirely on the new Act, for **Tax Year 2026-27**.

Unit 1 is the largest unit in the paper — eighteen of the forty-five lecture hours. It contains four distinct bodies of law that are usually taught, and examined, as separate topics. This series therefore divides Unit 1 into three booklets:

| Booklet | Content | Sections of the Income-tax Act, 2025 |
|---|---|---|
| **Unit 1 · Part A**<br>*this booklet* | **Advance payment of tax** — liability, computation, instalments, default and credit | 403 to 410 |
| Unit 1 · Part B | Tax deduction at source and tax collection at source — provisions, documentation, returns and certificates, and the interest on advance tax under sections 424 and 425 | 390 to 402; 424, 425 and 427 |
| Unit 1 · Part C | Interest payable by the assessee and by the Government; collection and recovery of tax | 411 to 422; 423, 426, 428 to 430 |

## A Word on the Numbering

The Income-tax Act, 1961 was repealed with effect from 1 April 2026 and replaced by the **Income-tax Act, 2025** (Act No. 30 of 2025). The substance of the law on advance tax is very largely unchanged, but **every section number has changed**. "Section 208" and "section 234C" are references to a repealed statute. The reckoner in Chapter 9 sets the old numbers against the new ones; it is worth learning early rather than late.

**THE FOUR EXPRESSIONS THAT MUST NOT BE CONFUSED**

- **Tax year** — the twelve months from 1 April 2026 to 31 March 2027, being the year in which the income is earned. The Act of 2025 uses this single expression in place of the "previous year" and "assessment year" of the repealed Act [section 3].
- **Financial year** — the same twelve months, used in sections 403 to 408 when the Act is speaking of the year *during* which the advance tax is to be paid.
- **Current income** — the total income of the assessee which would be chargeable to tax for the tax year [section 403(2)]. It is an estimate, made by the assessee, of a figure that is not yet complete.

- **Assessed tax** and **tax due on returned income** — the two yardsticks against which a default is measured, the first in section 424 and the second in section 425. They are defined differently and they are not interchangeable.

## How to Use this Booklet

Each chapter opens with the sections it covers. Statutory language is quoted where the words themselves carry the marks; everything else is put in the plainest English the subject allows. There are worked **Illustrations** inside the chapters and a set of full-length **Practical Problems with solutions** in Chapter 8. Chapter 9 contains a ready reckoner, an objective-question bank and the short and long questions that this topic has attracted over the years.

Every rupee figure in this booklet is computed at the rates in force for **Tax Year 2026-27** — that is, the rates in section 202(1) of the Act (the default regime), the rebate in section 156, the surcharge in section 3(4) of the Finance Act, 2026, and the health and education cess at 4%. Where the optional regime would give a different answer, the point is noted.

### The sources from which this material has been written

| Source | What it settles in this Part |
|---|---|
| **Income-tax Act, 2025** (Act No. 30 of 2025) — assent 21 August 2025, in force 1 April 2026 | Sections 390, 391 and **403 to 410** — liability, computation, the order of the Assessing Officer, the instalments, default and credit |
| **Finance Act, 2026** — assent 30 March 2026 (Finance Bill No. 3 of 2026, introduced 1 February 2026) | The rates in force for Tax Year 2026-27 in Part I-B of the First Schedule, by which the advance tax is computed |
| **Income-tax Rules, 2026** — G.S.R. 198(E) dated 20 March 2026, in force 1 April 2026 | **Rules 222 and 223**, and **Forms No. 151 and 152** — the notice of demand on an order under section 407 and the assessee's estimate |
| **CBDT Circular No. 28/2016** dated 27 July 2016, following *Prabhu Dayal Sesma* v. *State of Rajasthan* | The date on which a person attains the age of sixty, for the exemption in section 403(3) |

**ABOUT THIS BOOKLET**

This booklet has been prepared by **Artificial Intelligence — Claude Opus 5.0 (Anthropic)** — under the guidance and supervision of **Advocate Dr. S. B. Rathore** from the bare text of the **Income-tax Act, 2025** and the **Income-tax Rules, 2026** as downloaded from **incometaxindia.gov.in**.

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*Page numbers refer to this booklet. Chapter headings are shown in bold.*

CHAPTER 1

# The Scheme of Collection

*Sections 390 and 391. Before the advance tax can be understood, one must see where it sits: the Act collects the tax of a year through four channels, and three of them operate before the year has even closed.*

## 1.1 The four channels [section 390]

Section 390(1) opens Chapter XIX of the Act with a statement of method. The tax on income shall be payable **by way of** — deduction or collection at source; or advance payment; or payment under section 392(2)(a), which is the tax an employer may choose to bear on a non-monetary perquisite. To these three the Act adds, in section 391, the residual channel of **direct payment** by the assessee himself.

| Channel | Section | Who pays | When |
|---|---|---|---|
| Deduction at source | 392, 393 | The payer, out of the payee's money | At payment or credit, through the year |
| Collection at source | 394 | The seller, from the buyer | At sale or receipt, through the year |
| **Advance tax** | **403 to 410** | **The assessee himself, on his own estimate** | **In four instalments, during the tax year** |
| Tax on a perquisite borne by the employer | 392(2)(a) | The employer, out of his own pocket | When the deduction would have fallen due |
| Direct payment — self- assessment tax and tax on demand | 391, 266, 411 | The assessee | After the tax year has closed |

Sub-section (2) of section 390 makes the position express: the tax is payable through these channels **irrespective of the fact that the assessment in respect of that income is to be made in a later tax year**. Sub-section (5) completes the arrangement by directing that what is deducted, collected or paid shall be treated as payment of tax **on behalf of** the person whose income it is. Sub-section (3) preserves the charge: nothing in section 390 affects the charge of tax under section 4(1). Advance tax is therefore machinery, not charge — a point that has been settled since the earliest cases on the corresponding provisions of the Act of 1922.



## 1.2 Direct payment [section 391]

Section 391(1) provides that income-tax on any income shall be payable **directly by the assessee** where there is no provision to deduct tax on that income, or where tax has not in fact been deducted. This is the sweeping-up provision. Its practical importance for the present Part is that it explains why the assessee cannot answer a demand by saying that somebody else should have deducted the tax: section 391(3) makes the defaulting deductor an assessee in default **in addition to**, not instead of, the assessee's own liability, and where the assessee has also failed to pay directly, both are exposed.

## 1.3 Why the Act will not wait for the assessment

An income-tax assessment for Tax Year 2026-27 may not be completed until well into 2028. If the Government waited for it, three things would follow, and the Act is designed to prevent all three.

- **The Exchequer would be financed by borrowing.** Public expenditure is continuous; revenue that arrives eighteen months late must be borrowed against in the meanwhile, at a cost that falls on the public.
- **Collection would be harder.** Tax taken as the income arises is taken while the money is still in the assessee's hands. Tax demanded two years later is demanded from a person who has, very often, spent it.

- **The burden would fall unevenly.** A person whose income is salary suffers deduction at source from the first month. If a person in business paid nothing until assessment, he would enjoy an interest-free credit that the salaried man never gets. Advance tax equalises the two.

> **ADVANCE TAX IS NOT AN ADDITIONAL TAX**
>
> It is the **same tax**, on the **same income**, of the **same year** — only paid earlier. It carries no separate charging section, no separate rate schedule and no separate return. What section 410 says of it is conclusive: any sum paid as advance tax "shall be treated as a payment of tax in respect of the income of the tax year in which it was payable, and

> credit therefor shall be given to such assessee in the regular assessment". *The popular name for the scheme — "pay as you earn" — is accurate as to timing but misleading as to nature. It is not a levy on earning; it is the ordinary levy, collected as one earns.*

## 1.4 Advance tax distinguished from the other payments

| | Advance tax | Tax deducted at source | Self-assessment tax |
|---|---|---|---|
| Section | 403 to 410 | 392 and 393 | 266 |
| Who computes it | The assessee, on an estimate of income not yet complete | The payer, on the sum he is paying | The assessee, on income now known |
| Who pays it to the Government | The assessee | The payer (the deductor) | The assessee |
| When | During the tax year, in instalments | At payment or credit, through the tax year | After the tax year, before the return is furnished |
| Consequence of failure | Interest under sections 424 and 425 | The deductor becomes an assessee in default under section 398; interest and fee follow | Interest under section 423; the return is treated as defective |
| Is it a separate tax? | No | No | No |

The three are cumulative stages of one payment. A person estimates and pays advance tax; the payers of his income deduct tax at source; when the year closes he adds up what has reached the Government through both routes, computes his real liability, and pays the balance as self-assessment tax under section 266 before he furnishes his return. The whole of it is then set against the assessed liability under section 410.

CHAPTER 2

# Liability to Pay Advance Tax

*Sections 403 and 404. Who must pay, who need not, and the threshold at which the obligation begins.*

## 2.1 The charge [section 403]

**Section 403(1).** "Advance tax shall be payable during any financial year in respect of the **current income** of the assessee, as per the provisions of this Part." Three things are packed into that sentence and each is examinable.

**(a)** **"During any financial year."** The payment is made in the very year in which the income arises, not in the year after it. For Tax Year 2026-27 the instalments fall on 15 June 2026, 15 September 2026, 15 December 2026 and 15 March 2027 — all four inside the year.

**(b)** **"In respect of the current income."** Not the income of the last completed year, and not the income of the year that has been assessed. The base is the income of the year that is running.

**(c)** **"As per the provisions of this Part."** The liability is not at large. It arises only if the conditions of section 404 are satisfied, is computed only as section 405 directs, and is discharged only in the instalments of section 408.

## 2.2 "Current income" [section 403(2)]

"Current income" of a tax year means **the total income of the assessee which would be chargeable to tax for such tax year**. Two consequences follow.

- It is **total income**, not gross total income — so the deductions of Chapter VIII to which the assessee is entitled, and the set-off of losses to which he is entitled, are to be taken into account in the estimate. A person who will invest in a deductible instrument in March may take credit for it in June.
- It is an **estimate** of a figure that does not yet exist. The Act does not require the estimate to be right; it requires it to be honest and reasonably made. The sanction for getting it wrong is interest, not penalty — and interest is charged on arithmetic, without any enquiry into the assessee's state of mind.

## 2.3 The threshold of ₹10,000 [section 404]

> **SECTION 404 — THE WHOLE SECTION**
>
> "Advance tax shall be payable by the assessee during a financial year, where the amount of such tax payable during that year, **as computed under this Part, is ₹10,000 or more**."

Four points on the threshold, in the order in which they are usually tested.

**(i)** The ₹10,000 is measured on the **advance tax payable** — that is, on the figure arrived at **after** deducting the tax deductible or collectible at source under section 405. It is not measured on the gross tax on the total income. A person whose tax is ₹45,000 but from whose income ₹38,000 will be deducted at source has an advance tax of ₹7,000 and is **not liable**.

**(ii)** The threshold is a **cliff, not a slab**. At ₹9,990 nothing is payable; at ₹10,000 the whole ₹10,000 is payable in the prescribed instalments. There is no exemption of the first ₹10,000.

**(iii)** It applies to **every person** — individual, Hindu undivided family, firm, limited liability partnership, company, association of persons, body of individuals, local authority, artificial juridical person. There is no separate threshold for a company.

**(iv)** Residence is **irrelevant**. A non-resident whose Indian income bears an advance tax of ₹10,000 or more is liable, subject only to the credit for tax deductible at source, which in the case of a non-resident is usually large enough to extinguish the liability.

## 2.4 The senior citizen exemption [section 403(3)]

Section 403(3) takes an entire class of assessee out of the scheme. The provisions of sub-section (1) **shall not apply to an individual resident in India** who — (a) does not have any income chargeable under the head "Profits and gains of business or profession"; and (b) is of the age of **sixty years or more** at any time during the tax year.

**THREE CONDITIONS, ALL OF WHICH MUST HOLD TOGETHER**

- **Resident in India.** A non-resident of eighty gets no relief. Residence is determined under section 6 for the tax year in question.
- **Sixty years or more at any time during the tax year.** Not on the first day, not on the last day — at any time. **A person whose date of birth is 1 April 1967 attains sixty on 31 March 2027** and therefore qualifies for Tax Year 2026-27, by a single day. See the note below on how that date is arrived at.
- **No income chargeable under the head "Profits and gains of business or profession".** Pension, salary, house property, interest, dividend, family pension and capital gains are all outside that head and do not disturb the exemption. But if there is business or professional income of any amount, however small, the exemption is lost **for the whole year and for the whole income**.

**A PERSON BORN ON 1 APRIL ATTAINS THE AGE ON 31 MARCH — CIRCULAR NO. 28/2016**

In computing a person's age, **the day of his birth is counted as a whole day, and he attains the specified age on the day preceding the anniversary of his birthday**. The Supreme Court so held in *Prabhu Dayal Sesma v. State of Rajasthan* (1986) 4 SCC 59, observing that a person born on 2 January 1956 attains twenty-eight years of age on **1 January** 1984 and not on 2 January 1984.

Acting on that judgment, the Central Board of Direct Taxes clarified by **Circular No. 28/2016 dated 27 July 2016**, in exercise of its power under section 119 of the Act of 1961 — now **section 239 of the Act of 2025** — that a person **born on 1 April** is to be considered to have attained a particular age on **31 March**, the day preceding the anniversary of his birthday, and that the question of eligibility as a senior or very senior citizen is to be decided on that basis.

**Applied to Tax Year 2026-27 (1 April 2026 to 31 March 2027):**

- Date of birth **1 April 1967** — attains sixty on **31 March 2027**, the last day of the tax year. **He qualifies.**
- Date of birth **2 April 1967** — attains sixty on 1 April 2027, which falls in the *next* tax year. **He does not qualify** for Tax Year 2026-27.

*The same rule decides the age of eighty for a very senior citizen, and the age of seventy-five for a specified senior citizen.*

The consequence of the exemption is that such a person pays **nothing** during the year and pays the whole of his tax as **self-assessment tax under section 266** before furnishing his return. Because he was never "liable to pay advance tax under section 404", neither section 424 nor section 425 can be applied to him — both of those sections open with those very words.

**WHERE THE EXEMPTION IS LOST**

The exemption is often set with a small figure of professional receipts hidden in the question — " ₹18,000 received as fees for occasional consultancy", or "a share of profit from a firm in which he is a working partner". **Remuneration and interest received by a partner from a firm are chargeable under the head "Profits and gains of business or profession".** The moment such an item appears, section 403(3) is out, the assessee is back in the scheme, and interest under sections 424 and 425 runs on the whole liability.

## 2.5 Who is liable — a table of persons

| Person | Liable to advance tax? | Note |
|---|---|---|
| Individual, resident, below sixty | Yes, if advance tax is ₹10,000 or more | The ordinary case |
| Individual, resident, sixty or more, **with** business or professional income | Yes | Section 403(3) does not apply |
| Individual, resident, sixty or more, **without** business or professional income | **No** | Section 403(3); pays under section 266 instead |
| Individual, non-resident, of any age | Yes | Residence is a condition of the exemption |
| Hindu undivided family, firm, LLP, company, association of persons, body of individuals | Yes | No exemption of any kind by reason of status |
| Assessee under the presumptive scheme of section 58(2) (Table: Sl. No. 1 or 3) | Yes, but in **one** instalment | Section 408(2) — the whole by 15 March |

Assessee whose advance tax is below No Section 404 ₹10,000



## 2.6 Illustrations

ILLUSTRATION 2.1 — THE THRESHOLD MEASURED AFTER DEDUCTION AT SOURCE

Shri Naveen, aged 41, resident, expects a total income of ₹13,50,000 for Tax Year 2026-27, of which ₹13,00,000 is salary from which his employer will deduct tax at source. His tax for the year, computed at the section 202(1) rates, is ₹85,800, and the employer will deduct ₹85,000 of it. *Is he liable to advance tax?*

**No.** Section 405 directs that the tax deductible at source be subtracted. His advance tax is therefore ₹800, which is below the ₹10,000 of section 404. He pays nothing on 15 June, and no interest arises under either section 424 or section 425.

*Change one fact — suppose he also expects ₹3,00,000 of interest on a fixed deposit on which the bank will deduct only 10%, that is ₹30,000. His total income becomes ₹16,50,000, his tax ₹1,35,200, and the tax deductible at source ₹1,15,000. The advance tax is ₹20,200 — above the threshold, and the whole of it becomes payable in the four instalments.*

ILLUSTRATION 2.2 — BUSINESS INCOME DESTROYS THE SENIOR CITIZEN EXEMPTION

Shri Prakash, aged 68, resident, has pension of ₹7,00,000 and bank interest of ₹5,00,000. He is also a **working partner** in a firm from which he receives remuneration of ₹2,40,000 and interest on capital of ₹60,000. *Is he liable to advance tax?*

**Yes.** Remuneration and interest received by a partner from a firm are chargeable under the head "Profits and gains of business or profession" [**section 26(2)(g)**]. Condition (a) of section 403(3) therefore fails, and the exemption is not available.

He must estimate his current income of ₹15,00,000, compute the tax at the section 202(1) rates, deduct what will be deducted at source, and pay the balance in the four instalments of section 408. If he does not, interest will run under section 425 on each shortfall and, if he pays less than 90% of the assessed tax by 31 March 2027, under section 424 as well.

*Had the firm paid him only a share of profit — which is exempt under Schedule III — there would have been no income under that head at all, and the exemption would have stood.*

CHAPTER 3

# Computation of Advance Tax

*Section 405. The assessee is directed to do, in June, exactly what he will do in July of the following year — compute his tax — but on a figure that does not yet exist.*

## 3.1 The formula [section 405(1)] — for knowledge only

*This paragraph sets out the statutory equation as the Act frames it. It is given for knowledge only; the computation that the examination asks for is the one worked step by step in 3.2.*

The Act of 2025 states the computation as an equation. The amount of advance tax payable by an assessee under section 404, on his own accord under section 406, or in pursuance of an order of the Assessing Officer under section 407, in the financial year shall be computed as —

> A = B − C
>
> **A** = the amount of advance tax payable in a financial year; **B** = income-tax on the **specified sum** calculated at the rates in force in the financial year; **C** = the amount of income-tax which would be **deductible or collectible at source** during that financial year under any provision of the Act from any income, subject to two conditions —
>
> - *(a)* such income is computed **before** allowing any deduction admissible under the Act and **has been taken into account** in computing the specified sum; and
> - *(b)* the person responsible for deducting tax has **paid or credited** such income after deduction of tax, or the person responsible for collecting tax has **received or debited** such income after collection of tax.

## 3.2 The six steps

| Step | What is done | Authority |
|---|---|---|
| 1 | **Estimate the current income** of the tax year, under every head, and arrive at the total income after the deductions of Chapter VIII and the set-off of losses | Section 403(2) |
| 2 | **Compute the income-tax** on that estimated total income at the rates in force for the financial year — that is, the section 202(1) rates unless the option under section 202(4) has been exercised | Section 405(1), element B |
| 3 | **Deduct the rebate** under section 156, where the assessee is a resident individual and the total income is within the limit | Section 156 |
| 4 | **Add the surcharge**, if any, and then the **health and education cess at 4%** | Finance Act, 2026, section 3 |
| 5 | **Deduct the tax deductible or collectible at source** on the income that has been taken into account in step 1, and any relief or credit allowable | Section 405(1), element C |
| 6 | **The balance is the advance tax.** If it is ₹10,000 or more, it is payable in the instalments of section 408; if it is less, nothing is payable | Sections 404 and 408 |

## 3.3 The rates in force for Tax Year 2026-27

Element **B** of the formula requires the tax on the specified sum “at the rates in force in the financial year”. For an individual, a Hindu undivided family, an association of persons other than a co-operative society, a body of individuals or an artificial juridical person, those rates are in **section 202(1)** of the Act — the default regime — unless the assessee has exercised the option under section 202(4), in which case the rates in Part I-B of the First Schedule to the Finance Act, 2026 apply.

| Total income | Rate of tax [section 202(1)] |
|---|---|
| Up to ₹4,00,000 | Nil |

| Total income | Rate of tax [section 202(1)] |
|---|---|
| From ₹4,00,001 to ₹8,00,000 | 5% |
| From ₹8,00,001 to ₹12,00,000 | 10% |
| From ₹12,00,001 to ₹16,00,000 | 15% |
| From ₹16,00,001 to ₹20,00,000 | 20% |
| From ₹20,00,001 to ₹24,00,000 | 25% |
| Above ₹24,00,000 | 30% |

**THE THREE ADDITIONS AND SUBTRACTIONS THAT FOLLOW THE SLABS**

- **Rebate — section 156(2).** A **resident individual** taxed under section 202(1) whose total income does not exceed ₹12,00,000 gets a deduction of 100% of the income-tax payable or ₹60,000, whichever is less. Where the total income exceeds ₹12,00,000 but the tax on it exceeds the excess over ₹12,00,000, the rebate equals the difference — marginal relief written into the rebate itself [section 156(2)(b)]. The rebate is spent by a total income of about ₹12,70,588.
- **Surcharge — section 3(4)(b) of the Finance Act, 2026.** Nil up to ₹50,00,000; 10% above that up to ₹1,00,00,000; 15% up to ₹2,00,00,000; **25% above** ₹2,00,00,000. Under the default regime there is no rate of 37%, and the rate on dividend and on the gains under sections 196, 197 and 198 does not exceed 15%. Marginal relief applies at each threshold.
- **Health and education cess — 4%** on the income-tax after rebate plus the surcharge. It is not optional and it has no threshold.

The **maximum amount not chargeable to income-tax** under the default regime is ₹4,00,000. Under the optional regime it remains ₹2,50,000 for an individual below sixty, ₹3,00,000 for a resident of sixty or more but below eighty, and ₹5,00,000 for a resident of eighty or more. The figure matters in this Part because it is the reference point in section 198(3) and in the computation of the rebate.

## 3.4 "Specified sum" — the three meanings

Element **B** is the tax on the "specified sum", and the Act gives that expression **three different meanings** depending on which section the assessee is acting under. The expression looks like a defined term and is not.

| Where the payment arises | "Specified sum" means | Provision |
|---|---|---|
| The assessee pays on his own accord | **Current income as estimated by the assessee** | Section 406(3) |
| The Assessing Officer makes an order | The **higher** of (a) the total income of the latest tax year assessed by way of regular assessment, or (b) the total income returned by the assessee in any return for a subsequent tax year | Section 407(3) |
| The Assessing Officer amends his order | The total income declared in the return, or computed in the regular assessment, that caused the amendment | Section 407(6) |

## 3.5 The deduction for tax deducted or collected at source

Element **C** is not simply "tax actually deducted". It is the tax which **would be** deductible or collectible during the financial year — a forward-looking figure, matching the forward-looking estimate of income. Two conditions attach to it and both are examinable.

- **The income must have been taken into account in the estimate, and taken at its gross figure.** If an assessee leaves an item of income out of his estimate, he cannot claim credit for the tax deductible on it. The income is to be computed *before* allowing any deduction admissible under the Act.
- **The payer must in fact have paid or credited the income after deduction** (or, for collection, received or debited it after collection). Where the payer defaults, the assessee cannot reduce his advance tax by a deduction that was never made — he must pay it himself, leaving him to his remedy against the payer under section 391(3).

> A PRACTICAL WARNING THAT IS WORTH MARKS
>
> Credit under element **C** is claimed on an estimate, but the credit that will finally be allowed on assessment is the credit that appears in the **Annual Information Statement in Form No. 168** [Rule 245]. A deduction that the payer has made but not reported does not appear there. The prudent course is to estimate element C on the basis of what the payer is **obliged** to deduct, and to reconcile against Form 168 before each instalment date.

## 3.6 Net agricultural income [section 405(2)]

Agricultural income is exempt, but where the Finance Act of the year provides for **partial integration** — that is, that net agricultural income shall be taken into account in determining the rate — it must be taken into account for advance tax as well. Section 405(2) provides that where the assessee is paying on his own accord, the net agricultural income is that **estimated by the assessee**; and where the Assessing Officer has made an order under section 407(1) or (4), it is the amount taken into account by the Officer in charging tax on the specified sum.

Partial integration applies where the net agricultural income exceeds ₹5,000 and the non-agricultural total income exceeds the maximum amount not chargeable to tax. It **raises the rate**, not the base: the tax is computed on the aggregate, and the tax on the agricultural income plus the exemption limit is then deducted.

## 3.7 Illustrations

ILLUSTRATION 3.1 — A TRADER, FROM THE ESTIMATE TO THE FOUR INSTALMENTS

Shri Arun, aged 42, resident, carries on a wholesale trading business. On 5 June 2026 he estimates his current income for Tax Year 2026-27 at ₹18,00,000. Tax of ₹40,000 will be deducted at source during the year on interest and on commission received. He has not exercised the option under section 202(4). *Compute his advance tax and the four instalments.* **Step 1 — the tax on the estimated total income of ₹18,00,000, at the section 202(1) rates:**

| Slab | Income in the slab | Rate | Tax |
|---|---|---|---|
| Up to ₹4,00,000 | ₹4,00,000 | Nil | — |
| ₹4,00,001 to ₹8,00,000 | ₹4,00,000 | 5% | ₹20,000 |
| ₹8,00,001 to ₹12,00,000 | ₹4,00,000 | 10% | ₹40,000 |
| ₹12,00,001 to ₹16,00,000 | ₹4,00,000 | 15% | ₹60,000 |
| ₹16,00,001 to ₹18,00,000 | ₹2,00,000 | 20% | ₹40,000 |
| **Income-tax** | | | **₹1,60,000** |
| *Less:* rebate under section 156(2) — total income exceeds ₹12,00,000 and the tax does not exceed the excess | | | **Nil** |

| Slab | Income in the slab | Rate | Tax |
|---|---|---|---|
| *Add:* surcharge — total income does not exceed ₹50,00,000 | | | **Nil** |
| *Add:* health and education cess at 4% on ₹1,60,000 | | | **₹6,400** |
| **Tax liability for the year** | | | **₹1,66,400** |
| *Less:* tax deductible at source — element C of section 405 | | | **₹40,000** |
| **Advance tax payable — element A** | | | **₹1,26,400** |

The advance tax of ₹1,26,400 is not less than ₹10,000, so section 404 is satisfied and the liability arises. It is payable as follows.

| Due date [section 408(1)] | Cumulative percentage | Cumulative amount | Payable on that date |
|---|---|---|---|
| 15 June 2026 | 15% | ₹18,960 | **₹18,960** |
| 15 September 2026 | 45% | ₹56,880 | **₹37,920** |
| 15 December 2026 | 75% | ₹94,800 | **₹37,920** |
| 15 March 2027 | 100% | ₹1,26,400 | **₹31,600** |
| **Total** | | | **₹1,26,400** |

### ILLUSTRATION 3.2 — THE REBATE WITH ITS OWN MARGINAL RELIEF



Smt. Reema, aged 35, resident, estimates her current income at ₹12,50,000, all of it from a profession. No tax will be deducted at source. *Compute her advance tax.*

Income-tax at the section 202(1) rates on ₹12,50,000 = ₹20,000 + ₹40,000 + 15% of ₹50,000 = **₹67,500**.

Her total income exceeds ₹12,00,000, so the rebate under section 156(2)(a) is not available. But section 156(2)(b) applies: the income-tax payable ( ₹67,500) **exceeds** the amount by which the total income exceeds ₹12,00,000 (₹ 50,000). The rebate is therefore the difference, ₹67,500 − ₹50,000 = **₹17,500**.

Income-tax after rebate = ₹50,000. Add cess at 4% = ₹2,000. **Advance tax = ₹52,000**, payable in four instalments of ₹7,800, ₹15,600, ₹15,600 and ₹13,000.

*Note what the rebate has done: on a total income of ₹12,50,000 she pays tax of only ₹50,000 before cess — exactly the amount by which her income crossed ₹12,00,000. This is the effect section 156(2)(b) was designed to produce, and it must be applied before the cess, never after.*

CHAPTER 4

# Payment on the Assessee's Own Accord

*Section 406. The ordinary case: nobody tells the assessee what to pay. He is required to be his own assessing officer, four times a year.*

## 4.1 The obligation [section 406(1)]

Every person who is liable to pay advance tax under section 404 — **whether or not he has been previously assessed by way of regular assessment** — shall, **on his own accord**, pay advance tax on the specified sum, calculated in the manner laid down in section 405, at the appropriate percentage, on or before the due date of each instalment specified in section 408.

- **"Whether or not he has been previously assessed."** A person in the first year of his business, who has never filed a return, is under exactly the same obligation as a person with twenty assessments behind him. There is no exemption for a first year.
- **"On his own accord."** No notice, no order and no demand is required. The obligation is self-operating; it arises from the statute and not from any act of the Department. It follows that the assessee cannot answer a charge of interest by saying that he was never asked to pay.
- **"At the appropriate percentage."** The percentages are those in the Table to section 408(1) — 15%, 45%, 75% and 100% cumulatively.

## 4.2 Revising the estimate [section 406(2)]

An estimate made in June will very seldom survive to March. Section 406(2) allows for this. A person who has paid one or more instalments **may increase or reduce** the amount of advance tax payable in the remaining instalment or instalments to accord with the specified sum and the advance tax payable on it, and make payment accordingly.

> **THREE THINGS SECTION 406(2) DOES NOT REQUIRE**
>
> - **No form, and no intimation to the Assessing Officer.** The revision is silent. (Contrast section 407(8), where an assessee who wants to pay less than the Officer's order has directed **must** send an intimation in **Form No. 152** under Rule 223.)
> - **No approval.** The assessee revises; nobody sanctions it.
> - **No refund of what has already been paid.** A downward revision operates only on the instalments still to come. If the June instalment has proved excessive, the assessee simply pays less in September; he does not get the excess back during the year. It comes back, if at all, as a refund after the return is processed under section 270(1), with interest under Part G of Chapter XIX.

The corollary is that the **liability is recomputed at every due date**. The percentages in section 408 are applied to the advance tax as revised at that date, not to the advance tax as originally estimated. Applying 45% to the June figure when the September estimate is higher carries the error into every subsequent figure.

## 4.3 Illustration

**ILLUSTRATION 4.1 — AN ESTIMATE REVISED IN SEPTEMBER**

Shri Deepak, resident, aged 38, estimated his current income on 10 June 2026 at ₹15,00,000 and paid the first instalment accordingly. In September a large export order raised his expectation to ₹21,00,000. No tax is deductible at source. *Compute the four instalments.* **On 15 June 2026** — tax on ₹15,00,000 = ₹1,09,200 (income-tax ₹1,05,000, rebate nil, cess ₹4,200). Advance tax = ₹1,09,200. First instalment = 15% = **₹16,380**. **On 15 September 2026** — the estimate is revised under section 406(2). Tax on ₹21,00,000 = ₹2,34,000. The second instalment is 45% of the **revised** figure, less what has already been paid: 45% of ₹2,34,000 = ₹1,05,300, less ₹16,380 = **₹88,920**. **On 15 December 2026** — 75% of ₹2,34,000 = ₹1,75,500, less ₹1,05,300 already paid = **₹70,200**. **On 15 March 2027** — the whole, ₹2,34,000, less ₹1,75,500 already paid = **₹58,500**. *He is exposed to interest under section 425 on the June shortfall only if his June payment fell below*

*12% of the tax finally due on his returned income. ₹16,380 against a final liability of ₹2,34,000 is 7.0% — below the 12% safe harbour, so a small interest will run on the June instalment. That is the price of the first estimate, and it cannot be avoided by the September revision.*

CHAPTER 5

# Payment in Pursuance of an Order of the Assessing Officer

*Section 407, with Rules 222 and 223 and Forms 151 and 152. Where the assessee will not act, the Officer may act for him — but only against a past assessment, and only until the end of February.*

## 5.1 When an order may be made [section 407(1) and (2)]

Where a person **has already been assessed for the total income of any tax year by way of regular assessment**, and the Assessing Officer is of opinion that such person is liable to pay advance tax, the Officer may, **by an order in writing**, require him to pay advance tax on the specified sum, calculated in the manner laid down in section 405, specifying the instalment or instalments in which it is to be paid, on or before the due dates in section 408.

| Condition | Requirement | Provision |
|---|---|---|
| A previous assessment | The person must **already have been assessed by way of regular assessment**. A person never assessed cannot be served with an order under this section | Section 407(1) |
| Form | **An order in writing**, followed by a **notice of demand under section 289**. The notice is in **Form No. 151** [Rule 222] | Sections 407(2), 289; Rule 222 |
| Time | At any time during the financial year but **not later than the last day of February** of that financial year — that is, not later than 28 February 2027 for Tax Year 2026-27 | Section 407(2) |
| Effect | The instalments become payable on the dates specified. Failure makes the assessee an **assessee in default** under section 409 | Sections 408, 409 |



## 5.2 The "specified sum" in the order [section 407(3)]

For an order under sub-section (1), "specified sum" means a sum being the **higher** of —

**(a)** the total income of the **latest tax year in respect of which the assessee has been assessed by way of regular assessment**; or

**(b)** the **total income returned** by the assessee in any return of income furnished by him for any **subsequent** tax year.

The Officer is thus confined to figures the assessee has himself either accepted in assessment or declared in a return. He may not substitute his own estimate of the current year's income. This is the principal safeguard in the section, and it is the answer to the question "can the Assessing Officer demand advance tax on what he thinks the assessee will earn this year?" — he cannot.

## 5.3 Amendment of the order [section 407(4) to (6)]

If, after the order has been made, either (a) a return of income is furnished by the assessee under section 263 or in response to a notice under section 268, or (b) a regular assessment is made for a tax year later than the one on which the original order was based, the Officer **may amend** the order and require payment on the specified sum recomputed. The amended order may be passed **at any time before 1 March** of that tax year, and it too must be followed by a notice of demand under section 289. For an amended order, "specified sum" means the total income declared in that return or computed in that regular assessment [section 407(6)] — not the higher of two figures, but the new figure itself.

## 5.4 Service after a due date [section 407(7)]

Where the notice of demand is served **after** one or more of the due dates in section 408 has gone by, the appropriate part or the whole of the advance tax specified in the notice shall be payable **on or before each of the due dates falling after the date of service**. The assessee is not asked to pay retrospectively, and no default can be alleged in respect of an instalment date that had already passed when the notice reached him.

> **AN EXAMPLE OF SECTION 407(7) IN OPERATION**
>
> An order is served on 20 December 2026 requiring advance tax of ₹2,00,000. The instalments of 15 June, 15

> September and 15 December have all gone. Only the instalment of **15 March 2027** falls after service. The **whole** ₹2,00,000 is therefore payable on or before 15 March 2027, and nothing is payable before it.

## 5.5 The assessee's lower estimate [section 407(8)]

An order under section 407 is founded on a **past** income. The current year's income may be much less — a business may have closed, a property may have been sold, a contract may have been lost. Sub-section (8) provides the escape. Where the assessee estimates the advance tax payable on his **current income** to be **lower** than the amount specified in the order, he may —

- **send an intimation in the prescribed form to the Assessing Officer** to that effect — the form is **Form No. 152**, prescribed by **Rule 223**; and
- **pay advance tax on the current income**, calculated in the manner laid down in section 405 as accords with his estimate, at the appropriate percentage, **on or before the due date of each instalment falling after the date of the intimation**.

> **THE INTIMATION IS MANDATORY, AND THE OMISSION IS EXPENSIVE**
>
> Section 409(b) makes a person who **does not send the intimation** on or before the date on which the unpaid instalment becomes due an **assessee in default** in respect of that instalment. It is not enough to pay less; the assessee must **say** that he is paying less, and say it in Form No. 152 before the due date. This is the single most frequently missed point in the whole of section 407.



## 5.6 The assessee's higher estimate [section 407(9)]

The converse case needs no intimation. Where the assessee estimates that the advance tax payable on his current income would **exceed** the amount specified in the order — or the amount he himself intimated under sub-section (8) — he **shall** pay the higher amount, at the appropriate part or the whole of it, **on or before the due date of the last instalment**. The obligation is mandatory ("shall pay"), but the Act asks for no form: the Revenue does not need to be told that it is being paid more.

## 5.7 Sections 406 and 407 compared

| | Section 406 — own accord | Section 407 — order of the Assessing Officer |
|---|---|---|
| Who initiates | The assessee | The Assessing Officer |
| Precondition | Liability under section 404. No previous assessment is needed | The assessee must **already have been assessed by way of regular assessment** |
| Base — "specified sum" | Current income **as estimated by the assessee** [section 406(3)] | The **higher** of the latest assessed total income or the total income returned for a later year [section 407(3)] |
| Time limit on the Department | Not applicable | Order by **28 February**; amended order **before 1 March** [section 407(2) and (5)] |
| Formalities | None. No form, no intimation | Order in writing **plus** notice of demand under section 289 in **Form No. 151** [Rule 222] |

| | Section 406 — own accord | Section 407 — order of the Assessing Officer |
|---|---|---|
| Revising downwards | Freely, under section 406(2); no intimation required | Only by intimation in **Form No. 152** under section 407(8) and Rule 223 |
| Revising upwards | Freely, under section 406(2) | Mandatory, by the last instalment [section 407(9)] |
| Consequence of default | Interest under sections 424 and 425 | **Assessee in default under section 409**, plus interest under sections 424 and 425 |

## 5.8 Illustration

ILLUSTRATION 5.1 — AN ORDER, AND THE ASSESSEE'S LOWER ESTIMATE

Shri Girish was last assessed by way of regular assessment for Tax Year 2024-25 on a total income of ₹16,00,000. For Tax Year 2025-26 he returned a total income of ₹19,00,000; that return has not yet been assessed. On 12 August 2026 the Assessing Officer passes an order under section 407(1) and serves a notice of demand in Form No. 151. Shri Girish's business has since contracted and he estimates his current income for Tax Year 2026-27 at only ₹8,00,000. *What must the Officer demand, and what should Shri Girish do?*

**The specified sum** is the **higher** of the latest assessed total income ( ₹16,00,000) and the total income returned for a subsequent year ( ₹19,00,000) — that is, **₹19,00,000** [section 407(3)]. The advance tax the Officer may demand is the tax on that sum, computed as section 405 directs: **₹1,87,200**, less any tax deductible at source.

**Timing.** The order of 12 August 2026 is in time, being well before 28 February 2027. It is served before the September instalment, so under section 407(7) the instalments of 15 September 2026, 15 December 2026 and 15 March 2027 are the ones that bind him. The instalment of 15 June 2026 had already passed and cannot be revived.

**What Shri Girish should do.** His own estimate produces an advance tax of ₹0, which is lower. He must therefore **send an intimation in Form No. 152** to the Assessing Officer under section 407(8) and Rule 223, **before 15 September 2026**, and pay on the lower figure in the instalments falling after the intimation.

*If he merely pays ₹0 and files no intimation, section 409(b) makes him an assessee in default in respect of every instalment he has underpaid — with the recovery machinery of Part D of Chapter XIX available against him, quite apart from the interest under sections 424 and 425.*

CHAPTER 6

# Instalments and Due Dates

*Section 408. Four dates for most, one date for the presumptive assessee, and a concession for anything paid by 31 March.*

## 6.1 The four instalments [section 408(1)]

All assessees who are liable to pay advance tax, other than the presumptive assessee dealt with in sub-section (2), shall pay it on the current income calculated in the manner laid down in section 405 **in four instalments** during each financial year, on the due dates and in the amounts set out in the Table to section 408(1).

| Sl. No. | Due date of instalment | Amount payable |
|---|---|---|
| 1 | On or before the **15th June** | Not less than **15%** of such advance tax |
| 2 | On or before the **15th September** | Not less than **45%** of such advance tax, as reduced by the amount, if any, paid in the earlier instalment |
| 3 | On or before the **15th December** | Not less than **75%** of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments |
| 4 | On or before the **15th March** | **The whole amount** of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments |

**READ THE PERCENTAGES AS CUMULATIVE, NEVER AS SEPARATE**

The Table does not say "pay 15%, then 30%, then 30%, then 25%". It says that by 15 June the assessee must have paid **15% in all**; by 15 September **45% in all**; by 15 December **75% in all**; and by 15 March **the whole**. The amount actually written out on each date is the cumulative figure **less what has already been paid**.

Two consequences follow. First, a payment made early is not wasted — it counts towards every later cumulative test. Second, if the estimate is revised upwards in December, the December instalment must make good 75% of the **revised** figure, not merely 30% of it.

## 6.2 The presumptive assessee [section 408(2)]

An assessee who declares profits and gains as per the provisions of **section 58(2) (Table: Sl. No. 1 or 3)** shall pay the **whole amount** of advance tax on the current income, calculated in the manner laid down in section 405, **on or before the 15th March** of the financial year.

| Table entry in section 58(2) | Who it covers | Rate of presumption |
|---|---|---|
| **Sl. No. 1** | An eligible assessee carrying on any business other than plying, hiring or leasing goods carriages, with turnover not exceeding ₹2,00,00,000 (or ₹3,00,00,000 where cash receipts do not exceed 5%) | 8% of turnover, or 6% of so much of it as is received through a specified banking or online mode |
| **Sl. No. 3** | A specified assessee carrying on a specified profession referred to in section 62(4), with gross receipts not exceeding ₹50,00,000 (or ₹75,00,000 where cash receipts do not exceed 5%) | 50% of gross receipts |
| *Sl. No. 2* | *Plying, hiring or leasing goods carriages — the transporter's scheme* | *This entry is not mentioned in section 408(2). A transporter under Sl. No. 2 pays in the ordinary four instalments* |

**THE TWO MOST-MISSED POINTS ON SECTION 408(2)**

- **Sl. No. 2 is excluded.** Section 408(2) refers only to Sl. No. 1 and Sl. No. 3. An assessee under the goods-carriage scheme of Sl. No. 2 gets no concession and pays in four instalments like everybody else.
- **The concession is only as to timing.** The presumptive assessee still pays the **whole** of his advance tax, and he is still liable to interest — but under **section 425(3)**, which has its own single-date test, and not under section 425(1).

## 6.3 Payment by 31 March [section 408(3)]

"Any amount paid by way of advance tax **on or before the 31st March** shall be treated as advance tax paid during the financial year ending on that day for all the purposes of this Act."

This is a small but valuable provision. Money paid between 16 March and 31 March is **late** for the fourth instalment — interest under section 425 runs on the shortfall as at 15 March — but it is still **advance tax**, not self-assessment tax. It therefore counts towards the 90% test in section 424 and stops the running of interest under that section altogether. The distinction is worth real money and is regularly examined.

## 6.4 Four questions that are always asked

| Question | Answer |
|---|---|
| What if the due date is a Sunday or a public holiday? | Payment on the next working day is treated as payment on the due date. This follows from **section 10 of the General Clauses Act, 1897**, which applies wherever an Act allows an act to be done on a prescribed day and the offices are closed on that day; the Board has for many years instructed banks accordingly |
| Is there any advance tax on income of a partner that is exempt? | No. Share of profit from a firm is exempt under Schedule III and does not enter total income. But **remuneration and interest** from the firm do, and they are business income |
| Can advance tax be paid after 31 March 2027 for Tax Year 2026-27? | No. After 31 March the same money is **self-assessment tax under section 266**. It still stops interest under section 424 running further, but it can never be advance tax |
| Is a revised estimate to be filed with the Department? | Only where an order under section 407 is outstanding and the assessee wishes to pay less — then **Form No. 152** under Rule 223. In the ordinary case under section 406(2), nothing is filed |

## 6.5 Illustrations

**ILLUSTRATION 6.1 — THE CUMULATIVE TABLE APPLIED**

A company's advance tax for Tax Year 2026-27, computed under section 405, is ₹4,80,000. *Set out the four instalments.*

| Due date | Cumulative requirement | Cumulative amount | Payable on the date |
|---|---|---|---|
| 15 June 2026 | 15% of ₹4,80,000 | ₹72,000 | **₹72,000** |
| 15 September 2026 | 45% of ₹4,80,000 | ₹2,16,000 | **₹1,44,000** |
| 15 December 2026 | 75% of ₹4,80,000 | ₹3,60,000 | **₹1,44,000** |
| 15 March 2027 | 100% of ₹4,80,000 | ₹4,80,000 | **₹1,20,000** |
| **Total** | | | **₹4,80,000** |

*A company enjoys no concession of any kind. It has no rebate under section 156, no senior citizen exemption, and no presumptive single instalment. The Table to section 408(1) applies to it in full.*

**ILLUSTRATION 6.2 — THE PRESUMPTIVE ASSESSEE, AND THE POSITION UNDER SL. NO. 2**

Shri Hemant runs a retail business with a turnover of ₹2,80,00,000 for Tax Year 2026-27, the whole of it received through banking channels. He declares profits under **section 58(2) (Table: Sl. No. 1)** at 6% of turnover, that is ₹16,80,000. He has no other income and no tax is deductible at source. *When must he pay?* Tax on a total income of ₹16,80,000 = ₹1,41,440 (income-tax ₹1,36,000, rebate ₹0, cess ₹5,440). Because he declares under Sl. No. 1, **section 408(2)** applies: the whole ₹1,41,440 is payable **on or before 15 March 2027**, in a single instalment. Nothing is payable in June, September or December, and no interest can arise under section 425(1) for those dates. *Now change the business to the plying of six goods carriages, declared under Sl. No. 2. Section 408(2) does not mention*

*Sl. No. 2. He would be back in the four instalments of section 408(1), and interest under section 425(1) would run on each shortfall. The distinction between Sl. No. 1 and Sl. No. 2 is worth full marks on its own.*

CHAPTER 7

# Default, Credit and Consequences

*Sections 409 and 410. Two short sections: one says when the assessee is in default, the other says what becomes of the money he has paid.*

## 7.1 When an assessee is deemed to be in default [section 409]

A person shall be **deemed to be an assessee in default** if such person —

**(a)** does not pay, on the date specified in section 408, any instalment of the advance tax that he is required to pay by an **order of the Assessing Officer under section 407(1) or (4)**; or

**(b)** does not send to the Assessing Officer an **intimation under section 407(8)** on or before the date on which any such unpaid instalment becomes due; or

**(c)** does not pay, on the basis of his estimate of his current income, the advance tax payable by him **under section 407(9)**,

in respect of such instalment or instalments.

**THE WHOLE OF SECTION 409 IS ABOUT SECTION 407 — AND NOTHING ELSE**

Every one of the three clauses refers back to an **order of the Assessing Officer**. An assessee who is paying **on his own accord under section 406** and who pays too little, or nothing at all, does **not** become an assessee in default under section 409.

That is not a merciful oversight; it is deliberate. A person paying on his own estimate is answerable in **interest**, under sections 424 and 425, because interest is a compensation for the use of the Government's money. A person defying an **order** is answerable in **default**, because the recovery machinery of Part D of Chapter XIX — sections 411 to 422, including the penalty under section 412 and the Tax Recovery Officer's certificate under section 413 — is available only against an assessee in default.

*This is one of the most commonly mis-stated propositions in examination answers. Learn the three clauses and notice what they all have in common.*

| Situation | Assessee in default under section 409? | Interest under sections 424 / 425? |
|---|---|---|
| Pays on his own accord under section 406 and underpays | **No** | **Yes** |
| Pays nothing at all, no order having been made | **No** | **Yes** |
| Fails to pay an instalment demanded by an order under section 407 | **Yes** | **Yes** |
| Pays less than the order requires but files Form No. 152 in time | **No** | Yes, if the final figures show a shortfall |
| Pays less than the order requires and files no Form No. 152 | **Yes** — section 409(b) | **Yes** |
| Estimates higher than the order but does not pay the higher figure by the last instalment | **Yes** — section 409(c) | **Yes** |

## 7.2 Credit for advance tax [section 410]

"Any sum, **other than a penalty or interest**, paid by or recovered from an assessee as advance tax in pursuance of this Part shall be treated as a **payment of tax in respect of the income of the tax year in which it was payable**, and credit therefor shall be given to such assessee in the regular assessment."

- **"Paid by or recovered from."** Money extracted by the recovery machinery counts equally with money paid voluntarily. The assessee who is coerced is in no worse position on credit than the assessee who pays.
- **"Other than a penalty or interest."** Interest paid under sections 424 and 425 is not advance tax and gets no credit against the tax. It is a cost, and it is not deductible in computing income either.
- **"Of the tax year in which it was payable."** Credit attaches to the correct year. Advance tax paid in March 2027 for Tax Year 2026-27 cannot be shifted to Tax Year 2027-28 — a point that matters when an assessee has paid into the wrong year on the challan, and must apply for correction.

## 7.3 What a default actually costs

| Consequence | Applies to | Provision |
|---|---|---|
| Interest at 3% (1% per month for a block period of 3 months) or 1% on each instalment shortfall | Every assessee who deferred an instalment | Section 425 |
| Interest at 1% per month on the shortfall from 90% of the assessed tax | Every assessee who paid less than 90% by 31 March | Section 424 |
| Treated as an **assessee in default** | Only an assessee who defied an order under section 407 | Section 409 |
| Penalty of a sum not exceeding the arrears | An assessee in default | Section 412 |
| Certificate to the Tax Recovery Officer; attachment and sale; arrest and detention | An assessee in default | Sections 413 to 416 |
| Prosecution | **Not for a failure to pay advance tax as such.** The offence in Chapter XXI is a wilful attempt to evade tax, not a delay in an instalment | Chapter XXI |

**THERE IS NO PENALTY MERELY FOR PAYING ADVANCE TAX LATE**

The sanction for a shortfall in advance tax is **interest**, under sections 424 and 425. Penalty under section 412 follows only where the assessee has become an **assessee in default** — which, as section 409 shows, requires an order under section 407. Where the question is put as "what is the penalty for non-payment of advance tax?", the answer is *interest, not penalty*.

CHAPTER 8

# Practical Problems with Solutions

*Nine problems of the kind this Part attracts, worked in full. The workings are set out the way they should be set out in the answer book — statutory authority in the margin, arithmetic in the column.*

## Problem 1 — salary, interest and house property; the four instalments

Shri Mohan, aged 45, resident, expects for Tax Year 2026-27 a gross salary of ₹14,00,000, net annual value of a let-out house of ₹2,60,000 (before the standard deduction of 30%), and bank interest of ₹2,00,000. His employer will deduct ₹60,000 at source and the bank ₹20,000. He has not exercised the option under section 202(4). **Compute his advance tax for Tax Year 2026-27 and the amount of each instalment.**

### SOLUTION

**Step 1 — estimated total income [section 403(2)]**

| Head of income | Working | ₹ |
|---|---|---|
| Salaries | Gross salary ₹14,00,000 less standard deduction under section 19(1) (Table: Sl. No. 1) ₹75,000 | ₹13,25,000 |
| Income from house property | Net annual value ₹2,60,000 less 30% under section 22(1) (a) | ₹1,82,000 |
| Income from other sources | Bank interest | ₹2,00,000 |
| **Total income (estimated current income)** | | **₹17,07,000** |

**Step 2 — tax on the estimated total income at the section 202(1) rates**

| | Working | ₹ |
|---|---|---|
| Income-tax | 5% of ₹4,00,000 + 10% of ₹4,00,000 + 15% of ₹4,00,000 + 20% of ₹1,07,000 | ₹1,41,400 |
| *Less:* rebate — section 156(2) | Total income exceeds ₹12,00,000 and the tax does not exceed the excess over ₹12,00,000 | Nil |
| *Add:* surcharge | Total income does not exceed ₹50,00,000 | Nil |
| *Add:* health and education cess at 4% | 4% of ₹1,41,400 | ₹5,656 |
| **Tax liability** | | **₹1,47,060** |
| *Less:* tax deductible at source — element C | ₹60,000 by the employer + ₹20,000 by the bank | ₹80,000 |
| **Advance tax payable — element A** | Not less than ₹10,000, so section 404 is satisfied | **₹67,060** |

**Step 3 — the instalments [section 408(1)]**

| Due date | Cumulative | Cumulative amount | Payable |
|---|---|---|---|
| 15 June 2026 | 15% | ₹10,060 | **₹10,060** |
| 15 September 2026 | 45% | ₹30,180 | **₹20,120** |
| 15 December 2026 | 75% | ₹50,300 | **₹20,120** |
| 15 March 2027 | 100% | ₹67,060 | **₹16,760** |

| Due date | Cumulative | Cumulative amount | Payable |
|---|---|---|---|
| **Total** | | | **₹67,060** |

### Problem 2 — an estimate revised in December

M/s Vardhman Traders, a firm, estimated its current income for Tax Year 2026-27 at ₹22,00,000 in June 2026 and paid the first two instalments on that basis. In December a large contract raised the estimate to ₹28,00,000. Tax of ₹1,00,000 will be deducted at source during the year. A firm is chargeable at a flat **30%** on its total income, plus the health and education cess at 4%.

**Compute the four instalments.**

### SOLUTION

Tax on ₹22,00,000 at 30% = ₹6,60,000, plus cess ₹26,400 = ₹6,86,400; less tax deductible at source ₹1,00,000 = advance tax **₹5,86,400**.

Tax on ₹28,00,000 at 30% = ₹8,40,000, plus cess ₹33,600 = ₹8,73,600; less tax deductible at source ₹1,00,000 = advance tax **₹7,73,600**.

Section 406(2) permits the increase to be absorbed in the remaining instalments. The percentages in section 408 are applied to the **revised** figure from December onwards.

| Due date | Advance tax then estimated | Cumulative requirement | Cumulative amount | Payable on the date |
|---|---|---|---|---|
| 15 June 2026 | ₹5,86,400 | 15% | ₹87,960 | **₹87,960** |
| 15 September 2026 | ₹5,86,400 | 45% | ₹2,63,880 | **₹1,75,920** |
| 15 December 2026 | **₹7,73,600** | 75% | ₹5,80,200 | **₹3,16,320** |
| 15 March 2027 | ₹7,73,600 | 100% | ₹7,73,600 | **₹1,93,400** |
| **Total** | | | | **₹7,73,600** |

*The December instalment carries the whole of the increase, because it must bring the cumulative payment up to 75% of the revised advance tax. Whether interest runs under section 425 for June and September depends on the tax due on the returned income: if the firm's return ultimately shows the higher figure, the June and September payments will be tested against 15% and 45% of that higher figure, and a shortfall will attract 3% (1% per month for a block period of 3 months) each unless the 12% and 36% safe harbours in section 425(2) are met.*

### Problem 3 — the senior citizen, with and without professional income

Smt. Kamala, aged 67, resident, expects pension of ₹9,00,000 (from which the standard deduction under section 19(1) is available) and bank interest of ₹8,00,000 for Tax Year 2026-27. Tax of ₹40,000 will be deducted at source. She has no other income.

**(a)** Is she liable to pay advance tax? **(b)** Would the answer differ if she also received ₹30,000 as fees for occasional professional consultancy?

### SOLUTION

**(a)** Her estimated total income is ₹9,00,000 + ₹8,00,000 − ₹75,000 = ₹16,25,000, and her tax for the year is ₹1,30,000, of which ₹40,000 will be deducted at source — a balance of ₹90,000.

**She is nevertheless not liable to pay advance tax at all.** Section 403(3) takes her out of the scheme: she is (i) an individual resident in India, (ii) sixty years of age or more at some time during the tax year, and (iii) without any income chargeable under the head "Profits and gains of business or profession". Pension is salary and bank interest is income from other sources; neither falls under that head.

She therefore pays nothing in June, September, December or March, and pays the whole ₹90,000 as **self-assessment tax under section 266** before furnishing her return, by 31 July 2027.

**No interest under section 425**, because there was no instalment she was required to pay. **No interest under section 424**, because that section applies only to an assessee "who is liable to pay advance tax under section 404", and she is not.

**(b)** **Yes, the answer changes completely.** Professional fees of ₹30,000 are income chargeable under the head "Profits and gains of business or profession". Condition (a) of section 403(3) fails, the exemption is lost **for the whole year and the whole income**, and she becomes liable to pay advance tax in the four instalments of section 408 on the tax on ₹16,55,000 less the tax deductible at source.

*The exemption is worth, on these facts, the use of about ₹90,000 for an average of some nine months, plus the avoidance of all interest under sections 424 and 425. A consultancy fee of ₹30,000 is an expensive way to earn ₹30,000.*

### Problem 4 — the presumptive assessee and the transporter

Shri Naresh has two proprietary concerns. Concern **X** is a retail business with a turnover of ₹2,50,00,000 for Tax Year 2026-27, the whole of it received through banking channels; he declares profits under **section 58(2) (Table: Sl. No. 1)** at 6% of turnover. Concern **Y** plies eight goods carriages and he declares profits under **section 58(2) (Table: Sl. No. 2)**.

**When must the advance tax on each concern be paid?**

#### SOLUTION

**Concern X — a single instalment.** Section 408(2) applies to an assessee who declares profits under section 58(2) (Table: Sl. No. **1** or **3**). Shri Naresh declares under Sl. No. 1, so the **whole** of the advance tax on that income is payable **on or before 15 March 2027**. Presumptive income = 6% of ₹2,50,00,000 = ₹15,00,000.

**Concern Y — four instalments.** Section 408(2) does **not** mention Sl. No. 2. The goods-carriage scheme therefore attracts no concession, and the advance tax on that income is payable in the ordinary four instalments of section 408(1) — 15%, 45%, 75% and 100% on 15 June, 15 September, 15 December and 15 March.

**In practice the two are not paid separately.** Advance tax is charged on **total income**, not on each source. Where an assessee has income under both entries, the safe and generally accepted course is to pay in the four instalments on the whole of the estimated liability, since the concession in section 408(2) is expressed to apply to "an assessee who declares profits and gains as per section 58(2) (Table: Sl. No. 1 or 3)" and Shri Naresh does not answer that description exclusively.

**Interest.** For an assessee wholly within Sl. No. 1 or 3, interest for deferment is governed by the single-date test in **section 425(3)** — 1% on the shortfall as at 15 March — and not by the four-row Table in section 425(1).

### Problem 5 — sections 424 and 425 computed together

Shri Om Prakash's return for Tax Year 2026-27 shows a tax due on the returned income of ₹5,00,000, and the return is processed under section 270(1) on that figure, so that the assessed tax is also ₹5,00,000. His cumulative advance tax payments were ₹40,000 by 15 June 2026, ₹2,00,000 by 15 September 2026, ₹3,50,000 by 15 December 2026 and ₹4,60,000 by 15 March 2027. He furnished his return on 31 July 2027 and paid the balance as self-assessment tax on that day. The intimation under section 270(1) issued on 12 September 2027.

**Compute the interest payable under sections 424 and 425.**

#### SOLUTION

**(a)** **Interest for deferment — section 425**

| Due date | Required | Paid by that date | Safe harbour [s.425(2)] | Shortfall | Rate | Interest |
|---|---|---|---|---|---|---|
| 15 June 2026 | ₹75,000 | ₹40,000 | Not met | ₹35,000 | 3% | **₹1,050** |
| 15 September 2026 | ₹2,25,000 | ₹2,00,000 | **Met** | Nil | 3% | **Nil** |
| 15 December 2026 | ₹3,75,000 | ₹3,50,000 | Not met | ₹25,000 | 3% | **₹750** |
| 15 March 2027 | ₹5,00,000 | ₹4,60,000 | Not met | ₹40,000 | 1% | **₹400** |
| **Total — section 425** | | | | | | **₹2,200** |

*June:* 12% of ₹5,00,000 = ₹60,000. He paid ₹40,000, which is less, so the harbour fails and interest runs on the shortfall from **15%**, not from 12%.

*September:* 36% of ₹5,00,000 = ₹1,80,000. He paid ₹2,00,000, which is more, so **no interest at all** for that instalment even though 45% was required.

**(b) Interest for default in payment — section 424**

Advance tax paid by 31 March 2027 = ₹4,60,000. That is 92% of the assessed tax of ₹5,00,000 — **not less than 90%**. Section 424(1)(b) is therefore **not attracted, and no interest is payable under section 424**.

**(c) Total interest = ₹2,200**, the whole of it under section 425.

*The point of the problem is that the two sections are computed independently and can produce opposite answers on the same facts. Shri Om Prakash deferred, so section 425 bites; he did not default in the year as a whole, so section 424 does not.*

### Problem 6 — a capital gain in December, and the exception in section 425(4)

Shri Pankaj, aged 44, resident, has business income of ₹12,00,000 for Tax Year 2026-27, evenly spread over the year. On 20 December 2026 he sells listed equity shares held for four years, on which securities transaction tax has been paid on acquisition and on transfer, realising a long-term capital gain of ₹10,00,000. No tax is deductible at source.

(a) Compute his advance tax. **(b)** He pays the tax on the gain with the March instalment — is interest payable under section 425? **(c)** What if he pays it as self-assessment tax in July 2027?

### SOLUTION

**(a) The tax [sections 202(1), 198 and 156]**

| | Working | ₹ |
|---|---|---|
| Total income | Business income ₹12,00,000 + long-term capital gain ₹10,00,000 | ₹22,00,000 |
| Tax on the long-term gain — section 198(2)(a) | 12.5% of ( ₹10,00,000 – ₹1,25,000) | ₹1,09,375 |
| Tax on the balance of total income — section 198(2)(b) | 5% of ₹4,00,000 + 10% of ₹4,00,000 | ₹60,000 |
| *Less:* rebate — section 156(2) | **Not available.** The total income of ₹22,00,000 exceeds ₹12,00,000, and the tax on it does not exceed the excess over ₹12,00,000. Section 156(3) would in any event confine the rebate to the tax at the section 202(1) rates | Nil |
| *Add:* health and education cess at 4% | 4% of ₹1,69,375 | ₹6,775 |
| **Advance tax payable** | | **₹1,76,150** |

*Two points on the rebate that are regularly missed.* First, the gain enters **total income**, so the ₹12,00,000 ceiling in section 156(2)(a) is tested against ₹22,00,000 and not against the business income alone. Second, section 156(3) caps the rebate at the income-tax payable **at the rates provided in section 202(1)** — so even where a rebate is available it can never be set against the tax charged at the special rate of 12.5% under section 198.

**(b)** **Interest under section 425 — no.** The shortfall in the June, September and December instalments is on account of a **capital gain**, which is the first of the four exceptions in **section 425(4)(a)**. The exception is conditional on section 425(4)(b): the assessee must pay the whole tax on that income in any of the **remaining instalments**, or **by 31 March 2027**. Paying it with the March instalment satisfies the condition, and no interest is payable on the gain for any instalment.

*Interest still runs, on ordinary principles, on any shortfall in the instalments referable to his business income of ₹12,00,000, which was foreseeable from the start of the year.*

**(c)** **Interest under section 425 — yes, and on every instalment.** If he pays the tax on the gain as self-assessment tax in July 2027 he has not paid it "in any of the remaining instalments... or by the 31st day of March of the tax year". **Section 425(4)(b) is not satisfied and the exception is lost altogether.** Interest then runs at 3% (1% per month for a block period of 3 months) on the shortfall at each of 15 June, 15 September and 15 December and at 1% on the shortfall at 15 March, computed as though the gain had been foreseeable in June — approximately ₹8,896 on these figures, to which the interest under section 424 must be added.

*The lesson is worth one line in the answer book: the exception in section 425(4) postpones the tax to 31 March; it does not forgive it.*

### Problem 7 — an order under section 407 and the assessee's lower estimate

Shri Qadir was last assessed by way of regular assessment for Tax Year 2024-25 on a total income of ₹19,00,000. For Tax Year 2025-26 he furnished a return showing ₹24,00,000, which has not been assessed. On **18 September 2026** the Assessing Officer passes an order under section 407(1) and serves a notice of demand. Shri Qadir's principal customer has failed and he estimates his current income for Tax Year 2026-27 at ₹14,00,000. No tax is deductible at source.

**(a)** On what sum may the Officer require advance tax, and by when must the order be passed? **(b)** Which instalments bind Shri Qadir? **(c)** What must he do to pay on his own lower estimate, and what happens if he does not?

### SOLUTION

**(a)** **The specified sum.** Under section 407(3) it is the **higher** of (i) the total income of the latest tax year assessed by way of regular assessment — ₹19,00,000 — and (ii) the total income returned for a subsequent tax year — ₹24,00,000. The higher is **₹24,00,000**, and the advance tax the Officer may require is the tax on that sum computed as section 405 directs: **₹3,12,000**.

The order may be passed at any time during the financial year but **not later than 28 February 2027** [section 407(2)]. An order of 18 September 2026 is well in time. It must be, and here was, followed by a **notice of demand under section 289 in Form No. 151** [Rule 222].

**(b)** **Which instalments bind him.** The notice was served on 18 September 2026, after the due dates of 15 June and 15 September had passed. Section 407(7) provides that the advance tax specified in the notice is payable on or before **each of the due dates falling after the date of service** — that is, **15 December 2026 and 15 March 2027**. Nothing can be demanded for June or September.

**(c)** **The lower estimate.** His own estimate produces an advance tax of ₹93,600, which is lower than ₹3,12,000. Under **section 407(8)** he may pay on his own figure, but only if he first **sends an intimation to the Assessing Officer in Form No. 152** [Rule 223], and he must do so **on or before 15 December 2026**, being the due date of the first instalment falling after service.

**If he does not send the intimation**, section 409(b) makes him a **deemed assessee in default** in respect of every instalment he has underpaid. The consequences are not merely interest: as an assessee in default he is exposed to penalty under section 412 and to the recovery machinery of sections 413 to 416, including a certificate to the Tax Recovery Officer.

*Two marks are almost always available for saying that the intimation is in Form No. 152 under Rule 223 and that it must precede the due date, not follow it.*

### Problem 8 — surcharge, and the shape of a large computation

Shri Rakesh, aged 50, resident, estimates his current income for Tax Year 2026-27 at ₹52,00,000, the whole of it business income. Tax of ₹3,00,000 will be deducted at source. He has not exercised the option under section 202(4).

**Compute the advance tax and the four instalments.**

| | Working | ₹ |
|---|---|---|
| Income-tax at the section 202(1) rates | 5% of ₹4,00,000 + 10% of ₹4,00,000 + 15% of ₹4,00,000 + 20% of ₹4,00,000 + 25% of ₹4,00,000 + 30% of ₹28,00,000 | ₹11,40,000 |
| *Less:* rebate — section 156 | Not available; total income far exceeds ₹12,00,000 | Nil |
| *Add:* surcharge at 10% | Total income exceeds ₹50,00,000 but not ₹1,00,00,000 — Finance Act, 2026, section 3(4)(b) | ₹1,14,000 |
| | *Marginal relief:* the increase in tax and surcharge over the figure at ₹50,00,000 does not exceed the increase in income, so no relief arises | — |
| *Add:* health and education cess at 4% | 4% of ₹12,54,000 | ₹50,160 |
| **Tax liability** | | **₹13,04,160** |
| *Less:* tax deductible at source — element C | | ₹3,00,000 |
| **Advance tax payable** | | **₹10,04,160** |

| Due date | Cumulative | Cumulative amount | Payable on the date |
|---|---|---|---|
| 15 June 2026 | 15% | ₹1,50,620 | **₹1,50,620** |
| 15 September 2026 | 45% | ₹4,51,870 | **₹3,01,250** |
| 15 December 2026 | 75% | ₹7,53,120 | **₹3,01,250** |
| 15 March 2027 | 100% | ₹10,04,160 | **₹2,51,040** |
| **Total** | | | **₹10,04,160** |

*Note the ceiling on the surcharge under the default regime.* The Table in section 3(4)(b) of the Finance Act, 2026 stops at **25%**; there is no rate of 37% for a person taxed under section 202(1), and the rate on dividend and on the capital gains under sections 196, 197 and 198 does not exceed 15%. Under the optional regime the 37% rate survives. On a very large income the difference between the two regimes is measured in lakhs, and it must be taken into account when the advance tax is first estimated in June — because the option under section 202(4) is exercised with the return, and the estimate must anticipate it.

### Problem 9 — eight propositions: state whether each is correct, and why

Each of the following statements has been made in an answer book. State whether it is correct, and give the section.

| | Statement | Correct? | The reason |
|---|---|---|---|
| 1 | “Advance tax is payable by every assessee whose income exceeds ₹10,000.” | **Wrong** | The threshold is on the **advance tax payable**, not on the income — section 404 |
| 2 | “A senior citizen is not liable to advance tax.” | **Incomplete** | Only a **resident** individual of sixty or more **without business or professional income** — section 403(3); all three conditions must hold |
| 3 | “Interest under section 425 is 1% per month for three months.” | **Wrong** | It is a flat **3% (1% per month for a block period of 3 months)** on each of the first three shortfalls and **1%** on the fourth — section 425(1) (Table: column E). The monthly formulation was section 234C of the repealed Act |
| 4 | “An assessee who underpays advance tax is an assessee in default.” | **Wrong** | Only where he has defied an **order under section 407** — section 409. A person paying on his own accord is liable to interest, not default |
| 5 | “Advance tax paid on 28 March is self- assessment tax.” | **Wrong** | Anything paid **on or before 31 March** is advance tax for all purposes of the Act — section 408(3) |
| 6 | “No interest is payable on a capital gain that could not be estimated.” | **Incomplete** | Only if the tax on the gain is paid in a remaining instalment or **by 31 March** — section 425(4) (b). Otherwise the exception is lost |
| 7 | “Section 424 is computed on the returned income.” | **Wrong** | Section 424 works on the **assessed tax**; it is **section 425** that works on the tax due on the **returned** income — sections 424(2) and 425(5) |
| 8 | “The Assessing Officer may order advance tax on his own estimate of the current year.” | **Wrong** | He is confined to the higher of the latest **assessed** total income and the total income **returned** for a later year — section 407(3) |

CHAPTER 9

# Revision, Ready Reckoner and Question Bank

| Subject | Income-tax Act, 1961 | Income-tax Act, 2025 |
|---|---|---|
| Liability for payment of advance tax | 207 | **403** |
| Conditions of liability — the ₹10,000 threshold | 208 | **404** |
| Computation of advance tax | 209 | **405** |
| Payment on the assessee's own accord | 210(1) to (4) | **406** |
| Payment in pursuance of an order of the Assessing Officer | 210(3) to (6) | **407** |
| Instalments of advance tax and due dates | 211 | **408** |
| When assessee deemed to be in default | 218 | **409** |
| Credit for advance tax | 219 | **410** |
| Interest for default in furnishing return | 234A | **423** |
| Interest for default in payment of advance tax | 234B | **424** |
| Interest for deferment of advance tax | 234C | **425** |
| Interest on excess refund | 234D | **426** |
| Self-assessment tax | 140A | **266** |
| Return of income | 139 | **263** |
| Processing of return and intimation | 143(1) | **270(1)** |
| Regular (scrutiny) assessment | 143(3) | **271** |
| Income escaping assessment | 147 | **279** |
| Notice of demand | 156 | **289** |
| Presumptive business / profession / goods carriage | 44AD / 44ADA / 44AE | **58(2)** Table Sl. No. **1** / **3** / **2** |
| Rebate for a resident individual | 87A | **156** |
| The default (new) regime of rates | 115BAC | **202** |
| Long-term gain on listed equity at 12.5% | 112A | **198** |
| Rounding off | 288A and 288B | **516** |
| Permanent Account Number | 139A | **262** |
| Tax credit statement | Form 26AS / AIS | **Form No. 168**, Rule 245 |
| Estimate of advance tax filed with the Officer | Form 28A | **Form No. 152**, Rule 223 |
| Notice of demand on an advance-tax order | Form 28 | **Form No. 151**, Rule 222 |

*Everything in this Part reduced to tables that can be revised in an hour, followed by the questions the topic attracts.*

## 9.1 Old section to new section

| Subject | Income-tax Act, 1961 | Income-tax Act, 2025 |
|---|---|---|
| Liability for payment of advance tax | 207 | 403 |

| Subject | Income-tax Act, 1961 | Income-tax Act, 2025 |
|---|---|---|
| “Current income” — income of the financial year | 207(1) | 403(2) |
| Senior citizen without business income exempt | 207(2) | 403(3) |
| Conditions of liability — the threshold of ₹10,000 | 208 | 404 |
| Computation of advance tax | 209 | 405 |
| Net agricultural income taken into account | 209(1) | 405(2) |
| Payment of advance tax by the assessee on his own accord | 210(1) and (2) | 406 |
| Order by the Assessing Officer to pay advance tax | 210(3) and (4) | 407(1) to (3) |
| Amendment of that order | 210(4) | 407(4) to (6) |
| Assessee's estimate lower than the order | 210(5) | 407(8) |
| Assessee's estimate higher than the order | 210(6) | 407(9) |
| Instalments of advance tax | 211(1) | 408(1) |
| Single instalment for a presumptive assessee | 211(1) proviso | 408(2) |
| Payment by 31 March treated as advance tax | 211(2) | 408(3) |
| Presumptive scheme for business and profession | 44AD and 44ADA | 58(2) |
| When the assessee is deemed to be in default | 218 | 409 |
| Credit for advance tax paid | 219 | 410 |
| Interest for default in payment of advance tax | 234B | 424 (Part B) |
| Interest for deferment of advance tax | 234C | 425 (Part B) |
| Notice of demand on an order under section 407 | 156 / Form 28 | 289 / Form No. 151 |
| Estimate of advance tax filed with the Assessing Officer | Form 28A | Form No. 152 |



## 9.2 Objective questions

### A. State whether True or False, with reasons

**1.** Advance tax is an additional tax levied on business income.

**False.** It is the same tax on the same income of the same year, paid early — sections 390 and 410.

**2.** A non-resident individual aged seventy is exempt from advance tax. **False.** Section 403(3) requires the individual to be **resident** in India.

**3.** A resident individual whose date of birth is 1 April 1967 is exempt from advance tax for Tax Year 2026-27, other conditions being satisfied. **True.** He attains sixty on 31 March 2027, the day preceding the anniversary of his birthday — *Prabhu Dayal Sesma v. State of Rajasthan* (1986) 4 SCC 59, followed in CBDT Circular No. 28/2016.

**4.** An assessee who has never been assessed is not required to pay advance tax. **False.** Section 406(1) applies “whether or not he has been previously assessed”.

**5.** The Assessing Officer may pass an order under section 407 in March. **False.** Not later than the last day of **February**; an amended order must be before 1 March — section 407(2) and (5).

**6.** Advance tax paid on 30 March 2027 for Tax Year 2026-27 is treated as advance tax. **True.** Section 408(3).

**7.** Interest under section 425 is charged on the assessed income. **False.** On the tax due on the **returned** income — section 425(5).

**8.** A person who pays 88% of his assessed tax by 31 March pays no interest under section 424. **False.** The threshold is **90%** — section 424(1)(b).

**9.** A transporter declaring income under section 58(2) (Sl. No. 2) pays advance tax in one instalment. **False.** Section 408(2) covers only Sl. No. 1 and Sl. No. 3.

**10.** Interest paid under section 424 is allowed as a deduction in computing business income. **False.** Interest on tax is not an expenditure laid out for the business; and section 410 excludes interest from the credit for advance tax.

**11.** An assessee who underpays an instalment becomes liable to penalty. **False.** He becomes liable to **interest**. Penalty under section 412 follows only where he is an assessee in default under section 409.

### B. Multiple choice

**1.** Advance tax is payable where the advance tax computed under Part C of Chapter XIX is —

(a) (a) ₹5,000 or more (b) **₹10,000 or more** (c) ₹10,000 or less (d) ₹1,00,000 or more *Answer:* (b), section 404

**2.** The last instalment of advance tax for a company for Tax Year 2026-27 falls due on —

(a) (a) 15 December 2026 (b) **15 March 2027** (c) 31 March 2027 (d) 31 July 2027 *Answer:* (b), section 408(1)

**3.** The rate of interest for deferment of the second instalment is —

(a) (a) 1% per month (b) **3%** (c) 1% for three months and then 3% (d) 0.5% *Answer:* (b), section 425(1) Table

**4.** The safe harbour for the instalment of 15 September is —

(a) (a) 12% (b) 30% (c) **36%** (d) 45% *Answer:* (c), section 425(2)(b)

**5.** Interest under section 424 runs from —

(a) (a) The date of the first default (b) **1 April following the tax year** (c) 1 April of the tax year (d) The due date of the return *Answer:* (b), section 424(1)

**6.** An intimation of a lower estimate against an order of the Assessing Officer is made in —

(a) (a) Form No. 151 (b) **Form No. 152** (c) Form No. 168 (d) Form No. 153 *Answer:* (b), Rule 223

**7.** Credit for advance tax is given —

(a) (a) In the year of payment, whichever year it relates to (b) **In the tax year in which it was payable** (c) In the year of assessment (d) Only on application *Answer:* (b), section 410

**8.** Which of the following does **not** attract the exception in section 425(4)?

(a) (a) Capital gains (b) Winnings from a lottery (c) **Rent from a let-out house** (d) Dividend income *Answer:* (c) — house property income is foreseeable and enjoys no exception

## 9.3 Fill in the blanks

**1.** Advance tax is payable during the financial year in respect of the __ of the assessee. *current income [section 403(1)]*

**2.** A resident individual of __ years or more without business income is not liable to advance tax. *sixty [section 403(3)]*

**3.** The four instalments require __%, __%, __%, and __% cumulatively. *15, 45, 75 and 100 [section 408(1)]*

**4.** Interest under section 424 is charged where the advance tax paid is less than __% of the assessed tax. *90 [section 424(1)(b)]*

**5.** A presumptive assessee under section 58(2) (Sl. No. 1) pays the whole of his advance tax by __. *15 March [section 408(2)]*

**6.** An order requiring payment of advance tax may not be passed after __ of the financial year. *the last day of February [section 407(2)]*

**7.** The tax credit statement is the Annual Information Statement in Form No. __. *168 [Rule 245]*

**8.** Any amount paid by way of advance tax on or before __ is treated as advance tax for the year. *31 March [section 408(3)]*

## 9.4 Short-answer questions

**1.** Define "current income" and state on whose estimate advance tax is computed. **2.** State the three conditions of the senior citizen exemption under section 403(3), and the consequence of failing any one of them. **3.** When does a person born on 1 April attain the age of sixty for the purposes of section 403(3)? Give the authority. **4.** Explain the formula A = B − C in section 405, and state the two conditions attached to element C. **5.** Distinguish between the "specified sum" in section 406(3) and in section 407(3). **6.** State the four instalments of advance tax and explain why the percentages are cumulative. **7.** Why is a presumptive assessee under section 58(2) (Sl. No. 2) excluded from the concession in section 408(2)? **8.** When is an assessee deemed to be in default under section 409? Why does the section not apply to a person paying on his own accord? **9.** Distinguish interest under section 424 from interest under section 425 on rate, period and yardstick. **10.** State the two safe harbours in section 425(2) and the four exceptions in section 425(4). **11.** What is the effect of section 408(3) on a payment made on 29 March? **12.** Write a note on the credit for advance tax under section 410. **13.** What is the Challan Identification Number, and why does it matter?

## 9.5 Long-answer questions

**1.** "Advance tax is not a separate tax but the same tax collected earlier." Discuss the scheme of collection in Chapter XIX of the Income-tax Act, 2025, and explain the place of advance tax within it. **2.** Explain fully the liability to pay advance tax under sections 403 and 404, dealing with the threshold, the persons liable and the exemption for senior citizens. Illustrate your answer. **3.** Set out the computation of advance tax under section 405, and explain the three different meanings the Act gives to the expression "specified sum". **4.** Compare the payment of advance tax on the assessee's own accord under section 406 with payment in pursuance of an order of the Assessing Officer under section 407, dealing with the time limits, the forms and the consequences of default. **5.** Explain the instalments and due dates in section 408, and the special provision for an assessee taxed on a presumptive basis. What is the significance of sub-section (3)? **6.** Explain the interest chargeable under sections 424 and 425, bringing out clearly the difference in the rate, the period, the yardstick and the exceptions. Support your answer with a computation. **7.** "The exception in section 425(4) postpones the tax; it does not forgive it." Explain and illustrate. **8.** Discuss the scope for tax management in relation to advance tax, and show by computation what a failure to manage it costs.


WHERE TO GO NEXT

**Unit 1 · Part B — Tax Deduction at Source and Tax Collection at Source** takes up element **C** of the section 405 formula and examines it in its own right: sections 390 to 402, the Tables in section 393 and 394, the tax deduction and collection account number under section 397, the statements and certificates, and the fee under section 427.

**Unit 1 · Part C — Interest and Collection and Recovery** completes the Unit with the interest payable by and to the Government and the machinery in sections 411 to 422 by which an unpaid demand is recovered.