

Advance Tax Lecture-22

Here's a concise overview of Advance Tax:

Advance Tax:

1. Definition:

- Advance Tax is a system of paying taxes to the government in installments before the end of the financial year, rather than in a lump sum at the end of the year.
- It is also known as "pay-as-you-earn" tax.

2. Applicability:

- Advance Tax applies to individuals, salaried employees, self-employed professionals, businesses, and corporates whose tax liability exceeds Rs. 10,000 in a financial year.

3. Payment Schedule:

- Taxpayers are required to pay Advance Tax in installments based on specified due dates throughout the financial year.
- Typically, there are four installments: 15% by June 15, 45% by September 15, 75% by December 15, and 100% by March 15.

4. Calculation:

- Taxpayers estimate their total income for the year and calculate their tax liability.
- After considering TDS (Tax Deducted at Source) and other credits, they determine the balance tax payable.

5. Consequences of Non-Payment:

- Failure to pay Advance Tax or underpayment of Advance Tax can attract interest under Section 234B and 234C of the Income Tax Act.
- Penalties may also apply for non-compliance.

6. Filing and Reporting:

- Taxpayers are required to report their Advance Tax payments while filing their Income Tax Returns.
- Details of Advance Tax payments are provided in the tax return forms.

7. Importance:

- Advance Tax helps in the efficient collection of taxes and ensures a steady stream of revenue for the government.
- It helps taxpayers manage their cash flow better by spreading their tax payments over the year.

Understanding Advance Tax obligations and complying with payment schedules are essential for taxpayers to avoid penalties and interest charges and ensure smooth tax planning and compliance.