

# **Interest and fees payable by Assessee or Government**

## **Sec 234A, 234B,234C**

**Subject : Taxation**  
**Semester: 6**

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**Interest and fees payable by Assessee or Government**  
**Sec 234A, 234B,234C**

<b>Section 234 A</b>	Delay in filing the return of income
<b>Section 234 B</b>	Non-payment or short payment of advance tax
<b>Section 234 C</b>	Non-payment or short payment of individual installment or installments of advance tax (i.e., deferment of advance tax)

The interest is to be computed in the following manner under the Rule 119A

- where interest is to be calculated on annual / yearly basis, the period shall be rounded off to a whole month and any part / fraction of month shall be ignored.
- where the interest is to be calculated for every month or part of a month (not in terms of years) any fraction of a month shall be deemed to be a full month.
- The amount of interest calculated shall be rounded off in multiples of hundred and for this purpose, any fraction of one hundred rupees shall be ignored.

**Interest u/s 234A is payable if you file your income tax return after the due date specified.**

Interest will be levied at 1% per month or part of a month from the period starting on the date immediately following the due date of filing the return and ending on the date of actually filing the return. In case, you have not filed any return, then the end date would be the date of completion of the assessment by the Department.

## Problem sums on 234A

Determine the amount of interest payable under section 234A by Nandidni Lahiri who is 38 years old. The other details are given below:

<b>Due date of filing return of income for the ay 2023-24</b>	<b>JULY 31, 2023</b>
Date of filing return	October 10, 2023
Date of payment of self assessment tax	August 20,2023
Income assessed	12,50,000
Advance tax paid during the financial year 2022-23	1,10,000
Tax deducted at source	4,000
Self assessment tax paid	82,000

## Solution

Calculation of interest payable u/s 234A for the assessment year 2023-24

Period of default (20 days)	One month
Income assessed	12,50,000

Tax payable on 12,50,000	
On first 2,50,000	Nil
Next (2,50,000-5,00,000)@5%	12,500
Next (5,00,000-10,00,000)@20%	1,00,000
On balance of 2,50,000 @ 30%	75,000
	1,87,500
Add surcharge	Nil
Add health and education cess @4%	7500
Tax payable on assessed income	1,95,000
Less: Advance tax= 1,10,000	1,14,000
TDS = 4,000	
<b>SHORTFALL</b>	<b>81,000</b>

**Since the entire outstanding amount of Rs 81,000 is paid by self assessment tax Rs82,000, therefore interest payable u/S 234A on Rs 81,000 @1% pm till the payment of self assessment tax  $(81,000*1\%*1)= 810$**

**Prob 2:**

**Determine the amount of interest payable under section 234 A by Mr. Sanjay Roy, for the AY, 2023-24**

<b>Due date of filing return of income</b>	<b>July 31,2023</b>
Actual date of filing of return	November 11,2023
As per return, tax on declared income	65,000
As per assessing officer, tax on assessed income	82,000
Advance tax paid during the financial year 2022-23	44,000
Tax deducted at source during the financial year 2022-23	5,000
Self assessment tax paid	35,000
Date of payment of self assessment tax	July 27,2023

## Calculation of Interest payable u/s 234 A for the AY 2023-24

Tax on assessed income as per assessing officer	82,000
Less: Advance tax 44,000	49,000
TDS 5,000	
	33,000
Less: self assessment paid	35,000
Balance	(-) 2,000
Period of default [aug 1 2023 to nov 11 2023]	4 months

In this case the entire outstanding amount of Rs 33,000 is paid by self assessment tax i.e. Rs 35,000. before the due date of filing of income tax I e July 31,2023, though there is delay in submitting return of income i.e. on November 11,2023 but as self assessment tax of Rs 35,000 is paid before the due date of filing return i.e. on July 27, 2023 therefore no interest is payable u/s 234 A



**Interest as per section 234B is payable, if you fail to pay advance tax or if you pay advance tax which is less than 90% of your total tax liability.**

Interest will be levied at 1% per month or part of a month, from 1st April till the date of actual determination of income. The amount on which interest shall be charged will be the amount of unpaid / short paid advance tax (i.e. Total assessed tax advance tax paid – TDS etc).

## Problem on 234 B

Mr. Chandan Das (45 yrs) pays the following instalments of advance tax during the financial year 2022-23

First instalment on June 15,2022	54,000
Second instalment on September 15,2022	1,06,000
Third instalment on December 12,2022	1,65,000
Fourth instalments on march 13,2023	53,000

For the AY 2023-24 regular assessment completed on January 15,2024. Assessing officer determined income of Mr. Chandan Das as Rs 22,45,800. But as per return filed income is Rs 22,10,000. Tax deducted at source is Rs 3,900. Self assessment tax is not paid by Mr. Chandan Das. Is. Mr. Das liable for interest under Section 234 B

## Solution

### Calculation of interest payable under section 234B for the AY 2023-24

	Amount
Income computed by the Assessing officer	22,45,800
Tax on 22,45,800	
On first 2,50,000 nil	
Next (2,50,000-5,00,000)@5% 12,500	
Next (5,00,000-10,00,000)@5% 1,00,000	
On balance 12,45,800@30% 3,73,740	4,86,240
Less: TDS	3900
ASSESSED TAX	4,82,340
90% OF THE ASSESSED TAX (90% OF 482340)	434106
Advance tax paid during the year	54,000
First instalment on 15 <sup>th</sup> June 2022	
Second inst 15 <sup>th</sup> sept 2022	1,06,000
Third instalment 12 <sup>th</sup> December 2022	1,65,000
Fourth instalment on 13 <sup>th</sup> march	53,000
	3,78,000

Since advance tax paid during the financial year is less than 90% of the assessed tax, Mr. Chandan is liable to pay interest u/s 234B which is shown

	Amount
Assessed tax	4,82,340
Less: advance tax paid during the FY 2022-23	3,78,000
Shortfall	1,04,340
Shortfall rounded off as per Rule 119 A	1,04,300
Period for which interest is payable (1 <sup>st</sup> April 2023 to Jan 15,2024)	9 month 15 days
Period for which interest is payable (a part of the month is taken as 1 month)	10 Month
Rate of interest	1% per month
Amount of interest u/s 234B (1,04,300 *1%*10)	10,430

## INTEREST FOR DEFAULT IN PAYMENT OF INSTALMENT OF ADVANCE TAX 234 C

<b>Condition</b>	<b>Interest Calculation</b>
1. Advance tax paid is less than 12% of Tax due on returned income on or before 15th June.	On difference between 15% of Tax due on returned income and advance tax paid till 15th June will be considered
2. Advance tax paid is less than 36% of Tax due on returned income on or before 15th September.	On difference between 45% of Tax due on returned income and advance tax paid till 15 th September will be considered.
3. Advance tax paid is less than 75% of Tax due on returned income on or before 15 th December.	On difference between 75% of Tax due on returned income and advance tax paid till 15 th December will be considered.
4. Advance tax paid is less than 100% of Tax due on returned income on or before 15 th March.	On difference between 100% of Tax due on returned income and advance tax paid till 15 th March will be considered.

**Problem sum on 234 C**

**Illustration 8 :**

Mr. Karun (aged 65 years) declared an income of ₹ 12,60,000 in his return of income for the assessment year 2023-24. A sum of ₹ 12,400 has already been deducted at source on the income of Mr. Karun during the financial year 2022-23. He pays the following instalments of advance tax during the financial year 2022-23 :

	Amount (₹)
First Instalment : 15-06-2022	20,000
Second Instalment 15-09-2022	44,000
Third Instalment 15-12-2022	75,000
Fourth Instalment 15-03-2023	35,000

Compute interest payable by Mr. Karun u/s 234C.

Solution :

*Computation of Assessed Tax / Tax due as per  
Return of Income for the A.Y. 2023-24 (Opt Old Tax Regime)*

Particulars		Amount (₹)
Income declared in the return		12,60,000
<b>Tax on ₹ 12,60,000</b>		
On First ₹ 3,00,000	Nil	
Next (₹ 3,00,000 – ₹ 5,00,000) @ 5%	₹ 10,000	
Next (₹ 5,00,000 – ₹ 10,00,000) @ 20%	₹ 1,00,000	
On balance ₹(12,60,000 – 10,00,000) @ 30%	<u>₹ 78,000</u>	1,88,000
<i>Add:</i> Health and Education Cess @ 4%		<u>7,520</u>
Tax on ₹ 12,60,000		1,95,520
<i>Less:</i> Tax deducted at Source		<u>12,400</u>
Assessed Tax / tax due as per return of income		1,83,120*

*Computation of interest payable by Mr Karun for the Assessment Year 2021-22*

Due date upto which advance tax is payable	Advance tax required to be paid in order to avoid payment of interest u/s 234C	Advance tax paid upto Due Date	Interest Payable on	Amount of Interest u/s 234C
(₹)	(₹)	(₹)	(₹)	(₹)
15.06.2022	12% of ₹(1,95,520 – 12,400) i.e. 12% of ₹ 1,83,120 = ₹ 21,974	₹ 20,000	[15% × (₹ 1,95,520 – ₹ 12,400)] – ₹ 20,000 = ₹ 7,468 = ₹ 7,400 (rounded off)	₹ 7,400 × 1% × 3 months = ₹ 222
15.09.2022	36% of ₹ (1,95,520 – 12,400) i.e. 36% of ₹ 1,83,120 = ₹ 65,923	₹ 20,000 + ₹ 44,000 = ₹ 64,000	[45% × (₹ 1,95,520 – ₹ 12,400)] – ₹ 64,000 = ₹ 18,404 ₹ 18,400 (rounded off)	₹ 18,400 × 1% × 3 months = ₹ 552
15.12.2022	75% of ₹ (1,95,520 – 12,400) i.e. 75% of ₹ 1,83,120 = ₹ 1,37,340	₹ 64,000 + ₹ 75,000 = ₹ 1,39,000	Nil	Nil
15.03.2023	100% of ₹ (1,95,520 – 12,400) i.e. 100% of ₹ 1,83,120 = ₹ 1,83,120	₹ 1,39,000 + ₹ 35,000 = ₹ 1,74,000	[100% × [(₹ 1,95,520 – ₹ 12,400)] – ₹ 1,74,000] – ₹ 9,120 = ₹ 9,100 (rounded off)	₹ 9,100 × 1% = ₹ 91

∴ Interest payable u/s 234C = ₹ 222 + ₹ 552 + ₹ 91 = ₹ 865.

**Thank You**