

INTEREST

payable & receivable by

Taxpayer



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Income Tax Department

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Do you know?

The Income-tax Act requires that Income tax returns be filed in time, Advance tax and regular tax are paid correctly within the time prescribed. In case the assessee fails to do so, interest is chargeable under various provisions and there is no tax benefit on payment of such interest.

INTEREST PAYABLE BY THE TAXPAYER

(a) Interest for delay in furnishing return of income: (Sec 234A)

For delay in filing return of income after the due date specified, simple interest is payable by all taxpayers:

Amount on which interest is payable	Rate of interest
Tax on total Income – [Advance Tax + TCS/TDS Credit + MAT Credit]	1% per month or part of the month of delay in filing the Return of Income.

(b) Interest for defaults in payment of advance tax: (Sec 234B)

For non-payment or short payment (less than 90%) of overall advance tax; simple interest is payable by all taxpayers (except where estimated Advance tax is less than Rs. 10,000/- :

Amount on which chargeable	Rate of interest	Period for which chargeable
Assessed tax - [Advance tax+ self assessment tax + TDS/ TCS + Relief deducted + credit MAT]	1% per month or part of the month.	From 1st April of the A.Y. till date of determination of income (143(1)/ regular assessment/ reassessment/ re-computation).

(c) Interest for deferment of advance tax: (Sec 234C)

Are you paying advance tax instalments on time? Interest on non payment/short payment of advance tax instalments is payable as under :

(i) For taxpayers other than those who have opted for presumptive taxation:

Details	By 15th June (1st Instalment)	By 15th Sept. (2nd Instalment)	By 15th Dec. (3rd Instalment)	By 15th March (4th Instalment)
Amount on which interest is chargeable	15% of tax due on returned income - (Advance tax /TCS / TDS / relief deduction)	45% of tax due on returned income - (Advance tax /TCS / TDS / relief deduction)	75% of tax due on returned income - (Advance tax /TCS / TDS / relief deduction)	100% of tax due on returned income - (Advance tax /TCS / TDS / relief deduction)
Rate of interest	1% per month	1% per month	1% per month	1% per month
Period	3 months	3 months	3 months	1 month

- (ii) Taxpayers who have opted for presumptive taxation, interest u/s 234C will be charged @1% per month for 1 month on the shortfall between 100% of tax due minus advance tax paid by that date.

Resident senior citizens (age≥60 years) not having income from business or profession, are not liable to be charged interest u/s 234B and 234C as they are not liable to pay advance tax (Sec. 207).

(d) Interest on excess refund : (Sec 234D)

When excess refund is granted to the taxpayer, the taxpayer is liable to pay simple interest as under:

Amount on which chargeable	Rate of interest	Period for which chargeable
Refund granted u/s 143(1) minus refund determined under regular assessment	0.5 % per month	Month or part of a month from the date of refund to the date of regular assessment.

(e) Interest on delayed payment of tax: {Sec 220(2)}

For delay/ non-payment of assessed tax (as per demand notice), simple interest is payable as under:

Amount on which chargeable	Rate of interest	Period for which chargeable
Amount specified in demand notice issued u/s 156	1 % per month or a part of the month.	From the end of period mentioned in the notice of demand to the date of payment.

LEVY OF FEE IN CERTAIN CASES

(f) Fee for late filing of TDS/TCS returns: (Sec 234E)

Every deductor(TAN holder) is liable to pay late filing fee of Rs. 200/- per day for each day of delay in filing TDS quarterly statement after the due date (subject to the limit of tax deducted/collected at source).

(g) Fee for late filing of returns : (Sec 234F)

For failure to file return of income within the due date, late fee is leviable as under:

- (a) Rs. 5,000/-, if the return is furnished on or before 31 December of the assessment year;
- (b) Rs. 10,000/- in any other case:

Note: However if the total income is less than Rs. 5 lacs, the fee payable shall not exceed Rs.1,000/-.

INTEREST RECEIVABLE BY THE TAXPAYER (Sec. 244A)

Have you paid more tax than what is due?

Do not worry. You will get back your excess paid amount and you will earn interest too.

The quantum of excess payment of tax over actual tax due is called refund. If refund is more than or equal to 10% of tax determined, then interest is payable to the assessee. In addition, interest is also payable to deductor on a/c of excess payment of TDS/TCS into govt. a/c. These interest rates are as under:

Category	Rate of interest	Period for which interest is receivable
Refund of TDS/TCS/advance tax/taxes paid u/s 199.	0.5% per month or part of the month	From 1st April of the A.Y to the date of granting refund, (In case of late filing of return, from the date of furnishing of return to the date of granting refund).
Refund of self assessment taxes paid u/s 140A	0.5% per month or part of the month	From the date of furnishing of return or payment of taxes whichever is later to the date on which refund is granted.
Other cases	0.5% per month or part of the month	From the date of payment of tax/penalty to the date on which refund is granted.
Refund to deductor on a/c of excess payment of TDS/TCS to Govt. a/c	0.5% per month or part of the month	From the date on which claim for refund is made or tax is paid (where refund arises on a/c of giving effect from the order u/s 250/254/260) to the date on which refund is granted.

The assessee (or the representative assessee) needs to file return of income alongwith Form 30 within one year from the end of A.Y. for claiming refund.

Do's and Don'ts

- File your Return of Income in time. Otherwise you will be liable for payment of interest and late filing fee too.
- Avoid mismatch in tax credit status.
- Pay your advance tax correctly in time to avoid interest payment for delay.
- Pay your regular tax as per demand notice in time.
- Do not worry about excess payment of taxes. You will get back the excess amount with interest.
- File your claim for refund through your Income Tax return in time otherwise you will not receive interest for the period of delay attributable to you.

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This brochure should not be construed as an exhaustive statement of the law. For details - reference should always be made to the relevant provisions in the Act and the Rules.

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