

**PAPER -IV MINISTERIAL EXAM - MODEL PAPER**

Q.1 For the Financial Year 2015-16, Mr.X individual has filed return of income on 03.01.2017 admitting taxable income of Rs.16,55,000/-. He has paid the following instalment of advance tax.

15 <sup>th</sup> September 2015	Rs.25,000
16 <sup>th</sup> December 2015	Rs.75,000
11 <sup>th</sup> March 2016	Rs.25,000

Mr.X was entitled for tax credit of Rs.55,200/-. **Balance was paid at the time of filing return of income.** In the instant case, regular assessment was completed on 02.01.2018 determining the taxable income of Rs.30,50,000/-. Compute interest u/s.234A, 234B and 234C chargeable to Mr.X.

<b>Solution:</b>	Name of the assessee	: Mr.X	Financial Year	:2015-16
	Status	:Individual	Assessment Year	:2016-17
	Dt. Of filing R.O.I	:03.01.2017	Dt. Of completion of assessment order	:02.01.2018
	Returned Income by the assessee	:16,55,000	Assessed Income	:30,50,000
		Assessed Tax as per returned income (16,55,000)	Assessed tax as per total assessed income (30,50,000)	
	Tax applying slab rate (please see Annexure)	3,21,500	7,40,000	
Add:	Surcharge (if applicable)	<u>NIL</u>	<u>NIL</u>	
	Tax	3,21,500	7,40,000	
Add:	Education Cess @3%	<u>9,945</u>	<u>22,200</u>	
	<b>Gross Tax</b>	<b>3,31,445</b>	<b>7,62,200</b>	
Less	TDS & TCS (i.e Tax Credit)	<u>55,200</u>	<u>55,200</u>	
	<b>Assessed Tax</b>	<b>2,76,245</b>	<b>7,07,000</b>	

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<b><u>Computation of Interest u/s.234A:</u></b>	
<b>Hints:</b>	<p>1. Always remember, interest u/s.234A is chargeable for non-filing of return of income within the specified due date under the provision of section 139(1)/148/153A/153C as the case may be. In other words, it is chargeable for default filing of return of income.</p> <p>2. Interest u/s.234A is always chargeable on tax determined on (total assessed income plus surcharge if applicable plus education cess) <b>minus</b> TDS &amp; TCS <b>minus</b> Advance tax) @ 1% per month for no. of default months starting from end of specified due date to till date of filing return of income. In other word <b>total assessed tax on assessed total income minus Advance Tax.</b></p> <p>3. Part month of default will be considered as one completed month default.</p> <p>4. Fraction of assessed tax to be rounded to nearest of 100 multiples. For example Rs.147 will be considered as Rs.100/- and Rs.151 will be considered as Rs.200/-.</p>
	<p>In this case please go through the question and first determine whether the assessee is liable for audit or not.</p> <p>Accordingly, decide the due date of filing return of income.</p> <p>In the said question, the detail of audit is not given, thus the due date will be considered for non-auditable case which is 31.07.2016.</p> <p>Thus, the no. of default period for delay filing of return start from 01.08.2016 and end to : 01.08.2016 to 03.01.2017</p> <p>No. of total default month :6 month</p> <p>Tax Due :Rs.7,07,000* – Rs.1,25,000 (see Hints para 2) :Rs.5,82,000</p> <p><b>Interest u/s.234A</b> : Tax due X 1% p.m for No. of total default month :Rs.5,82,000 X 6% = <b>Rs.34,920/-</b></p>
	*Please see computation of assessed tax as given above i.e Gross tax minus TDS & TCS.

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<b><u>Computation of Interest u/s.234B:</u></b>	
<b>Hints:</b>	<ol style="list-style-type: none"><li>1. Always remember, interest u/s.234B is chargeable for non-payment of Advance tax during the previous year. In other words, if an assessee whose liability is more than 10,000/- are liable to pay advance tax during the financial year in which they are earning income. Any default on account of shortfall payment of advance tax lesser than 10,000 or less than 90% of the assessed tax as the case may be are liable to pay <b>simple interest u/s.234B @1% p.m.</b></li><li>2. Interest u/s.234B is always chargeable on tax determined on (total assessed income plus surcharge if applicable plus education cess) <b>minus</b> TDS &amp; TCS <b>minus</b> Advance tax) @ 1% per month for no. of default months starting from 1<sup>st</sup> day of the assessment year (i.e following year of the previous year) to till date of completion of assessment.  Tax due for chargeability of interest u/s.234B = Assessed tax on total assessed income <b>minus</b> Advance Tax.</li><li>3. If an assessee has paid any self -assessment tax u/s.140A of I.T Act, the interest u/s.234B is chargeable in two steps.</li><li>4. First step, the interest u/s.234B will be computed from 1<sup>st</sup> day of the assessment year to till date of the payment of Self Assessment Tax.</li><li>5. Second step: The interest determined u/s.234A, 234C and 234B (first step) as on date of payment of SAT will be adjusted against the self assessment tax. Any excess self assessment tax over the interest computed will be given credit against the tax due and the outstanding tax determined after giving SAT credit will be taken for chargeability of interest u/s.234B for the default period starting from the following month in which self assessment tax was paid to the month in which assessment was completed.</li><li>6. Part month of default will be considered as one completed month.</li><li>7. Fraction of assessed tax to be rounded to nearest of 100 multiples. For example Rs.147 will be considered as Rs.100/- and Rs.151 will be considered as Rs.200/-.</li></ol>

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	<p><b><u>Computation interest u/s.234B</u></b></p> <p><b><u>1<sup>st</sup> step:</u></b></p> <p>Default period = From 01.04.2016 to 03.01.2017 =10 months</p> <p>Interest = Tax on assessed total income minus prepaid tax X 10% =(Rs.7,62,200 – Rs.55,200 – Rs.1,25,000) X 10/100 =Rs.5,82,000 X 10/100 = <b>Rs.58,200</b></p>
	<p><b><u>2<sup>nd</sup> Step</u></b></p> <p>Tax payable = Tax on total assessed income – (SAT- (234A +234B +234C)) =5,82,000 – (1,82,920 – (34,920 +58,200 +7,482)) =5,82,000-82,318 =4,99,682 rounded to nearest multiple of 100 which will be 4,99,700</p> <p>Interest u/s.234B for balance tax payable of Rs.4,99,700 for the period 01.02.2017 to 02.01.2018 i.e date of completion of assessment = Rs.4,99,700 X 12/100 <b>=Rs.59,964</b></p> <p><b>Total Interest u/s.234B</b> = 1<sup>st</sup> step + 2<sup>nd</sup> step =Rs.58,200 + Rs.59,964 <b>=Rs.1,18,164</b></p>
	<p><b><u>Computation of Interest u/s.234C:</u></b></p>
<b>Hints:</b>	<ol style="list-style-type: none"><li>1. Always remember, interest u/s.234C is chargeable for non-payment of instalment of Advance tax within the specified due date during the previous year. In other words, if an assessee whose assessed tax liability is more than 10,000/- are liable to pay instalment of advance tax during the financial year in which they are earning income. Any default on account of shortfall payment/non-payment of advance tax instalment of <b>assessed tax</b> is chargeable as penal interest <b>u/s.234C @1% p.m.</b></li><li>2. It means interest u/s.234C is always chargeable on tax determined on (returned total income plus surcharge if applicable plus education cess) <b>minus</b> TDS &amp;TCS ) @ 1% per month for no. of default months starting from the following date of the specified due date for payment of</li></ol>

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instalment of advance tax to next due date of payment of instalment of advance tax.

3. The tax on total returned income minus TDS & TCS is called **Assessed Tax**

4. The due date for payment of instalment of advance tax are as under:

**a. Upto A.Y:2016-17 (Non Corporate assessee)**

Particulars	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter
Due date	15 <sup>th</sup> September	15 <sup>th</sup> December	15 <sup>th</sup> March
Instalment due	30% of Assessed Tax on returned income	60% of Assessed tax on returned income	100% of Assessed tax on returned income
Interest	3% of short payment of instalment of AT	3% of short payment of instalment of AT	1% of short payment of instalment of AT

**b. Upto A.Y:2016-17 (Corporate assessee)**

Particulars	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Due date	15 <sup>th</sup> June	15 <sup>th</sup> September	15 <sup>th</sup> December	15 <sup>th</sup> March
Instalment due	15% of the Assessed Tax on returned income**	45% of the Assessed Tax on returned income	75% of the Assessed Tax on returned income	100% of the Assessed Tax on returned income
Interest	3% of short payment of instalment of AT	3% of short payment of instalment of AT	3% of short payment of instalment of AT	1% of short payment of instalment of AT

**\*\*If any corporate assessee who paid more than 12% of the Assessed tax for 1<sup>st</sup>quarter, no interest u/s.234C is charged for 1<sup>st</sup> quarter default**

**c. From A.Y:2017-18 onwards (Corporate assessee)**

Particulars	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Due date	15 <sup>th</sup> June	15 <sup>th</sup> September	15 <sup>th</sup> December	15 <sup>th</sup> March
Instalment due	15% of the Assessed Tax on	45% of the Assessed Tax on	75% of the Assessed Tax on	100% of the Assessed Tax on returned

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	returned income@	returned income@@	returned income	income
Interest	3% of short payment of instalment of AT@	3% of short payment of instalment of AT@@	3% of short payment of instalment of AT	1% of short payment of instalment of AT
<b>d. From A.Y:2017-18 onwards ( Non-Corporate assessee)</b>				
Particulars	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Due date	15 <sup>th</sup> June	15 <sup>th</sup> September	15 <sup>th</sup> December	15 <sup>th</sup> March
Instalment due	15% of the Assessed Tax on returned income**	45% of the Assessed Tax on returned income	75% of the Assessed Tax on returned income	100% of the Assessed Tax on returned income
Interest	3% of short payment of instalment of AT@	3% of short payment of instalment of AT@@	3% of short payment of instalment of AT	1% of short payment of instalment of AT
<p><b>@ From A.Y:2017-18 onward, if any assessee whether corporate or non-corporate who paid more than 12% of the Assessed tax for 1<sup>st</sup> quarter, no interest u/s.234C is charged for 1<sup>st</sup> quarter default.</b></p> <p><b>@@ From A.Y:2017-18 onward, if any assessee whether corporate or non-corporate who paid more than 36% of the Assessed tax for 2<sup>nd</sup> quarter, no interest u/s.234C is charged for 2<sup>nd</sup>quarter default</b></p> <p>5. Fraction of shortfall in instalment of advance tax to be rounded to nearest of 100 multiples. For example Rs.147 will be considered as Rs.100/- and Rs.151 will be considered as Rs.200/-.</p>				
<p><b><u>Now computation of interest u/s.234C:</u></b>  <b><u>Assessed Tax on returned income =2,76,245 (please see computation given above).</u></b></p>				
Particulars	1 <sup>st</sup> quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	Total
Due date	15 <sup>th</sup> Sept.	15 <sup>th</sup> Dec.	15 <sup>th</sup> March	
Instalment	30% of	60% of	100% of	

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	Assessed Tax	Assessed Tax	Assessed Tax	
Instalment Due	82,900	1,66,100	2,76,200*	2,76,245
Payment of Advance Tax	25,000	25,000	1,25,000	1,25,000
Shortfall payment in installment	57,900	1,41,100	1,51,200	1,51,200
Interest	3% of 57,900	3% of 1,41,100	1% of 1,51,200	
	1,737	4,233	1,512	7,482
*For the purpose of computing interest u/s.234C, the nearest multiple of 100 of Rs.2,76,245/- is Rs.2,76,200/-.				

**Total interest payable u/s. 234A : Rs.34,920**

**Total interest payable u/s.234B :Rs.1,18,164**

**Total interest payable u/s.234C :Rs. 7,482**

**Note: Balance Tax was paid at the time of filing return of income means the self assessment tax was paid. Please see below.**

Suppose, you are an assessee and you are going to file your return of income. What is your duty for computing of your tax liability. Definitely, you compute your tax liability as per your total income. Then, you must have to pay interest u/s.234A, 234B and 234C as on date of filing return of income on your tax liability determined by you. In other words the tax on returned income less prepaid taxes if any paid plus interest u/s.234A, 234B and 234C as on filing return of income has to be paid as Self Assessment Tax(SAT).

**Computation of Self Assessment Tax (SAT).**

Total Tax payable on returned income including surcharge & Ed. Cess	: Rs.3,31,445
Less: TDS & TCS	:Rs. 55,200
Advance Tax	<u>:Rs.1,25,000</u>
	<u>:Rs.1,80,200</u>
	:Rs.1,51,245

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Add: Interest u/s.234A as per returned income*	:Rs. 9,075	
Interest u/s.234B as per returned income**	:Rs.15,120	
Interest u/s.234C as computed	<u>:Rs.7,482</u>	<u>:Rs. 31,677</u>
Total Tax payable as <b>SAT</b> on returned income		:Rs.1,82,922
Rounded to		<b><u>:Rs.1,82,920</u></b>

\*234A for the period 01.08.2016 to 03.01.2017 for 6 months on tax on returned income minus prepaid taxes

$$=(Rs.3,31,445 - Rs.55,200 - Rs.1,25,000) \times 6/100$$

$$=Rs.Rs.1,51,200 \times 6/100 = Rs.9,075$$

\*\* 234B for the period 01.04.2016 to 03.01.2017 for 10 months on tax on returned income minus prepaid taxes

$$=(Rs.3,31,445 - Rs.55,200 - Rs.1,25,000) \times 10/100$$

$$=Rs.Rs.1,51,200 \times 10/100 = Rs.15,120$$

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**Annexure-1 (Computation of tax on total income and total assessed income)**

Slab rate for Individual Men for the A.Y:2016-17	Rate	Tax on returned income (16,55,000)	Tax on Assessed income (30,50,000)
Upto 2,50,000	NIL	0	0
2,50,000 to 5,00,000	10%	25,000	25,000
5,00,000 to 10,00,000	20%	1,00,000	1,00,000
10,00,000 above	30%	1,96,500*	6,15,000**
<b>Total</b>		<b>3,21,500</b>	<b>7,40,000</b>

$$*(Rs.16,55,000 - Rs.10,00,000) \times 30/100 = Rs.1,96,000$$

$$**(Rs.30,50,000 - Rs.10,00,000) \times 30/100 = Rs.6,15,000$$

**Note:**

1. Assessee whose total income/total assessed income does not exceed Rs.5,00,000/- is eligible to claim Relief u/s.87A amounting to Rs.2,000/- or tax on total income/total assessed income whichever is less for the A.Y:2016-17.
2. The rebate in the question which we are solving, the rebate is **not available** to Mr.X as his total assessed income is Rs.30,50,000/- which exceeds the specified limit of Rs.5,00,000/- for claiming of rebate.

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