

CONCEPT OF UPDATED RETURN (FINANCE ACT, 2022)

♦ ANALYSIS OF AMENDMENTS BY FINANCE ACT, 2022 ♦

1. **Who can submit updated return** - Updated return can be submitted by any person whether (or not) he has furnished a return under section 139(1)/(4)/(5) for an assessment year.
2. **Time-limit** - Updated return under section 139(8A) can be submitted at any time **within 24 months from the end of the relevant assessment year**. For instance, updated return for the assessment year 2022-23 can be submitted on or before March 31, 2025.

KEY NOTES:

- (i) **If a person has sustained a loss for any previous year and he has already submitted return of loss for that year within under section 139(1)/ (4)/ (5), he can furnish an updated return for that year under section 139(8A) where such return is a return of income.**
 - (ii) **If as a result of submitting updated return under section 139(8A), the quantum of carried forward loss (or unabsorbed depreciation or MAT/AMT credit) is to be reduced for any subsequent year, then an updated return shall be furnished for each such subsequent year.**
3. **When updated return cannot be submitted** - In the following cases updated return cannot be submitted-
 - (A) If updated return is a return of a loss.
 - (B) If updated return has the effect of decreasing the total tax liability determined on the basis of return furnished under section 139(1)/(4)/(5) or results in refund or increases the refund due on the basis of return furnished under 139(1)/(4)/(5), of such person for the relevant assessment year.
 - (C) **A person shall not be eligible to furnish an updated return, if -**
 - search has been initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A in the case of such person, or

- a survey has been conducted under section 133A [other than TDS survey] in the case of such person, or
- a notice has been issued to the effect that any money, bullion, jewellery or valuable article or thing, seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person. or
- a notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person.

This provision is for the assessment year relevant to the previous year in which such search is initiated, or survey is conducted or requisition is made and any assessment year preceding such assessment year. For instance, if search is initiated on May 25, 2025, then belated return cannot be submitted for the assessment year 2026-27 or any preceding assessment year.

(D) **No updated return shall be furnished by any person for the relevant assessment year, where, -**

- an **updated return has been furnished by him** under section 139(8A) for the relevant assessment year, or
- any proceeding for assessment/reassessment/recalculation/revision of income **is pending or has been completed** for the relevant assessment year **in his case**, or
- the Assessing Officer has information in respect of such person for the relevant assessment year in his possession under the Prevention of Money Laundering Act, 2002 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or the Prohibition of Benami Property Transactions Act, 1988 or The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and **the same has been communicated to him, prior to the date of his filing of return under section 139(8A)**, or
- **information for the relevant assessment has been received under an agreement referred to in section 90 or 90A** in respect of such person and the same has been communicated to him, **prior to the date of his filing of return under section 139(8A)**, or
- **any prosecution proceedings under Chapter XXII** have been initiated for the relevant assessment year in respect of such person, **prior to the date of his filing of return under section 139(8A)**, or
- he is a person or belongs to a class of persons, as may be notified by the Board in this regard.

4. **Updated return to be accompanied by proof of payment of tax and additional income-tax** - Updated return cannot be submitted unless it is accompanied by proof of payment of tax as required by section 140B (i.e., tax and additional income-tax). If submitted, then it will be treated as defective return.

5. **How to calculate tax on updated return [Section 140B]** - Mode of computation of tax (including additional tax) is given by section 140B as follows-

(A) **Where assessee has not furnished return earlier - Where no return of income under section 139(1)/(4) has been furnished by an assessee**, he shall before furnishing updated return under section 139(8A) is liable to pay the **tax due together with interest and fee payable** under any provision of the Act for any delay in furnishing the return or any default or delay in payment of advance tax, **along with the payment of additional tax**. The tax payable shall be computed after considering the following -

- the amount of advance tax (already paid);
- any TDS/TCS;
- any relief of tax claimed under section 89/90/90A/91;
- any AMT credit/MAT credit under section 115JAA/115JD.

Such updated return shall also be accompanied by proof of payment of such tax, additional tax, interest and fee under section 234F.

(B) **Where assessee has furnished return earlier - If an assessee has furnished return under section 139(1)/(4)/ (5)** (referred to as earlier return), he (before submitting updated return) is liable to pay the **tax due together with interest** payable under any provision of the Act for any default or delay in payment of advance tax, **along with the payment of additional tax**, as reduced by the amount of interest paid in the earlier return. The tax payable shall be computed after considering the following-

- the amount of relief or tax, referred to in section 140A(1), credit for which has been taken in the earlier return;
- **TDS/TCS** on any income which is subject to such deduction or collection, and which is taken into account in computing total income and which has **not been claimed in the earlier return**;
- **any relief of tax or deduction of tax** claimed under section 90/90A/91 **which has not been claimed in the earlier return**;
- **any MAT/AMT credit claimed**, to be set off which **has not been claimed in the earlier return**.

The aforesaid tax shall be increased by the amount of refund, if any, issued in respect of earlier return.

The updated return shall be accompanied by proof of payment of such tax, additional tax, interest and fee.

6. **Computation of additional tax** - The additional tax payable at the time of furnishing updated return shall be calculated as follows-

If updated return is furnished after expiry of time available under section 139(4)/ (5) but before completion of 12 months from the end of the relevant assessment year	25 per cent of aggregate of tax (+ SC + HEC) and interest as computed above
If updated return is furnished after the expiry of 12 months but before completion of 24 months from the end of the relevant assessment year	50 per cent of aggregate of tax (+ SC + HEC) and interest as computed above

7. How to calculate interest under section 234B where an earlier return is furnished - Where an earlier return has been furnished, interest payable under section 234B shall be computed on an amount equal to the assessed tax (or on the amount by which the advance tax paid falls short of the assessed tax). For this purpose, "assessed tax" means the tax on the total income as declared in updated return after considering the following-

- the amount of relief or tax, referred to in section 140A(1), the credit for which has been taken in the earlier return;
- **TDS/TCS** on any income declared in updated return and which **has not been claimed in the earlier return**;
- any **relief/deduction** under section 90/90A/91 which **has not been claimed in the earlier return**;
- any **AMT/MAT** credit under section 115JAA/115JD, **which has not been claimed in the earlier return**.
- **The aforesaid tax shall be increased by the amount of refund, if any, issued in respect of such earlier return.**

KEY NOTES:

- (i) If no earlier return is furnished, interest payable under section 234A shall be calculated on the basis of tax on total income as declared in the updated return.
- (ii) If earlier return is furnished, interest payable under section 234C shall be computed after considering the total income furnished in the updated return as the returned income.
- (iii) For the purpose of additional tax, interest payable shall be interest chargeable under any provision of the Act on the income as per updated return, as reduced by interest paid in earlier return. However, the interest paid in the earlier return shall be considered to be nil if no earlier return has been furnished.

8. The following amendments have been made to the scheme of section 234A with effect from April 1, 2022-

- (A) An assessee shall be liable to pay simple interest for furnishing after due date or not **furnishing an up-dated return under section 139(8A) in addition to return under sub-section (1) or sub-section (4) of section 139**.
- (B) Under Explanation 2 to section 234A(1), "**tax on total income as determined under sub-section (1) of section 143**" shall not include the additional income-tax, if any, payable under section 140B or section 143.
- (C) Under the aforesaid Explanation, "**tax on total income determined under such regular assessment shall not include the additional income-tax payable under section 140B**.

9. Amendment to section 234B

The following amendments have been made to the scheme of section 234B with effect from April 1, 2022-

- (A) Under Explanation 1 and sub-section (3), "tax on total income as determined under sub-section (1) of section 143" shall not include the additional income-tax, if any, payable under section 140B or section 143.
- (B) For the aforesaid purpose, "tax on total income determined under such regular assessment" shall not include the additional income-tax payable under section 140B.

SECTION 153(1A): TIME-LIMIT FOR COMPLETING ASSESSMENT

Notwithstanding anything contained in sub-section (1), where a return under sub-section (8A) of section 139 is furnished, an order of assessment under section 143 or section 144 may be made at any time before the expiry of **nine months from the end of the financial year in which such return was furnished**.

Assessment in case of updated return [Section 144]

An updated return shall be prepared in the same manner as the return of income (original or belated or revised) by considering aggregate income under various heads, subject to tax effects to all the provisions of the Act need to be given in computing or determining income (aggregate) including income taxable under different heads. Further, it shall be processed, for adjustment or assessment, in the same manner like returns filed under other sub-sections of section 139.

The Finance Act, 2022 has made an amendment to Section 144 to provide that if a person fails to file the return of income and he has not filed a revised/belated/updated return, then it can result in the best judgment assessment in his case.

To provide the time limit for completion of assessment in case of the updated return, the Finance Act, 2022 has inserted a new sub-section (1A) under section 153 to provide that the assessment order under section 143 or section 144 can be made at any time before the expiry of 9 months from the end of the financial year in which updated return is furnished.

Illustration 1:

Mr. A filed the original return of income for the assessment year 2021-22, resulting in refund of Rs. 8,200. Determine his eligibility to file an updated return for such year in the following situations:

Description	Income declared in original return	Updated Return			
		Case 1	Case 2	Case 3	Case 4
Income from Business Profession	2,00,000	4,00,000	2,00,000	-	10,00,000
Income from House Property	3,00,000	3,00,000	4,00,000	2,00,000	3,00,000
Income from Short-term Capital Gains (Other than section 111A)	4,00,000	4,00,000	6,00,000	-	1,00,000
Income from Other Sources	5,00,000	5,00,000	5,00,000	-	5,00,000

Gross Total Income	14,00,000	16,00,000	17,00,000	2,00,000	19,00,000
Less: Deductions under Section 80C	-	1,50,000	1,50,000	-	1,50,000
Taxable Income	14,00,000	14,50,000	15,50,000	2,00,000	17,50,000
Tax on Total Income	2,32,500	2,47,500	2,77,500	-	3,37,500
Add: Education Cess	9,300	9,900	11,100	-	13,500
Tax Liability	2,41,800	2,57,400	2,88,600	-	3,51,000
Less: Prepaid Taxes	2,50,000	2,75,000	2,75,000	-	2,75,000
Tax Payable/(Refund Due)	(8,200)	(17,600)	13,600	-	76,000
Add: Refund Already Granted	-	8,200	8,200	8,200	8,200
Tax Payable/(Refundable) under Section 140B	-	(9,400)	21,800	8,200	84,200
Eligibility to file Updated Return		Not eligible	Eligible	Eligible	Eligible
Remarks	-	Increase in refund	Increase in tax liability	Increase in tax liability	Increase in tax liability

Illustration 2:

Mr. A sold his flat for Rs. 40 lakh (stamp duty value Rs. 35 Lakh) on 10-02-2021. He had purchased this flat in Rs. 25 lakh on 01-04-2019. He did not file his return of income for the previous in which such flat was sold, i.e., previous year 2020-21 (assessment year 2021-22). The sub-registrar reported the details of such transactions in SFT. Before the income-tax department issues the notice, he wants to file an updated return for the assessment year 2021-22. How much tax, interest, fee and additional income tax, he would be liable to pay on the filing of an updated return. Assume the following:

- (a) he did not have any other income for the relevant assessment year;
- (b) the due date of filing of original return was 31-07-2021; and
- (c) the updated return is filed on 31-05-2022.

He can file an updated return for Assessment Year 2021-22. As he had not filed the return for the assessment year 2021-22 earlier, the tax on the updated return shall be computed as under:

Computation of Income	
Short-term capital gain from sale of flat (Rs. 40,00,000 - Rs. 25,00,000)	15,00,000
Total Income	15,00,000

Computation of Tax	
Tax on total income reported in the updated return	2,62,500
Less: Rebate under section 87A	-
Tax after rebate	2,62,500
Add: Surcharge	-
Tax after surcharge	2,62,500
Add: Health and Education Cess	10,500
Gross tax liability before deferment of tax on ESOP	2,73,000
Less: Tax deferred on perquisite value of ESOPs issued by eligible start-ups	-
Gross tax liability	2,73,000
Less: MAT Credit or AMT Credit	-
Less: Relief under Section 89	-
Less: Foreign tax credit under Section 90, 90A or 91	-
Net tax liability	2,73,000
Less: Prepaid Taxes	-
Tax payable on self-assessment under Section 140B	2,73,000
Add: Interest under	
(a) Section 234A [See Working Note 1]	27,300
(b) Section 234B [See Working Note 2]	38,220
(c) Section 234C [See Working Note 3]	2,730
Add: Fees for late filing of return under section 234F	5,000
Aggregate tax liability	3,46,250
Add: Additional Income-tax [See Working Note 4]	85,313
Total tax payable on self-assessment under Section 140B	4,31,563

Working Note 1: Computation of interest under Section 234A

The interest under section 234A shall be calculated from the due date of filing of the original return (31-07-2022) till the date of furnishing of the updated return (31-05-2022), i.e., 10 months. The interest shall be computed at the rate of 1% per month on the amount of tax payable under Section 140B, i.e., Rs. 2,73,000. Thus, the amount of interest under section 234A shall be Rs. 27,300 (Rs. 2,73,000 * 1% * 10 months).

Working Note 2: Computation of interest under section 234B

The interest under section 234B shall be calculated from April 1 of the relevant assessment year till the date of payment of self-assessment tax under section 140B. Assuming the assessee had paid the self-assessment tax on the date of the filing of updated return, i.e., 31-05-2022, the interest under section shall be computed for 14 months (01-04-2021 to 31-05-2022). The interest shall be computed at the rate 1% per month on the amount of tax payable under section 140B, i.e., Rs. 2,73,000. Thus, the

amount of interest under section 234B shall be Rs. 38,220 (Rs. 2,73,000 * 1% * 14 months).

Working Note 3: Computation of interest under section 234C

For the purpose of determining the amount of advance tax instalment, the capital gain forms part of the estimated income from the date of accrual of such capital gain. As the capital gains accrue to the assessee in the last quarter of the financial year 2020-21, the interest under Section 234C shall be levied at the rate of 1%. As no advance tax is paid by the assessee, the interest shall be charged on the tax payable under section 140B, i.e., 2,73,000. Thus, the amount of interest under section 234C shall be Rs. 2,730.

Working Note 4: Computation of additional tax

The additional tax is payable by the assessee on the amount of tax and interest payable under Section 140B. The amount of additional tax shall be 25% of tax and interest as the updated return is filed within 12 months from the end of the relevant assessment year. Hence, the amount of additional tax shall be Rs. 85,313 [25% of (2,73,000 + 27,300 + 38,220 + 2,730)].

Illustration 3:

If in the above Illustration 2, Mr. A is a salaried person who has already filed his return of income on 30-07-2021, declaring an income of Rs. 10,00,000 chargeable under the head of salary. His employer deducted TDS of Rs. 1,17,000 on his salary income, and the same was claimed by him while filing the return. Compute the amount of tax, interest, fee and additional income tax that he would be liable to pay at the time of filing of updated return in such a situation.

The tax computation for original return vis-à-vis updated return shall be as under:

Particulars	Original Return	Updated Return
Salary income	10,00,000	10,00,000
Short-term capital gain from the sale of flat (Rs. 40,00,000 - Rs. 25,00,000)	-	15,00,000
Total Income	10,00,000	25,00,000
Tax on total Income reported in the updated return	1,12,500	5,62,500
Less: Rebate under section 87A		
Tax after rebate	1,12,500	5,62,500
Add: Surcharge	-	-
Tax after surcharge	1,12,500	5,62,500
Add: Health and Education Cess	4,500	22,500
Gross tax liability	1,17,000	5,85,000
Less: AMT Credit or Relief	-	-
Net tax liability	1,17,000	5,85,000
Less: TDS (claimed in original return or to be claimed in	1,17,000	1,17,000

updated return)		
Tax payable on self-assessment under Section 140B	-	4,68,000
Add: Interest under		
(a) Section 234A [See Working Note 1]	-	-
(b) Section 234B [See Working Note 2]	-	65,520
(c) Section 234C [See Working Note 3]	-	4,680
Add: Fees for late filing of return under section 234F	-	-
Aggregate tax liability	-	5,38,200
Add: Additional Income-tax [See Working Note 4]	-	1,34,550
Total tax payable on self-assessment under Section 140B	-	6,72,750

Working Note 1: Computation of interest under section 234A

No interest under section 234A shall be charged as the assessee has already filed an earlier return.

Working Note 2: Computation of interest under section 234B

The interest under section 234B shall be calculated from the April 1 of the relevant assessment year till the date of payment of self-assessment tax under section 140B. Assuming the assessee had paid the self-assessment tax on the date of the filing of updated return, i.e., 31-05-2022, the interest under section shall be computed for 14 months (01-04-2021 to 31-05-2022). The interest shall be computed at the rate 1% per month on the amount of tax payable under section 140B, i.e., Rs. 4,68,000. Thus, the amount of interest under section 234B shall be Rs. 65,520 (Rs. 4,68,000 * 1% * 14 months).

Working Note 3: Computation of interest under section 234C

The interest under section 234C shall be computed as follows:

Particulars	Q1 (01/04/2020 to 15/06/2020)	Q2 (16/06/2020 to 15/09/2020)	Q3 (16/09/2020 to 15/12/2020)	Q4 (16/03/2021 to 31/03/2021)
Salary Income	10,00,000	10,00,000	10,00,000	10,00,000
Capital Gain	-	-	-	15,00,000
Returned Income	10,00,000	10,00,000	10,00,000	25,00,000
Tax on returned Income	1,17,000	1,17,000	1,17,000	5,85000
Less: TDS	1,17,000	1,17,000	1,17,000	1,17,000
Tax	-	-	-	4,68,000

Payable (A)				
Advance Tax Paid (B)	-	-	-	-
Shortfall in payment of Advance Tax (A-B)	-	-	-	4,68,000
Period of Interest	3 months	3 months	3 months	1 month
Interest at the rate of 1% per month	-	-	-	4,680

Working Note 4: Computation of additional tax

The additional tax is payable by the assessee on the amount of tax and interest payable under section 140B. The amount of additional tax in the given example shall be 25% of tax and interest as the updated return is filed within 12 months from the end of the relevant assessment year. Hence, the amount of additional tax shall be Rs. 1,34,550 [25% of 5,38,200].

Illustration 4:

If in the above Illustration 3, besides salary income, Mr. A also reported rental income of Rs. 1,20,000 in the original return and tax due thereon was deposited (with interest) by way of self-assessment tax under section 140A on the date of filing of the original return, i.e., 30-07-2021. Compute the amount of tax, interest, fee and additional income tax that he would be liable to pay at the time of filing of updated return in such a situation.

The tax computation for original return vis-à-vis updated return shall be as under:

Particulars	Original Return	Updated Return
Salary income	10,00,000	10,00,000
Rental income	1,20,000	1,20,000
Short-term capital gain from the sale of flat (Rs. 40,00,000 - Rs. 25,00,000)	-	15,00,000
Total Income	11,20,000	26,20,000
Tax on total Income reported in the return	1,48,500	5,98,500
Less: Rebate under section 87A	-	-
Tax after rebate	1,48,500	5,98,500
Add: Surcharge	-	-
Tax after surcharge	1,48,500	5,98,500

Add: Health and Education Cess	5,940	23,940
Gross tax liability	1,54,440	5,85,000
Less: AMT Credit or Relief	-	-
Net tax liability	1,54,440	6,22,440
Less: TDS (claimed in original return or to be claimed in updated return)	1,17,000	1,17,000
Less: Self-assessment tax paid under section 140A	-	37,440
Self-assessment tax under Section 140A or 140B	37,440	4,68,000
Add: Interest under		
(a) Section 234A [See Working Note 1]	-	-
(b) Section 234B [See Working Note 2]	1,496	65,520
(c) Section 234C [See Working Note 3]	1,886	4,680
Add: Fees for late filing of return under section 234F	-	-
Aggregate tax liability	40,822	5,38,200
Add: Additional Income-tax [See Working Note 4]	-	1,34,550
Total tax payable on self-assessment under section 140A or section 140B	40,822	6,72,750

Working Note 1: Computation of interest under section 234A

No interest under section 234A shall be charged as the assessee has already filed an earlier return.

Working Note 2: Computation of interest under section 234B

1. Interest under section 234B at the time of filing of original return

The interest shall be computed from the April 1 of the relevant assessment year till the date of payment of self-assessment tax under section 140A, i.e., 4 months. The interest shall be computed on the amount of net tax liability less prepaid taxes, i.e., Rs. 37,440 (rounded off to Rs. 37,400). Thus, the amount of interest shall be Rs. 1,496 ($37,400 * 4\%$).

2. Interest under section 234B at the time of filing of updated return

The interest shall be calculated in two parts:

- (a) From the April 1 of the relevant assessment year till the date of payment of self-assessment tax under section 140A
Interest shall be computed for 4 months (i.e., 01-04-2021 to 30-07-2021) on the amount of net tax liability less prepaid taxes, i.e., Rs. 5,05,440 (Rs. 6,22,440 - Rs. 1,17,000), rounded off to Rs. 5,05,400. Thus, the interest shall be Rs. 20,216 ($Rs. 5,05,400 * 4\%$)
- (b) From 1st day of the month following the month in which tax under section 140A is paid till the date of payment of self-assessment tax under section 140B

Assuming the assessee had paid the self-assessment tax under section 140B on the date of the filing of updated return, i.e., 31-05-2022, the interest under section shall be computed for 10 months (01-08-2021 to 31-05-2022). The interest shall be computed at the rate 1% per month on the amount of tax payable under section 140B, i.e., Rs. 4,68,000 (Rs. 5,05,440 less Rs. 37,440). Thus, the amount of interest shall be Rs. 46,800 (Rs. 4,68,000 * 1% * 10 months). The amount of interest computed Rs. 67,016 (Rs. 20,216 + Rs. 46,800) shall be reduced by the amount of interest paid at the time of filing of earlier return (Rs. 1,496). Thus, the net interest liability under section 234B shall be Rs. 65,520 (Rs. 67,016 - Rs. 1,496).

Working Note 3: Computation of interest under section 234C

1. Interest under section 234C at the time of filing of original return

The interest shall be computed as follows:

Particulars	Q1 (01/04/2020 to 15/06/2020)	Q2 (16/06/2020 to 15/09/2020)	Q3 (16/09/2020 to 15/12/2020)	Q4 (16/03/2021 to 31/03/2021)
Salary Income	10,00,000	10,00,000	10,00,000	10,00,000
Rental Income	1,20,000	1,20,000	1,20,000	1,20,000
Returned Income	11,20,000	11,20,000	11,20,000	11,20,000
Tax on returned Income	1,54,440	1,54,440	1,54,440	1,54,440
Less: TDS	1,17,000	1,17,000	1,17,000	1,17,000
Tax Payable (A)	37,440	37,440	37,440	37,440
Advance Tax Instalment Payable (in %)	15%	45%	75%	100%
Advance Tax Instalment Payable (in amount)	5,616	16,848	28,080	37,440
Advance Tax Paid (B)	-	-	-	-
Shortfall in payment of Advance Tax (A-B) (rounded)	5,600	16,800	28,000	37,400

off)				
Period of Interest	3 months	3 months	3 months	1 month
Interest at the rate of 1% per month	168	504	840	374
Total Interest under section 234C	1,886			

2. Interest under section 234C at the time of filing of updated return

The interest shall be computed as follows:

Particulars	Q1 (01/04/2020 to 15/06/2020)	Q2 (16/06/2020 to 15/09/2020)	Q3 (16/09/2020 to 15/12/2020)	Q4 (16/03/2021 to 31/03/2021)
Salary Income	10,00,000	10,00,000	10,00,000	10,00,000
Rental Income	1,20,000	1,20,000	1,20,000	1,20,000
Capital Gain	-	-	-	15,00,000
Returned Income	11,20,000	11,20,000	11,20,000	26,20,000
Tax on returned Income	1,54,440	1,54,440	1,54,440	6,22,440
Less: TDS	1,17,000	1,17,000	1,17,000	1,17,000
Tax Payable (A)	37,440	37,440	37,440	5,05,440
Advance Tax Instalment Payable (in %)	15%	45%	75%	100%
Advance Tax Instalment Payable (in amount)	5,616	16,848	28,080	5,05,440
Advance	-	-	-	-

Tax Paid (B)				
Shortfall in payment of Advance Tax (A-B) (rounded off)	5,600	16,800	28,000	5,05,400
Period of Interest	3 months	3 months	3 months	1 month
Interest at the rate of 1% per month	168	504	840	5,054
Total Amount of Interest	6,566			

The amount of interest computed shall be reduced by the amount of interest paid at the time of filing of the original return. Thus, the net interest liability under section 234C shall be Rs. 4,680 (Rs. 6,566 - Rs. 1,886)

Working Note 4: Computation of additional tax

The additional tax is payable by the assessee on the amount of tax and interest payable under section 140B. The amount of additional tax in the given example shall be 25% of tax and interest as the updated return is filed within 12 months from the end of the relevant assessment year. Hence, the amount of additional tax shall be Rs. 1,34,550 [25% of 5,38,200].