

MANDATORY & PENAL INTEREST UNDER SECTIONS 234A, 234B & 234C

SECTION 234A(1)	SECTION 234B(1)	SECTION 234C
INTEREST FOR DEFAULT IN FURNISHING OF ROI	INTEREST FOR DEFAULT IN PAYMENT OF ADVANCE TAX	INTEREST FOR DEFERMENT IN INSTALMENTS OF ADVANCE TAX
<p>1. CHARGEABILITY: Interest is payable if:-</p> <p>(a) ROI is filed after the due date specified u/s 139(1) Or (b) ROI is not filed.</p>	<p>1. CHARGEABILITY: Interest is payable if:-</p> <p>(a) Advance tax paid by the assessee during the previous year < 90% of the “Assessed Tax” or (b) No Advance tax is paid by the assessee.</p> <p>Note: “Assessed Tax” means</p> <p>Tax determined u/s 143(1) or on Assessment u/s 143(3)/144/147 xx Less: Relief of tax u/s 89 / 90/ 90A (-) xx Less: Relief of tax u/s 91 (-) xx Less: MAT Credit u/s 115JAA (-) xx Less: AMT credit under section 115JD (-) xx Less: TDS/TCS (-) xx Assessed Tax xx</p>	<p>1. CHARGEABILITY:</p> <p>In case of an assessee to whom provisions of section 44AD/44ADA do not apply</p> <p>Interest is payable if:-</p> <p>(a) Advance tax paid 12% of “Tax on or before < due on 15th June Returned income” and/or (b) Advance tax paid 36% of “Tax on or before < due on 15th September Returned income” and/or</p>

		<p>(c) Advance tax paid on or before 15th December < 75% of "Tax due on Returned income"</p> <p>and/or</p> <p>(d) Advance tax paid on or before 15th March < "Tax due on Returned income"</p> <p>or</p> <p>(e) No advance tax has been paid by the assessee</p> <p>In case of an assessee to whom provisions of section 44AD/44ADA apply</p> <p>Interest is payable if:-</p> <p>Advance tax paid on or before 15th March < "Tax due on Returned income"</p> <p>Note: "Tax due on Returned income" means Tax on total income declared in ROI xx</p> <p>Less: Relief of tax u/s 89/ 90/ 90A (-) xx Less: Relief of tax u/s 91 (-) xx Less: AMT credit u/s 115JD (-) xx Less: MAT credit u/s 115JAA (-) xx Less: TDS/TCS (-) xx "Tax due on Returned income" xx</p>
<p>2. COMPUTATION:</p> <p>(a) Rate: 1% per month simple interest</p> <p>(b) Period: Commences from the date next</p>	<p>2. COMPUTATION:</p> <p>(A) WHERE NO TAX HAS BEEN PAID AFTER 31ST MARCH OF THE PREVIOUS YEAR U/S 140A OR OTHERWISE</p> <p>(a) Rate: 1 % per month simple interest</p>	<p>2. COMPUTATION:</p> <p>In case of assessee to whom provisions of section 44AD/44ADA do not apply</p> <p>(a) Rate : 1% per month simple interest.</p>

<p>following the due date specified u/s 139(1) and ends on:</p> <ul style="list-style-type: none"> (i) in case where ROI is filed, the date of filing of ROI, (ii) in case where ROI is not filed, the date of completion of assessment u/s 144/147 <p>Note: Part of the month shall be considered as full month</p> <p>(c) Amount: Tax determined u/s 143(1) or on assessment u/s 143(3)/144/147</p> <p>Less: Relief of tax u/s 89/ 90/90A</p> <p>Less: Relief of tax u/s 91</p> <p>Less: MAT Credit u/s 115JAA</p> <p>Less: AMT Credit u/s 115JD</p> <p>Less: TDS/TCS</p> <p>Less: Advance Tax</p> <p>Less: Self Assessment tax paid on or before the due date</p> <p>Note: Self Assessment tax paid u/s 140A shall be deducted</p>	<p>(b) Period: commences from 1st April of the assessment year and ends on:</p> <ul style="list-style-type: none"> (i) the date of determination of income u/s 143(1) and (ii) where the assessment is made u/s 143(3)/144/ 147, the date of completion of such assessment. <p>Note: Part of the month shall be considered as full month</p> <p>(c) Amount: Tax determined u/s 143(1) or on assessment under section 143(3)/144/ 147</p> <p>Less: Relief of tax u/s 89 / 90A</p> <p>Less: Relief of tax u/s 91</p> <p>Less: MAT Credit u/s 115JAA</p> <p>Less: AMT credit under section 115JD</p> <p>Less: TDS/TCS</p> <p>Less: Advance Tax</p> <hr/> <p>(B) WHERE TAX HAS BEEN PAID AFTER 31ST MARCH OF THE PREVIOUS YEAR U/S 140A OR OTHERWISE</p> <p>Interest shall be aggregate of</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Rate: 1% per month Simple Interest</p> <p>Period: Commences from 1st April of the assessment year and ends on the date of payment of tax under section 140A or otherwise</p> </td><td style="width: 50%; vertical-align: top;"> <p>Rate: 1 % per month Simple Interest</p> <p>Period: Commences from the date next following the date of payment of tax u/s 140A or otherwise and ends on:</p> </td></tr> </table>	<p>Rate: 1% per month Simple Interest</p> <p>Period: Commences from 1st April of the assessment year and ends on the date of payment of tax under section 140A or otherwise</p>	<p>Rate: 1 % per month Simple Interest</p> <p>Period: Commences from the date next following the date of payment of tax u/s 140A or otherwise and ends on:</p>	<p>Period : 3 months</p> <p>Amount : 15% of "Tax due on Returned income"</p> <p>Less: Advance Tax paid on or before 15th June.</p> <p>(b) Rate : 1% per month simple interest.</p> <p>Period : 3 months</p> <p>Amount : 45% of "Tax due on Returned income"</p> <p>Less: Advance Tax paid on or before 15th September.</p> <p>(c) Rate : 1% per month simple interest.</p> <p>Period : 3 months</p> <p>Amount : 75% of "Tax due on Returned income"</p> <p>Less: Advance Tax paid on or before 15th December.</p> <p>(d) Rate : 1% per month simple interest.</p> <p>Period : 1 month</p> <p>Amount : "Tax due on Returned income"</p> <p>Less: Advance Tax paid on or before 15th March.</p> <p>In case of assessee to whom provisions of section 44AD/44ADA apply</p> <p>Rate : 1% per month simple interest.</p> <p>Period : 1 month</p> <p>Amount : "Tax due on Returned income"</p>
<p>Rate: 1% per month Simple Interest</p> <p>Period: Commences from 1st April of the assessment year and ends on the date of payment of tax under section 140A or otherwise</p>	<p>Rate: 1 % per month Simple Interest</p> <p>Period: Commences from the date next following the date of payment of tax u/s 140A or otherwise and ends on:</p>			

<p>if it is paid on or before the due date. (In view of Supreme Court decision in case of Dr. Prannoy Roy) The CBDT has issued a circular affirming this Supreme Court judgement.</p> <p>Note: As per Finance Act, 2022, 'Tax determined under section 143(1)' shall not include the additional income-tax if any, payable under section 140B or section 143 and similarly 'tax on total income determined under regular assessment' shall not include additional income-tax payable under section 140B. (Discussed in Chapter of Updated Return)</p>	<p>(i) Date of determination of Income u/s 143(1) and (ii) Where the assessment is made u/s 143(3)/ 144/ 147, the date of completion of such assessment</p> <p>Amount: Tax determined u/s 143(1) or on assessment u/s 143(3)/ 144/ 147 Less: Relief of tax u/s 89/ 90/90A Less: Relief of tax u/s 91 Less: MAT Credit u/s 115JAA Less: AMT Credit u/s 115JD Less: TDS/ TCS Less: Advance Tax</p> <p>Amount: Tax determined u/s 143(1) or on assessment u/s 143(3)/ 144/ 147 Less: Relief of tax u/s 89/ 90/90A Less: Relief of tax u/s 91 Less: MAT Credit u/s 115JAA Less: AMT Credit u/s 115JD Less: TDS/ TCS Less: Advance Tax Less: Tax paid u/s 140A or otherwise</p> <p>Note: As per Finance Act, 2022, 'Tax determined under section 143(1)' shall not include the additional income-tax if any, payable under section 140B or section 143 and similarly 'tax on total income determined under regular assessment' shall not include additional income-tax payable under section 140B. (Discussed in Chapter of Updated Return)</p>	<p>Less: Advance Tax paid on or before 15th March.</p>
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3. FOR COMPUTATION OF INTEREST FOR PAYMENT UNDER SECTION 140A	3. FOR COMPUTATION OF INTEREST FOR PAYMENT UNDER SECTION 140A	3. FOR COMPUTATION OF INTEREST FOR PAYMENT UNDER SECTION 140A
(a) Substitute the words "Tax determined u/s 143(1) or on assessment u/s 143(3)/ 144/ 147" by the words "tax on income declared in ROI".	(a) Substitute the words "Tax determined u/s 143(1) or on assessment u/s 143(3)/ 144/ 147" by the words "tax on income declared in ROI". (b) Substitute the words "Date of determination of income u/s 143(1) and where assessment is made u/s 143(3)/ 144/ 147, the date of completion of such assessment" by the words "Date of filing of ROI".	Interest u/s 234C is calculated always on the basis of returned income and therefore no need of any substitution
4. Interest payable under this section shall be reduced by the interest, if any, paid u/s 140A or otherwise.	4. Interest payable under this section shall be reduced by the interest, if any, paid u/s 140A or otherwise.	4. Interest payable under this section shall be reduced by the interest, if any, paid u/s 140A or otherwise.
5. "Assessment u/s 147" referred above means the assessment made for the first time u/s 147, i.e. Assessment u/s 147 is made without being subjected to sec 143(1) or 143(3) or 144 or 147.	5. "Assessment u/s 147" referred above means the assessment made for the first time u/s 147, i.e. Assessment u/s 147 is made without being subjected to sec 143(1) or 143(3) or 144 or 147.	5. "Not applicable" Note: If a return is filed under section 148, then interest under section 234C shall be computed with reference to tax on total income declared in ROI filed under section 148.
5A. "Assessment u/s 153A" referred above means the assessment made for the first time u/s 153A, i.e, Assessment u/s 153A is made without being subjected to section 143(1) or 143(3) or 144 or 147 or 153A.	5A. "Assessment u/s 153A" referred above means the assessment made for the first time u/s 153A, i.e, Assessment u/s 153A is made without being subjected to section 143(1) or 143(3) or 144 or 147 or 153A.	5A. "Not applicable" Note: If a return is filed u/s 153A, then interest under section 234C shall be computed with reference to tax on total income declared in ROI filed u/s 153A.

143(1) or 143(3) or 144 or 147 or 153A.		
6. Interest u/s 234A shall be applicable even where assessee has failed to furnish ROI.	6. Interest u/s 234B shall be applicable even where assessee has failed to furnish ROI.	6. In case where an assessee has failed to furnish ROI, then interest u/s 234C shall not be applicable, since the interest u/s 234C is based on tax due on returned income.
7. For computing interest, "Tax" means "Income Tax including surcharge & Health & Education Cess".	7. For computing interest, "Tax" means "Income Tax including surcharge & Health & Education Cess".	7. For computing interest, "Tax" means "Income Tax including surcharge & Health & Education Cess".
8. Where as a result of an order made u/s 154/ 250/ 254/ 260A/ 262/ 263/ 264, the amount of Income Tax on which interest was payable under this section is reduced or increased, then the interest under this section shall also be reduced or increased correspondingly.	8. Where as a result of an order made u/s 154/ 250/ 254/ 260A/ 262/ 263/ 264, the amount of Income Tax on which interest was payable under this section is reduced or increased, then the interest under this section shall also be reduced or increased correspondingly.	8. Not applicable as interest u/s 234C is calculated on the basis of tax due on returned income.
9. For computing interest u/s 234A/B/C and any other interest, INCOME TAX shall be rounded off to nearest hundred and any fraction of a hundred shall be ignored.	<u>Income-Tax</u> 21,199 21,101 21,150	<u>Round-Off</u> 21,100 21,100 21,100

Note: If an assessment is cancelled and referred back to Assessing Officer for fresh assessment, then interest under section **234B** shall be levied upto the date of completion of fresh assessment.

FIRST PROVISO TO SECTION 234C
(APPLICABLE TO CORPORATE & NON-CORPORATE
ASSEESSES)

Section 234C is not applicable to any shortfall in payment of tax due on the returned income where such shortfall is on account of under-estimate or failure to estimate-

- (a) the amount of capital gains; or
- (b) income by way of winnings from lotteries, crossword puzzles, races, card games, gambling etc.; or
- (c) income under the head P/G/B/P in cases where the income accrues or arises under the said head for the first time; or
- (d) dividend income

and the assessee has paid the whole of the amount of tax payable in respect of the incomes referred in (a)/(b)/(c)/(d) above as **part of the remaining instalments of advance tax** which are due, or **where no such instalment is due, by 31st March of the financial year.**

Illustration 1:

A firm starts a new business in Previous Year 31-3-2023. The income from Profits & Gains of Business or Profession accruing to the firm is as under:

Upto 15-06-2022	₹ 20,00,000
Upto 15-09-2022	₹ 30,00,000
Upto 15-12-2022	₹ 70,00,000
Upto 15-03-2023	₹ 80,00,000
Upto 31-03-2023	₹ 90,00,000

The firm has also earned Income from Other Sources (Interest income) of ₹ 10,00,000 on 20.10.2022.

Advance Tax paid by firm is:

On 15.06.2022	₹ 1,15,000
On 15.09.2022	₹ 4,00,000
On 15.12.2022	₹ 13,00,000
On 15.03.2023	₹ 12,00,000
On 31.03.2023	₹ 60,000

Now the firm should have paid advance tax as under

By 15.06.2022 : $30,00,000 \times 31.2/100 \times 12\% = 1,12,560$ (Actually paid 1,15,000)
 By 15.09.2022 : $40,00,000 \times 31.2/100 \times 36\% = 4,49,280$ (Actually paid 5,15,000)
 By 15.12.2022 : $80,00,000 \times 31.2/100 \times 75\% = 18,72,000$ (Actually paid 18,15,000)
 By 15.03.2023 : $90,00,000 \times 31.2/100 = 28,08,000$ Actually paid 30,15,000
 By 31.03.2023 : $1,00,00,000 \times 31.2/100 = 31,20,000$ (Actually paid 30,75,000)

Interest under section 234C

(i) NIL	1,710
(ii) NIL	
(iii) $(18,72,000 - 18,15,000) \times 3 \text{ month} \times 1\% = 18,60,000 \times 3 \times 1/12 = 450$	450
(iv) $(31,20,000 - 30,75,000) \times 1 \text{ month} \times 1\% = 45,00,000 \times 1 \times 1/12 = 2,160$	2,160

Illustration 2:

An Individual has total income of ₹ 12,00,000 in Previous Year 31-3-2023 and it includes dividend of ₹ 3,00,000 from domestic company. The dividend is received on 10.1.2023. Assume that he has not opted for special taxation regime.

Advance Tax paid by assessee is as under:

On 15.06.2022	₹ 12,000
On 15.09.2022	₹ 18,000
On 15.12.2022	₹ 30,000
On 15.03.2023	₹ 90,000

Compute Interest under section 234C.

Answer:

Tax on ₹ 9,00,000 = ₹ 96,200

Tax on ₹ 12,00,000 = ₹ 1,79,400

Now the assessee should have paid advance tax as under:

By 15.06.2022 : $96,200 \times 12\% = 11,544$ (Actually paid 12,000)

By 15.09.2022 : $96,200 \times 36\% = 34,632$ (Actually paid 30,000)

By 15.12.2022 : $96,200 \times 75\% = 72,150$ (Actually paid 60,000)

By 15.03.2023 : $1,79,400 \times 100\% = 1,79,400$ (Actually paid 1,50,000)

Interest under section 234C

(i) NIL	396
(ii) $(96,200 \times 45\% - 30,000) \times 3 \text{ month} \times 1\%$	363
(iii) $(72,150 - 60,000) \times 3 \text{ month} \times 1\%$	2,940
(iv) $(1,79,400 - 1,50,000) \times 1 \text{ month} \times 1\%$	3,699

**CCITs AND DIRECTORS-GENERAL (INVESTIGATION)
EMPOWERED TO REDUCE OR WAIVE PENAL INTEREST FOR
LATE FURNISHING OF RETURN OF INCOME, NON-PAYMENT
OR INADEQUATE PAYMENT OF ADVANCE TAX, ETC.**

Interest under section 234A/B/C can be waived by CCIT/ Director General(Investigation) in the following cases:

- Waiver of interest under section 234A:** Where during the course of search proceedings under section 132, the **books of account and other documents have been seized**, and the assessee has been unable to furnish the return of income for the previous year.
- Waiver of interest under section 234C:** Any income chargeable to income-tax under any head of income, **other than “Capital Gains”** is received or accrued after due date of payment of the first or subsequent instalments of advance tax which **was neither anticipated nor was in the contemplation of the assessee**, and the advance tax on such income is paid in the remaining instalment or installments.
- Waiver of interest under section 234B/C:** In consequence of any **retrospective amendment of law or the decision of the Supreme Court or a decision of a larger Bench of the jurisdictional High Court** (which was not challenged before the Supreme Court and has become final), some expense is disallowed or certain receipts which were not taxable become taxable.
- Waiver of interest under section 234A:** Where a return of income could not be filed by the assessee due to **unavoidable circumstances** and such return of income is **filed voluntarily by the assessee** or his legal heirs without detection by the Assessing Officer.

Note: No reduction or waiver of interest shall be ordered unless the assessee has filed the return of income for the relevant Assessment Year and paid the entire income-tax (principal component of demand) due on the income as assessed.

SECTION 234D: INTEREST ON EXCESS REFUND

Section 234D provides:

- Where any refund is granted to the assessee under section 143(1), and
- On regular assessment made (i.e. assessment under section 143(3)/ 144/ 147):
 - The assessee is not entitled to any refund; or
 - The amount refunded exceeds the amount refundable on regular assessment.
- Then, the assessee shall be liable to pay simple interest:
 - @ $\frac{1}{2}\%$ on the whole or excess amount so refunded;
 - for every month or part of the month comprised in the period from the date of grant of refund to the date of such regular assessment.
- An assessee may also have been paid interest on refund. Such interest shall also be recovered from the assessee. In such a case, the interest under section 234D is payable on refund as well as on the interest required to be recovered from the assessee.

SECTION 244A(1): INTEREST ON REFUNDS

Simple interest on the refund shall be calculated in the following manner, namely:-

- (a) **where refund is out of any TDS/TCS/Advance tax paid**, such interest shall be calculated @ $\frac{1}{2}\%$ for every month or part of a month comprised in the period,—
 - (i) **from the 1st day of April of the Assessment Year to the date on which the refund is granted**, if the return of income has been furnished under section 139(1); or
 - (ii) **from the date of furnishing of return of income to the date on which the refund is granted**, in a case not covered under sub-clause (i);
- (aa) **where the refund is out of any tax paid under section 140A**, such interest shall be calculated @ $\frac{1}{2}\%$ for every month or part of a month comprised in the period, from the date of furnishing of return of income or payment of tax, whichever is later, to the date on which the refund is granted.
- (b) **in any other case**, such interest shall be calculated @ $\frac{1}{2}\%$ for every month or part of a month comprised in the period or periods from the date or, as the case may be, dates of payment of the tax or penalty to the date on which the refund is granted.

Section 244A(1A): Where refund arises as a result of order giving effect to an order passed under section 250/ 254/ 260/ 262/ 263/ 264, assessee shall be entitled to receive, in addition to the interest payable under sub-section (1), an additional interest on such amount of refund calculated @ 3% per annum, for the period beginning from the date of expiry of the time allowed under section 153(5) to the date on which the refund is granted.

Section 244A(1B): Where refund becomes due to the deductor of TDS, he shall be entitled to receive, in addition to the refund, simple interest on such refund, calculated @ $\frac{1}{2}\%$ for every month or part of a month comprised in the period, from the date quarterly return of TDS is filed to the date on which refund is granted.

Section 244A(2): If the proceedings resulting in the refund are delayed for reasons attributable to the assessee, the period of the delay so attributable to him shall be excluded from the period for which interest is payable, and where any question arises as to the period to be excluded, it shall be decided by the Chief Commissioner or Commissioner whose decision thereon shall be final.

Illustration 1:

For Assessment Year 2023-24, the due date of filing of return is 31.07.2023 and the assessee Mr. X files the return on 31.12.2023 and tax as per ROI in ₹ 2,80,160. The assessee has paid advance tax of ₹3,50,000 on 15.3.2023. The return is processed under section 143(1) on 25.02.2024 and the refund is granted to the assessee. Compute the amount of interest under section 244A.

Answer:

Return of income filed by the assessee shall be as under:

Add:	Tax as per ROI	2,80,160
Add:	<u>Interest under section 234A</u>	
	since the advance tax paid is ₹ 3,50,000.	NIL
Add:	<u>Interest under section 234B</u>	
	since the advance tax paid is ₹ 3,50,000.	NIL
Add:	<u>Interest under section 234C</u>	
	1% × 3 Months × 42,000	1,260
	1% × 3 Months × 1,26,000	3,780
	1% × 3 Months × 2,10,100	<u>6,303</u>
Add:	<u>Fee under section 234F</u>	11,343
	Total Tax and Interest & fee	<u>5,000</u>
Less:	Advance Tax	2,96,503
	<u>Refund Due</u>	<u>3,50,000</u>
		<u>53,497</u>

10% of 2,80,160 = 28,016. Since refund is more than 28,016, interest under section 244A shall be granted.

The Assessing Officer under section 143(1) on 25.02.2024 shall grant refund as under:

Add:	Refund Due	53,497
Add:	<u>Interest under section 244A</u>	
	½% × 2 Months × 53,400	534
	<u>Total Refund Due</u>	<u>54,031</u>
	<u>Rounded off</u>	<u>54,030</u>

Interest shall be from 31.12.2023 to 25.02.2024 i.e., 2 months.

Illustration 2:

For Assessment Year 2023-24, the due date of filing of return is 31.07.2023 and the assessee Mr. X files the return on 31.12.2023 and tax as per ROI is ₹ 2,80,160. The assessee had paid advance tax of ₹1,50,000 on 15.3.2023 and self-assessment tax of ₹2,00,000 on 30.06.2023. The return is processed under section 143(1) on 25.02.2024 and the refund is granted to the assessee. Compute the amount of interest under section 244A.

Answer: Return of income filed by the assessee shall be as under:

	Tax as per ROI	2,80,160
Less:	Advance Tax	1,50,000
		1,30,160
Add:	<u>Interest under section 234A</u>	
	Since the tax paid before 31.7.2023 is ₹3,50,000.	NIL ¹
Add:	<u>Interest under section 234B</u>	
	$1\% \times 3 \text{ Months} \times 1,30,100$	3,903
Add:	<u>Interest under section 234C</u>	
	$1\% \times 3 \text{ Months} \times 42,000$	1,260
	$1\% \times 3 \text{ Months} \times 1,26,000$	3,780
	$1\% \times 3 \text{ Months} \times 2,10,000$	6,300
	$1\% \times 1 \text{ Month} \times 1,30,100$	1,301
Add:	<u>Fee under section 234F</u>	
	Total Tax and Interest & fee	12,641
		5,000
		1,51,704
Less:	Self-assessment tax paid on 30.06.2023	2,00,000
	Refund Due	(48,296)

10% of ₹ 2,80,160 is ₹ 28,016. Since refund is more than ₹ 28,016, interest under section 244A shall be granted. Interest shall be from date of furnishing of return to the date of grant of refund.

The Assessing Officer under section 143(1) on 25.02.2024 shall grant refund as under:

Refund Due	48,296
Add: <u>Interest under section 244A</u>	
$\frac{1}{2}\% \times 2 \text{ Months} \times 48,200$	482
Total Refund Due	48,778
Rounded off	48,780

(Period of interest: 31.12.2023 to 25.2.2024 = 2 months

Illustration 3:

For Assessment Year 2023-24, the Assessing officer completed the assessment of PQR Ltd. under section 143(3) on 30.01.2024 and determined a demand of ₹ 5,00,000. The assessee paid the demand of ₹ 5,00,000 on 01.02.2024 and filed an appeal to CIT (Appeals). The CIT (Appeals) passed the order under section 250 on 10.06.2024 and cancelled the demand. The said order is received by CIT on 20.06.2024. The Assessing Officer could not pass the order of appeal effect by 30.09.2024 and took an extension of 3 months from CIT. The Assessing Officer passes the order of appeal effect on 28.02.2025 and grants the refund of ₹ 5,00,000 to the assessee.

Now, Interest under section 244A(1)(b) shall be:

Period: From 01.02.2024 to 28.02.2025 (13 months)

Rate: $\frac{1}{2}\%$

Amount: ₹ 5,00,000

Interest: $5,00,000 \times \frac{1}{2}\% \times 13 \text{ months} = ₹ 32,500$

¹ This view is based on Supreme Court judgement in the case of **Dr. Prannoy Roy vs. CIT**. As per Supreme Court, Self-assessment tax paid upto the due date of filling of return shall be subtracted while computing the interest under section 234A.

Interest under section 244A (1A):

Period: From 01.01.2025 to 28.02.2025 (2 months)

Rate: 3% p.a.

Amount: ₹ 5,00,000

Interest: $5,00,000 \times 2 \text{ months} \times 3/100 \times 1/12 = ₹ 2,500$

Total Refund: ₹ 5,00,000 + ₹ 32,500 + ₹ 2,500
= ₹ 5,35,000

LATEST IN JUDICIARY**1. Sandvik Asia Ltd. vs. CIT (SC)**

If interest is not given to the assessee along with the refund, the assessee shall be entitled to interest on such interest on refund from the date of grant of refund of tax to the date of grant of interest.

2. Bhagat Construction Co. (P) Ltd. (2016) (SC)

Levy of interest under section 234B is attracted even in a case where the assessment order does not contain any specific direction for payment of interest, but is accompanied by form ITNS 150 containing a calculation of interest payable on tax assessed.

The Supreme Court held that the Form I.T.N.S. 150 is also a form for determination of tax payable and when it is signed or initialed by the Assessing Officer, it is certainly an order in writing by the Assessing Officer determining the tax payable within the meaning of section 143(3). The said form also contains the calculation of interest payable on the tax assessed. This form must, therefore, be treated as part of the assessment order.

**PROVISIONS OF SECTION 234A & 234B ON REASSESSMENT
UNDER SECTION 147 OR ASSESSMENT UNDER SECTION 147
AFTER COMPUTATION UNDER SECTION 143(1)****SECTION 234A(3)**

Where after the determination of income under section 143(1) or after completion of assessment under section 143(3)/144/147, a notice is issued to the assessee under section 148 to file the return of income and such return of income is furnished after the expiry of time specified in the notice under section 148 or the return is not furnished, then the assessee shall be liable to pay interest as under:

Rate: 1% per month (Part of the month will be considered as full month)

Period: Commences from expiry of time allowed in notice under section 148 and ends on:

- (i) Where return is furnished after the expiry of time specified in notice issued under section 148, the date of furnishing of return of income and
- (ii) Where no return has been furnished, the date of completion of reassessment/assessment under section 147.

Amount: Tax on the income reassessed(or assessed) under section 147.

Less: Tax on income determined earlier under section 143(1) or 143(3)/144/147.

SECTION 234B(3)

Where a reassessment takes place under section 147 [or assessment takes place under section 147 after computation under section 143(1)], then the assessee shall be liable to pay interest under section 234B which shall be computed as under:

Rate:	1% per month (Part of the month will be considered as full month.)
Period:	Commences from the first April of the Assessment Year, and ends on date of completion of reassessment (or assessment) under section 147.
Amount:	Tax on total income determined on reassessment (or assessment) under section 147
Less:	Tax on total income determined under section 143(1) or 143(3)/144/147.

Illustration 1:

For Assessment Year 2022-23, the due date of filing the return of income was 31.7.2022. The assessee did not file the return of income. On 3.10.2024, a notice was issued under section 148 alongwith order under section 148A(d) requiring the assessee to furnish the return of income by 30.10.2024. The assessee furnished the return on 28.10.2024. The Assessing Officer completes the assessment under section 147 on 30.11.2024 and determines the tax at ₹55,000 (without giving credit of prepaid taxes). You are given that the assessee has paid advance tax of ₹20,000 on 15.9.2021. Determine the interest payable under section 234A and 234B.

Answer:

Section 234A(3) is not applicable. Section 234A(1) is applicable.

Interest under section 234A(1)

Period:	01.08.2022 to 28.10.2024	=	27 Months (A part of a month is considered as full month)
Rate:		=	1%
Amount:	Tax determined u/s 147	=	₹ 55,000
Less:	Advance tax paid	=	₹ 20,000
Interest:	₹ 35,000 × 1% × 27 Months	=	₹ 35,000
		=	₹ 9,450

Interest under section 234B(1):

Section 234B(3) is not applicable. Section 234B(1) is applicable.

Period:	01.04.2022 to 30.11.2024	=	32 months
Rate:		=	1%
Amount:	Tax determined u/s 147	=	₹ 55,000
Less:	Advance tax paid	=	₹ 20,000
Interest:	₹ 35,000 × 1% × 32 Months	=	₹ 35,000
		=	₹ 11,200

Illustration 2:

For Assessment Year 2022-23, the due date of filing of return of income was 31.7.2022. The assessee filed the return on 1.12.2022. The Assessing Officer assessed the income under section 143(3) on 10.6.2023 and determined the tax to be ₹40,000 (without giving credit of prepaid taxes). The assessee has paid ₹10,000 as advance tax. On 10.1.2026,

the Assessing Officer receives information under section 135A that the income of the assessee for Assessment Year 2022-23 had escaped assessment and he issues a notice under section 148 requiring the assessee to furnish the return by 3.2.2026. The assessee furnishes the return on 15.5.2026. The Assessing Officer determines the tax on reassessment under section 147 to be ₹1,00,000 (without giving credit of prepaid taxes). The order under section 147 is passed on 31.12.2026. Determine the interest payable by the assessee under section 234A and 234B.

Answer:

I. Interest on regular Assessment under section 143(3):

Interest under section 234A(1)

Period:	01.08.2022 to 01.12.2022	=	5 months
Rate:		=	1%
Amount:	Tax determined u/s 143(3)	=	₹ 40,000
Less:	Advance tax paid	=	₹ 10,000
			₹ 30,000

Interest u/s 234A(1):

$$\text{₹ } 30,000 \times 1\% \times 5 \text{ Months} = \text{₹ } 1,500$$

Interest under section 234B(1):

Period:	01.04.2022 to 10.06.2023	=	15 months
Rate:		=	1%
Amount:	Tax determined u/s 143(3)	=	₹ 40,000
Less:	Advance tax paid	=	₹ 10,000
			₹ 30,000

$$\text{Interest: } \text{₹ } 35,000 \times 1\% \times 15 \text{ Months} = \text{₹ } 4,500$$

II Interest on Reassessment under section 147:

Interest under section 234A(3)

Period:	04.02.2026 to 15.05.2026	=	4 months
Rate:		=	1%
Amount:	Tax on income reassessed u/s 147	=	₹ 1,00,000
Less:	Tax on income assessed u/s 143(3)	=	₹ 40,000
			₹ 60,000

Interest u/s 234A(3):

$$\text{₹ } 60,000 \times 1\% \times 4 \text{ Months} = \text{₹ } 2,400$$

Interest under section 234B(3)

Period:	1.04.2022 to 31.12.2026	=	57 months
Rate:		=	1%
Amount:	Tax on income reassessed u/s 147	=	₹ 1,00,000
Less:	Tax on income assessed u/s 143(3)	=	₹ 40,000
			₹ 60,000

$$\text{Interest : Under section 234B(3) = ₹ } 60,000 \times 1\% \times 57 \text{ months} = ₹ 34,200$$