

INCOME TAX ACT 2025 SERIES

# Advance Tax

## under Income-tax

### Act, 2025

Tax Year Concept

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Complete Student Guide

Concepts | Edge Cases | Exam Tips

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by CA Devesh Thakur

Structured Learning for Tax Professionals

& CA/CS/CMA Students

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### How to use this guide:

Read Chapter 1 and Chapter 3 first to build your foundation. Chapter 4 covers all exam-critical edge cases. Use Chapter 7 as your last-minute revision sheet.

## Introduction: What is Advance Tax?

If you're trying to understand Advance Tax under the new Income-tax Act, 2025, the confusion is not because the law is complex — it's because most students mix up the **income year, payment timing, and applicable Act**.

**This guide will fix that.**

### Definition

Advance Tax is tax paid in advance during the financial year in which income is earned, rather than after the year ends. It applies when total estimated tax liability is **Rs. 10,000 or more**.

### Basic Flow



**Key Takeaway:** Advance tax is always paid in the same year income is earned — this is the Tax Year concept.

## CHAPTER 1

**Core Logic — Income Year Decides**

Before memorising anything, get this straight:

**Advance tax depends on income year — not payment date.**

**Step-by-Step Logic**

- 1 Income is earned during a financial year
- 2 Check: Is total tax liability  $\geq$  **Rs. 10,000?**
- 3 If No  $\rightarrow$  No advance tax required
- 4 If Yes  $\rightarrow$  Advance tax is applicable
- 5 **Identify the year in which income is earned** — this determines the law

**Which Law Applies?**

Income Period	Applicable Law
Before 1 April 2026 (FY 2025-26)	<b>Income-tax Act, 1961</b>
On/after 1 April 2026 (FY 2026-27 onwards)	<b>Income-tax Act, 2025</b>

**Conclusion:** The applicable law is determined by the **income year**, not when you pay tax.

## CHAPTER 2

**Advance Tax Installment Schedule**

Many students assume the new Act changes the payment structure. **It does not.** The installment schedule is identical under both Acts.

Due Date	Cumulative %	Installment
15 June	15%	Q1
15 September	45%	Q2
15 December	75%	Q3
15 March	100%	Final

**Key Point: Percentages are cumulative. By 15 September, you must have paid 45% of total estimated tax (not just 30% extra).**

**Exam Tip:** This structure remains exactly the same under both the old and new Act. Do not waste revision time re-learning this — it has not changed.

## CHAPTER 3

**Assessment Year vs Tax Year**

This is where confusion starts for most students. The new Act introduces "Tax Year" — but it is not a structural reform.

Old System	New System
Income earned in <b>Financial Year</b>	Income earned in <b>Tax Year</b>
Tax assessed in <b>Assessment Year</b>	Advance tax paid in <b>same year (Tax Year)</b>
<b>Income-tax Act, 1961</b>	<b>Income-tax Act, 2025</b>

**Reality Check:** Only terminology has changed. The underlying mechanism remains the same. "Assessment Year" has been replaced by "Tax Year" — concept unchanged.

**If you think this is a major structural reform, you are misunderstanding the law. The only real change is the name.**

## CHAPTER 4

**Edge Cases — Where Students Make Mistakes**

This is where most exam questions are framed. Weak concepts here will cost marks.

**Case 1: Last Installment — 15 March 2026**

- Income belongs to FY 2025-26
- Payment made on 15 March 2026
- New Act starts from 1 April 2026

**Conclusion: Income-tax Act, 1961 applies**

**Reason:** Income belongs to pre-2026 period

**Case 2: Interest on Shortfall**

- Advance tax default occurred in FY 2025-26
- Interest charged in FY 2026-27

**Conclusion: Income-tax Act, 1961 applies**

**Reason:** Default originated under old law. Interest follows the origin of default, not the year of levy.

**Case 3: First Installment — 15 June 2026**

- Income belongs to FY 2026-27
- Payment made after new Act is effective

**Conclusion: Income-tax Act, 2025 applies**

**Reason:** Income arises under new regime

## CHAPTER 5

**Presumptive Taxation**

Students often overcomplicate this topic, but it's straightforward.

**Rule for Presumptive Taxation**

If an assessee opts for **presumptive taxation**:

- Entire advance tax must be paid in **ONE installment only**
- Payment on or before **15 March**
- **No quarterly payments** required

**Important: This rule remains unchanged under the new Income-tax Act, 2025.**

**Who Qualifies for Presumptive Taxation?**

Category	Section
Small businesses (turnover up to Rs. 2/3 crore)	<b>Sec 44AD</b>
Professionals (receipts up to Rs. 75 lakh)	<b>Sec 44ADA</b>
Transporters	<b>Sec 44AE</b>

## CHAPTER 6

**Interest on Advance Tax**

Interest provisions remain practically the same under the new Act. Only the section numbers differ.

Type	Rate	Trigger
Failure to pay / Short payment	<b>1% / month</b>	Less than 90% tax paid
Deferment of installments	<b>1% or 3%</b>	Depending on delay duration

**Key Takeaway: Rates and logic are unchanged — only section numbers differ. Interest follows the origin of default, not the year of levy.**

**Interest Rate Quick Reference**

<b>1%/month</b>  Default/short payment (sec 234B equivalent)	<b>1% or 3%</b>  Deferred installments (sec 234C equivalent)
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## CHAPTER 7

**Master Summary & Exam Tips**

If you remember nothing else, remember this 3-step framework:

<b>Step 1</b>	Identify the income year
<b>Step 2</b>	Decide the applicable Act
<b>Step 3</b>	Apply standard advance tax rules

**What Stays the Same**

<b>Installment dates</b>	15 Jun / 15 Sep / 15 Dec / 15 Mar
<b>Threshold</b>	Rs. 10,000 minimum tax liability
<b>Interest rates</b>	1% and 1%/3% per month
<b>Presumptive tax</b>	100% by 15 March, single payment

**Common Student Mistakes****Avoid These Mistakes:**

- Focusing on payment dates instead of income year
- Assuming new Act = new system (it's mostly terminology)
- Memorising sections without understanding the flow

## APPENDIX

## Handwritten Notes Reference

Below are the original handwritten notes by CA Devesh Thakur that form the foundation of this guide. These notes capture the key concepts in a concise, visual format ideal for quick revision.

By CA Devesh Thakur

### Advance Tax under Income-tax Act, 2025 (Tax Year Concept)



**Basic Concept**

```

    graph LR
      A[Income earned] --> B[Check tax ≥ 10,000]
      B --> C(Advance tax applicable)
  
```

Mention: Advance tax paid in same year (Tax Year concept)

**Old vs New Logic**

Old: Assessment Year concept  } New: Tax Year concept 

← Only name changed, concept same →

**Installment Table**

Date	Amount	
15 June	15%	← Q1
15 September	45%	Q2 → Cumulative
15 December	75%	Q3
15 March	100%	★ Final

**Which Act Applies (important)**

- Before 1 April 2026 → Income-tax Act, 1961
- On/after 1 April 2026 → Income-tax Act, 2025

Income year decides law

**Special Cases**

- 15 March 2026 payment → Old Act
- Interest on shortfall → Old Act if default earlier
- 15 June 2026 → New Act applies ✓

**Presumptive Taxation**

- ↳ Single payment → 100% by 15 March

**Interest (short notes)**

- 1% per month (default)
- 1% / 3% for delay in installments

Original handwritten notes by CA Devesh Thakur — Advance Tax under Income-tax Act, 2025 (Tax Year Concept)

**Quick Revision Points from Notes:**

- Tax  $\geq$  Rs. 10,000 triggers advance tax
- Old: Assessment Year concept | New: Tax Year concept
- Income year decides which Act applies

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*Thank you for reading this guide. Share it with fellow students and tax professionals who can benefit from structured Income Tax learning.*