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Advance Tax — Complete Guide & Checklist

As per the Income-tax Act, 2025 · What it is · How to calculate it · How to pay it · Due dates for FY 2026-27

1. What is Advance Tax?

Advance tax is income tax paid in instalments **during** the financial year in which income is earned, instead of as one lump sum after the year ends — often called "pay-as-you-earn" tax. Under the **Income-tax Act, 2025** (in force from 1 April 2026, for FY 2026-27 onward), the liability to pay advance tax is set out in **Section 403**, and it applies to salaried individuals, freelancers, professionals, businesses, and companies whenever the estimated tax payable for the year (after subtracting TDS/TCS already deducted) is **₹10,000 or more**.

It is not a separate tax — it is the same income tax you owe for the year, just collected on a quarterly schedule so the government receives revenue steadily rather than in one bulk payment at filing time.

2. Who Must Pay Advance Tax

- Any individual, HUF, firm, or company whose **net tax liability for the year is ₹10,000 or more** after deducting TDS/TCS — the threshold condition set out in **Section 404**.
- Salaried employees with significant income outside salary — capital gains, rent, freelance/consulting income, interest, dividends — where TDS alone won't cover the tax due.
- Freelancers, professionals, and businesses covered by the **presumptive taxation scheme** under **Section 58** (which merges the earlier 44AD/44ADA/44AE schemes) — they can pay their entire advance tax in **one instalment by 15 March** instead of four, under **Section 408(2)**.

Exemption: A **resident senior citizen (age 60 or above)** who does **not** have any income from "Profits and gains of business or profession" is **not required** to pay advance tax, regardless of the amount of tax payable.

3. Due Dates & Instalment Percentages (Section 408)

Due Date	Cumulative % of Estimated Tax Payable
On or before 15 June	15%
On or before 15 September	45%
On or before 15 December	75%
On or before 15 March	100%
Taxpayers under the Section 58 presumptive scheme: 100% in a single instalment on or before 15 March [Section 408(2)].	

4. How to Calculate Advance Tax — Step by Step

1. **Estimate total income** for the full financial year from all heads — salary, business/profession, capital gains, house property, and other sources (interest, dividends, etc.).
2. **Choose your tax regime** (old vs. new) and compute gross tax using the applicable slab rates, plus surcharge (if applicable) and 4% Health & Education Cess — this is the "current income" computation required under **Section 405**.
3. **Subtract TDS/TCS** already deducted or expected to be deducted during the year, and any applicable relief (including DTAA relief for NRIs) and MAT/AMT credit if applicable.
4. **Check the ₹10,000 threshold** — if the balance tax payable is ₹10,000 or more, advance tax obligations apply.
5. **Pay the cumulative percentage** due by each instalment date, based on your income estimate at that point.
6. **Revise your estimate each quarter.** If a large capital gain, bonus, or one-off income arises later in the year, recompute and adjust the remaining instalments — you are not penalised for capital gains/casual income you could not have foreseen earlier, provided you pay

the tax on it in the instalment immediately following when it arose and cover it in all subsequent instalments.

Full Worked Example — From Income to Instalments

Priya, a salaried professional who also does freelance consulting, is estimating her advance tax for FY 2026-27 under the **New Tax Regime**.

Step	Detail	Amount
Salary income (after standard deduction)	Estimated for the full year	₹9,00,000
Freelance/professional income	Net of business expenses	₹6,00,000
Interest income	Savings account & FDs	₹50,000
Total estimated income		**₹15,50,000**

Step 1 — Tax on slabs (New Regime, FY 2025-26/26-27 rates):

Slab	Rate	Tax
₹0 – ₹4,00,000	Nil	₹0
₹4,00,000 – ₹8,00,000	5%	₹20,000
₹8,00,000 – ₹12,00,000	10%	₹40,000
₹12,00,000 – ₹15,50,000	15%	₹52,500
Tax before cess		**₹1,12,500**
Add: Health & Education Cess	4%	₹4,500
Step 2 — Gross tax liability		**₹1,17,000**

Step 3 — Less TDS already deducted: ₹45,000 (by employer on salary) + ₹40,000 (by clients u/s 194J on professional fees) = **₹85,000**

Step 4 — Net advance tax payable: ₹1,17,000 − ₹85,000 = **₹32,000** — this is above the ₹10,000 threshold, so advance tax applies.

Step 5 — Instalment schedule:

Due Date	Cumulative %	Cumulative Amount	Instalment Payable
15 June	15%	₹4,800	₹4,800
15 September	45%	₹14,400	₹9,600
15 December	75%	₹24,000	₹9,600
15 March	100%	₹32,000	₹8,000

Priya pays ₹4,800 by 15 June, ₹9,600 by 15 September, ₹9,600 by 15 December, and ₹8,000 by 15 March — totalling her full ₹32,000 advance tax liability for the year.

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5. How to Pay Advance Tax

1. Go to the Income Tax e-filing portal: **incometax.gov.in → e-Pay Tax**.
2. Enter your PAN, mobile number, and verify with OTP.
3. Select **"Income Tax"** as the tax type, choose the applicable **Assessment Year**, and select **"Advance Tax (100)"** as the payment type (equivalent to the earlier Challan No./ITNS 280).
4. Enter the instalment amount and pay via net-banking, debit card, UPI, RTGS/NEFT, or over-the-counter at an authorised bank branch.
5. **Save the challan/receipt** — note the CIN, BSR code, and payment date. You will need these details while filing your ITR to claim credit for the tax already paid.

6. Interest for Late or Short Payment (Sections 424 & 425)

Provision (Income-tax Act, 2025)	When it applies	Interest
Section 424	Less than 90% of assessed tax paid as advance tax by 31 March	1% per month (simple interest) from 1 April until tax is paid
Section 425	Shortfall in any individual instalment vs. the prescribed cumulative %	1% per month for the shortfall, for the relevant period of default (no interest if at least 12% is paid by 15 June and at least 36% by 15 September)

7. Legal Reference — Income-tax Act, 2025

The **Income-tax Act, 2025** received Presidential assent in 2025 and has been in force from **1 April 2026**, replacing the Income-tax Act, 1961 for FY 2026-27 onward. Advance tax is governed by the following sections:

Topic	Section, Income-tax Act 2025
Liability to pay advance tax	Section 403
₹10,000 threshold / conditions of liability	Section 404
Computation of advance tax on current income	Section 405
Assessing Officer's order for advance tax	Section 406
Amendment/revision of AO's order	Section 407
Due dates & instalments	Section 408
Presumptive taxation (replaces 44AD/44ADA/44AE)	Section 58
Credit for advance tax paid	Section 410
Interest for default (<90% paid)	Section 424
Interest for instalment shortfall	Section 425

For context: under the repealed Income-tax Act, 1961, these same provisions were Sections 207–211 (liability/computation), 219 (credit), 234B/234C (interest) and 44AD/44ADA (presumptive scheme). The substantive rules — the ₹10,000 threshold, the four instalment dates and percentages, and the senior-citizen exemption — are unchanged; only the section numbers and drafting have been restructured under the 2025 Act.

8. Advance Tax Checklist

- ☐ Estimate total income for the financial year from all heads (salary, business/profession, capital gains, house property, other sources).
- ☐ Decide which tax regime (old vs. new) to compute under.
- ☐ Compute gross tax liability — slab rates + surcharge + 4% cess.

- ☐ Deduct TDS/TCS already deducted or expected, and any applicable relief or MAT/AMT credit (Section 405 computation).
- ☐ Check whether net tax payable is ₹10,000 or more — if yes, advance tax applies.
- ☐ Check senior-citizen exemption (60+, no business/profession income) if applicable.
- ☐ Mark instalment due dates on your calendar: 15 June, 15 September, 15 December, 15 March.
- ☐ Pay each instalment via e-Pay Tax on incometax.gov.in ("Advance Tax (100)").
- ☐ Save every challan receipt — CIN, BSR code, date — for use while filing your ITR.
- ☐ Re-estimate income each quarter and adjust the remaining instalments if it changes materially.
- ☐ Reconcile total advance tax + TDS/TCS against final liability at the time of filing your return.
- ☐ If a large one-off gain or income arises, or you're unsure of the calculation, contact VSARK & Associates before the next due date.

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