

Global Business Tax Alert Sharp Insights

**Draft Notification¹ -
Mechanism for voluntary
self-reporting of income
estimate, tax payments,
advance tax liability**

Issue no: GBTA/58/2017

In this issue:

[Background](#)
[Key Highlights](#)
[Conclusion](#)
[Do you know about Dbriefs?](#)
[Contacts](#)

¹ Amendment proposed for insertion of Rule 39A and Form No. 28AA in the Income-tax Rules, 1962

Background

- Under the Income-tax Act, 1961 ('Act'), a taxpayer is required to discharge tax liability, in advance, by way of advance tax. Milestones have been prescribed for discharge of such advance tax. In case of default or shortfall in payment of advance tax, the same may attract interest.
- Accordingly, it is important for taxpayers to arrive at a reasonably accurate estimate of their income and discharge the advance tax liability thereon, for the year under consideration.
- Further, the tax authorities also encourage and educate taxpayers to pay their tax liability in advance.
- In view of the same, the Central Board of Direct Taxes ('CBDT') has issued a draft notification, which proposes to insert Rule 39A and Form No. 28AA in the Income-tax Rules, 1962 ('Rules'). The said Rule 39A, proposes to create a mechanism for self-reporting of estimates of current income, tax payments and advance tax liability by certain taxpayers, on voluntary compliance basis.
- These draft Rules are open for public comments and suggestions have been sought till September 2017.

Key Highlights

Proposed introduction of Rule 39A

- Rule 39A is proposed to be applicable to companies and taxpayers who are subject to tax audit under Section 44AB of the Act.
- Qualifying taxpayers, shall be required to furnish an intimation of estimated income and payment of taxes as on 30 September of the respective financial year. The intimation is required to be furnished on or before 15 November of the respective financial year. For example, the estimated income as on 30 September 2017, for Financial Year 2017-18, should be filed on or before 15 November 2017.
- Further, it is proposed that, in case the income estimated as on 30 September (say September 2017) is less than the income of the corresponding period of the immediately preceding financial year (say, September 2016), by an amount of INR 5 lakhs or 10 percent (whichever is higher), then the taxpayer shall be required to furnish an intimation of estimated income and payment of taxes as on 31 December of the financial year (say, December 2017), on or before 31st January of the financial year (say, January 2018).
- Also, in case the estimated advance-tax payment for the financial year is less than the advance tax paid during the preceding financial year, then, the taxpayer is required to specify reasons for the same.
- The information needs to be furnished to tax authorities in proposed Form 28AA (inserted in Appendix II of the Rules). The Form seeks certain basic information of the taxpayer (like name, PAN, assessment year, nature of business, etc.).
- The Form also requires details of estimated net total income of the period under consideration (including, estimated income under various heads of income along with details of losses, deduction under Chapter VI-A, estimated tax liability under

Minimum Alternate Tax provisions, etc.) along with actual amounts of the earlier year for the same period (say, September / December 2016).

- Further, details of estimated turnover / profits for the period under consideration and net estimate for entire year (say, September 2017 and year ended 31 March 2018) along with the actual amounts of the immediately preceding previous year for the specific period and entire year (September 2016 and year ended 31 March 2017), need to be mentioned.
- In case a taxpayer carries out businesses of different nature, then, information for each of the businesses may have to be furnished separately.

Conclusion

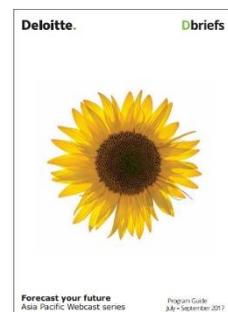
- Under the current mechanism, taxpayers pay their advance tax installments based on approximate estimates. There is no requirement of furnishing of any supporting documents to the tax authorities. A true-up is done at the time of filing of the income-tax return.
- The proposed mechanism will aid tax authorities to obtain basis for advance tax payments and would also put an onus on the taxpayer to justify the same. It will benefit both the taxpayer and the government (which may utilize the information for planning and prioritizing government expenditure).
- However, the draft notification would put an additional compliance burden on qualifying taxpayers.

Do you know about Dbriefs?

Dbriefs are live webcasts that give valuable insights on important developments affecting your business. To register, visit the [Dbriefs](#) page



Download the report



Contacts

Ahmedabad

19th Floor, Shapath - V
SG Highway,
Ahmedabad – 380 015.
Tel: + 91 (079) 6682 7300
Fax: + 91 (079) 6682 7400

Coimbatore

Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Kolkata

Bengal Intelligent Park Building
Alpha, 1st floor, Block EP and GP
Sector V, Salt Lake Electronics
Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Bangalore

Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Delhi/Gurgaon

Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Mumbai

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone
(W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Chennai

No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Hyderabad

1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax: +91 (040) 6603 2714

Pune

706, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605



Deloitte makes an impact that matters

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India LLP (DTTI LLP) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). This material contains information sourced from third party sites (external sites). DTTL LLP is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such external sites. None of DTTL LLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering professional advice or services. This information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.

©2017 Deloitte Touche Tohmatsu India LLP. Member of Deloitte Touche Tohmatsu Limited