taxsutra All rights reserved

INCOME-TAX ACT, 2025

E: Interest chargeable in certain cases

Section 423 - Interest for defaults in furnishing return of income.

(1) Where the return of income for any tax year is furnished after the due date or is not furnished, the assessee shall be liable to pay simple interest as per the following formula:—

I = 1% x A x T

where,—

I = the interest payable;

A = the amount of tax on which interest is payable, as specified in sub-section (2);

T = number of months comprised in the period commencing on the date immediately following the starting date and ending on the end date, both specified in sub-section (2).

(2) For sub-section (1), in respect of the circumstances specified in column B of the Table below, the starting date shall be the date specified in column C, the ending date shall be the date as specified in column D and the amount of tax on which interest is payable is specified in column E.

Table

Sl. No.	Circumstances	Starting date	Ending date	The amount of tax on which interest is payable
A	B	C	D	E
1.	Where the return is furnished under section 263(1), (4) or (6) or in response to a notice under section 268(1) after the due date.	Due date for furnishing the return of income under section 263(1).	Date of furnishing of the return.	(a) Where a regular assessment is not made, tax on the total income as determined under section 270(1) as reduced by tax paid; (b) Where a regular assessment is made, tax on the total income determined under regular assessment as reduced by tax paid.
2.	Where no return has been furnished under section 263(1), (4) or (6) or in response to a notice under section 268(1).	Due date for furnishing the return of income under section 263(1).	Date of completion of the assessment under section 271.	Tax on the total income determined under regular assessment as reduced by tax paid.
3.	(a) Where return of income is required by a notice under section 280 issued after the determination of income under section	The last date of time allowed under such notice.	Date of furnishing the return.	Amount by which the tax on the total income determined on the basis of such reassessment or recomputation

Downloaded by @weboapps.com at 29/11/26 01:10pm

taxsutra All rights reserved

	270(1) or after the completion of an assessment under section 270(10) or 271 or 279; and (b) such return is furnished after the expiry of the time allowed under such notice.			exceeds the tax on the total income determined under section 270(1) or on the basis of the earlier assessment under the section 270(1) or 271 or 279.
4.	(a) Where return of income is required by a notice under section 280 issued after the determination of income under section 270(1) or after the completion of an assessment under section 270(10) or 271 or 279; and (b) no return is furnished.	The last date of time allowed under such notice.	Date of completion of the reassessment or recomputation under section 279.	Amount by which the tax on the total income determined on the basis of such reassessment or recomputation exceeds the tax on the total income determined under section 270(1) or on the basis of the earlier assessment under the section 270(1) or 271 or 279 .

(3) Where as a result of an order under section 287 or 288 or 359 or 363 or 365(10) or 368 or 377 or 378, the amount of tax on which interest was payable under sub-sections (1) and (2) has been increased or reduced, the interest shall be increased or reduced accordingly, and in a case—

(a) where the interest is increased, the Assessing Officer shall serve on the assessee a notice of demand in such form as may be prescribed specifying the sum payable, and such notice of demand shall be deemed to be a notice under section 289 and the provisions of this Act shall apply accordingly;

(b) where the interest is reduced, the excess interest paid, if any, shall be refunded.

(4) For the purposes of this section,—

(a) tax on total income as determined under section 270(1) shall not include the additional income-tax, if any, payable under section 267;

(b) tax on the total income determined under regular assessment shall not include the additional income-tax payable under section 267;

(c) interest payable under sub-section (1) shall be reduced by the interest, if any, paid under section 266 towards the interest chargeable;

(d) “tax paid” means––

(i) advance tax, if any, paid;

(ii) any tax deducted or collected at source;

(iii) any relief of tax allowed under section 157;

(iv) any relief of tax allowed under section 159(1) on account of tax paid in a country outside India;

(v) any relief of tax allowed under section 159(2) on account of tax paid in a specified territory outside India referred to in that section;

Downloaded by @weboapps.com at 29/11/26 01:10pm

taxsutra All rights reserved

(vi) any deduction, from the Indian income-tax payable, allowed under section 160, on account of tax paid in a country outside India; and

(vii) any tax credit allowed to be set off as per sections 206(2)(e) to (h) and 206(3) and (4). [1]

(5) Where for any tax year, an assessment is made for the first time under section 279, the assessment so made shall be regarded as a regular assessment for the purposes of this section.

1. Substituted by The Finance Act, 2026 for

any tax credit allowed to be set off as per sections 206(1)(m) to (p) and 206(2)(e) to (h)

Downloaded by @weboapps.com at 29/11/26 01:10pm