Why gig workers find it tough to calculate advance tax payment

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Mumbai: The employment stratosphere is constantly evolving. It is no longer a rarity for a salaried individual to have a side gig. Further, the number of non-salaried gig workers is also on the rise.

Non-salaried have to meticulously compute and pay

RUN-UP TO THE BUDGET

their own advance taxes. The Income-tax (I-T) Act prescribes for payment of advance taxes if a taxpayer's liability is more than Rs 10,000. Salaried individuals can disclose their total income (including the non-salary portion, such as bank interest) to their employer, who then deducts tax at source (TDS), each month. If not, they must ensure advance taxes are duly paid as the tax deducted at source by the employer would not cover their entire tax liability.

Those with income flowing from gigs find it difficult at the very onset of a financial year to estimate their income for the entire year. This results in difficulties in correctly paying the first instalment of advance tax, which falls due on June 15. The first instalment calls for payment of 15% of the annual tax liability.

Under section 44ADA of the presumptive scheme, individuals can pay their entire advance tax in one instalment by March 15. However, moonlighters (who also hold a job) typically do not opt for the presumptive tax scheme where 50% of the gross revenue has to be offered to tax. Further, this side income is not disclosed to the employer to facilitate TDS.

Section 234C provisions, which entail payment of interest for an entire three-month period for non-payment or shortfall in a particular instalment till the next instalment, date is perceived as harsh.

The Bombay Chartered Accountants Society (BCAS) in addition to seeking reinstatement of a three-instalment mechanism for individuals, added that the threshold limit of Rs 10,000 needs a suitable upward revision.

The sting lies in the penal interest prescribed under section 234C of the I-T Act. Sandeep Jhunjhunwala, partner at Nangia Andersen, said, "Even a one-day delay in any of the first three quarterly instalments results in a substantial 3% interest charge for the delayed quarter. Ideally, a more nuanced approach should be implemented."

COUGH UP 3% INTEREST FOR DELAY

- **Salaried** individuals can disclose their total income to their employer, who then deducts TDS each month
- Those with **gigs** find it tough at the onset of a financial year to estimate their annual income
- This results in difficulties in correctly paying the first instalment of advance tax, which calls for payment of **15%** of the annual tax liability

- The sting is in the **penal interest**, where even a day's delay results in a 3% interest charge for the quarter
- **For instance**, Mr A ought to have paid advance tax of ₹15,000 by June 15. However, he paid only ₹5,000. The shortfall is ₹10,000. Then, interest under section 234C will be ₹300 (which is at 1% for 3 months)