Q.6: Comparison of exemptions/deductions available under the old tax regime and new tax regime as per Section 115BAC.

Particulars	Old tax regime (F.Y. 2025-26)	New tax regime (F.Y. 2025-26)
Income level for rebate eligibility	INR 5 lakhs	INR 12 lakhs
Standard Deduction	INR 50,000	INR 75,000
Rebate u/s 87A	INR 12,500	INR 60,000
Standard Deduction [Section 16(ia)]	Available	Available
Leave Travel concession [Section 10(5)]	Available	Not Available
House Rent Allowance [Section 10(13A)]	Available	Not Available
Official and personal allowances (other than those as may be prescribed) [Section 10(14)]	Available	Not Available
Allowances to MPs/MLAs [Section 10(17)]	Available	Not Available
Entertainment Allowance [Section 16(ii)]	Available	Not Available
Professional Tax [Section 16(iii)]	Available	Not Available
Interest on housing loan for self-occupied house property [Section 24(b)]	Available	Not Available
Deduction under Sections 80C to 80U other than specified under Section 80CCD(2), and Section 80CCH(2) [Chapter VI-A]	Available	Not Available
Set-off of any loss under the head "Income from house property" with any other head of income	Available	Not Available
Exemptions or deductions for allowances or perquisites provided under any other law for the time being in force	Available	Not Available

Qus.7: Whether any benefit/special advantage in tax rates are provided to senior citizen under New Tax Regime?

Ans. In the old tax regime, the basic exemption limit for senior citizens is INR 3,00,000/- and for super senior citizens, it is INR 5,00,000/-. In the new tax regime, there is no separate slab benefit for senior citizen however basic exemption limit extended to INR. 4,00,000/- from 3,00,000/- from AY 2026-27 and no income tax is payable upto the total income of INR 12 lakh.

Qus. 8: What should the employee keep in mind while choosing any of the regime?

Ans: Usually the employers ask employees to declare their regime choice at the beginning of the financial year for TDS purposes. However, the employee can change his/her choice while filing their return.

Qus.9: How capital gain is taxed in the two regimes?

Ans. Capital gains are taxed the same way under both regimes. The tax treatment for short-term and long-term capital gains remain unaffected by the choice of tax regime.

Qus.10: Is there any tool to help or assist the taxpayer to decide between the two regimes?

Ans. Yes, the Income Tax Department's website provides a comparison tool to aid in making an informed decision. The Income Tax Website ***www.incometaxindia.gov.in*** provides a comparison tool to help taxpayer.

Note: - *From the A.Y. 2024-25, the default tax regime will be the new tax regime of section 115BAC and a taxpayer need to explicitly opt out of the new tax regime and choose to be taxed under old tax regime. Further, there is no penalty for changing regimes (In case of business income only once it can be done).*

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INCOME TAX DEPARTMENT

Income Tax Department

Central Board of Direct Taxes

UNDERSTANDING THE OLD TAX REGIME VS NEW TAX REGIME

The existence of two tax regimes is important as they provide flexibility and cater to different financial needs and preferences of tax payers.

Q.1: What are the two tax regimes in India?

Ans: The two tax regimes are Old tax regime and New tax regime.

Q.2: Explain the old tax regime?

Ans: Under this tax regime taxpayer can claim various deductions, exemptions and rebate to reduce their taxable income. This regime has higher tax rates compared to the new regime, but allows for numerous deductions and exemptions.

» **The tax slab rates for assessment year 2026-27 are as under:**

Net income range (INR)	Resident Super Senior Citizen	Resident Senior Citizen	Any other Individual
Up to 2,50,000	Nil	Nil	Nil
2,50,001-3,00,000	Nil	Nil	5%
3,00,001-5,00,000	Nil	5%	5%
5,00,001-10,00,000	20%	20%	20%
Above 10,00,000	30%	30%	30%

'Super senior citizen' means an individual whose age is 80 years or more at any time during the relevant previous year.

'Senior citizen' means an individual whose age is 60 years or more at any time during the relevant previous year but less than 80 years on the last day of the previous year.

» **Deductions, Exemptions and Rebate Available:**

- **Deductions:** Taxpayers can claim various deductions under sections **80C** (investment in PPF, ELSS, NSC, EPF, tuition fees for children, principal repayment on home loans), **80D** (health insurance) **HRA [10(13A)]**, **home loan interest under section 24(b)**, **80E** (Interest on education loans), **80G** (Donations to eligible charitable institutions), **80TTA/80TTB (**Interest income on savings accounts or deposits for senior citizens), **LTC [10(5)].**
- **Standard deduction of INR 50,000** for salaried individuals and pensioners.

- **Rebate under Section 87A (up to INR 12,500):** Available for individuals with income up to INR 5 lakh, making income effectively tax-free up to this level.
  - » **Surcharge:** Applicable at different rates based on income levels.
  - » **Health & Education cess @** 4%.

Q.3: Explain the new tax regime?

Ans: This tax regime was introduced in budget 2020, offers lower tax rate however deductions and exemptions are not allowed except for NPS & EPF contribution.

» **The tax slab rate for assessment year 2026-27 have been enumerated in the below table:**

Upto 4,00,000	Nil
From 4,00,001 to 8,00,000	5%
From 8,00,001 to 12,00,000	10%
From 12,00,001 to16,00,000	15%
From 16,00,001 to 20,00,000	20%
From 20,00,001 to 24,00,000	25%
Above 24,00,000	30%

» **Standard Deduction of INR 75,000** for salaried individuals and pensioners(from FY 2024-25).

» **Rebate under Section 87A (for FY 2024-25 max 25,000 allowed and from FY 2025-26 max allowed up to INR 60,000):** Available for individuals with income up to INR 12 lakh, making income effectively tax-free up to this level. If the total income exceeds INR 12 lakhs, then marginal relief upto the differences b/w the tax payable on such income and amount by which it exceeds INR 12 lakhs.

» **Surcharge:** Applicable at different rates based on income levels.

» **Health & Education** cess @ 4%

Q.4: How one can determine which regime is beneficial for him/her?

Ans: One can choose between the regime based on their financial situation, including income, deduction & exemption eligibility and overall tax planning goals.

<u>Old Tax Regime is beneficial to:</u>

- Those with significant investments in tax-saving instruments.
- Individuals with high deductions and exemptions, like medical insurance, home loans, and children's education expenses.
- People who prefer the flexibility to structure their finances around various tax-saving avenues.

<u>New Tax Regime beneficial to:</u>

- Individuals who do not have significant deductions or investments in tax-saving instruments.
- New entrants to the workforce, who may prefer lower tax rates with few obligations for financial planning.
- Those with a straightforward income structure who prefer ease of calculation over tax-saving investments

Q.5: How to choose the tax regime each financial year?

Ans: Though new tax regime is the default tax scheme, however, a taxpayer can choose between the two regimes based on their preference.

Salaried Individuals can switch between the two regimes every financial year while filing his/her tax returns.

Individuals with Business Income can opt for Old Tax Regime only once and if this option is chosen, he has to file Form No. 10-1EA on/before the due date of filing the ITR.