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Income Tax Regime –Old vs New

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ABSTRACT

The government of India has announced new tax slab rate in union budget 2023-24. Finance minister Nirmala Sitharaman announced a major tweak to the new tax regime to encourage more adoption. These changes will come into effect for financial year that falls between April 2023 and march 2024 (FY 2023-24, or simply FY-2024), which also translates to assessment year (AY) 2023-24. The new tax regime less slabs has lower tax rates as compare to old tax structure from FY-2023-24 on words taxpayers will be required to opt for old tax regime and new tax regime will be the default option section 115BAC (6). The old tax structure enables taxpayers to avail existing tax exemption such as leave travelling allowances, House rent allowances (HRA), children educational allowances and deduction under Income tax act 1961. The old tax regime has higher tax rates and three slab rates and the new tax slab regime has low tax rate and 1 slab rate there is no similarity in old tax and new tax slab rates. The tax rates in new tax regime remain same across all categories i.e the Hindu undivided family and the Individual up to 60 years of age and senior citizen above 60 years to 80 years of age super citizen above 80 years therefore no increase of the basic Exemption limit will benefit the senior and the super senior citizen in the new tax regime. Individual with a net taxable income of up to ₹7 lakhs will be eligible for tax rebate u/s 87 under the new tax regime the rebate limit remains at ₹5 lakhs for individual who choose to pay tax under the old tax regime. The new tax regime makes sense for this with income up to ₹7 lakhs, or for those with higher incomes who can't clam tax benefit of at least ₹4.5lakhs. tax calculation under new tax regime is simpler. Operating under the new tax regime makes life simpler for the taxpayers as they do not have worry about keeping records of their exemption claims.

Keywords: Income Tax, Old vs New Tax regime, Rebate, Exemption, Deduction.

Introduction

The objective of this research article is to understand tax structure of India and difference between old tax regime and the new tax regime and its implication. Income tax is one kind of direct tax that government levis on individual and business. Income taxes are the sources of revenue for government, they are used fund for development of infrastructure and public service. As per the income tax act 1961 every individual or artificial person has to pay income tax whose income goes beyond threshold limit set by the government of income tax of India. Income tax is percentage that an individual person or businesses paid to the government to run nation smoothly, infrastructural development etc. tax compliance by citizens implies compliance with all statutory obligations specified in the tax law, including registration as a tax payer, maintaining required records, filing timely, accurate tax returns and paying taxes correctly and on time. There are two types of tax system in India direct tax and indirect tax income tax falls under direct tax system direct tax is collected and Administrated by Central Board of Direct Tax (CBDT) and indirect tax is collected and Administrated by Central Board of Indirect Tax and Custom (CBIC) direct tax collection has been increasing continuously since 30 years. However, tax payers can take the advantages of decrease tax rate upon his/her income one of the most important functions of any government is collection of tax for developing countries rely much on taxation system for development of economy.

some definition Are as under

Tax is a compulsory contribution (Payment) made by every citizen of a nation to the government for the purpose of availing certain benefits from the government.

Adam smith “A tax is a contribution from citizens for the support of the state”.

P.E Taylor “A compulsory payment to government without expectation of direct return in benefit to the taxpayers is known as tax”.

Seligmen “A tax is a compulsory contribution from the person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred”.

Prof. Bastable: “A tax is compulsory contribution of the wealth of a person or body of persons for the service of public power”.

Types of taxes

Taxes broadly classified into two main categories:

1. **Direct tax**: A tax is a paid directly by an individual or an organisation to the imposing entity called direct tax.

(or)

The impact and incidence of tax fall in the same person is called direct tax.

Impact: Impact means burden of paying tax.
Incidence: Responsible or person liable to paid tax to the government.

Example of direct tax:

- Income tax
- Professional tax
- Wealth tax
- Property tax
- Agricultural tax

- **Income tax**: Income tax is calculated on basis of gross income less deduction, exemptions or credits. It is lived on business and individuals. Income tax act, 1961 imposes tax on the income of an individual or Hindu undivided family or a Firm or Cooperative societies (other than companies), whether an income to be included in total income of a person in India wholly depends on his residential status. Residential status can be divided in two parts 1. Resident 2. Non Resident. Resident can be divided on the two parts i.e. ordinary and Non ordinary resident.

- **Wealth tax**: The wealth tax is a tax on wealth or property. It is levied on net wealth of the person if it exceeds the minimum exemption limit. It is governed by wealth tax act 1957 from assessment years 2016-17, wealth tax has been abolished.

- **Professional tax**: Is a direct tax that is deducted from your gross salary by the government. This tax is levied by State Government and thus can vary depending on the state you live in. the maximum limit of which you can be charged is Rs 2500.The tax is calculated based on the slabs.

- **Property tax**: Is a tax paid on property owned by an individual or other legal entity. Such as a corporation. Most commonly, property tax is a real estate ad-valorem tax, which can be considered a regressive tax. It is calculated by a local government where the property is located and paid by the owner of property.

- **Agricultural tax**: Rent or revenue derived from land situated India which is used for agricultural purpose. It is totally exempted from under section 10(1) in case of agricultural land situated outside India it will be taxable.

2. **Indirect tax**: It is a tax collected by an intermediary (such as retails stores) from the person who bears the ultimate Economical burden of the tax(consumer).

(or)

The impact and incident is on two different persons is called indirect tax.

Examples of indirect tax:

- GST (Goods and service tax)
- Custom duty
- Sales tax
- Service tax
- Central excise duty
- Value added tax

- **GST (goods & services tax)**: A tax on supply of goods and services or both except on supply of alcoholic liquor for human consumption and petroleum product.

i. GST is continuous chain of tax credit.
ii. GST is where burden born by final consumer.
iii. GST bring uniform tax structure all over the India.

- **Custom duty**: Custom duty refer to the tax imposed on the goods when they are transported across international borders. In simple terms, the tax that is levied on import and export of goods. The government uses this duty to raise its revenue, safeguard domestic industries, and regular movement of goods.

- **Sales tax**: A sales tax is a tax paid to a governing body for the sales of certain goods and services. Usually laws Allows the sellers to collect funds for the tax from the consumer at the point to a governing body directly by a consumer, it is usually called a use tax

- **Central Exis duty**: Excise duty levied under the central excise act 1994 and the central excise tariff act, 1985 by central government. It is charged on excisable goods that are manufactured in India and made for domestic consumption.

- **Service tax**: Services tax is tax levied by government on the service providers on certain services on certain services transactions, but it's actually borne by customer. Service tax is levied on the service providers the gross or aggregate amount charged from his customers. Its categorized under indirect tax and came into existence under the finance act, 1994.

- **Value added tax**: Is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sales. The amount of VAT that the uses pays is on the cost of the product, less any of the cost of materials used in the product that have already been taxed.

History of income tax in India

Income tax in its contemporary form was introduced in India for first time in 1860 by the British Government to overcome the financial crisis following the events of 1857. In the beginning Government introduced it as provisional measure of raising revenue under the income tax act 1860 for a period of five years. Different tax rates were prescribed for different heads of income. In the year 1867, it was transformed as licence tax on trade and profession. In the year 1869, the license tax was replaced by income tax again. The assessment was made on arbitrary basis leading to inequality, unpopularity and widespread tax evasion.

Income tax withdrawn in the year 1874. After the great famine of 1876-1886, the Government introduced local acts for income tax in different provinces. With several amendments these acts remained in force till 1886. The period from 1860 to 1886 was a period of experiment in the context of income tax in India.

Pre Independent period (1886-1947)

In 1886, a new income tax was passed with Great improvement than the previous acts. This act with several Amendment in different years continued till 1918, a new act was passed repealing all the previous acts. For the first time, this act introduced the concept of aggregating income under different heads for charging tax. In 1921, the government constituted "All India income tax committee" and on the basis of recommendation of this committee a new act (act xi of 1992) was enacted. This act is a landmark in the history of Indian income tax system. This act made income tax a central subject by shifting the tax administration from the provincial government to the central government. During this period the board of revenue (central board of revenue) and income tax department with defined administrative structure came into existence.

Post-Independence period

The income tax act 1992 continued to be applicable to independent India. During the early post independent period, the income tax legislation had become very complicated on account of innumerable changes. During this period tax Evasion was prevalent and tax collection was very costly. In 1956, the government of India Referred the act to a law commission to make the income tax act simpler, logical and revenue oriented. The law commission submitted its report in September 1958 and in the meantime the government. Also appointed a direct tax administration enquiry committee to submitted its report in 1959. The income tax bill 1961, prepared on the basis of the Committees recommendation of the law commission and the supervision of prof. Nicholas Kaldor. The income tax bill 1961, prepared on the basic of the Committees recommendations and suggestions from chamber of commerce, was introduced in Lok Sabha on 24.4.1961. it was passed in September 1961 by Lok Sabha. The income tax act 1961 came into force on April 1,1962. It applies to whole of India including the state of Jammu and Kashmir. It is a comprehensive piece of legislation having 23 chapters, 298 sections, various sub sections and 14 schedules. Since 1962, it has been subjected to numerous amendments by the finance acts of each Years to cope with changing scenario of India and its economy.

Recent Tax Reforms

The economic crisis 1991 led to structural tax reforms in India with main purpose of correcting the fiscal imbalance, subsequently, the tax reforms committee headed by Raja Chelliah (government of india,1992) and task force on direct taxes headed by Vijay kelkar (government of india,2002) made several proposals for improving income tax system. The system. these recommendations have by Vijay implemented by the government phases from time to time. Some new tax has been introduced such as minimum alternative tax, dividend distribution tax, securities transaction tax, Fringe benefit tax and banking cash transaction tax, however, fringe benefit tax and banking cash transaction tax were withdrawn by finance act, 2009. The income tax administration was restructured with effect from August 1, 2001 to facilitate the introduction of computer technology. Further, keeping in mind the global development, the department has made considerable efforts for reforming the tax administration in recent years. Some important measures in this direction are

- Introduction of mandatory quoting of Permanent Account Number(PAN)
- E-filing of returns,
- E-TDS,
- E-payment,
- Tax Information Network(TIN),
- Annual Information return(AIR) for high value transaction,
- Integrated taxpayer profiling system(ITPS),
- Refund bankers scheme in certain cities etc.

The main objective of these reforms has been to enhanced tax revenue by expanding the taxpayer base, improving operational efficiency of the tax administration, encouraging voluntary tax compliance, creating a taxpayer friendly atmosphere and simplifying procedural rules.

Scheme of taxation of income in India

AS per Indian constitution the central government Posses the right to levy and collect tax on income other than Agricultural income under income tax act, 1961.The proceeds of income tax shared between the central and the state government as per the Recommendations of the finance commission. Income tax is chargeable on the total income of a person in the previous years at the Rates Prescribed by financial act every year.

OBJECTIVE OF THE STUDY

- 1.Difference between old tax regime and New tax regime.
- 2.Old tax regime vs new tax Regime: which one is better?

RESEARCH METHODOLOGY

In this article researcher analysed and compare the impact of the old tax regime and the new tax regime on individual and business and difference between old tax regime and new tax regime. The study has taken help of various website Journals social sites reference book government report and industry publication to gain and understanding of the old tax and new tax regime their key provision and their implications. The study is Depend on mostly on the secondary sources. main aim behind the study is to get to know the tax payers which tax regime is benefited for tax payers.

DIFFERENCE BETWEEN OLD TAX AND NEW TAX REGIEM

In this part you can gain knowledge about the normal tax rates applicable to different taxpayers. for special. Tax rates applicable to special incomes like long term capital gains. Winnings from lottery etc. Refer “Tax Rates” under “Tax charts &Tables”.

Old Tax Regime for individual & HUF

Old Tax Regime is the default tax regime for the taxpayers for the assessment year 2023-24 However, for the Assessment year2024-25 the taxpayer has to exercise the option under section 115BAC (6) to avail the benefit of old tax regime. The normal tax rates applicable to a resident individual will depend on the age of individual. However, in case of a non-resident individual the tax rates will be same irrespective of the age. For the purpose of ascertainment of the applicable tax slab, an individual can be classified as follows:

- Resident individual below the age of 60 years.
- Resident individual of the age of 60 years or above at any time during the year but below the age of 80 years.
- Resident individual of the age of 80 years or above at any time during the year. Non-resident individual irrespective of the age.

INDIVIDUALS (Other than senior and super senior citizen)		
Net income range	Rate of income tax	
	Assessment year 2024-25	Assessment year 2023-24
Up to RS 2,50,000	-	-
RS 2,50,000 to 5,00,000	5%	5%
RS 2,50,000 to 5,00,000	20%	20%
Above 10,00,000	30%	30%

Senior Citizen

Senior citizen (who is 60 years or more at any time during the previous year)	Rate of income tax	
Net income range	Assessment year 2024-25	Assessment year 2023-24
Up to RS 3,00,000	-	-
RS 3,00,000 to 5,00,000	5%	5%
RS 5,00,000 to RS 10,00,000	20%	20%
Above RS 10,00,000	30%	30%

Super Senior citizen
(who is 80 years or more at any time during the previous year)

Net income range	Rate of income tax	
	Assessment year 2024-25	Assessment year 2023-24
Up to RS 5,00,000	-	-
RS 5,00,000 to 10,00,000	20%	20%
Above RS 10,00,000	30%	30%

Net income range	Rate of income tax	
	Assessment year 2024-25	Assessment year 2023-24
Up to RS 2,50,000	-	-
RS 2,50,000 to 5,00,000	5%	5%
RS 5,00,000 to RS 10,00,000	20%	20%
above RS 10,00,000	30%	30%

Hindu undivided family (including AOP,BOI and artificial juridical person)

Surcharge: surcharge is levied on the amount of income –tax at following rates if total income of an assesse exceeds specified limits:

Rate of surcharge									
Assessment year 2024-25					Assessment year 2023-24				
Range of income					Range of income				
RS .50 Lakhs To RS 1 crore	RS. 1 Crore to RS 2 crore	RS 2 Crore to RS 5 crores	Exceeding RS .5 crores		RS .50 lakhs to RS 1 crore	RS .1 crore to RS .2 crores	RS .2 crores to RS 5 crores	Exceeding RS .5 crores	
10%	15%	25%	37%		10%	15%	25%	37%	

NOTE:

➢ The enhanced surcharge of 25% & 37%, as the case may be, is not levied, from income chargeable to tax under sections 111A, 112, 112A, and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.

➢ The maximum rate of surcharge on tax payable on dividend income shall be 15%

➢ The surcharge rate for AOP with all members as a company shall be capped at 15%

➢ The surcharge rate is nil if the total income of a 'specified fund' as referred to section 10(4D) includes any income in respect of securities as given under section 115AD(1)(a). [for assessment year 2024-25]

However, marginal relief is available from surcharge in following manner-

a) In case where net income exceeds Rs. 50 lakhs but doesn't exceed Rs. 1 Crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of RS 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs.
b) b) In case where net income exceeds Rs. 1 crore but doesn't exceed Rs. 2 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.
c) In case where net income exceeds Rs. 2 crores but doesn't exceed Rs. 5 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 2 crores by more than the amount of income that exceeds Rs. 2 crores.
d) In case where net income exceeds Rs. 5 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 5 crores by more than the amount of income that exceeds Rs. 5 crores.

Health and Education Cess

Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge. Note: The Health and Education Cess is nil if the total income of a 'specified fund' as referred to section 10(4D) includes any income in respect of securities as given under section 115AD(1)(a). [For assessment year 2024-25]

AMT: In the case of a non-corporate taxpayer to whom the provisions of Alternate Minimum Tax (AMT) applies, tax payable cannot be less than 18.5% (+HEC) of "adjusted total income" computed as per section 115JC. For provisions relating to AMT refer tutorial on "MAT/AMT" in tutorial section.

Notes:

- In case of a unit located in an IFSC which derives its income solely in convertible foreign exchange the rate of AMT shall be at the rate of 9% instead of existing rate of 18.50%.
- The rate of AMT shall be 15% instead of existing rate of 18.5% in case of a co-operative society.

Note: A resident individual (whose net income does not exceed Rs. 5,00,000) can avail rebate under section 87A. It is deductible from income-tax before calculating education cess. The amount of rebate is 100 per cent of income-tax or Rs. 12,500, whichever is less.

Non-resident individual/HUF

NET INCOME RANGE	INCOME TAX RATES	HEALTH AND EDUCATION Cess
Up to Rs 2,50,000	NIL	NIL
Rs 2,50,000-RS 5,00,000.	5% of (total income minus Rs 2,50,000) [*]	4% of income tax
Rs .500000-10,00,000	Rs 12,500+20% of(total income minus RS 5,00,000)	4% of income tax
Above RS 10,00,000	Rs 1,12500+ 30% of (total income minus RS 5,00,000)	4% of income tax

Surcharge: Surcharge is levied on the amount of income – tax at following rates if total income of an assesse exceeds specified limit:

Rate of surcharge									
Assessment year 2024-25					Assessment year 2023-24				
Range of income					Range of income				
Rs .50 Lakhs To Rs 1 crore	RS. 1 Crore to Rs 2 crore	Rs 2 Crore to Rs 5 crores	Exceeding Rs .5 crores		Rs .50 lakhs to Rs 1 crore	Rs .1 crore to Rs .2 crores	Rs .2 crores to Rs 5 crores	Exceeding Rs .5 crores	
10%	15%	25%	37%		10%	15%	25%	37%	

However, marginal relief is available from surcharge in following manner-

➢ in case where net income exceeds Rs 50 lakhs but doesn't exceed Rs1 Crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of Rs 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs.

➢ in case where net income exceeds Rs 1 crore but doesn't exceed Rs. 2 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs 1 crore by more than the amount of income that exceeds Rs 1 crore.

➢ c) in case where net income exceeds Rs 2 crores but doesn't exceed Rs. 5 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs 2 crores by more than the amount of income that exceeds Rs 2 crores.

➢ in case where net income exceeds Rs 5 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 5 crores by more than the amount of income that exceeds Rs. 5 crores. Health and Education Cess: Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

AMT

In the case of a non-corporate taxpayer to whom the provisions of Alternate Minimum Tax (AMT) applies, tax payable cannot be less than 18.5% (+HEC) of "adjusted total income" computed as per section 115JC. For provisions relating to AMT refer tutorial on "MAT/AMT" in tutorial section.
Notes: • In case of a unit located in an IFSC which derives its income solely in convertible foreign exchange, the rate of AMT shall be at the rate of 9% instead of existing rate of 18.50%. • The rate of AMT shall be 15% instead of existing rate of 18.5% in case of a co-operative society.

New tax regime Rate for Individual, HUFs, AOP, BOI and AJP

New tax regime (also known as alternative tax regime) is optional for the Assessment Year 2023-24. An individual or HUF has to exercise the option under section 115BAC (5) to avail its benefit. However, for the Assessment Year 2024-25, the new tax regime is the default tax regime for the Individual or HUF. Further, the benefit of new tax regime has also extended to Association of Persons (AOP)/Body of Individuals (BOI) and Artificial Juridical Person (AJP) w.e.f. Assessment Year 2024-25. If one to opt-out from default new tax regime, he has to exercise the option under section 115BAC (6).

The tax rates under the new tax regime are as under

A) For Assessment year 2023-24

NET INCOME RANGE	TAX RATE
Up to 2,50,000	Nil
from 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From12,50,001 to 15,00,000	25%
Above Rs 15,00,000	30%

B) For Assessment year 2024-25:

NET INCOME RANGE C)	TAX RATE
Upto 3,00,000	Nil
from 3,00,001 to 6,00`,000	5%
From 6,00,001 to 9,00,000	10%
From 9,00,000 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above Rs 15,00,000	30%

Surcharge: Surcharge is levied on the amount of income-tax at following rates if total income of an assesse exceeds specified limits:

RANGE OF INCOME				
RS 50 Lakhs to RS 2 crore	RS 1crore to RS 2 Crore	Exceeding RS 2 crores		
10 %	15%	25%		

Notes: The maximum rate of surcharge on tax payable on dividend income or capital gain referred to in Section 111A, Section 112, Section 112A or Section 115AD shall be 15%.

However, marginal relief is available from surcharge in following manner

➢ in case where net income exceeds Rs. 50 lakhs but doesn't exceed Rs. 1 Crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of Rs 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs.

➢ in case where net income exceeds Rs. 1 crore but doesn't exceed Rs. 2 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs.1 crore by more than the amount of income that exceeds Rs. 1 crore.

➢ in case where net income exceeds Rs. 2 crores, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs .2 crore by more than the amount of income that exceeds Rs. 2 crores.

Health and Education cess: Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

AMT: The assesse opting for this scheme have been kept out of the purview of Alternate Minimum Tax (AMT). Further the provision relating to the computation, carry forward and set off of AMT credit shall not apply to these assesses.

Note:

- For Assessment Year 2023-24, a resident individual (whose net income does not exceed Rs 5,00,000) can avail rebate under section 87A. It is deductible from income-tax before calculating education cess. The amount of rebate is 100 per cent of income-tax or Rs 12,500, whichever is less.
- From Assessment Year 2024-25, a maximum rebate of Rs. 25,000 is allowed under section 87A, If the total income of an individual, who is opting for the new tax scheme under Section 115BAC(1A), is up to Rs. 7,00,000. Further, if the total income of the resident individual (opting section 115BAC(1A) exceeds Rs. 7,00,000 and the tax payable on such income exceeds the difference between the total income and Rs. 7,00,000, he can claim a rebate with marginal relief to the extent of the difference between the tax payable on such total income and the amount by which it exceeds Rs. 7,00,000
- If an assesse has opted for new tax regime, the provisions of AMT shall not be applicable.

Conditions for opting new tax regime

The taxpayer opting for concessional rates in the New Tax regime will have to forgo certain exemptions and deductions available in the existing old tax regime. In all there are 70 deductions & exemptions that are not allowed, out of which the most commonly used are listed below:

Particular	**Old tax regime**	**New tax regime (until 31-03-2023)**	**New tax regime from 01-04-2023**
Income level for rebate eligibility	5,00,000	5,00,000	7,00,000
Standard deduction	50,000	Nil	50,000
Effective tax free salary income	5,50,000	5,00,000	7,50,000
Rebate under section 87A	12,500	12,500	25,000

Leave travel allowance(LTC)	✓	X	X
Other allowance including food allowance of Rs 50 / meal subject to 2meals a day	✓	X	X
Standard deduction(Rs 50,000)	✓	X	✓
Entertainment allowance deduction and profession tax	✓	X	X
Perquisites for official propose	✓	✓	✓
Interest on home loan under section 24B on let out property	✓	✓	✓
Deduction under a section 80C (EPF/LIC/LESS/PPF/Children's tuition fee etc.)	✓	X	X
Employee's (own) contribution to NPF.	✓	X	X
Medical insurance premium - 80D	✓	X	X
Disabled individual - 80U	✓	X	X

Interest on education loan – 80E	✓	X	X
Interest on electric vehicle loan – 80EE	✓	X	X
Donation to political party and trust etc. – 80G	✓	X	X
Saving bank interest under section 80TTA and 80TTB	✓	X	X
Other chapter VI A deduction	✓	X	X
All contribution to Agniveer Acrops fund – 80CCH	✓	Did not exist	✓
Deduction family pension income	✓	✓	✓
Gift up to 50,000	✓	✓	✓
Exemption on voluntary retirement 10(10C)	✓	✓	✓
Exemption on gratuity under section 10(10)	✓	✓	✓

Exemption on leave encashment under section10(10AA)	✓	✓	✓
Daily allowance	✓	✓	✓
Transport allowance for a specially – abled person	✓	✓	✓
Conveyance allowance	✓	✓	✓
HRA exemption	✓	X	X
Interest on home loan under section 24B on self-occupied or vacant property	✓	X	X
Employer's contribution to NPF	✓	✓	X

Old Tax Regime Vs New Tax Regime: which one is better?

Let's compare old tax regime with new tax in case of new tax structure tax payers earning 10,00,000 will of RS 62,400 and tax payers earning 12,00,000 will of RS 93,600 and in case of 40,00,000 will be the tax of 9,20,400; this is less than old tax regime here we are going to see scenarios and under tending which tax regime is better.

- **Scenario 1: claim limited exemption & deduction:**

Mr Puneeth Kumar is an employee of financial institution who earns RS 10,00,000 P.A. being salaried he contributed for EPF and HRA. A part from this he also avails leave travelling allowance (LTA) is RS 50000.

Now let's see which tax regime save more money

Now let's calculate net tax payable:

Table:1

INCOME TAX CALCULATION Vs NEW TAX REGIME		
PARTICULARS	OLD TAX REGIME(Rs)	NEW TAX REGIME(Rs)
A)Annual income	10,00,000	10,00,000
B)Standard deduction	50,000	50,000
C)EPF Contribution (section 80C)	25,000	Nil
D)HRA	30,000	Nil
E)Leave travelling allowance	50,000	Nil
F)Total(exemptions& deductions)	1,55,000	50,000
Net total income (a-f)	8,45,000	9,50,000

Now let's calculate net tax payable:

Table:2

TAX SLAB	Old tax rates	Tax(old)	TAX SLAB	New tat rates	Tax (new)
0 – 2,50,000	Nil	Nil	0 -3,00,000	Nil	Nil
2,50,001 – 5,00,000	5%	12,500	3,00,001 – 6,00,000	5%	15,000
5,00,001 – 10,00,000	20%	69,000	6,00,001 – 9,00,000	10%	30,000
10,00,001 above	30%	Nil	9,00,001 – 12,00,000	15%	7,500
Total tax		81,500	12,00,001 – 15,00,000	20%	Nil
			15,00,001 above	30%	Nil
			Total tax		52,500
Cess(4%)		3,260	Cess (4%)		2,100
Total tax liability		84,760	Total tax liability		54,600

Here we can see Mr. Puneeth Kumar can minimise his tax liability by choosing new tax regime than old tax regime. He can reduce tax by Rs 30,160 in new tax regime.

Scenario 2: Availing all major exemption and deduction:

Mr. Chandrasekhar is an employee of ABC Company he Earn20,00,000 P.A he avails full deduction under section 80C i.e. 2,00,000 he has bought health insurance for that he paid premium of RS 25000 and claim as deduction under 80D he has also made investment of RS 50000 in NPS he also Claim LTA of RS 25000 which is tax exemption.

Income tax calculation old tax vs new tax regime.

Table:3

PARTICULARS	OLD TAX REGIME(RS)	NEW TAX REGIME(RS)
A)Annual income	20,00,000	20,00,000
B)Standard deduction	50,000	50,000
C)EPF Contribution (section 80C)	1,50,000	Nil
D)HRA	40,000	Nil
E)Leave travelling allowance	25,000	Nil
F)Health insurance 80D	25,000	Nil
G) NPS	50,000	Nil
F)Total(exemptions& deductions)	3,40,000	50,000
Net total income (a-f)	16,60,000	19,50,000

Now let's calculate new tax payable:

Table:4

TAX SLAB	Old tax Rates	Tax(old)	TAX SLAB	New tat rates	Tax (new)
0 – 2,50,000	Nil	Nil	0 – 3,00,000	Nil	Nil
2,50,001 – 5,00,000	5%	12,500	3,00,001 – 6,00,000	5%	15,000
5,00,001 – 10,00,00	20%	1,00,000	6,00,001 – 9,00,000	10%	30,000
10,00,001 above	30%	1,98,000	9,00,001 – 12,00,000	15%	45,000
Total tax		3,10,500	12,00,001 – 15,00,000	20%	60,000
			15,00,001 above	30%	1,35,000
			Total tax		2,85,000
Cess (4%)		12,420	Cess (4%)		11,400
Total tax liability		3,22,920	Total tax liability		2,96,400

In this case, new tax regime is good to choose.by choosing new tax regime instead of old tax regime he can lower the tax liability by Rs 26,520.

Benefit of paying income tax:

- Once you file your income tax return you can choose to Receive the refund. This is one of the main benefit of income tax return.
- Many Indians travel abroad or aspire to work in a foreign country. For better prospects or opportunities while it is simple to get a travel visa a work visa or any other type of visa for most countries.
- If you are getting a personal or business loan or new credit card your bank will require proof of income.

Suggestion

Implementation of budget 2023 makes the things complicated as it creates confusion in minds of tax payers about tax regime. By analysing all scenarios, we can't choose anyone of tax regime because both tax regimes as its own limitation and advantages for tax rate point view new tax regime is better to opt. However, anyone want to avail all exemption and deduction, in that case whole tax rate perform good. Its import to consider that a changes in slab rates may also lead to other aspects of tax system such as deduction and exemptions this changes can impact the overall tax liability and many offset any potential benefits from lower tax rate. Ultimately the effect of a new income tax rate on an individual's finances will be depend on their specific circumstances and should be evaluated in congestion with other tax rate related factors. The tax payers have to decided whether he wants less tax rates wants avail all exemption and deductions. By considering all situations, we can conclude that someone who is able to avail all exemption and deduction he can go for old tax regime and anyone who want less tax rate and don't want avail any exemption and deduction, he can apply for new tax regime.

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