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THE CHANGING LANDSCAPE OF GLOBAL ECONOMIES: A WINDOW INTO THE DYNAMIC WORLD OF WORLDONOMICS

In today's interconnected world, the dynamics of global economics continue to evolve rapidly. As nations strive to navigate the challenges and opportunities in this ever-changing landscape, Worldonomics plays a crucial role in bringing insights and analysis to the forefront. With its reputable position as a leading informational hub, the Worldonomics Times US website (worldonomics.in) serves as an invaluable reference for anyone seeking a deeper understanding of the world economy.

One of Worldonomics' notable strengths is its ability to provide comprehensive coverage and insights on a wide array of economic topics. From macroeconomics to sector-specific analyses, readers can explore a myriad of articles written by renowned economists and industry experts. Whether one is interested in exploring the impact of geopolitical events on financial markets or dissecting the implications of emerging technologies, Worldonomics covers it all.

Advancements in Technology:

Technology undeniably stands at the forefront of societal progress. Across a broad spectrum of articles, discussions on technological progress and its implications on various aspects of life have taken the spotlight. Subjects such as artificial intelligence, blockchain, virtual reality, and quantum computing have consistently attracted attention. These articles feature groundbreaking research, real-world applications, and ethical considerations, captivating readers with a glimpse into the future.

Sustainable Development and Climate Change:

The pressing need to tackle climate change and promote sustainable development has been a recurring theme in our publication. Articles centered on renewable energy sources, eco-friendly practices, and the shift towards a low-carbon economy have maintained a steady presence. The convergence of technology and sustainability has also been a notable focus, with discussions on smart cities, circular economy, and sustainable transportation solutions.

Education and Lifelong Learning:

The significance of education and continuous learning has been a prominent theme in our publication. Articles exploring innovative teaching methods, the integration of technology in education, vocational training, and online learning have appealed to readers adapting to a knowledge-based economy. The focus on empowering individuals to acquire new skills and knowledge has remained consistent.

Social Justice and Equality:

In a world where social issues demand ongoing attention, our publication has presented numerous insightful articles on social justice and equality. Topics such as gender equality, racial justice, LGBTQ+ rights, and socio-economic disparities have sparked meaningful dialogues. These articles delve into the challenges faced by marginalized communities while proposing solutions to foster a fair and inclusive society.

Sandeep Kumar

EDITOR-IN-CHIEF

Worldonomics Times

CHOOSE THE BEST TAX REGIME BASED ON YOUR INCOME & INVESTMENTS!

The annual budget 2020 introduced the new tax regime, which allowed all individual taxpayers and HUF to exercise their options between the new and the old tax regime from AY 2021-22 onwards, every year except those who have income under the head "Profits and gains of business or profession (PGBP)." Individual taxpayers with income under the head of business or profession only get one chance in their lifetime to return to the old system if they opt for the new tax regime. Further, once they switch back to the existing tax regime, they cannot opt for a new tax regime unless their business income ceases to exist.
Annual Budget 2023 encourages taxpayers to adopt the new tax regime, as it offers additional benefits and incentives.

Most of the taxpayers are worried about their tax planning and tax-saving options. Typically, individual taxpayers save Public Provident Fund (PPF), Employee Provident Fund (EPF), Voluntary Provident Fund(VPF), National Saving Certificates(NSC), Five year's Tax Saving Fixed deposits, Sukanya Samriddhi Yojana(SSY) for girls child, Life Insurance Premium(LIC), Infrastructure Bond and invested Equity Linked Saving Scheme(ELSS), National Pension System(NPS), Unit link Insurance Plans, LIC &, etc. to get tax deductions an amounting to ₹1.5 lakhs under section 80C.

Understanding the implications of the new tax regime is vital for effective tax planning. For instance, exemptions enjoyed under the old tax regime, such as HRA, LTC, Food Bills, Phone Bills, deductions towards EPF contribution, and standard deductions, will become taxable in the new tax regime. Other deductions like home loan interest, health insurance premiums, and savings bank interest will also become taxable. It emphasizes anticipating tax effects and making proactive tax planning decisions. By staying informed and planning, you can take control of your tax burden and save more.

With the introduction of the new tax regime, taxpayers can breathe a sigh of relief. They no longer need to worry about where to invest or which exemptions and deductions reduce their tax liabilities. The new system provides lower income tax rates in different slabs and simplifies the process by removing the claim of about 70 deductions and exemptions. This change is designed to simplify tax planning and ease financial burdens.

The new tax regime has widened the income tax slab rates and reduced income tax rates. Both regimes have separate tax slabs and rates and different exemptions/deductions. Income tax slab rates applicable to an individual resident in India below the age of 60 years for FY 2020-21 under both regimes (Table 1) for the FY 2020-21 are as follows:

Table No.1

Income slab	Old Tax Rate(%)	New Tax rate(%)
UP to ₹ 2,50,000	Exempt	Exempt
₹ 2,50,000 to ₹ 5,00,000	5%	5%
₹ 5,00,000 to ₹ 7,50,000	20%	10%
₹ 7,50,000 to ₹ 10,00,000	20%	15%
₹ 10,00,000 to ₹ 12,50,000	30%	20%
₹ 12,50,000 to ₹ 15,00,000	30%	25%
Above ₹ 15,00,000	30%	30%

This comparison shows how the new tax regime offers lower tax rates in some slabs, which can lead to significant tax savings for taxpayers. Income tax Slab applicable to an individual resident in India below the age of 60 years for FY 2020-21. Apart from the tax amount, you have to pay the education cess @4% on the taxes.

The main difference between the old tax system and the current concessional tax system is that if the taxpayer chooses taxation under the new tax regime, individual taxpayers and HUF are not allowed to claim any of the numerous deductions and exemptions listed in the Income Tax Act.

Hence, when opting for the concessional tax rate, the taxpayer forgoes certain specified deductions, such as the House Rent Allowance (HRA), additional tax benefit on contribution to the National Pension System (NPS) for ₹50,000, and interest on self-occupied property up to ₹ 2.00 lakhs, etc.

Specified Deductions not available in the new Tax Regime:

Broadly, these are the following specified deductions are not allowed in the new tax regime:

1. Leave travel Concession Tax free if claimed once in a block of two years as contained under section(U/s) 10 (5);
2. House Rent Allowance stated under section(U/s) 10(13A);
3. Special allowance as stated under section(U/s) 10 (14) (such as children's education allowance, hostel allowance, transport allowance, per diem allowance, uniform allowance, etc.);
4. Allowances to MPs/MLAs; stated in U/s 10 under section(U/s) 10 (17);
5. Allowance for clubbing of income of minor; stated in U/s 10 (32);
6. Interest under section 24 in respect of the self-occupied or vacant property (maximum amount for ₹ 3.5 lakhs for affordable housing, and ₹ 2 lakhs for others);
7. Deduction from family pension under section 57(iia);
8. Deduction under section 32(1)(iia),32AD,35, 35AD and 35CCC;
9. Deduction under chapter VI-A (Subject to an overall limit of ₹1,50,000 under Section 80C, 80CCC, and 80CCD(1));
10. NPS contribution (additional benefit for ₹ 50,000 under section 80CCD1(B);
11. Medical insurance premium maximum amount of ₹25,000 (₹50,000 for parents and senior citizens) as stated under section 80D;
12. Savings bank interest for ₹ 10,000 as contained under Sec 80TTA;
13. Interest income (for senior citizens) maximum amount of ₹ 50,000 as contained under Sec 80TTB;
14. Education loan interest paid for eight consecutive years under section 80E;
15. Disability of self or dependant: ₹75,000 to ₹ 1.25 lakh depending on the disability;
16. Treatment of self or dependant for specified disease: ₹ 40,000 (₹ 1 lakh for senior citizens); and
17. Donations to specified entities benefit from 50-100% of the amount donated.

In light of the above, if taxpayers want to opt for the concessional new tax rates, they may evaluate both regimes' tax amounts in order to get the maximum tax benefit. The taxpayers who wish to avail of the deductions under sections 80C, 80CCD (1B), and interest in the self-occupied property may not always benefit from the new tax regime. In these circumstances, the taxpayers are advised to evaluate the tax amount based on the specified deductions and benefits of all sections in the old and new tax regimes before opting for a tax system. Taxpayers should think judiciously about both the tax regimes' pros and cons before opting for the new one.

However, the government introduced five important changes in the new tax regime in Budget 2023. These changes, which remain in effect for FY 2024-2025, include enhancing the tax rebate limit, increasing the tax exemption limits from ₹ 2,50,000 to ₹ 3,00,000, allowing pensioners a standard deduction of ₹ 50,000, and increasing the leave encasement exemption limits from ₹ 3,00,000 to ₹ 25,00,000.

These changes were not made in the old tax regime, which remains the same even for FY 2024-2025 since no changes were made in the Interim Budget 2024. The government's aim with these changes is to encourage taxpayers to adopt the new regime, as it offers additional benefits and incentives.

1. Enhancement of Tax rebate Limit:

Full tax rebate on an income up to ₹ 7 lakhs has been introduced, whereas this threshold is ₹ 5 lakhs under the old tax regime. It means that taxpayers with an income of up to ₹ 7 lakhs will not have to pay any tax under the new tax regime as per section 87A.

2. Increase the tax exemption limits from ₹ 250000 to ₹300000 & changes the Income tax slabs:

The tax structure in the new regime the number of slabs reduced to five from Six, and increased the tax exemption limit to ₹3 lakh from ₹2.50 lakhs. However, there was no change in the old tax system tax slabs. The new tax rates for the Financial Year 2023-24 are as below:

Table-2

Income Slab	New Tax Regime Rate(%)
Up to ₹ 3,00,000	Exempt
From ₹ 3,00,000 to ₹ 6,00,000	5%
From ₹ 6,00,000 to ₹ 9,00,000	10%
From ₹ 9,00,000 to ₹12,00,000	15%
From ₹ 12,00,000 to ₹ 15,00,000	20%
Above ₹ 15,00,000	30%

For FY 2023-24, the above tax rates apply to the new tax system. As the interim budget has not changed the tax rates, this rate is also applicable for FY 2024-25.

3. Standard deduction:

A fixed deduction of Rs 50,000 under section 16 (i) is available to all salaried employees, regardless of their income level under the old and new regimes.

4. Change in surcharge rate:

The implementation of the new tax regime reduced the surcharge rate from 37% to 25%. This rate applies to individuals with income exceeding ₹5 Crores. The maximum tax rate was also reduced to 39 percent from 42.74%.

5. Increased Leave encashment tax exemption limit from ₹3,00,000 to ₹25,00,000:

The leave encashment exemption was fixed for ₹3,00,000 non-government salaried employees in 2002, based on the highest basic pay in the government, which was ₹30,000 pm. Now, the budget 2023 enhances it to ₹25,00,000. So, at retirement, the leave encashment amounting up to ₹25 lakhs is free from tax, as per Section 10(10AA).

The Indian government plans to implement the new tax system gradually. Because of this, the new tax system is imposed as the default tax regime in the 2023 yearly budget. If you don't choose either the old or new regime, your taxes will be calculated under the new regime by default. However, you can switch back to the old regime before the due date to file your return.

The new tax regime also offers a range of exemptions & deductions, providing significant financial relief to individual taxpayers:

- **Gratuity is tax-free up to a specific limit as per Income Tax rules:**

The tax treatment of the gratuity amount depends on the type of employment: government or private. Gratuity received on superannuation, resignations, death or disablement, voluntary retirement, and termination of service by any government employee is exempt from taxation. However, for private sector employees who qualify for gratuity, the income tax exemption limit of up to ₹ 20,00,000 is applicable under both tax regimes.

- **Maturity of Life Insurance Policy.**

The maturity amount received from life insurance policies is completely tax-free, provided the premium paid does not exceed 10% of the sum assured.

- **Voluntary Retirement Scheme (VRS) Proceeds.**

Under the Voluntary Retirement Scheme (VRS), amounts received are tax-free up to ₹5,00,000. This provision is fully exempt as per the Income Tax Act.

- **Transport Allowances for Specially Abled Taxpayers.**

Specially abled taxpayers can claim transport allowances up to ₹ 3200 per month and ₹38400 per annum as a tax deduction.

- **Cost of Travel on Tour or Transfer.**

Reimbursements for travel costs on an official tour or transfer are exempt. Also, expenses incurred on account of conveyance and daily allowances for the performance of duty are exempt from tax under the new tax regime.

On the other hand, as the benefit of exemptions and deductions are not required in the new tax Regime, the individual could spend the entire amount of income without bothering investment for tax purposes. These structural changes in the income tax system will result in more consumption in society, which boosts the economy.

Let us examine tax liabilities under both tax regimes of Mr. X based on the following data for FY 2023-24.

Mr. X, a citizen of India staying in Mumbai, has a salary income for the FY 2023-24 of ₹15,50,000 (Basic Pay ₹8,00,000, HRA ₹ 3,25,000, and special allowance ₹ 4,25,000). He invested to ₹1,50,000 in PPF and contributed to NPS for ₹ 50,000. He also paid medical insurance premiums amounting to ₹25000 during the FY 2023-24. Interest income from savings bank account amounting to ₹10,000 and other bank FD interest is ₹ 100,000 during the FY 2023-24. Assume that Mx X has not paid any amount for House rent. Professional tax was deducted from the salary during the FY 2023-24 for ₹ 2400. Mr. X also paid ₹2,10,000 as EMI to SBI because of the housing loan of Delhi Flat. Housing loan interest for the FY 2023-24 is only ₹ 137,600.

Based on Mr. X's above data, tax liability is calculated under both the tax regime, which applies to normal resident individuals below the age of 60 years as:

Table-3

Income Tax calculations for the FY 2023-24 of Mr. X		
Particulars	**Old Regime**	**New Regime**
	₹	₹
Annual Gross Salary	**15,50,000.00**	**15,50,000.00**
Less:		
HRA		-
Standard Deduction	50,000.00	50,000.00
Professional Tax	2,400.00	-
Net Taxable salary	**14,97,600.00**	**15,00,000.00**
Add:Income from Other sources		
Interest in Saving Bank	10,000.00	10,000.00
Interest on FDR & RD	1,00,000.00	1,00,000.00
Income from House property		
Less: Interest paid on housing loans(Maximum ₹2,00,000)	1,37,600.00	-
Gross Total Income	14,70,000.00	16,10,000.00
Deductions:		
U/S 80 C: Investment in Various instruments-(Maximum of ₹150000)	1,50,000.00	-
U/S 80 D: Medical Premium	25,000.00	-
U/S 80 CCD(1B): NPS contribution	50,000.00	
U/S 80 TTA: Interest on Savings deposit with Banks & post offices	10,000.00	
U/S 80 TTB: Interest on FDR & RD		-
Total Deductions	**2,35,000.00**	**-**
Net Taxable Income	**12,35,000.00**	**16,10,000.00**
Tax Amount (including cess@4%)	**1,90,320.00**	**1,90,320.00**

It indicates that Mr. X's tax liability is ₹1,90,320 in both regimes because he is availing the exemptions and deductions of various sections of the Income-tax Act under the old tax system amounting to ₹ 3,75,000, such as professional tax of ₹2400 under section16(iii), other deductions under Section 80C, 80D, 80CCD(1B) and 80TTA, and interest paid under section 24.

Taxpayers who do not claim any exemptions or deductions as per income tax laws and have a taxable annual income of up to ₹15.50 lakhs may opt for the new tax regime without investing in tax-saving products. However, the new tax regimes will not benefit taxpayers with a yearly salary income of ₹15.50 lakhs who claim more than ₹3.75 lakhs in deductions and exemptions in a financial year.

This threshold amount of ₹ 3.75 lakh excluded an amount of ₹50000 as standard deductions u/s 16(i), an overall limit of deduction for ₹1,50,000 under Section 80C, 80CCC and 80CCD(1), medical insurance premium under section 80D, and additional NPS contributions under section 80CCD1(B). The average taxpayer also has benefited from HRA as per rule 2A and interest on a home loan up to ₹ 2.00 lakh per annum under section 24B.

Even though tax benefits are not available in the new tax regime, a few standard investment options, such as the Public Provident Fund (PPF), Senior Citizen Savings Scheme (SCSS), Sukanya Samriddhi Yojana (SSY), and National Pension System (NPS)that can not be ignored.

Generally, people invest in NPS for the additional tax benefit of ₹ 50,000 yearly above the overall deduction limit under section 80C. They may withdraw 60% of the total corpus in a lump sum upon attaining the age of 60, which is exempt from tax, and 40% of the accumulated corpus they get annuity for pension.

Conclusion:

The new tax regime, introduced to simplify the tax filing process, offers lower tax rates compared to the old regime. However, it comes with a significant trade-off: most exemptions and deductions available under the old regime are not allowed under the new regime.

The new concessional rate tax system may discourage certain investments. However, the choice between tax regimes should be based on your income, expenditure, and savings in a financial year. Taxpayers who avail several exemptions and deductions amounting to more than ₹3.75 lakhs in a financial year, such as standard deduction, house rent allowance, health insurance premium under section 80D, deductions under section 80C, interest on the housing loan, may not benefit from switching to the new system.

Advised to continue in the old tax regime to the taxpayers who earn bank interest on savings accounts at least ₹10000 (₹ 50000 for senior citizens) and all exemption and deductions amount is ₹3.75 lakhs or more in a Financial Year.

Disclaimer: The information is collated from reliable sources based on publicly available data from various websites, newspapers, and internally developed data. The above-said information is meant only for general reading purposes. The views expressed are only constituent opinions and, therefore, cannot be considered guidelines, recommendations, or professional guides for readers.

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