

# New Tax Regime vs Old Tax Regime – A Detailed Comparison

## INTRODUCTION:

The Indian Income Tax system underwent a significant shift with the introduction of the **New Tax Regime** under **Section 115BAC** of the Income Tax Act. Designed to simplify taxation and offer relief through reduced slab rates, this regime stands in contrast to the **Old Tax Regime**, which allows taxpayers to claim various deductions and exemptions to reduce their taxable income. With both regimes now coexisting—each with its own benefits and limitations—individuals and Hindu Undivided Families (HUFs) must carefully evaluate their financial situations before making an informed choice. This article presents a detailed comparison between the two regimes, helping taxpayers understand their implications and select the one that best aligns with their income structure and tax-saving preferences.



The **New Tax Regime**, introduced under **Section 115BAC** of the Income Tax Act, offers individual and Hindu Undivided Family (HUF) taxpayers an alternative method of computing their income tax liability.

### Old Vs New Income Tax Regime

Tax Benefit	Old Regime	New Regime
Tax free income	Upto Rs 5 lakh	Upto Rs 7 lakh
Standard deduction	Rs 50,000	Rs 50,000
Life insurance premium	Yes	No
Health insurance premium	Yes	No
Other deductions u/s 80C, 24b etc	Yes	No
LTA & HRA deduction	Yes	No

## INTRODUCTION AND EVOLUTION

Budget Year	Applicable	From Key Highlights
Budget 2020	FY 2020–21 (AY 2021–22)	New regime introduced as an optional scheme
Budget 2023	FY 2023–24 (AY 2024–25)	New regime made default; slabs revised; rebate under section 87A increased to ₹7 lakh
Budget 2025	FY 2025–26 (AY 2026–27)	Rebate under section 87A increased to ₹12 lakh; standard deduction enhanced

## CORE DIFFERENCES: OLD VS NEW TAX REGIME

Feature	Old Regime	New Regime (From FY 2025–26)
Tax Rates	Higher rates, but deductions allowed	Lower rates, minimal deductions
Standard Deduction	₹50,000	₹75,000
Rebate under Section 87A	₹12,500 (up to ₹5 lakh income)	₹60,000 (up to ₹12 lakh income)
Exemptions (HRA, LTA, etc.)	Allowed	Mostly disallowed
Complexity	Higher (due to multiple deductions/exemptions)	Lower (simplified structure)
Default Regime	No (optional)	Yes (from FY 2023–24 onwards)

## TAX SLABS COMPARISON

### Old Regime (FY 2024–25)

Income Slab	Tax Rate
Up to ₹2.5 lakh (₹3 lakh for seniors)	Nil
₹2.5 lakh – ₹5 lakh	5%
₹5 lakh – ₹10 lakh	20%
Above ₹10 lakh	30%

### New Regime (FY 2023–24 onwards)

Income Slab	Tax Rate
Up to ₹3 lakh	Nil
₹3 lakh – ₹6 lakh	5%
₹6 lakh – ₹9 lakh	10%
₹9 lakh – ₹12 lakh	15%
₹12 lakh – ₹15 lakh	20%
Above ₹15 lakh	30%

## WHICH TAX REGIME TO CHOOSE?

Your Situation	Best Regime
You claim deductions over ₹3 lakh	Old Regime
You claim minimal or no deductions	New Regime
You prefer simple compliance	New Regime
You have housing loan or claim HRA	Old Regime
Your income is below ₹12 lakh (FY 2025–26) and you don't claim major deductions	New Regime (Zero tax postrebate)

## TAX LIABILITY COMPARISON: OLD REGIME VS NEW REGIME (FY 2025–26)

Particulars	Example 1  Income ₹7,00,000	Example 2  Income ₹10,00,000	Example 3  Income ₹12,00,000
Deductions (80C, 80D, HRA, etc.)	₹2,00,000	₹2,50,000	₹2,50,000
Standard Deduction	₹50,000	₹50,000	₹50,000
Old Regime: Total Deductions	₹2,50,000	₹3,00,000	₹3,00,000
Taxable Income (Old Regime)	₹4,50,000	₹7,00,000	₹9,00,000
Tax Payable (Old Regime)	₹12,500 → Rebate: ₹12,500 → ₹0	₹52,500	₹92,500

Particulars	Example 1  Income ₹7,00,000	Example 2  Income ₹10,00,000	Example 3  Income ₹12,00,000
New Regime: Allowed Deductions )	₹75,000 (Standard	₹75,000	₹75,000
Taxable Income (New Regime)	₹6,25,000	₹9,25,000	₹11,25,000
Tax Payable (New Regime)	₹31,250 → Rebate: ₹31,250 → ₹0	₹72,500	₹1,05,000 → Rebate: ₹1,05,000 → ₹0
Which is Better?	New Regime	Old Regime	New Regime

## DEDUCTIONS AND EXEMPTIONS: ALLOWED VS DISALLOWED

Feature	Old Regime	New Regime (FY 2025–26)
Standard Deduction	Yes (₹50,000)	Lower rates, minimal deductions
Rebate u/s 87A	Yes (up to ₹12,500)	₹75,000
HRA Exemption	Yes	No
Leave Travel Allowance (LTA)	Yes	No
Professional Tax / Entertainment Allowance	Yes	No
Home Loan Interest (Self-Occupied)	Yes	No
Home Loan Interest (Let-out Property)	Yes	Yes
Section 80C (LIC, PPF, ELSS, etc.)	Yes	No
Section 80D, 80E, 80U, 80G, 80TTA, 80TTB	Yes	No
NPS (Employee Contribution)	Yes	No
NPS (Employer Contribution)	Yes	Yes
Family Pension Deduction	Yes	Yes

# HOW TO OPT FOR OLD REGIME (IF NEW REGIME IS DEFAULT)

## 1. If You Do NOT Have Business or Professional Income:

- File ITR-1 or ITR-2
- In the section “**Opting out of new regime**”, select “**Yes**”
- **No additional form required**

## 2. If You HAVE Business or Professional Income:

- File ITR-3, ITR-4, or ITR-5
- **Submit Form 10-IEA** on or before the due date under **Section 139(1)** (i.e., **31 July 2025**, extended to **15 Sept 2025**, if applicable)

Taxpayer Type	ITR Form	Action Required
Salaried / Pensioner	ITR-1 / ITR-2	Select "Yes" to opt out in the ITR
Business / Professional	ITR-3 / ITR-4 / ITR-5	File Form 10-IEA + opt out in ITR

**Note:** If you have opted out of the new regime earlier and wish to revert back to it later, or vice versa, such change must also be done via **Form 10-IEA**.

## STILL CONFUSED? USE THE OFFICIAL TAX CALCULATOR

Compare your tax liability under both regimes using the **Income Tax Department's calculator:**

### Old vs New Tax Regime Calculator

#### 1. Treatment of Special Incomes (Capital Gains, Lottery, etc.)

- **Both regimes** treat certain incomes—like long-term capital gains (LTCG), short-term capital gains under section 111A, and winnings from lotteries/games—**similarly**. These are **taxed at special rates**, irrespective of the regime chosen.
- Consider adding a **disclaimer** that these special rates override slab benefits.

#### 2. Switching Between Regimes Year-on-Year

- **Salaried individuals** can switch between regimes **every financial year** by selecting the appropriate option while filing the return.
- However, **taxpayers with business or professional income can switch only once** (after which reverting is restricted unless business income ceases).

- This is an important point many taxpayers overlook.

#### 3. Impact on Filing Compliance / Documentation

- The **new regime reduces documentation burden**, as it eliminates the need to maintain proofs of investments or deductions.
- You can mention this as a practical benefit for those preferring ease of compliance.

#### 4. Impact on Tax Planning Strategy

- The new regime **discourages tax-saving investments**, which may have long-term implications on personal finance habits.
- The old regime, by incentivizing savings (e.g., PPF, LIC, ELSS), helps enforce financial discipline.

## 5. Section 115BAC(2) and 115BAC(6) Legal Reference

- For completeness, you may cite that the **new regime structure and opt-out provisions** are governed by **Section 115BAC(2)** (for new regime details) and **Section 115BAC(6)** (opt-out mechanism).

## 6. Suitability for Different Taxpayer Categories

# YOU COULD INCLUDE A QUICK SEGMENT ON WHO BENEFITS MORE:

Taxpayer Type	Recommended Regime
Salaried with HRA, 80C, and home loan	Old Regime
Freelancers/professionals without major deductions	New Regime
Senior Citizens with medical expenses and interest income	Old Regime
High-income earners with employer NPS contribution	New Regime (due to allowed NPS employer deduction)



From **FY 2025–26**, incomes up to ₹12 lakh can enjoy **zero tax under the new regime** due to the expanded **Section 87A rebate**—provided deductions are low.

There is no one-size-fits-all answer. The **choice between Old and New Regime** should be based on:

- Your gross income
- Nature and amount of deductions/exemptions claimed
- Preference for simplified compliance or detailed planning

A quick tax calculation using the official tools can help you make an informed decision.

