

“A COMPARATIVE ANALYSIS OF TAX PAYABLE BY INDIVIDUAL UNDER OLD TAX REGIME AND NEW TAX REGIME FOR THE ASSESSMENT YEAR – 2025-26”

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Abstract:

The Budget 2024 presented important modifications to tax slabs under New Tax Regime, which will be relevant for FY 2024-25 (AY 2025-26). Taxpayers can nowadays value from reviewed tax slabs, along with risen standard subtraction and greater family pension deduction. The decision to select between two regimes may differ from person to person. It is desirable to do relative assessment and examination under both regimes and then select as per necessity. **Objectives:** To have bird view on New Tax regime. To ascertain which tax regime is better old or new? This research study is descriptive in nature. Secondary data was taken from various research papers, journals, magazines, newspapers and Websites. The data and information collected is classified, tabulated and processed and its findings are presented in a systematic manner. Secondary data was collected from research papers, books, journals and websites. The research paper is related to Assessment Year 2025-26. The paper is useful to research scholars, professionals, students and individuals. Time and money were main constraints. Only secondary data was collected to analysis and elucidated data. The following were the observation: i. New tax regime is beneficial to assessee individual if income is higher and he has not made investments. ii. Old tax regime is in the interest of the assessee if he has made investment in savings. The revised income tax slabs bring extended limits for certain categories, confirming additional taxpayers benefit from lesser rates. These variations not only reveal government's obligation to increasing throwaway income but also inspire individuals to accept new tax regime.

1. Introduction:

The Finance Act 2023 has edited stipulations of Section 115BAC w.e.f AY 2024-25 to make new tax regime default tax regime for assessee being Individual, HUF, AOP (not being co-operative societies), BOI or Artificial Juridical Person. However, eligible taxpayers have option to opt out of new tax regime and choose to be taxed under old tax regime. The old tax



regime refers to scheme of income tax computation and slabs that existed before introduction of new tax regime.

The tax slabs and taxes are dissimilar in old and new tax schemes. Numerous subtractions and immunities are permitted in Old tax regime. The new regime deals lesser rates of duties but allows restricted deductions and exemptions.

The decision to select between two regimes may differ from person to person. It is desirable to do relative assessment and examination under both regimes and then select as per necessity. Taxpayers can generally reckon and equate tax liability under new and old tax system using Income and Tax Calculator on Income Tax Portal.

Employee has to intimate employer regarding his planned tax system during year. If employee does not make insinuation, it shall be supposed that employee stays to be in evasion tax system and has not implemented option to opt out of new tax system. Thus, boss shall subtract tax in accordance with taxes provided under section 115BAC.

However, insinuation made to employer would not amount to implementing choice in sub-section (6) of section 115BAC for selecting out of new tax regime. The employee shall be obligatory to do so distinctly before due date specified under section 139(1) for filing of return of revenue.

Under old tax regime, House Rent Allowance (HRA) is omitted under section 10(13A) for salaried individuals. However, this exemption is not available in new tax regime.

Standard deduction of Rs.75,000 or the amount of salary, whichever is lesser, is accessible for both old and new tax systems from AY 2024-25 onwards.

In new tax system, Chapter-VIA deductions cannot be claimed, except deduction u/s 80CCD(2)/80CCH/80JJAA as per condition of Section 115BAC of Income Tax Act, 1961.

In case, taxpayer needs to get any subtractions (as applicable), then taxpayer wants to select old tax regime by selecting “Yes” option in ITR 1 / ITR 2 (or) “Yes, in due date” option in ITR 3 / ITR 4 / ITR 5 in field provided for “opting out option” under Schedule ‘Personal Information’ or ‘Part- A General’ in relevant ITR.

In new tax regime, “Interest on borrowed capital for Self-occupied property” is not permissible as subtraction from Income from House property as per stipulation of Section 115BAC of the Act, 1961. In case, Taxpayer needs to claim abstraction of interest on borrowed capital for SOP, then taxpayer must choose ‘Old Tax Regime’ by choosing “Yes” in ITR 1 / ITR 2 or “Yes, in due date” option in ITR 3 / ITR 4 / ITR 5 in domain provided for “choosing out option” in ITR Form.

In old tax system, basic exception limit for senior citizens is Rs. 3,00,000/- and for super senior citizens, it is Rs. 5,00,000/-. In new tax regime, no income tax is payable upto total income of Rs. 7 lakh.

In the old tax regime in case of a resident individual, whose total income does not exceed Rs. 5,00,000/- there is rebate of 100 percent of income tax subject to a maximum of Rs. 12,500/.

In new tax regime, w.e.f 01-04-2024, in case of resident Individual, rebate will be valid on total income declarable to tax under subsection (1A) of section 115BAC as under:

(a) where such total income does not surpass Rs.7,00,000, subtraction from amount of income-tax (as computed before permitting for deductions under Chapter VIII) on his total income with which he is declarable for any assessment year, of amount equal to 100% of such income-tax or amount of Rs.25,000, whichever is lower;

(b) where such total income exceeds Rs.7,00,000 and income-tax payable on such total income surpasses amount by which total income is in excess of Rs.7,00,000, a deduction from amount of income-tax (as computed before permitting subtractions under this Chapter) on his total income, of amount equal to amount by which income-tax payable on such total income is in extra of amount by which total income surpasses Rs.7,00,0000..

New Tax Regime - Amendments made in Budget 2024:

1. **Revised Slabs:** The slabs have been reread in new system.
2. **Higher Standard Deduction:** Standard deduction for salaried employees has been enhanced to Rs. 75,000 under new system
3. **Family Pension:** The subtraction on family pension obtained has been risen from Rs. 15,000 to Rs. 25,000.
4. **NPS Contribution:** The subtraction limit on employer's aid to NPS has been grew to 14% from 10%. As result of above changes, salaried employee in new tax system can save up to Rs. 17,500 in taxes.
5. **Default tax regime:** It is default tax regime. If individuals want to choose old regime then they have to file Form 10-IEA.
6. **Basic exemption limit:** The basic exemption limit is Rs. 3 lakhs for everyone irrespective of their age.
7. **Rebate u/s 87A:** Rebate u/s 87A is available to the individual taxpayers if their income is upto Rs. 7 lakhs. Hence, they will have zero tax liability if their income is under Rs. 7 lakhs.

8. **Surcharge:** The highest surcharge rate is 25% under new regime as opposed to 37% in old regime.

Income Tax Slabs for FY 2024-25 (AY 2025-26) Under New Regime

The Budget 2024 presented important modifications to tax slabs under New Tax Regime, which will be relevant for FY 2024-25 (AY 2025-26). Taxpayers can nowadays value from reviewed tax slabs, along with risen standard subtraction and greater family pension deduction.

Table No. 1 -New Tax Regime Slabs:

Tax Slab for FY 2024-25	Tax Rate
Up to Rs 3 lakh	NIL
Rs 3 lakh - Rs 7 lakh	5%
Rs 7 lakh - Rs 10 lakh	10%
Rs 10 lakh - Rs 12 lakh	15%
Rs 12 lakh - Rs 15 lakh	20%
Above Rs 15 lakh	30%

Note: Tax rebate up to Rs.25,000 is applicable if total income does not exceed Rs 7,00,000 (not applicable for NRIs).

Income Tax Slabs for FY 2024-25 (AY 2025-26) Under Old Regime

There were no changes made to tax slabs under old system in the budget 2024. The tax slabs under old system are as follows:

Old Tax Regime Slabs:

Table No.2 Individuals aged below 60 years & HUF

Income Slabs	Tax rate
Up to Rs 2,50,000	NIL

Rs 2,50,001 - Rs 5,00,000	5%
Rs 5,00,001 to Rs 10,00,000	20%
Rs 10,00,001 and above	30%

NOTE:

1. The income tax exception limit is up to Rs 2,50,000 for Individuals, HUF below 60 years aged, and NRIs.
2. Surcharge and cess will be valid.

Table No.3 Individuals aged below 60 years to 80 years

Income Slabs	Tax Rate
Up to Rs 3,00,000	NIL
Rs 3,00,001 - Rs 5,00,000	5%
Rs 5,00,001 to Rs 10,00,000	20%
Rs 10,00,001 and above	30%

NOTE:

1. The income tax exception limit is up to Rs.3 lakh for senior citizens aged above 60 years but less than 80 years.
2. Surcharge and cess will be valid.

Table No.4 Individuals aged above 80 years

Income Slabs	Tax Rate
Up to Rs 5,00,000	NIL
Rs 5,00,001 to Rs 10,00,000	20%
Rs 10,00,001 and above	30%

NOTE:

- i. Income tax exception limit is up to Rs 5 lakh for super senior citizen aged above 80 years.

ii. Surcharge and cess will be valid.

2. Review of Literature:

Chakrabarty (2020) discusses the difference between old and new tax system and about the various exemptions and deductions which now onwards are not available to those who will opt for new tax system. Sheth (2020) states that in the long-term, a taxpayer would indeed end up paying a higher tax amount in the new regime as compared to the old regime.

3. Objectives:

- i) To have bird view on New Tax regime.
- ii) To ascertain which tax regime is better old or new?

4. Research Methodology:

This research study is descriptive in nature. Secondary data was taken from various research papers, journals, magazines, newspapers and Websites. The data and information collected is classified, tabulated and processed and its findings are presented in a systematic manner.

5. Data analysis and interpretation:

Revised New Tax Regime: Key Changes and Their Impact

The Union Budget 2024 has introduced significant updates to income tax system, aimed at simplifying tax structure and providing aid to taxpayers. The following table depicts variations made in new regime to benefit taxpayers:

Table No.5 Revised New Tax Regime: Key Changes and Their Impact

Income Tax Slabs for FY 2023-24	Tax Rates (FY 2023-24)	Income Tax Slabs for FY 2024-25	Tax Rates (FY 2024-25)	Changes
Up to Rs 3,00,000	NIL	Up to Rs 3,00,000	NIL	No Change
Rs 3,00,000 - Rs 6,00,000	5%	Rs 3,00,000 - Rs 7,00,000	5%	Slab expanded by Rs 1,00,000
Rs 6,00,000 - Rs 9,00,000	10%	Rs 7,00,000 - Rs 10,00,000	10%	Slab expanded by Rs 1,00,000
Rs 9,00,000 - Rs 12,00,000	15%	Rs 10,00,000 - Rs 12,00,000	15%	No Change in Rate; New Threshold

Rs 12,00,000 - Rs 15,00,000	20%	Rs 12,00,000 - Rs 15,00,000	20%	No Change
Above Rs 15,00,000	30%	Above Rs 15,00,000	30%	No Change

Table No. 6 Old vs New Tax Regime Slabs Comparison for FY 2024-25 (AY 2025-26)

Tax Slabs	Old Tax Regime	New Tax Regime
Up to Rs 2,50,000	NIL	NIL
Rs 2,50,001 - Rs 3,00,000	5%	NIL
Rs 3,00,001 - Rs 5,00,000	5%	5%
Rs 5,00,001 - Rs 6,00,000	20%	5%
Rs 6,00,001 - Rs 7,00,000	20%	5%
Rs 7,00,001 - Rs 9,00,000	20%	10%
Rs 9,00,001 - Rs 10,00,000	20%	10%
Rs 10,00,001 - Rs 12,00,000	30%	15%
Rs 12,00,001 - Rs 12,50,000	30%	20%
Rs 12,50,001 - Rs 15,00,000	30%	20%
Rs 15,00,000 and above	30%	30%

Case 1: Category - Individual, Annual Income = Rs. 6,00,000, Tax Savings = Rs. 150000 invested in PPF Account.

Table No.7 Comparison of tax liability between new vs old tax system for the Assessment year -2025-26

Income	Old Tax Regime (Rs.)	New Tax Regime (Rs.)
Gross Salary	6,00,000	6,00,000
Less: Standard Deduction	75,000	NA

Less: Deduction under 80C PPF	1,50,000	NA
Net Taxable Income	3,75,000	6,00,000
Calculation:		
Upto 2,50,000	Nil	Nil
2,50,001 to 3,00,000	2,500 (5% of Rs.50,000)	Nil
3,00,001 to 5,00,000	3,750 (5% of Rs.75,000)	Rs.10,000 (5% of Rs.2,00,000)
5,00,001 to 6,00,000	No income	Rs.5,000 (5% of Rs.1,00,000)
Rebate under 87 A	6,250	15,000
Net Tax payable	0	0

Interpretation: If an individual earns Rs.6,00,000 in a year, no tax is payable under old and New tax regime due to rebate of section 87 A.

Case 2: Category - Individual, Annual Income = Rs. 8,00,000, Tax Savings = Rs. 150000 LIC premium paid.

Table No. 8 Comparison of tax liability between new vs old tax system for the Assessment year -2025-26

Income	Old Tax Regime (Rs.)	New Tax Regime (Rs.)
Gross Salary	8,00,000	8,00,000
Less: Standard Deduction	75,000	NA
Less: Deduction under 80C LIC premium	1,50,000	NA
Net Taxable Income	5,75,000	8,00,000
Calculation:		
Upto 2,50,000	Nil	Nil
2,50,001 to 3,00,000	2,500 (5% of Rs.50,000)	Nil
3,00,001 to 5,00,000	10,000 (5% of Rs.2,00,000)	Rs.10,000 (5% of Rs.2,00,000)



5,00,001 to 6,00,000	20,000 (20% of Rs.1,00,000)	Rs.5,000 (5% of Rs.1,00,000)
6,00,0001 to 7,00,000	No income	Rs.5,000 (5% of Rs.1,00,000)
7,00,001 to 9,00,000	No income	Rs.10,000 (10% of Rs.1,00,000)
Net Tax payable	32,500	30,000

Interpretation: If an individual earns Rs.8,00,000 in a year, there is saving of Rs.2,500 in New tax regime.

Case 3: Category - Individual, Annual Income = Rs. 10,00,000, Tax Savings = Rs. 150000 LIC premium.

Table No. 9 Comparison of tax liability between new vs old tax system for the Assessment year -2025-26

Income	Old Tax Regime (Rs.)	New Tax Regime (Rs.)
Gross Salary	10,00,000	10,00,000
Less: Standard Deduction	75,000	NA
Less: Deduction under 80C LIC premium	1,50,000	NA
Net Taxable Income	7,75,000	10,00,000
Calculation:		
Upto 2,50,000	Nil	Nil
2,50,001 to 3,00,000	2,500 (5% of Rs.50,000)	Nil
3,00,001 to 5,00,000	10,000 (5% of Rs.2,00,000)	Rs.10,000 (5% of Rs.2,00,000)
5,00,001 to 6,00,000	20,000 (20% of Rs.1,00,000)	Rs.5,000 (5% of Rs.1,00,000)
6,00,0001 to 7,00,000	20,000 (20% of Rs.1,00,000)	Rs.5,000 (5% of Rs.1,00,000)



7,00,001 to 9,00,000	15,000 (20% of Rs.75,000)	Rs.20,000 (10% of Rs.2,00,000)
9,00,000 to 10,00,000	No Income	Rs.10,000 (10% of Rs.1,00,000)
Net Tax payable	Rs.67,500	Rs.50,000

Interpretation: If an individual earns Rs.10,00,000 in a year, there is saving of Rs.17,5000 in New tax regime.

6. Scope of the study:

Secondary data was collected from research papers, books, journals and websites. The research paper is related to Assessment Year 2025-26. The paper is useful to research scholars, professionals, students and individuals.

7. Limitation of the study:

Time and money were main constraints. Only secondary data was collected to analysis and elucidated data.

8. Observation:

The following were the observation:

- i. New tax regime is beneficial to assessee individual if income is higher and he has not made investments.
- ii. Old tax regime is in the interest of the assessee if he has made investment in savings.

9. Conclusion:

The revised income tax slabs bring extended limits for certain categories, confirming additional taxpayers benefit from lesser rates. These variations not only reveal government's obligation to increasing throwaway income but also inspire individuals to accept new tax regime.

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