
Taxation of Individuals under New Regime vs Old Regime

Budget 2020 introduced a new income tax regime as per section 115BAC of the Income-tax Act 1961 (the Act) for Individual taxpayers. However, the option for such concessional tax regime requires the taxpayer to forego certain specified deductions.

The new regime comes with reduced tax rates of various income slabs as well as removal of deductions, rebates and exemptions. Also, the Individuals can choose the new tax regime where the rates are lower but there are no exemptions or deductions or choose to continue with the regular old regime, where exemptions and rebates can be claimed and applicable tax as per the income slab will be levied.

We have summarized hereinbelow, the finer points with respect to the taxation under both the regime:

1. Fundamentals of New Tax Scheme under section 115BAC of the Act:

- The Budget has proposed a New Tax Regime as per section 115BAC of the Act, in addition to the existing, i.e. Old Tax Regime. However, the New Tax Regime is optional, and it is upto each Individuals/HUF choose whichever scheme beneficial to them.
- The Income tax slab rate under New Tax Regime is same irrespective of the age of the Assessee unlike under existing regime, there is separate Income-tax slab for Senior Citizen and Super Senior Citizen.
- The New Tax Regime has proposed a lower income-tax rates, for income segments up to Rs 15 lakhs. To avail the benefit of reduced tax rates u/s 115BAC, **an Individual/HUF assessee has to forego the ‘specified deductions’** available to him under various chapters and sections of the Act.
- **An Individual/HUF assessee having no Business or Professional Income**, can exercise his option of choosing between the two tax regimes, **every year**, based on his entitlement of ‘specified deductions’.
- **An Individual/HUF assessee have business or professional income**, can opt for the new tax regime of reduced taxes with no deductions, u/s 115BAC, only once and the option once exercised, for a previous year shall be valid for that previous year and all subsequent years.

However, the option can be withdrawn only once where it was exercised by the individual or HUF for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section, except where such individual or HUF ceases to have any business income.

2. Comparison of Income-tax slab under Old & New Tax Regime:

Income (Rs)	Slabs	Tax Rate (Old Regime)	Tax Rate (New Regime)	Cumulative Tax Savings in Rs.
Up to 2.5 lakhs		Nil	Nil	Nil
2.5 – 5 lakhs		5%	5%	Nil
5 – 7.5 lakhs		20%	10%	0.25 lakhs
7.5 – 10 lakhs		20%	15%	0.375 lakhs
10 – 12.5 lakhs		30%	20%	0.625 lakhs
12.5 – 15 lakhs		30%	25%	0.75 lakhs
Above 15 lakhs		30%	30%	Nil

Note: the above slab is for person below 60 years of age. In addition, Surcharge as applicable for different categories of income shall be applicable & Health Cess @4% is leviable.

3. Availability of Deduction/Exemption under Old and New Tax Regime:

Legend:

Available	A	Not Available	NA
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3.1. Income from Salary

Section	Particulars	Old Regime	New Regime
10(5)	Leave Travel Concession	A	NA*
10(13A)	House Rent Allowance		
10(14)	Various Allowances part of this section		
10(17)	MLA/ MP Allowance		
16	Standard Deduction, Entertainment of Allowance and Professional Tax etc.	A	NA
17	Food Coupon upto Rs 50 per meal	A	NA

*Only following specified allowances are allowed under section 10(14):

- Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty;
- Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
- Any Allowance granted to meet the cost of travel on tour or on transfer;
- Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

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3.2. Income from House Property:

Section	Particulars	Old Regime	New Regime
24(b)	In respect of Self-Occupied Property	A	NA
	In respect of Let-out Property	A	NA
	Loss upto Rs 2,00,000 on let-out House property can be set off against other income	A	NA

3.3. Income from Business or Profession:

Section	Particulars	Old Regime	New Regime
32 AD, 33AB, 33ABA	Investment linked deduction in Backward Areas	A	NA
32(1)(ia)	Additional Depreciation of 20% on P&M and 35% in case of notified areas		
35(1)(ii)/(ia)/(iii) or sec 35(2AA)	Donation or Expenditure on Scientific Research		
Deduction u/s 35AD or section 35CCC	Deduction for specified investment/project		
10AA	Exemption for SEZ Unit	A	NA
72	Set off business or depreciation loss attributable to above exemption/deduction	A	NA

3.4. Income from Capital Gains:

Section	Particulars	Old Regime	New Regime
All	All Sections	A	A

3.5. Income from Other Sources:

Section	Particulars	Old Regime	New Regime
57(ii)a	Family Pension	A	NA
10(32)	Minor Income's Allowance	A	NA

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3.6. Chapter VI-A Deductions:

Section	Particulars	Old Regime	New Regime
80 CCD (2)	Employer contribution to NPS	A	A
80 JJAA	Deduction based on New Employment Generation		
80C	For investment in Specified schemes to claim deduction upto Rs 1,50,000	A	NA
80CCD(1B)	Contribution to NPS upto 50,000	A	NA
80D	Mediclaim Insurance: → Self and Family – upto 25,000 → Parents – 25,000 (Rs 50,000 if senior citizen) Rs.50,000/- for Medical Expenditures on the health of a super senior citizen if Medi-claim insurance is not paid on the health of such person. Rs.5,000/- for preventive health check-up of self, spouse, dependent children, father, and mother	A	NA
80DD	Expenditure incurred for the medical treatment of a dependent - Rs.75,000 (Rs.1,25,000 in case of severe disability)	A	NA
80DDB	Expenditure incurred for specified deceases - Up to Rs.40,000/- and Rs.1,00,000/for Senior/ Very Senior Citizen		
80E	Interest on Education Loan paid for the initial year and subsequent 7 years	A	NA
80G	Deduction of 50% or 100% on the donations made	A	NA
80GG	Rent paid for residential accommodation lease of the following: → Rent paid in excess of 10% of total income; or → 25% of the Total Income; or → Rs 5,000 per month	A	NA
80TTA	Interest on Savings Bank upto Rs 10,000	A	NA
80TTB	Interest on Deposits with Post office, Banks, Co-operative Society upto Rs 50,000	A	NA
Section 80U:	Persons with Disability - Rs.75,000 (Rs.1,25,000 in case of severe disability)	A	NA

