



Old Regime vs New Regime of Income tax in India

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ABSTRACT

We can say both tax regime are goods it is depends on taxpayer income and his preferences. If taxpayers are poor and there income under 7.5 lakh then it will be tax free in new tax regime. So new tax regime is better than old tax regime for poor person but taxpayer's income more than 7.5 lakh and he has investment than old tax regime is better than new tax regime. If taxpayer's income is more than 15 lakh than new tax regime is better than old tax regime. Home loan is big tax saver in old tax regime.

KEY WORDS

Old tax regime, New tax regime, Investment.

INTRODUCTION

Income tax is direct tax. It is imposed on the income and wealth of taxpayer. It is very important source of income of the Government of India. Income-tax law consists of the 1961 act, Income Tax Rules 1962, Notifications and Circulars issued by the Central Board of Direct Taxes (CBDT), annual Finance Acts, and judicial pronouncements by the Supreme and high courts.

The Government taxes certain income of individuals, Hindu Undivided Families (HUF's), companies, firms, LLPs, associations, bodies, local authorities and any other juridical person. Personal tax depends on residential status. The CBDT administers the Income Tax Department, which is part of the Ministry of Finance's Department of Revenue.

The Income Tax Department is the central Government's largest revenue generator; total tax revenue increased from Rs. 1,392.26 billion (US\$17 billion) in 1997-98 to Rs. 5,889.09 billion (US\$74 billion) in 2007-08. In 2018-19, direct

tax collections reported by the CBDT were about Rs 11.17 lakh crore (₹ 11.17 trillion).

The first Income-tax Act was introduced in February 1860 by Sir James Wilson (British India's first finance minister). A new Income-tax Act were passed in 1918. The Act of 1922 significantly changed the Act of 1918 by shifting income-tax administration from the provincial to the central Government. Another notable feature of the act was that the rules would be outlined by annual Finance Acts instead of the act itself. A new Income-tax Act was passed in 1939. The Direct Taxes Administration Enquiry Committee, under the chairmanship of Mahavir Tyagi, submitted its report on 30 November 1959 and its recommendations took shape in the Income-tax Act, 1961. The act, which became effective on 1 April 1962, replaced the Indian Income Tax Act, 1922. Current income-tax law is governed by the 1961 act, which has 298 sections and four schedules.

There are two regime of income tax in India:

A. Old Regime of tax

There are three tax slabs according to age group of taxpayers in India:

1. Below 60 years age:

| Total Income in Lakh | Tax Rates % |
|----------------------|-------------|
| 0 – 2.5 | Nil |
| 2.5 – 5 | 05% |
| 5 – 10 | 20% |
| Above 10 | 30% |

2. 60-to-80-year age

| Total Income in Lakh | Tax Rate % |
|----------------------|------------|
| 0 – 3 | Nil |
| 3 – 5 | 5% |
| 5 – 10 | 20% |
| Above 10 | 30% |

3. Above 80-year age-

| Total Income | Tax Rate % |
|--------------|------------|
| 0 – 5 | Nil |
| 5 -10 | 20% |
| Above 10 | 30% |

Note: Relief under U/S 87A 12,500 in old tax regime and standard deduction is 50,000.

| Total Income in Lakh | Below 60 years age % | 60-to-80-year age % | Above 80-year age % |
|----------------------|----------------------|---------------------|---------------------|
| 0 - 2.5 | Nil | Nil | Nil |
| 2.5 - 3 | 05% | Nil | Nil |
| 3 - 5 | 05% | 05% | Nil |
| 5- 10 | 20% | 20% | 20% |
| Above 10 | 30% | 30% | 30% |

Deductions under old tax Regime:

1. HRA Exaptation.
2. Leave Travel Allowance.
3. Other allowances including food allowance of Rs 50/meal subject to 2 meals a day.
4. Standard Deduction (Rs 50,000).

5. Entertainment Allowance Deduction and Professional Tax.
6. Perquisites for official purposes.
7. Interest on Home Loan u/s 24b on self-occupied or vacant property.
8. Interest on Home Loan u/s 24b on let-out property.
9. Deduction u/s 80C (EPF|LIC|ELSS|PPF|FD|Children's tuition fee etc).
10. Employee's (own) contribution to NPS.
11. Employer's contribution to NPS.
12. Medical insurance premium – 80D.
13. Disabled Individual – 80U.
14. Interest on education loan – 80E.
15. Interest on Electric vehicle loan – 80EEB.
16. Donation to Political party/trust etc – 80G.
17. Savings Bank Interest u/s 80TTA and 80TTB.
18. Other Chapter VI-A deductions.
19. All contributions to Agni veer Corpus Fund – 80CCH.
20. Deduction on Family Pension Income.
21. Gifts up to Rs 50,000.
22. Exemption on voluntary retirement 10(10C).
23. Exemption on gratuity u/s 10(10).
24. Exemption on Leave encashment u/s 10(10AA).
25. Daily Allowance.
26. Transport Allowance for a specially-abled person.
27. Conveyance Allowance.

| Sections | Deduction | Maximum Limit |
|----------|---|---------------|
| 80C | Investment in PPF Employee's share of PF contribution NSCs Life Insurance Premium payment Children's Tuition Fee Principal Repayment of home loan Investment in Sukanya Samridhi Account ULIPS ELSS Sum paid to purchase deferred annuity Five-year deposit scheme Senior Citizens savings scheme Subscription to notified securities/notified deposits scheme Contribution to notified Pension Fund set up by Mutual Fund or UTI. Subscription to Home Loan Account scheme of the National Housing Bank Subscription to deposit scheme of a public sector or company engaged in providing housing finance Contribution to notified annuity | 1,50,000 |

| | | |
|-----------|---|--|
| 80CCC | Plan of LIC Subscription to equity shares/ debentures of an approved eligible issue Subscription to notified bonds of NABARD For amount deposited in annuity plan of LIC or any other insurer for a pension from a fund referred to in Section 10(23AAB) Employee's contribution to NPS account (maximum up to Rs 1,50,000) | |
| 80CCD (1) | | |
| 80CCD (2) | Employer's contribution to NPS account | Maximum up to 10% of salary |
| 80CCD(1B) | Additional contribution to NPS account | RS- 50,000 |
| 80TTA (1) | Interest Income from Savings account | Maximum up to 10,000 |
| 80TTB | Exemption of interest from banks, post office, etc. Applicable only to senior citizens | 50,000 |
| 80GG | For rent paid when HRA is not received from employer | Least of: – Rent paid minus 10% of total income – Rs. 5000/- per month – 25% of total income |
| 80E | Interest on education loan | Interest paid for a period of 8 years |
| 80EE | Interest on home loan for first time home owners | Rs 50,000 |
| 80D | Medical Insurance – Self, spouse, children Medical Insurance – Parents more than 60 years old or (from FY 2015-16) uninsured parents more than 80 years old | 25,000 50,000 |
| 80DD | Medical treatment for handicapped dependent or payment to specified scheme for maintenance of handicapped dependent – Disability is 40% or more but less than 80% – Disability is 80% or more | 75,000 1,25,000 |
| 80DDB | Medical Expenditure on Self or Dependent Relative for diseases specified in Rule 11DD – For less than 60 years old – For more than 60 years old | – Lower of Rs 40,000 or the amount actually paid – Lower of Rs 1,00,000 or the amount actually paid |
| 80U | Self-suffering from disability: – An individual suffering from a physical disability (including blindness) or mental retardation. – An individual suffering from severe disability | 75,000 1,25,000 |
| 80GGB | Contribution by companies to political parties | Amount contributed (not allowed if paid in cash) |
| 80GGC | Contribution by individuals to political parties | Amount contributed (not allowed if paid in cash) |
| 80RRB | Deductions on Income by way of Royalty of a Patent | Lower of Rs 3,00,000 or income received |

Calculation of Income Tax: If total income 20 Lakh

| Total Income in Lakh | Tax amount (below 60 years) | Tax amount (above 60 & below 80 years) | Tax amount (above 80 years) |
|----------------------|-----------------------------|--|-----------------------------|
| 20,00000 | 20,00000 | 20,00000 | 20,00000 |
| (S.D.) | -50,000 (S.D.) | -50,000 (S.D.) | -50,000 (S.D.) |
| | 19,50,000 | 19,50,000 | 19,50,000 |
| (P.T) | -2,500 (P.T) | -2,500 (P.T) | -2,500 (P.T) |
| | 19,47,500 | 19,47,500 | 19,47,500 |
| (80C) | -1,50,000 (80C) | -1,50,000 (80C) | -1,50,000 (80C) |
| | 17,97,500 | 17,97,500 | 17,97,500 |
| (24B) | -2,00000 (24B) | -2,00000 (24B) | -2,00000 (24B) |
| (Taxable Income) | 15,97,500 (Taxable Income) | 15,97,500 (Taxable Income) | 15,97,500 (Taxable Income) |
| 0 -2.5 | 00 | 00 | 00 |
| 2.5 – 3 | 2,500 | 00 | 00 |
| 3 – 5 | 10,000 | 10,000 | 00 |
| 5 – 10 | 1,00000 | 1,00000 | 1,00000 |
| 10 – 15,97,500 | 1,79,250 | 1,79,250 | 1,79,250 |
| | Total=2,91,750 | Total=2,89,250 | Total=2,79,250 |
| | 4% cess = 11,670 | 4% cess = 11,570 | 4% cess = 11,170 |
| | Total= 3,03,420 | Total= 3,00,820 | Total= 2,90,420 |

According to table, if total income is equal 20 Lakh for all age group but below 60 years old taxpayer will be pay more then age group 60 to 80 years and 60 to 80 age taxpayers will be pay less than below 60 years but pay more than above 80 years age group. Above 80 years age taxpayer pay less then both taxpayers.

B. New Tax Regime

Tax rate is equal for all age group.

| Total Income in Lakh | Tax Rates % |
|----------------------|-------------|
| 0 – 2.5 | Nil |
| 2.5 – 5 | 05% |
| 5 – 7.5 | 10% |
| 7.5 – 10 | 15% |
| 10 – 12.5 | 20% |
| 12.5 – 15 | 25% |
| Above 15 | 30% |

Note: Tax Rebate under U/S 87A is 12,500 and standard deduction is nil.

Deduction under new tax regime:

1. Perquisites for official purposes.
2. Interest on Home Loan u/s 24b on let-out property.
3. Employer’s contribution to NPS.
4. Deduction on Family Pension Income.
5. Gifts up to Rs 50,000.
6. Exemption on voluntary retirement 10(10C).
7. Exemption on gratuity u/s 10(10).

8. Exemption on Leave encashment u/s 10(10AA).
9. Daily Allowance.
10. Transport Allowance for a specially-abled person.
11. Conveyance Allowance.

Revised New tax Regime

| Total Income in Lakh | Tax Rate % |
|----------------------|------------|
| 0 – 3 | Nil |
| 3 – 6 | 5% |
| 6 – 9 | 10% |
| 9 – 12 | 15% |
| 12 – 15 | 20% |
| Above 15 | 30% |

Note: Tax Rebate under U/S 87A is 25,000 and standard deduction is 50,0000.

Deduction under new tax regime:

1. Standard Deduction (Rs 50,000)
2. Perquisites for official purposes
3. Interest on Home Loan u/s 24b on let-out property
4. Employer’s contribution to NPS
5. All contributions to Agni veer Corpus Fund – 80CCH
6. Deduction on Family Pension Income
7. Gifts up to Rs 50,000
8. Exemption on voluntary retirement 10(10C)
9. Exemption on gratuity u/s 10(10)
10. Exemption on Leave encashment u/s 10(10AA)
11. Daily Allowance
12. Transport Allowance for a specially-abled person
13. Conveyance Allowance

Surcharge: In case the income exceeds a certain threshold, surcharge will be applicable

| Total Income in Lakh | Surcharge Rate |
|----------------------|----------------|
| 0 -50 | Nil |
| 50 – 1 cr | 10% |
| 1 – 2 cr | 15% |
| 2 – 5 cr | 25% |
| Above 5 cr | 37% |

Calculation of Income Tax: If total income 20 Lakh

| Total Income in Lakh | Tax amount (below 60 years) | Tax amount (above 60 & below 80 years) | Tax amount (above 80 years) |
|----------------------|-----------------------------|--|-----------------------------|
| 20,00000 | 20,00000 | 20,00000 | 20,00000 |
| (S.D.) | -50,000 (S.D.) | -50,000 (S.D.) | -50,000 (S.D.) |
| | 19,50,000 | 19,50,000 | 19,50,000 |
| | -2,500 (P.T) | -2,500 (P.T) | -2,500 (P.T) |

| | | | |
|-----------------------------|----------------------------|----------------------------|----------------------------|
| | 19,47,500 | 19,47,500 | 19,47,500 |
| 80C | -1,50,000 (80C) | -1,50,000 (80C) | -1,50,000 (80C) |
| | 17,97,500 | 17,97,500 | 17,97,500 |
| Interest of home loan (24B) | -2,00,000 (24B) | -2,00,000 (24B) | -2,00,000 (24B) |
| Taxable Income) | 15,97,500 (Taxable Income) | 15,97,500 (Taxable Income) | 15,97,500 (Taxable Income) |
| 0 - 2.5 | 00 | 00 | 00 |
| 2.5 - 3 | 2,500 | 00 | 00 |
| 3 - 5 | 10,000 | 10,000 | 00 |
| 5 - 10 | 1,00,000 | 1,00,000 | 1,00,000 |
| 10 - 15,97,500 | 1,79,250 | 1,79,250 | 1,79,250 |
| | Total=2,91,750 | Total=2,89,250 | Total=2,79,250 |
| | 4% cess = 11,670 | 4% cess = 11,570 | 4% cess = 11,170 |
| | Total= 3,03,420 | Total= 3,00,820 | Total= 2,90,420 |

New tax Regime: If total income 20,00,000

| | |
|---------------------------|---------------------|
| Total income in Lakh | |
| 20,00,000 | |
| -50,000 | |
| 19,50,000 taxable incomes | |
| 0 - 3 | Nil |
| 3 - 6 | 15,000 |
| 6 - 9 | 30,000 |
| 9 - 12 | 45,000 |
| 12 - 15 | 60,000 |
| 4,50,000 | 1,35,000 |
| | Total=2,55,000 |
| | Cess 4%=10200 |
| | Total tax= 2,65,200 |

New tax regime is better option than old tax regime if taxpayer's total income is 20 Lakh.

If total income is 7,50,000 then

| Total Income in Lakh | Tax amount (below 60 years) | Tax amount (above 60 & below 80 years) | Tax amount (above 80 years) | New tax regime |
|--------------------------|-----------------------------|--|-----------------------------|----------------|
| 7,50,000 | 7,50,000 | 7,50,000 | 7,50,000 | 7,50,000 |
| -50,000 (S.D.) | -50,000 (S.D.) | -50,000 (S.D.) | -50,000 (S.D.) | - 50,000(SD) |
| 7,00,000 | 7,00,000 | 7,00,000 | 7,00,000 | 7,00,000 |
| -2,500 (P.T) | -2,500 (P.T) | -2,500 (P.T) | -2,500 (P.T) | |
| 6,97,500 | 6,97,500 | 6,97,500 | 6,97,500 | |
| -1,50,000 (80C) | -1,50,000 (80C) | -1,50,000 (80C) | -1,50,000 (80C) | |
| 5,47,000 | 5,47,000 | 5,47,000 | 5,47,000 | |
| -2,00,000 (24B) | -2,00,000 (24B) | -2,00,000 (24B) | -2,00,000 (24B) | |
| 3,47,000(Taxable Income) | 3,47,000(Taxable Income) | 3,47,000(Taxable Income) | 3,47,000(Taxable Income) | 7,00,000 |
| No tax u/s 87A | 00 | 00 | 00 | No tax u/s 87A |

No tax dues in both tax regime if taxpayer's income is 7.5 Lakh and total investment is 3.5 Lakh.

If total income is 10 Lakh than

Old tax regime:

| Total Income in Lakh | Tax amount (below 60 years) | Tax amount (above 60 & below 80 years) | Tax amount (above 80 years) |
|---------------------------|-----------------------------|--|-----------------------------|
| 10,00,000 | | | |
| -50,000 (S.D.) | | | |
| 9,50,000 | | | |
| -2,500 (P.T) | | | |
| 9,47,500 | | | |
| -1,50,000 (80C) | | | |
| 7,97,500 | | | |
| -2,00,000 (24B) | | | |
| 5,97,500 (Taxable Income) | | | |
| 0 -2.5 | 00 | 00 | 00 |
| 2.5 – 3 | 2,500 | 00 | 00 |
| 3 – 5 | 10,000 | 10,000 | 00 |
| 97,500 | 19,500 | 19500 | 19500 |
| | Total=32,000 | Total=29500 | Total=19500 |
| | 4% cess =1280 | 4% cess = 1180 | 4% cess = 780 |
| | Total= 33280 | Total= 30680 | Total= 20,280 |

New tax Regime: If total income 10 Lakh

| Total income in Lakh | Tax Rate | Tax amount |
|--------------------------|----------|-------------------|
| 10,00,000 | | |
| -50,000 (SD) | | |
| 9,50,000 taxable incomes | | |
| 0 – 3 | Nil | Nil |
| 3 – 6 | 5% | 15,000 |
| 6 – 9 | 10% | 30,000 |
| 1,00,000 | 15% | 15,000 |
| | | Total=60,000 |
| | | Cess 4%=2400 |
| | | Total tax= 62,400 |

Old tax is better than new tax if total income is 10 Lakh and total investment is 3.5 Lakh.

If total income is 15 Lakh than

Old tax regime

| Total Income in Lakh | Tax amount (below 60 years) | Tax amount (above 60 & below 80 years) | Tax amount (above 80 years) |
|----------------------|-----------------------------|--|-----------------------------|
| 15,00,000 | | | |
| -50,000 (S.D.) | | | |
| 14,50,000 | | | |
| -2,500 (P.T) | | | |
| 14,47,500 | | | |
| -1,50,000 (80C) | | | |
| 12,97,500 | | | |
| -2,00,000 (24B) | | | |
| 10,97,500 | | | |

| | | | |
|------------------|-----------------|-----------------|-----------------|
| (Taxable Income) | | | |
| 0 -2.5 | 00 | 00 | 00 |
| 2.5 – 3 | 2,500 | 00 | 00 |
| 3 – 5 | 10,000 | 10,000 | 00 |
| 5 – 10 | 1,00000 | 1,00000 | 1,00000 |
| 97,500 | 29,250 | 29,250 | 29,250 |
| | Total=1,41,750 | Total=1,39,250 | Total=1,29,250 |
| | 4% cess =5,670 | 4% cess =5,570 | 4% cess = 5,170 |
| | Total= 1,47,420 | Total= 1,44,820 | Total= 1,34,420 |

New tax Regime: If total income 15 Lakh

| Total income in Lakh | Tax Rate | Tax amount |
|---------------------------|----------|----------------------|
| 15,00000 | | |
| -50,000 (SD) | | |
| 14,50,000 taxable incomes | | |
| 0 – 3 | Nil | Nil |
| 3 – 6 | 5% | 15,000 |
| 6 – 9 | 10% | 30,000 |
| 9 – 12 | 15% | 45,000 |
| 2,50,000 | 20% | 50,000 |
| | | Total= 1,40,000 |
| | | 4% Cess = 5,600 |
| | | Total tax = 1,45,600 |

If taxpayer is below 60-year-old than old tax is better than new tax if total income is 15 Lakh and total investment is 3.5 Lakh. But taxpayer above 60 years old than new tax will be better than old tax in same conditions.

If total income is 20 Lakh than

Old tax regime:

| Total Income in Lakh | Tax amount (below 60 years) | Tax amount (above 60 & below 80 years) | Tax amount (above 80 years) |
|----------------------------|-----------------------------|--|-----------------------------|
| 20,00000 | | | |
| -50,000 (S.D.) | | | |
| 19,50,000 | | | |
| -2,500 (P.T) | | | |
| 19,47,500 | | | |
| -1,50,000 (80C) | | | |
| 17,97,500 | | | |
| -2,00000 (24B) | | | |
| 15,97,500 (Taxable Income) | | | |
| 0 -2.5 | 00 | 00 | 00 |
| 2.5 – 3 | 2,500 | 00 | 00 |
| 3 – 5 | 10,000 | 10,000 | 00 |
| 5 – 10 | 1,00000 | 1,00000 | 1,00000 |
| 5,97,500 | 1,79,250 | 1,79,250 | 1,79,250 |
| | Total=2,91,750 | Total=2,89,250 | Total=2,79,250 |
| | 4% cess =11,670 | 4% cess = 11,570 | 4% cess = 11,170 |
| | Total= 3,03,420 | Total= 3,00,820 | Total= 2,90,420 |

New tax Regime: If total income 20 Lakh

| Total income in Lakh | Tax Rate | Tax amount |
|---------------------------|----------|----------------------|
| 20,00000 | | |
| -50,000 (SD) | | |
| 19,50,000 taxable incomes | | |
| 0 – 3 | Nil | Nil |
| 3 – 6 | 5% | 15,000 |
| 6 – 9 | 10% | 30,000 |
| 9 -12 | 15% | 45,000 |
| 12 – 15 | 20% | 60,000 |
| 4,50,000 | 30% | 1,35,000 |
| | | Total tax= 2,85,000 |
| | | 4% Cess= 11,400 |
| | | Total tax = 2,96,400 |

New tax is better than old tax for all age groups if total income is 20 Lakh and total investment is 3.5 Lakh.

CONCLUSIONS

We can say both tax regime are goods it is depends on taxpayer income and his preferences. If taxpayers are poor and his income under 7.5 Lakh then he will be tax free in new tax regime. So new tax regime is better than old tax regime for poor person but taxpayer’s income more than 7.5 Lakh and he has investment than old tax regime is better than new tax regime. If taxpayer’s income is more than 15 Lakh than new tax regime is better than old tax regime. Home loan is big tax saver in old tax regime.

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