



## Tax Knack and Tax Compliance in INDIA (A Study of Individual Tax Liability between New Tax Regime and Old Tax Regime)

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### ORIGINAL ARTICLE



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Received on : 04/05/2021

Revised on : -----

Accepted on : 11/05/2021

Plagiarism : 09% on 04/05/2021



### Plagiarism Checker X Originality Report

Similarity Found: 9%

Date: Tuesday, May 04, 2021

Statistics: 148 words Plagiarized / 1674 Total words

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TAX KNACK AND TAX COMPLIANCE IN INDIA (A Study of Individual Tax Liability between **New Tax Regime** and Old Tax Regime) "Some taxpayers close their eyes, some stop their ears, some shut their mouths, but all pay through the nose."- Evan Esar.  
Abstract: Tax component is actual imperative for Administration as well as general public also because Government **maintain** law and order and social welfare **programme** for **all sections of society**. Government also run various types of social uplift programme for low sections of society with the support of tax revenues.

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### Abstract

Tax component is actual imperative for administration as well as general public also because Government maintain law and order and social welfare programme for all sections of society. Government also run various types of social uplift programme for low sections of society with the support of tax revenues. Government impose two types of tax Direct Tax and Indirect Tax (including GST, July2017). Income tax is important part of Direct Tax. In this year while tax planning by assessee, before assessee there are two tax regime will be available which tax regime will be better on the base of deductions, rebate and relief. In this paper it is tried to explain which tax regime is better for various income group assessee under different deductions category.

### Key Words

Direct Tax, Deductions, New Tax Regime and Old Tax Regime.

### Introduction

Income tax is a type of tax that the central government charges on the income earned during a financial year by the persons and trades. Taxes are resources of income for the government. Government utilizes this revenue for developing infrastructure, providing healthcare, education, and subsidy to the farmer/agriculture sector and in other government welfare schemes. Taxes are mostly under two categories, direct taxes and indirect form of taxes. Tax imposed directly on the income made is called as direct tax, for example Income tax is a

direct tax. The tax calculation is created on the income slab rates applicable during that financial year.

## Literature of Tax Literacy

Tax knowledge combines information about tax rules and tax policies with financial skills needed in calculation of economic concerns for taxpayers (Fallan, 1999).

Tax literateness can be well-defined as the skill to fill in the tax form and compute tax obligations self-reliantly (Bardai, 1992; Razman and Ariffin, 2000).

Tax literateness may be well-defined as the understanding which an individual should own in order to achieve the issues concerning personal taxation effectively (Bhushan, Medury, 2013).

By analogy tax literacy may be defined as ability of an individual to understand the concepts of individual assessment to apply these concepts for calculating tax liabilities, filling of tax returns, understanding the tax reports and risk related to tax independently.

## Objectives

- To study which Tax Regime is better either old Tax Regime or New Tax Regime.
- To study what extent of Deductions under Chapter VI- A (Section 80C to 80U) will be better of old Tax Regime
- To study what extent of Deductions under Chapter VI- A will be better of New Tax Regime

### Tax Slab under Old Tax Regime and New Tax Regime

(Tax Slab for Individuals below 60 Years of Age)

Income Range Per Annum	New Tax Regime For Financial Year 2020-21, AY 2021-22 (Sec.115BAC of I.T. Act. 1961)	Old Tax Regime Mandatory Up-to Financial Year 2019-20 And Optional From Financial Year 2020-21
Up-to Rs. 2.50 Lakh	No Tax	No tax
Above Rs. 2.50 Lakh to Rs. 5 Lakh	05%	05%
Above Rs. 5 Lakh to Rs. 7.50 Lakh	10%	20%
Above Rs. 7.50 Lakh to Rs. 10 Lakh	15%	20%
Above Rs. 10 Lakh to Rs. 12.50 Lakh	20%	30%
Above Rs. 12.50 Lakh to Rs. 12.50 Lakh	25%	30%
Above Rs. 15 Lakh	30%	30%
Rebate under section 87(A)	100% tax rebate subject to maximum of Rs. 12,500 available to resident individual whose total income does not exceed Rs. 5 Lakh	100% tax rebate subject to maximum of Rs. 12,500 available to resident individual whose total income does not exceed Rs. 5 Lakh

(Sources: Finance Bill 2020)

### Income Tax Slab for Senior Citizens

(Age more than 60 years but less than 80 years FY 2020-21)

Income Range Per Annum	New Slab For FY 2020-21, AY 2021-22	Tax Rate FY 2020-21, AY 2021-22
Up-to Rs. 3 Lakh	No Tax	No Tax
Above Rs. 3 Lakh to Rs. 5 Lakh	05%	05%
Above Rs. 5 Lakh to Rs. 7.50 Lakh	10%	20%
Above Rs. 7.50 Lakh to Rs. 10 Lakh	15%	20%
Above Rs. 10 Lakh to Rs. 12.50 Lakh	20%	30%
Above Rs. 12.50 Lakh to Rs. 15 Lakh	25%	30%
Above Rs. 15 Lakh	30%	30%
Rebate under section 87(A)	100% tax rebate subject to maximum of Rs. 12,500 available to resident individual whose total income does not exceed Rs. 5 Lakh	100% tax rebate subject to maximum of Rs. 12,500 available to resident individual whose total income does not exceed Rs. 5 Lakh

(Sources: Finance Bill 2020)

**Super Senior Citizens Tax Slab**  
(Age more than 80 years FY 2020-21)

Income Range Per Annum	New Slab For FY 2020-21, AY 2021-22	Tax Rate FY 2020-21, AY 2021-22
Up-to Rs. 2.50 Lakh per annum	No Tax	No Tax
Up-to Rs. 5 Lakh per annum	No Tax	No Tax
Above Rs. 5 Lakh to Rs. 7.50 Lakh	10%	20%
Above Rs. 7.50 Lakh to Rs. 10 Lakh	15%	20%
Above Rs. 10 Lakh to Rs. 12.50 Lakh	20%	30%
Above Rs. 12.50 Lakh to Rs. 15 Lakh	25%	30%
Above Rs. 15 Lakh	30%	30%

**Cess:** 4% of tax applicable in all cases.

**Surcharge:**

10% for income above Rs. 50 Lakh.

15% for income above Rs. 1 Cr. to Rs. 2 Cr.

25% for income above Rs. 2 Cr. to Rs. 5 Cr.

37 % for income above Rs. 5 Cr.

*(Sources: Finance Bill 2020)*

**Table -1 :** Some of the Not-Allowed and Allowed deductions under new Tax Regime

List of common Exemptions and deductions “not Allowed” under New Tax rate regime	List of deductions “Allowed” under new Tax rate regime
1. Leave Travel Allowance (LTA)	1. Transport allowances in case of a specially-abled person.
2. House Rent Allowance (HRA)	2. Conveyance allowance received to meet the conveyance expenditure incurred as part of the employment.
3. Conveyance allowance	3. Any compensation received to meet the cost of travel on tour or transfer.
4. Daily expenses in the course of employment	4. Daily allowance received to meet the ordinary regular charges or expenditure you incur on account of absence from his regular place of duty.
5. Relocation allowance	5. Death-cum-retirement benefit
6. Helper allowance	6. Commutations of pensions
7. Children education allowance	7. Leave encashment on retirement
8. Other special allowances [Section 10(14)]	8. Amount received on VRS up to Rs 5 Lakh
9. Standard deduction on salary	9. Employee Provident Fund money
10. Professional tax	10. Money received as scholarship for education
11. Interest on housing loan (Section 24b)	11. Cash received as awards constituted in public interest
12. Deduction under Chapter VI-A deduction (80C, 80D, 80E and so on) (Except Section 80CCD(2))	12. Short-term withdrawals and maturity amount from the National Pension Scheme
13. Minor child income allowance Section 10 (32)	
14. Helper allowance Section 10 (14) (i)	

*(Sources: Finance Bill 2020)*

Table-1 presents the deductions under chapter VI- A. regarding old tax regime and new tax regime. Under new tax regime near about 70 types of deductions has been withdrawn by Government. Some types of deductions are occurred under new tax regime if the assessee fulfilled criteria of deductions. On the basis of claiming deductions tax liability will be reduced surely. Under new tax regime some deductions are based on expense basis and some are based on investment because deductions are varying according its nature. Under old tax regime deductions are based on expenses, investments and incomes according to claim by assessee. Assessee may claim low deductions, medium deductions, High deductions and very high deductions according its expenses, investments and incomes.

Particulars	Low Deductions	Medium deductions	High Deductions	Very high Deductions	Break even Deductions
Standard Deductions 16 (i)	✓	✓	✓	✓	✓
House Rent Allowance u/s 10 (13-A)	-	-	-	✓	-
HBL Loan 24 (b)	-	-	✓	-	-
Deductions 80 C	-	✓	✓	✓	✓

Table -2

Table -2 present the bifurcation of low deductions, medium deductions, High deductions, very high deductions and Break even Deductions. Under low deduction category only standard deduction is comprised, under medium deduction category standard deduction and deduction u/s 80C are comprised, Under high deduction category standard deduction, house building loan and deduction u/s 80C are comprised, Under very high deduction category standard deduction, house rent allowance and deduction u/s 80C are comprised and Under break even category standard deduction, and deduction u/s 80C are comprised.

**Comparative Table of Taxable income and Tax Volume between Old Tax Regime (Existing Tax regime) and New Tax Regime**

Particulars	Low Deductions	Medium deductions	High Deductions	Very high Deductions	Break even Deductions
GROSS SALARY	20,00,000	20,00,000	20,00,000	20,00,000	20,00,000
HRA EXEMPTION	-	-	-	3,60,000	-
Standard Deduction	50,000	50,000	50,000	50,000	50,000
Loss from House Property	-	-	2,00,000	-	-
Gross Total Income	19,50,000	19,50,000	17,50,000	15,90,000	19,50,000
Deductions U/s 80C	-	1,50,000	1,50,000	1,50,000	1,50,000
DEDUCTION U/s 80D	-	-	-	50,000	50,000
NET Taxable Income under Existing Regime	19,50,000	18,00,000	16,00,000	13,90,000	17,50,000
TAX under Existing Regime	4,13,400	3,66,600	3,04,200	2,38,680	3,51,000
NET TAXABLE INCOME under New Regime	20,00,000	20,00,000	20,00,000	20,00,000	20,00,000
TAX Under New Regime	3,51,000	3,51,000	3,51,000	3,51,000	3,51,000
GAIN/(LOSS) UNDER NEW REGIME	62,400	15,600	(46,900)	(1,12,320)	Nil

Table -3

Table -3 present the comparative tax under old tax regime and new tax regime on Rs. 20 lakh at different category deduction structure i.e. low deductions, medium deductions, high deductions, very high deductions and break even deduction. Under low deduction category only Rs.50, 000/- is comprised, under medium deduction category Rs. 2,00,000/- is comprised, under high deduction category Rs. 4,00,000/- is comprised, under very high deduction category Rs. 6,10,000/- is comprised and under break even deduction category Rs. 2,50,000 is comprised. Under new tax regime no deductions are

claimed. Deductions are be contingent on savings, payments and incomes. If assessee claims low and medium deductions then new tax regime will be benefited and high and very deductions then old tax regime will be benefited.

## Suggestions

- The tax deductions are one way of getting them to save for our future.
- Increasing consumption should not come at the cost of savings.
- Tax amounts at equilibrium as deductions equal to Rs. 2,50,000/-.
- A person availing NO deductions under the existing taxation regime should opt for new taxation regime as it will bring him higher disposable income under new taxation regime because of lower taxation rates. Additional savings on tax can then be spent or saved accordingly.
- A person availing deductions like up to 2 lakh (like standard deduction and Deduction U/s 80C) he should also opt for new taxation regime to save more tax after considering that he invests more than the break even as shown in previous table.
- A person availing very high deductions like HRA, 80C, 80D shall be benefitted under old taxation regime by claiming those deductions and saving money.

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