

# OLD AND NEW TAX REGIME FROM ASSESSMENT YEAR 2021-22



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**C**urrent year is essentially important from view point of taxpayers because from this Assessment Year i.e. from A.Y.2021-22, New Tax Regime has been introduced by Finance Minister for Income Tax Computation and Payment.

## **Characteristics of New Tax Regime:**

- It is optional whether to go for new or existing tax regime for all taxpayers.
- For Salaried Taxpayers, It is allowed to go for selection of and switch over from new to existing and existing to new Tax Regime for every year. They have option to select the tax regime every year.
- For Business Taxpayers, It is allowed only once to select the tax regime. After selecting one in AY21-22, they can switch over only one time and then after they have to compulsorily continue with the selected tax regime.

## **Deductions that will continue to allowed to Taxpayers in New Tax Regime under section 115BAC:**

- In case of Handicapped employee, Transport Allowance of Rs. 3200/-p.m. , Conveyance, Tour & Daily allowances incurred for duty purpose will be continued even in New Scheme.
- Standard Deduction of 30% under section 24 (a) on Rental Income from Rented Property.
- Gratuity, Provident Fund, Leave Encashment exemption on receipt at the time of retirement

- Interest on Tax Free Bonds
- Interest on Public Provident Fund(PPF)
- Interest on Sukanya Samruddhi Yojana
- Existing exemptions on Agricultural Income
- Rebate under section 87A
- Employer's contribution on account of employee in case of Investment in NPS under section 80CCD

**Deductions that are NOT ALLOWED under New Tax Regime:**

- ❖ Deductions under section 80C of Chapter VIA of LIC Premium, Specified Mutual Funds Investments, Nationalized Bank Deposits, Repayment of Housing Loan Principal, Stamp Duty, Tuition Fees, etc.
- ❖ Extra Deduction of Rs. 50,000/- on NPS Investment under section 80CCD
- ❖ Medical Insurance Premium (Mediclaime) or Medical Expense incurred for self, family of parents under section 80D
- ❖ Bank Savings Accounts Interest under section 80TTA
- ❖ Banks Fixed Deposit Interest under section 80TTB
- ❖ In case of Salaried employees,
  - ✓ Transport Allowance
  - ✓ Conveyance Allowance
  - ✓ Medical Allowance
  - ✓ House Rent Allowance
  - ✓ Children Education, Uniform Allowances, etc. allowed as deduction under section 10 will no more be allowed as deduction
  - ✓ Perquisites
  - ✓ Standard Deduction under section 16
  - ✓ Entertainment Allowance under section 16
  - ✓ Professional Tax
- ❖ Interest on Housing Loan up to Rs.2, 00,000/- under section 24 (b) as well as additional deduction of Rs.1, 50,000/- in specified cases under section 80EEA are no more allowed as deductions under New Scheme.
- ❖ Family Pension under section 57
- ❖ Deductions under section 80DD and 80DDDB in case of Disability
- ❖ Interest on Education Loan under section 80E
- ❖ Donations to Charitable Institutions under section 80G

**Tax Slab and Tax Rates for Individuals:**

Taxable Income Slabs	Tax Rate as per Old Scheme	Tax Rate as per New Scheme
Up to Rs. 2,50,000/-	NIL	NIL
Rs. 2,50,001/- to 5,00,000/-	5%	5%
Rs. 5,00,001/- to 7,50,000/-	20%	10%
Rs. 7,50,001/- to 10,00,000/-	20%	15%
Rs. 10,00,001/- to 12,50,000/-	30%	20%
Rs. 12,50,001/- to 15,00,000/-	30%	25%
Above Rs. 15,00,000/-	30%	30%

**Illustration --1:****Calculation of Income Tax of Taxpayer having Taxable Income below Rs.10,00,000/-:**

Particulars	Calculation as per Old Scheme	Calculation as per New Scheme
Gross Salary	7,50,000.00	7,50,000.00
Less: Standard Deduction	50,000.00	-
Less: Professional Tax	2,400.00	-
<b>Net Salary</b>	<b>6,97,600.00</b>	<b>7,50,000.00</b>
Less: Home Loan Interest on SOP	1,50,000.00	-
Add: Bank Savings Account Interest	25,000.00	25,000.00
<b>Total Gross Income</b>	<b>5,72,600.00</b>	<b>7,75,000.00</b>
Less: Deduction under Chapter VI A		
Investments under section 80C	1,50,000.00	-
NPS Investments under section 80CCD	50,000.00	-
Mediclaime under section 80D	25,000.00	-
Bank savings account Interest u/s 80TTA	10,000.00	-
<b>Net Taxable Income</b>	<b>3,37,600.00</b>	<b>7,75,000.00</b>
<b>Tax Payable</b>	<b>3,755.00</b>	<b>38750</b>
<b>Taxable Income</b>	<b>3,37,600.00</b>	<b>7,75,000.00</b>
Less: Maximum amount not chargeable to Tax	2,50,000.00	2,50,000.00
	<b>87,600.00</b>	<b>5,25,000.00</b>
Less: Rebate u/s 87A	12,500.00	-
	<b>75,100.00</b>	<b>5,25,000.00</b>
250001 to 500000 5%	3,755.00	13,750.00
500001 to 750000 10%	-	25,000.00
<b>Total Tax Payable</b>	<b>3,755.00</b>	<b>38,750.00</b>

**Illustration—2:**

**Calculation of Income Tax of Taxpayer having Taxable Income above Rs.10,00,000/-:**

Particulars	Calculation as per Old Scheme	Calculation as per New Scheme
Gross Salary	11,00,000.00	11,00,000.00
Less: Standard Deduction	50,000.00	-
Less: Professional Tax	2,400.00	-
<b>Net Salary</b>	<b>10,47,600.00</b>	<b>11,00,000.00</b>
Less: Home Loan Interest on SOP	-	-
Add: Bank Savings Account Interest	25,000.00	25,000.00
<b>Total Gross Income</b>	<b>10,72,600.00</b>	<b>11,25,000.00</b>
Less: Deduction under Chapter VI A		
Investments under section 80C	1,50,000.00	-
NPS Investments under section 80CCD	-	-
Mediclaime under section 80D	25,000.00	-
Bank savings account Interest u/s 80TTA	10,000.00	-
<b>Net Taxable Income</b>	<b>8,87,600.00</b>	<b>11,25,000.00</b>
<b>Tax Payable</b>	<b>90,020.00</b>	<b>1,00,000.00</b>
<b>Taxable Income</b>	<b>8,87,600.00</b>	<b>11,25,000.00</b>
Less: Maximum amount not chargeable to Tax	2,50,000.00	2,50,000.00
	<b>6,37,600.00</b>	<b>8,75,000.00</b>
Less: Rebate u/s 87A	-	-
	<b>6,37,600.00</b>	<b>8,75,000.00</b>
250001 to 500000 5%	12,500.00	12,500.00
500001 to 750000 20% 10%	50,000.00	25,000.00
<b>750001 to 1000000 20% 15%</b>	<b>27,520.00</b>	<b>37,500.00</b>
<b>1000001 to 1250000 30% 20%</b>	-	<b>25,000.00</b>
<b>1250001 to 1500000 - 25%</b>	-	-
<b>Above 1500000 - 30%</b>	-	-
<b>Total Tax Payable</b>	<b>90,020.00</b>	<b>1,00,000.00</b>

In above both cases, Tax payable is lower in case of Old Scheme only as taxpayers have enough investments to take deductions.

**Illustration—3:**

Calculation of Income Tax of Taxpayer having Taxable Income above Rs.10,00,000/-:

Particulars	Calculation as per Old Scheme	Calculation as per New Scheme
Gross Salary	11,00,000.00	11,00,000.00
Less: Standard Deduction	50,000.00	-
Less: Professional Tax	2,400.00	-
<b>Net Salary</b>	<b>10,47,600.00</b>	<b>11,00,000.00</b>
Less: Home Loan Interest on SOP	-	-
Add: Bank Savings Account Interest		
<b>Total Gross Income</b>	<b>10,47,600.00</b>	<b>11,00,000.00</b>
Less: Deduction under Chapter VI A		
Investments under section 80C	75,000.00	-
NPS Investments under section 80CCD	-	-
Mediclaim under section 80D	25,000.00	-
Bank savings account Interest u/s 80TTA		-
<b>Net Taxable Income</b>	<b>9,47,600.00</b>	<b>11,00,000.00</b>
<b>Tax Payable</b>	<b>1,02,020.00</b>	<b>95,000.00</b>
Taxable Income	9,47,600.00	11,00,000.00
Less: Maximum amount not chargeable to Tax	<b>2,50,000.00</b>	<b>2,50,000.00</b>
	<b>6,97,600.00</b>	<b>8,50,000.00</b>
Less: Rebate u/s 87A	-	-
	<b>6,97,600.00</b>	<b>8,50,000.00</b>
250001 to 500000 5%	12,500.00	12,500.00
500001 to 750000 20% 10%	50,000.00	25,000.00
750001 to 1000000 20% 15%	39,520.00	37,500.00
1000001 to 1250000 30% 20%	-	20,000.00
1250001 to 1500000 - 25%	-	-
Above 1500000 - 30%	-	-
<b>Total Tax Payable</b>	<b>1,02,020.00</b>	<b>95,000.00</b>

In above Illustration, Taxpayers have benefit in case of New Scheme as they do not have enough investments that can be taken as deductions by them.

But, even if there are not enough investments then also taxpayers will get benefit under Old Regime in case Taxable Income is below Rs. 5, 00,000/- as Rebate under section 87A is available to them under old tax regime. It can be seen by following Illustration.

**Illustration---4:**

Calculation of Income Tax of Taxpayer having Taxable Income below Rs.10,00,000/-:

Particulars	Calculation as per Old Scheme	Calculation as per New Scheme
Gross Salary	7,50,000.00	7,50,000.00
Less: Standard Deduction	50,000.00	-
Less: Professional Tax	2,400.00	-
<b>Net Salary</b>	<b>6,97,600.00</b>	<b>7,50,000.00</b>
Less: Home Loan Interest on SOP	-	-
Add: Bank Savings Account Interest	-	-
<b>Total Gross Income</b>	<b>6,97,600.00</b>	<b>7,50,000.00</b>
Less: Deduction under Chapter VI A		
Investments under section 80C	75,000.00	-
NPS Investments under section 80CCD	50,000.00	-
Mediclaime under section 80D	25,000.00	-
Bank savings account Interest u/s 80TTA		-
<b>Net Taxable Income</b>	<b>5,47,600.00</b>	<b>7,50,000.00</b>
Tax Payable	14,255.00	37,500.00
Taxable Income	<b>5,47,600.00</b>	<b>7,50,000.00</b>
Less: Maximum amount not chargeable to Tax	<b>2,50,000.00</b>	<b>2,50,000.00</b>
	<b>2,97,600.00</b>	<b>5,00,000.00</b>
Less: Rebate u/s 87A	12,500.00	-
	2,85,100.00	5,00,000.00
250001 to 500000 5%	14,255.00	12,500.00
500001 to 750000 10%	-	25,000.00
<b>Total Tax Payable</b>	<b>14,255.00</b>	<b>37,500.00</b>

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