OLD TAX VS NEW TAX REGIME:
WHICH ONE WOULD YOU CHOOSE?

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With the initiation of a new tax regime, comes the confusion of which one is suitable for you. You, as the taxpayer, may find it challenging to identify which one of the two regimes is better and relevant to your income.With alterations in existing sections, many of you are trying to evaluate the difference between the old tax vs new tax regime. Here I have made small note on present tax REGIME and new tax REGIME.

The New Tax Regime

Let's discuss the new tax regime. It offers six tax slabs with prevailing rates reduced on income up to Rs. 15 lakh. Due to the income slabs and the various tax rates, multiple exemptions and deductions are not applicable here.

New tax regime is having its own advantages & disadvantages. Let us discuss…………

Advantages.

1) The current tax regime is still in place, and you as a taxpayer have the option to choose the best suitable one for you, that is either the old tax regime or the new tax regime. The Government has not enforced compulsion to switch to the new tax regime.

2) The new tax regime offers the flexibility to the taxpayer to invest their money as they prefer. With the new scheme, there is no obligatory requirement to invest in tax saving schemes and insurance plans which may not be in alignment with their financial goals.

3) With multiple tax slabs, you as the taxpayer will fit into the tax slab that best meets your yearlyincome.

Disadvantages.

1) Gradually, the present exemptions will be reviewed and slowly erased from the new tax regime.

2) With no exemptions, your total taxable amount will be higher as compared during the old tax regime.

3) Though there are six tax slabs, it may not be beneficial for all taxpayers if the income-tax authorities decide to do away with the old regime completely.

The following comparative table shows tax slab of old and new tax regime.

Income Tax Slab Old vs New:

Income slabs (Rs)	Old Regime (with exemptions and deductions)	New Regime (without exemptions and deductions)
Up to 2.5 lakh	Nil	Nil
2.5-5 lakh	5%	5%
5-7.5 lakh	20%	10%
7.5-10 lakh	20%	15%
10-12.5 lakh	30%	20%
12.5-15 lakh		25%
Above 15 lakh		30%

Following are the exemption and deductions are not allowed in new regime.

Salaried individuals

Could claim a standard deduction of Rs 50,000.

Leave Travel Allowance.

House rent allowance depending upon salary structure and rent paid

Professional tax paid by a maximum of Rs. 2,500/-

Deductions available under Section 80TTA and 80TTB that is interest from Savings Account/Deposits

Tax deduction on entertainment allowance and deduction on professional tax For government employees

The interest amount payable on home loan for a self-occupied or any vacant property u/s 24 maximum deductions of Rs. 2 lakh

Deduction of Rs 15,000 allowed from family pension under clause (ii) (a) Section 57

Special Allowances that are provided under Section 10(14) except

Transport allowance granted to a disabled employee

Any allowances granted for meeting the cost of travel on tour or transfer of an employee

Daily allowance

Perquisites

Business owners and professionals will lose the exemption to Special Economic Zones under Section 10AA.

Deductions under Section 32AD, 33AB, 33ABA, 35(1)(ii),35(1)(ii((a), 35(1)(iii), 35(2AA), 35AD and 35CCC of the Income Tax Act.

Options of additional depreciation under Section 32(ii)(a) of the Income Tax Act

The option to carry forward or unabsorbed depreciation of earlier years

Tax-saving investment deductions under Income Tax Act , Chapter VI-A 80C, 80D, 80E, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc. These tax-saving investment options include ELSS, NPS, PPF tax relief on med claim insurance premium, FDR, dependents who are differently-abled, expenses for specified medical treatments, interest on education loan and many more.

But following exemptions will continue in new regime.

Interest received on Post Office Savings Account under Section 10(15)(i) the maximum amount of Rs. 3,500.

Gratuity received from employer up to a maximum amount of Rs. 20 Lacs.

Amount received from Life Insurance Policy on maturity under Section 10(10D).

Employer contribution in NPS or EPF up to 12% of salary and interest on EPF up to 9.5% p.a.

Income from Life Insurance.

Income from agricultural farming.

Standard reduction on rent.

Retrenchment compensation.

Leave encashment on retirement.

VRS proceeds up to Rs 5 lacs.

Retirement cum death benefit.

Money received as a scholarship for education.

Interest and maturity amount of PPF or Sukanya SmriddhiYojna.

Commutation of Pension. The new tax regime offers you to claim deductions u/s 80CCD(2) (employers contribution in notified pension scheme) and 80JJAA (for new employment).

Switching from one regime to another.

The salaried have the option to choose between both the regimes every year. Even if you have opted a particular tax regime with your employer, you can still choose the other regime while filing your ITR in case the other option seems more beneficial to you while computing the tax liability at the time of filing the ITR.

Please note that the self-employed do not have the choice to come back to old tax regime once the new one is opted unless they stop having business income. ***So the person with business income has to be vary careful while migrating to new regime.***

Conclusion

Old Tax vs New Tax Regime: Which one would you choose?

There is no specific answer to this question as it depends on your financial situation and your annual earnings. Both the new income tax slab vs old tax slab have its advantages and disadvantages. It all depends on whether you are interested in claiming the deductions and exemptions with the new tax slab offering a variation of earning buckets and corresponding rates. The old tax slab offers deductions and exemptions. It is recommended to do a comparative analysis and evaluation under both the tax regimes before you proceed to file your taxes.

As whole if the assesse is having more savings and exemptions old regime is better otherwise he can opt new regime.