

ATFC-AGARWAL TAX & FINANCIAL CONSULTANTS

CA PAWAN AGARWAL

OLD REGIME VS NEW REGIME

The new income tax regime was introduced in the Budget 2020 and is applicable from the financial year 2020-21 onwards. The new regime offers lower tax rates but with almost no deductions or exemptions. The old regime allows taxpayers to claim various deductions and exemptions, but with higher tax rates.

The choice between the old and new regime depends on the income level, investments, and expenses of the taxpayer. Generally, the new regime is beneficial for those who have low or no investments, while the old regime is better for those who can claim higher deductions and exemptions.

[Here is a table that compares the tax rates at different income slabs under the old and new regime ¹²:](#)

Income Slab	Old Tax Rate	New Tax Rate
Up to Rs. 2.5 lakh	Nil	Nil
Rs. 2.5 lakh to Rs. 5 lakh	5%	5%
Rs. 5 lakh to Rs. 7.5 lakh	20%	10%
Rs. 7.5 lakh to Rs. 10 lakh	20%	15%
Rs. 10 lakh to Rs. 12.5 lakh	30%	20%
Rs. 12.5 lakh to Rs. 15 lakh	30%	25%
Above Rs. 15 lakh	30%	30%

Additionally, the old regime has a rebate of Rs. 12,500 for income up to Rs. 5 lakh, while the new regime has no rebate. The old regime also has a surcharge of 10%, 15%, 25%, or 37% for income above Rs. 50 lakh, Rs. 1 crore, Rs. 2 crore, or Rs. 5 crore respectively, while the new regime has a surcharge of 10% or 15% for income above Rs. 50 lakh or Rs. 1 crore respectively. Both the regimes have a cess of 4% on the tax amount.

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DEDUCTION UNDER NEW TAX REGIME

The new tax regime, introduced in the Budget 2023, offers lower tax rates but removes many deductions and exemptions that taxpayers can claim under the old regime¹. Some of the deductions that are **not available in the new regime** are:

- Deduction under section 80C for investments in provident fund, life insurance, etc. (up to Rs 1.5 lakh)
- Deduction under section 80D for health insurance premium paid (up to Rs 25,000 or Rs 50,000 for senior citizens)
- Deduction under section 80TTA for interest income from savings account (up to Rs 10,000)
- Deduction under section 80G for donations made to charitable institutions
- Deduction under section 80E for interest paid on education loan
- Deduction under section 80GG for rent paid (up to Rs 60,000)
- Deduction under section 80CCD(1B) for additional contribution to NPS (up to Rs 50,000)
- Deduction under section 24 for interest paid on home loan for self-occupied property (up to Rs 2 lakh)

However, some deductions are **still available in the new regime**, such as:

- Standard deduction for salaried individuals up to Rs 50,000
- Standard deduction on pension income up to Rs 15,000 or 1/3rd of pension, whichever is lower
- Interest on home loan for let-out property (no limit)
- Employer's contribution to NPS (up to 10% of salary)
- All contributions to Agniveer Corpus Fund (section 80CCH)

For Calculation-Try link-- "pawanagarwal.in"

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