# TAX REGIME FOR IT AND EDUCATIONAL BENEFITS

**IT Benefits (Tax Regime for IT Professionals)**

**A. Relevant Deductions/Benefits for IT Professionals:**

* **Section 80C**: Deduction of up to ₹1,50,000 for investments in instruments like ELSS (Equity Linked Savings Scheme), EPF, and PPF.
* **Section 10(14)**: Special allowances (e.g., internet, phone reimbursements) related to the profession.
* **Standard Deduction**: ₹50,000 for salaried employees.
* **NPS (Section 80CCD)**: Additional ₹50,000 deduction for contributions to the National Pension System.
* **Section 10(13A)**: House Rent Allowance (HRA) exemptions for those living in rented accommodations.
* **Leave Travel Allowance (LTA)**: Exemption for travel costs within India twice in a block of four years.

**Pros for IT Professionals:**

* High flexibility in claiming job-related expenses like professional certifications or home-office setup.
* Suitable for individuals working in private organizations offering allowances for remote work or learning.

**Cons:**

* Tax structure can get complex if benefits are not claimed effectively.

**2. Educational Benefits (Tax Regime for Students/Academicians)**

**A. Relevant Deductions/Benefits for Education:**

* **Section 80E**: Deduction of interest on education loans for higher studies with no upper limit (for 8 consecutive years).
* **Scholarships (Section 10(16))**: Fully exempt from tax if awarded for merit or research.
* **Children’s Education Allowance (CEA)**: ₹100/month per child (up to 2 children) is tax-exempt.
* **Tuition Fee Deduction (Section 80C)**: Up to ₹1,50,000 for tuition fees for up to two children.
* **Skill Development Courses**: Deduction under business expenses for self-employed individuals.

**Pros for Educational Benefits:**

* Encourages further education and skills enhancement.
* Suitable for young professionals pursuing career growth while continuing studies.

**Cons:**

* Limited scope for individuals who are not pursuing higher education.
* Fixed caps on benefits like tuition fees and CEA.

**3. New vs. Old Tax Regime**

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| --- | --- | --- |
| **Aspect** | **Old Tax Regime** | **New Tax Regime (Post 2020)** |
| **IT Benefits** | Allows exemptions like HRA, 80C, 80D, and professional reimbursements. | Flat rates with no exemptions but lower tax rates. |
| **Educational Benefits** | Full advantage of deductions like 80E and CEA. | Minimal benefits due to the removal of deductions. |

ax Slabs for AY 2025-26\*\*\*

* The Finance Act 2024 has amended the provisions of Section 115BAC w.e.f AY 2024-25 to make new tax regime the default tax regime for the assessee being an Individual, HUF, AOP (not being co-operative societies), BOI or Artificial Juridical Person. However, the eligible taxpayers have the option to opt out of new tax regime and choose to be taxed under old tax regime. The old tax regime refers to the system of income tax calculation and slabs that existed before the introduction of the new tax regime. In the old tax regime, taxpayers have the option to claim various tax deductions and exemptions.

* In **"non-business cases**", option to choose the regime can be exercised every year directly in the ITR to be filed on or before the due date specified under section 139(1).

* In case of eligible taxpayers having income from business and profession, new tax regime is default regime. If assessee wants to opt out of new tax regime, they can furnish Form-10-IEA on or before the due date u/s 139(1) for furnishing the return of income. Also, for the purpose of withdrawal of such option i.e. opting out of old tax regime shall also be done by way of furnishing Form No.10-IEA.**However, option to switch to old tax regime and withdraw the option in any subsequent AY is available only once in lifetime for eligible taxpayers having income from business and profession.**

1. **Tax rates for Non Resident Individual are as under:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Old tax regime** | | **New tax regime** | |
| **Income Tax Slab** | **Income Tax Rate** | **Income Tax Slab** | **Income rate** |
| **Up to ₹ 2,50,000** | **nil** | **Up to ₹ 3,00,000** |  |
| **₹ 2,50,001 - ₹ 5,00,000** | **5% above ₹ 2,50,000** | **₹ 3,00,001 - ₹ 7,00,000** | **5% above ₹ 3,00,000** |
| **₹ 5,00,001 - ₹ 10,00,000** | **₹ 12,500 + 20% above ₹ 5,00,000** | **₹700001 - ₹ 1000000** | **₹ 20,000 + 10% above ₹ 7,00,000** |
| **₹ 10,00,001- ₹ 50,00,000** | **₹ 1,12,500 + 30% above ₹ 10,00,000** | **₹ 1000001- ₹ 1200000** | **₹ 50,000 + 15% above ₹ 10,00,000** |
| **₹ 50,00,001- ₹ 100,00,000** | **₹ 1,12,500 + 30% above ₹ 10,00,000** | **₹1200001- ₹1500000** | **₹ 80,000 + 20% above ₹ 12,00,000** |
| **₹ 100,00,001- ₹ 200,00,000** | **₹ 1,12,500 + 30% above ₹ 10,00,000** | **₹ 15,00,001- ₹ 50,00,000** | **₹ 1,40,000 + 30% above ₹ 15,00,000** |
| **₹ 200,00,001- ₹ 500,00,000** | **₹ 1,12,500 + 30% above ₹ 10,00,000** | **₹ 50,00,001- ₹ 100,00,000** | **₹ 1,40,000 + 30% above ₹ 15,00,000** |
| **Above ₹ 500,00,000** | **₹ 1,12,500 + 30% above ₹ 10,00,000** | **₹ 100,00,001- ₹ 200,00,000** | **₹ 1,40,000 + 30% above ₹ 15,00,000** |
|  |  | **Above ₹ 20000000** | **₹ 1,40,000 + 30% above ₹ 15,00,000** |

**\*Note:** The enhanced surcharge of 25% & 37%, as the case may be, is not levied, from income chargeable to tax under sections 111A, 112, 112A and Dividend Income. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%, except when the income is taxable under section 115A, 115AB, 115AC, 115ACA and 115E.

**\*\*\*Note:** Health & Education cess @ 4% to be paid on the amount of income tax plus Surcharge (if any) in both the regimes.

Marginal relief can be claimed from surcharge if the amount of income earned exceeding ₹ 50 lakhs, ₹ 1 crore, ₹ 2 crore or ₹ 5 crores respectively as under:

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| --- | --- | --- |
| **Exceeds (Rs.)** | **Does not exceed (Rs.)** | **Marginal Relief** |
| 50 Lakh | 1cr | Amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of Rs 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs |
| 1crore | 2cr | Amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore |
| 2crore | 5cr | Amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore |
| 5crore |  | Amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 5 crore by more than the amount of income that exceeds Rs. 5 crore. |

*NOTE:*

*FOR MORE INFORMATION ABOUT TAX REGIME CLICK HERE >>>*[*https://www.incometax.gov.in/iec/foportal/*](https://www.incometax.gov.in/iec/foportal/)