Choosing Between Old and New Tax Regime — Decision Guide

When is the Old Regime Better?

The Old Tax Regime is generally more beneficial when your total eligible deductions are HIGH.

Key thresholds for comparison (approximate):

• At ₹5 lakh income: Both regimes → Zero tax (87A rebate applies)

• At ₹7 lakh income: New regime → Zero tax. Old regime → Tax if deductions < ₹5L

• At ₹10 lakh income: Old regime saves more if deductions exceed ~ ₹2.75 lakh

• At ₹15 lakh income: Old regime better only if deductions exceed ~ ₹4.25 lakh

• Above ₹15 lakh: New regime is typically more beneficial

Breaking-even Deduction Levels (approximate, FY 2024-25):

Gross Salary	Deductions needed for Old Regime to be equal or better
₹7,00,000	₹3,25,000+
₹10,00,000	₹2,75,000+
₹15,00,000	₹4,25,000+
₹20,00,000	₹4,25,000+

Recommendation: If your total deductions (80C + 80D + HRA + others) exceed the break-even threshold, stick with the Old Regime. Otherwise, the New Regime is simpler and cheaper.

Step-by-Step: How to Declare Your Regime

STEP 1: Tally your eligible deductions

List all available deductions: 80C investments, health insurance (80D), HRA, home loan interest, NPS, etc.

STEP 2: Compute tax under both regimes

Calculate your taxable income under both regimes. Use the official Income Tax Calculator at incometax.gov.in or a trusted tool.

STEP 3: Compare and choose

Select the regime that results in lower tax outflow. Remember to account for 4% Health & Education Cess in both cases.

STEP 4: Inform your employer

Submit Form 12BB or a written declaration to your employer at the beginning of the financial year (April). Your employer will deduct TDS based on the selected regime.

STEP 5: File your ITR

You can change your tax regime when filing your Income Tax Return (ITR) — but only up to the due date. Businesses filing under presumptive taxation schemes have restrictions on switching.

Important: The New Regime is the DEFAULT regime from FY 2023-24. You must actively opt out if you want to file under the Old Regime.