

## New Tax Regime v/s Old Tax Regime FAQs

Updated as per Finance (No. 2) Act, 2024

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### 1. What are the applicable slabs in the Old Tax Regime and New Tax regime (NTR)?

Below are the Tax slabs as per Old Tax Regime (non-senior citizen category) and New Tax Regime. These are effective **FY 2024-25:**

| Old Tax Regime (non senior citizen)  |                        | New Tax Regime (NTR)   |                        |
|--|------------------------|--|------------------------|
| Net Taxable income (INR)   | Tax rate (before cess) | Net Taxable income (INR)   | Tax rate (before cess) |
| Up to 2,50,000   | NIL                    | Up to 3,00,000   | NIL                    |
| 2,50,001 to 5,00,000 *   | 5%                     | 3,00,001 to <b>7,00,000</b> **   | 5%                     |
| 5,00,001 to 10,00,000  | 20%                    | <b>7,00,001 to 10,00,000</b>   | 10%                    |
| Above 10,00,000  | 30%                    | <b>10,00,001</b> to 12,00,000  | 15%                    |
|  |                        | 12,00,001 to 15,00,000   | 20%                    |
|  |                        | Above 15,00,000  | 30%                    |
| * No tax if Annual net taxable income does not exceed INR 5 Lakhs (after standard deduction) |                        | ** No tax if Annual net taxable income does not exceed INR 7.75 Lakhs (after standard deduction) |                        |

► **Standard Deduction** under Section 16(ia):

|                                    |   |
|------------------------------------|---|
| Up to INR 50,000 in Old Tax Regime | <b>Up to INR 75,000</b> in New Tax Regime |
|------------------------------------|---|

► Please find below the **Surcharge Rates** on Tax:

| Surcharge rates on Tax (before cess) |                               |                          |                               |
|--------------------------------------|-------------------------------|--------------------------|-------------------------------|
| Net Taxable income (INR)             | Old Tax Regime Surcharge rate | Net Taxable income (INR) | New Tax Regime Surcharge rate |
| Above 50 lakhs                       | 10%                           | Above 50 lakhs           | 10%                           |
| Above 1 crore                        | 15%                           | Above 1 crore            | 15%                           |
| Above 2 crores                       | 25%                           | Above 2 crores           | 25%                           |
| Above 5 crores                       | 37%                           |                          |                               |

### 2. Which benefits / exemptions / deductions are NOT available in the New Tax Regime?

Given below is a list of common benefits / exemptions / deductions which are NOT available in the New Tax Regime: -

- Exemption on Food Coupons / Wallet / Card
- Children Education Allowance Exemption
- Children Hostel Allowance Exemption
- Professional Development Exemption
- House Rent Allowance exemption
- Leave Travel (LTA) Exemption
- Tax benefit for Profession Tax
- Loss from House Property
- Section 80 (80C, 80CCC, 80CCD (1), 80CCD (1B), 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GGA, 80TTA, 80U etc.)

### 3. I have Net Income from House Property / Income from other sources. Is it required to be reported if I remain in New Tax Regime?

**Yes**, Net Income from House Property (after absorbing losses from House Property if any) and Income from other sources are required to be reported as taxable income in both tax regimes.

### 4. When does a Taxpayer choose the regime for the financial year (Old Tax Regime or New Tax Regime)?

The choice of New Tax Regime or Old Tax Regime may be exercised by the tax-payer **only** at the time of filing their Individual Tax Returns under Section 115BAC.

However, the employee **can inform the employer** to calculate **as per Old Tax Regime** during the financial year. It may be noted that this intimation to the employer (to calculate **as per Old Tax Regime**) cannot be construed as the choice exercised by the employee under 115BAC and this choice will have to be necessarily exercised by the employee while filing Individual Tax Returns. This implies that informing the employer is only provisional and **only for the purposes of deducting tax at source**. The actual decision (New Tax Regime or Old Tax Regime) has to be taken by the employee at the time of filing the **Individual Tax Returns**.

Employees who wish to choose Old Tax Regime while filing their Individual Tax Returns should ensure they file their returns **on or before the due date**. In case employees file a belated return, they may lose the choice to opt for Old Tax Regime.

### 5. I want to stay in the New Tax Regime (NTR) - Do I need to inform my employer?

**No action is required for employees who want to stay in New Tax Regime and did not / have not selected Old Tax Regime.**

For employees who already selected Old Tax Regime **before these amendments were enacted**, since there have been changes in the New Tax Regime in the Finance (No. 2) Act, 2024 in between the Financial Year making it more attractive than earlier, they can move back to New Tax Regime as a one-time option **as an exception this year (FY 2024-25)** by the cut-offs specified by the Company via email alerts (as per Company policy). Once employee moves back to New Tax Regime, this decision will be final for the financial year at the tax withholding stage.

### 6. By when should I inform my employer (if I want my employer to calculate my Annual Tax liability as per Old Tax Regime)?

An employee can inform the employer to calculate in Old Tax Regime anytime during the year (subject to monthly cut-offs **latest by 15<sup>th</sup> March**). However, once employee informs the employer to calculate **as per Old Tax Regime**, this decision / position **cannot be modified** for the purposes of tax deduction through the Employer and is therefore **irrevocable during the financial year** with the exception of those who selected Old Tax Regime before the amendments under Finance (No. 2) Act, 2024 were enacted and can therefore move back to New Tax Regime as a one-time option by the cut-offs specified by the Company via email alerts (as per Company policy). Please also read FAQ no. 5.

The employee can choose any Tax Regime as suitable at the time of filing their Income Tax Returns.

**Therefore, as a general guideline, it may be better if this selection is done at the later part of the financial year (may be before submitting year-end investment proofs) as compared to the early part of the financial year since you will have much more visibility of your Annual income and other investments.**

**7. If my employer calculates my Annual Tax liability as per the New Tax Regime (NTR) during the months April to December (for example), and I inform my employer to switch to Old Tax Regime in January, how does my tax computation get revised?**

Please note that irrespective of the month in which you **move to the Old Tax Regime**, your Annual Tax liability for the entire year will be re-calculated after applying the Old Tax Regime slab rates. The taxes already deducted from **April to December** in the above example will be reduced from the revised Annual tax liability to arrive at the balance taxes to be deducted from **January to March**.

**8. If I inform my employer to calculate my Annual Tax liability as per the Old Tax Regime, can I switch back to the New Tax Regime during the financial year?**

**No.** Once employee informs the employer to calculate **as per Old Tax Regime**, this decision / position **cannot be modified** for the purposes of tax deduction through the Employer and is therefore **irrevocable during the financial year**. However, if employee selected Old Tax Regime before the amendments under Finance (No. 2) Act, 2024 were enacted, **as an exception this year (FY 2024-25)**, employee can move back to New Tax Regime as a one-time option by the cut-offs specified by the Company via email alerts (as per Company policy). Please also read FAQ no. 5.

The employee can choose any Tax Regime as suitable at the time of filing their Income Tax Returns.

**9. I selected Old Tax Regime before the amendments under Finance (No. 2) Act, 2024 were enacted and then moved to New Tax Regime utilizing the exception this year. How does my tax computation get revised?**

In such a case, your Annual Tax liability for the entire year will be re-calculated after applying the New Tax Regime slab rates and **removing** all exemptions / deductions which are not available in New Tax Regime. The taxes already deducted from April will be reduced from the revised Annual tax liability to arrive at the balance taxes to be deducted over remaining months. **Please review FAQ No. 2 to see list of common benefits / exemptions / deductions which are NOT available in the New Tax Regime.**

**10. If I stay in the New Tax Regime, can I choose Old Tax Regime while filing by Return of Income (Individual tax returns)**

**Yes**, as mentioned above, the choice of New Tax Regime or Old Tax Regime may be exercised by the taxpayer at the time of filing their Individual Tax Returns. Hence the employee can choose any Regime as suitable at the time of filing their Income Tax Returns.

**11. If I have informed my employer to calculate my Annual Tax liability as per the Old Tax Regime, and I join another employer during the financial year, can the new employer calculate my Annual Tax liability in the New Tax Regime?**

Once an employee has informed the employer to calculate in the **Old Tax Regime**, it is the **responsibility of the employee** to inform the future employer(s) to also calculate in Old Tax Regime during the same financial year. The future employer(s) should then calculate the annual tax liability in the **Old Tax Regime** basis the intimation from employee to avoid mismatch in salary withholding. However, if employee selected Old Tax Regime before the amendments under Finance (No. 2) Act, 2024 were enacted in the previous employment, employee may review the beneficial tax regime and then decide the tax regime in the current employment.

## 12. Can I choose my regime (Old or new) once every Financial Year?

Yes, Employees having income **other than Income from Business or Profession** can choose any regime **every financial year** (Old Tax Regime or New Tax Regime). The tax regime will be reset at the beginning of new financial year to New Tax Regime by default. Therefore, if employee wants Old Tax Regime, the employee will have to **inform the employer** to calculate **as per Old Tax Regime** every financial year.