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Income Tax Slabs for FY 2025-26 (AY 2026-27)

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Budget 2026 Tax Slabs Updates

- No changes in tax slabs for FY 2025-26 & same applicable for FY 2026-27.
- The old tax regime continues to be the optional tax regime.

Income Tax Slabs and Rates determine the tax liability of the taxpayer. India follows a progressive tax rate structure, where the tax rate increases with an increase in the taxable income slab. This means higher income slab ranges attract higher tax rates. This method is followed under both new and old tax regime.

Income Tax Slabs for FY 2025-26 under New Tax Regime

The Section 115BAC new tax regime remains the default tax regime. The new tax regime tax rates for FY 2025-26 after Budget 2026 are as follows & are the same for FY 2026-27.

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Rs. 4,00,001 to Rs. 8,00,000	5%
Rs. 8,00,001 to Rs. 12,00,000	10%
Rs. 12,00,001 to Rs. 16,00,000	15%
Rs. 16,00,001 to Rs. 20,00,000	20%
Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

Income Tax Slabs for FY 2025-26 under Old Tax Regime

The old tax regime is still the optional tax regime after Budget 2026, and income tax slab rates under old tax regime are as follows:

Income Tax Slabs	Income Tax Rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

- The old tax regime offers relaxed tax slabs for [senior and super senior citizens](#).
- For resident taxpayers aged between 60 to 80 years, the basic exemption limit is Rs. 3 lakh i.e., 0% tax on income up to Rs. 3 lakh.
- For resident taxpayers aged above 80 years, basic exemption limit is Rs. 5 lakhs i.e., 0% tax up to Rs. 5 lakh income.
- All other tax slabs & rates remain the same as in the above table.

Tax Free Income Under the New Regime

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However, salaried individuals can benefit from tax-free income up to Rs. 12.75 lakh with standard deduction.

Section 87A Rebate & Standard Deduction

[Rebate u/s 87A](#) helps taxpayers reduce tax liability to Zero if their taxable income is within certain limits. This provision helps many taxpayers pay Zero tax.

Salaried taxpayers also get a standard deduction to reduce their taxable salary income by a certain amount.

The rebate and standard deduction limits under different tax regimes are as follows:

Tax Regime	Rebate Limit	Standard Deduction
New Tax Regime	Rs. 60,000 (taxable income up to Rs. 12 lakh)	Rs. 75,000
Old Tax Regime	Rs. 12,500 (taxable income up to Rs. 5 lakh)	Rs. 50,000

What is Surcharge & Cess?

Taxpayers with high income pay an additional tax on their tax liability called [surcharge](#). The surcharge rates are as follows:

Income Limit	New Tax Regime	Old Tax Regime
Up to Rs. 50 lakh	Nil	Nil
Rs. 50 lakh to Rs. 1 Crore	10%	10%
Rs. 1 Crore to Rs. 2 Crore	15%	15%
Rs. 2 Crore to Rs. 5 Crore	25%	25%
Above Rs. 5 Crore	25%	37%

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Old v/s New - Which Tax Regime is Better?

Which tax regime is better in comparison to the [old & new tax regime](#) depends on the exemptions and deductions available to taxpayers. The new tax regime offers very little deductions when compared to the old tax regime.

- Choose the new tax regime if you do not have many deductions & exemptions to claim.
- Choose the old tax regime if you have significant deductions & exemptions to claim.

Income Tax Calculator

Use ClearTax [Income Tax Calculator](#) to calculate your tax liability for FY 2025-26 & FY 2026-27.

How to Calculate Income Tax?

Step 1: Calculate Gross Total Income (salary + house property + business/profession + [other sources](#) + [capital gains](#)).

Step 2: Reduce eligible deductions/exemptions (based on regime chosen).

Step 3: Arrive at Taxable Income.

Step 4: Apply slab rates and compute tax.

Step 5: Apply rebate if eligible.

Step 6: Add cess @ 4% (and surcharge, if applicable) on tax computed in Step 4.

Step 7: Reduce [TDS/TCS/advance tax](#) already paid to find net payable or refund.

Income Tax Calculation Example

Mr. Anban for FY 2025-26 has the following incomes, exemptions and deductions.

- Salary - Rs. 25 lakh

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His taxable income and tax liability for FY 2025-26 (AY 2026-27) will be computed as follows:

Particulars	New Tax Regime	Old Tax Regime
Income From Salary	25,00,000	25,00,000
(-) Standard Deduction	- 75,000	- 50,000
(-) HRA Exemption		- 4,00,000
	24,25,000	20,40,000
Less: Other deductions		
(-) Section 80C		- 1,50,000
(-) Section 80D		- 25,000
Taxable Income	24,25,000	18,75,000

Mr. Anban's Tax Liability will be calculated as follows:

Under New Tax Regime

Income Tax Slabs		Tax Liability
Up to Rs. 4 lakh	Rs. 4 lakh @ 0%	0
Rs. 4 lakh to Rs. 8 lakh	Rs. 4 lakh @ 5%	20,000
Rs. 8 lakh to Rs. 12 lakh	Rs. 4 lakh @ 10%	40,000
Rs. 12 lakh to Rs. 16 lakh	Rs. 4 lakh @ 15%	60,000
Rs. 16 lakh to Rs. 20 lakh	Rs. 4 lakh @ 20%	80,000
Rs. 20 lakh to Rs. 24 lakh	Rs. 4 lakh @ 25%	1,00,000
Rs. 24 lakh to Rs. 24.25 lakh	Rs. 25,000 @ 30%	7,500

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Total Tax Liability (New Tax Regime)

3,19,800

Under Old Tax Regime

Income Tax Slabs		Tax Liability
Up to Rs. 2.5 lakh	Rs. 2.5 lakh @ 0%	0
Rs. 2.5 lakh to Rs. 5 lakh	Rs. 2.5 lakh @ 5%	12,500
Rs. 5 lakh to Rs. 10 lakh	Rs. 5 lakh @ 20%	1,00,000
Above Rs. 10 lakh	Rs. 8.75 lakh @ 30%	2,62,500
Total		3,75,000
Add: Health & Education Cess @ 4%		15,000
Total Tax Liability (Old Tax Regime)		3,90,000

Therefore, tax liability of Mr. Anban for FY 2025-26 (AY 2026-27) is as follows:

Tax Regime	Tax Liability
New Tax Regime	3,19,800
Old Tax Regime	3,90,000

Therefore, by opting for New Tax Regime he can save Rs. 70,200 in taxes. However, many [deductions & exemptions](#) are not allowed under the new tax regime.

Conclusion

Understanding the income tax slabs is important while filing [Income Tax Returns \(ITR\)](#).

Taxpayers can now compute their tax liability and ascertain their tax slab & rate for FY 2025-26 (AY 2026-27).

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Frequently Asked Questions

How to choose the tax regimes while filing?



Can I switch between new and old tax regimes every year?



Do senior citizens get any additional benefit under the new tax regime?



What deductions are allowed in the new tax regime?



Can I claim HRA under the new regime?



Is income up to 7 Lakhs or 12 Lakhs tax-free?



What is the Income Tax Act 2025?



How will the Budget 2026 affect income tax for salaried individuals?



Chandni Anandan

Tax Content Writer

I'm a Chartered Accountant with a deep interest in Direct Tax Laws, drawn to the fascinating blend of numbers and legal provisions. Right from my preparation days, I

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