



## COMPARISON OF OLD AND NEW TAX REGIME

<sup>1</sup>Dr. Md Sanauar Ali and <sup>2</sup>Dr. Parmanand Sharma

<sup>1</sup>Assistant Professor, Faculty of Commerce, S.R.A.P College, Chakia, B.R.A Bihar University, Muzaffarpur, India

<sup>2</sup>Assistant Professor, Govt. Degree College, Sheohar, B.R.A Bihar University, Muzaffarpur, India

### Abstract:-

This research paper conducts a comparative analysis of the old and new tax regimes for the financial year 2023-2024 in order to evaluate their impact on individual taxpayers, businesses, and government revenue. The study compares the main differences in tax slabs, deductions, and overall tax burden at different income levels.

The financial impact of each regime for different taxpayer groups is analysed by comparing tax liabilities under different income brackets, showing which regime provides more benefits for each group of taxpayers. Interviews and surveys with tax professionals and salaried people reveal information related to preferences, challenges, and practical implications associated with each regime.

The research results find that the old tax regime remains beneficial for those with significant investments that result in savings under the deduction sections: 80C, 80D, and HRA. The old regime is likable by high-income earners and those with complicated financial structures because it saves on taxes. On the other hand, middle-income earners and those without substantial investments prefer the new tax regime since it reduces complexity in tax filing and compliance.

**Keywords:-** Tax Slabs and Deductions, Tax Policy, Income Tax.

### Introduction

The Income-tax Bill, 2025 ("New Bill"), was presented in Parliament on February 13, 2025, ushering in a significant reform aimed at simplifying the Income-tax Act, 1961 ("Old Act") enacted over six decades back. This Initiative seeks to enhance the clarity and accessibility of the Indian tax framework while ensuring continuity and predictability for taxpayers. The reform is based on three core principles: simplifying language and structure for Improved coherence, maintaining existing tax policies, and avoiding any changes to tax rates.

The New Bill has effectively streamlined the Old Act, reducing its complexity and volume while preserving its essential principles. Substantive provisions in relation to tax rates, residency rules, scope of total Income, computation and heads of income, the assessment and appeal procedures remain the same. Simplification changes have been made by reducing the word count, reducing number of sections, removing explanations and provisos, consolidation of related provisions at one place etc. This initiative underscores the Government's commitment to creating a more business friendly environment with a clearer and more efficient tax system.

- **Increase Tax Exemption Limit** :- Individuals earning up to Rs. 12 lakhs annually are now exempt from income tax, effectively increasing disposable income for a significant portion of the middle class.
- **Revised Tax Slabs** : For incomes above Rs. 12 lakhs, the tax rates have been adjusted to reduce the overall tax burden:



### New Income Tax Slabs for Financial Year 2025-26 (Assessment Year 2026-27)

Income Tax Slabs for Financial Year 2025-26 (Assessment Year 2026-27)	Income Tax Rates for Financial Year 2025-26 (Assessment Year 2026-27)
Up to Rs. 4 lakh	Nil
Rs. 4 lakh to Rs. 8 lakh	5%
Rs. 8 lakh to Rs. 12 lakh	10%
Rs. 12 lakh to Rs. 16 lakh	15%
Rs. 16 lakh to Rs. 20 lakh	20%
Rs. 20 lakh to Rs. 24 lakh	25 %
Above Rs. 24 lakh	30%

Source: compiled

These adjustments aim to simplify the tax structure and encourage compliance.

- **Standard Deduction:** The standard deduction has been increased from Rs 50,000 to Rs 75,000, providing additional relief to salaried individuals.

**Economic Implications:** The reforms are anticipated to have several economy effects. :-

- **Boost in Consumer Spending:** With more disposable income, there is potential for increased consumer expenditure, which can drive economic growth.
- **Encouragement for Private Investment:** Lower tax rates may incentivize private investments, fostering business expansion and job creation.
- **Fiscal Considerations:** While the reforms aim to stimulate the economy, there are concerns about revenue growth and expenditure management.

The New Income Tax Bill 2025 signifies a substantial shift towards a more taxpayer-friendly system, with the potential to enhance economic activity through increased consumer spending and investment. However, its long-term success will depend on balanced fiscal policies and effective implementation.

It was Announced during the Union Budget 2025, this bill aims to make taxation more straightforward and taxpayer-friendly

#### 1. Simplification of Tax Filing:

- The bill proposes to streamline the tax return process, making it more user-friendly and reducing the chances of disputes.

#### 2. Rationalization of TDS and TCS:

- The limits for Tax Deducted at Source (TDS) and Tax Collected at Source (TCS) have been revised to ease compliance:
  - TDS on Interest for Senior Citizens: Increased from Rs 50,000 to Rs 1 lakh.
  - TDS on Rent: Annual limit raised from Rs. 2,40,000 to Rs 6 lakh.
- These changes aim to reduce the tax compliance burden on individuals and businesses.



### 3. Tax Exemption on National Savings Scheme (NSS)

#### Withdrawals:

- Withdrawals from the NSS made on or after August 29, 2024, will be exempt from tax, encouraging savings among citizens.

### 4. Extended Deadline for Filing Updated Tax Returns:

- The time limit to file updated income tax returns has been extended from two years to four years, providing taxpayers with more flexibility to correct any omissions or errors committed.

#### Sampling Method :-

A non-probability convenience sampling technique was adopted to collect responses from a diverse group of individual taxpayers. The sample comprised salaried employees, self-employed professionals, students, and retirees, representing a cross-section of taxpayer categories.

#### Research Methodology:-

The research takes a systematic approach in comparing the old and new tax regimes in their impact on taxpayers in several aspects: financial, economic, and compliance-related. The methodology is designed in such a way that the analysis can be systematic and objective based on empirical data and theoretical frameworks.

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#### WHAT IS INCOME TAX ACT 2025?:-

Income Tax Act 2025 passed by the Indian parliament, serves as the modern replacement of the six-decades old Income Tax Act 1961, An act whose structure, Language and several amendments had become cumbersome for not only court, tax administration but tax payer also.

According to coverage by India Today Income Tax act 1961 is nearly amended around 65 times through various legislative measure, which results in increasing the number of sections from 298 to 819 sections, making the Act complicated and cumbersome. Income Tax Act 2025, aims at simplifying the such complicated structure for the tax payer, court and Tax administration and meeting the modern requirements incorporating new definitions such as Virtual digital Assets, Tax Year. It contains total 536 sections over 23 chapters and 16 schedules, aiming to meet the modern fiscal requirements, simplifying compliance and reduce litigation.

#### INCOME TAX ACT: AN INFRINGEMENT IN RIGHT TO PRIVACY:-

In the age where personal digital data is one of the most important data of a person, the boundaries between public authority and private life are being constantly renegotiated. The new Income Tax Act 2025 which got the assent of president on 21st August, set to replace previous Income Tax Act 1961 and to come force from 1st April 2026, aimed to simplify and improving compliance, and aligning the tax governance with modern technologies.



**Table 2: Income Tax Slabs for Old Tax Regime vs. New Tax Regime (2025)**

<b>Tax Regime</b>	<b>Income Range (INR)</b>	<b>Tax Rate (%)</b>	<b>Tax Payable (INR)</b>
Old Tax Regime (2025)	Up to 2.5 lakh	N/A	0
Old Tax Regime (2025)	2.5 lakh – 5 lakh	5%	12,500
Old Tax Regime (2025)	5 lakh- 10 lakh	20%	1,12,500
Old Tax Regime (2025)	Above 10 lakh – 24 lakh	30%	5,32,500
<b>Old Tax Regime (2025)</b>	<b>Above 24 lakh</b>	<b>30%</b>	<b>5,32,500 + 30% above 24 lakh</b>
New Tax Regime (2025)	Up to 4 lakh	N/A	0
New Tax Regime (2025)	4 lakh – 8 lakh	5%	20,000
New Tax Regime (2025)	8 lakh- 12 lakh	10%	60,000
New Tax Regime (2025)	12 lakh – 16 lakh	15 %	1,20,000
New Tax Regime (2025)	16 lakh - 20 lakh	20 %	2,00,000
New Tax Regime (2025)	20 lakh – 24 lakh	25 %	3,00,000
<b>New Tax Regime (2025)</b>	<b>Above 24 lakh</b>	<b>30%</b>	<b>3,00,000 + 30 % above 24 lakh</b>

Deductions available on old tax regime (yes-e.g. section 80C & 80D & Impact on savings- Encourages investment via deductions.)

Deductions available on new tax regime (limited option to forgo most exemptions & Less incentive for traditional savings plans)

Source: Compiled.

**Conclusion:-**

The Bill represents a significant effort to simplify Indian tax laws while maintaining the fundamental framework of the existing Income-tax Act, 1961. By reducing redundancies, consolidating provisions, and improving readability, the Bill aims to enhance compliance and minimize litigation. However, certain ambiguities such as the interpretation of residency rules, taxation of digital transactions, and the scope of deemed income-may still lead to new disputes.

All else being equal, the reforms look like a step in the right direction, making for a less complex and more open tax regime. However, sustained efforts to raise awareness, increase confidence in the new regime, and deliver focused financial education will be needed to secure their long-term success. To assist in making future reforms more consistent with actual financial behavior policymakers also need to take account of the behavioral drivers of taxpayer choice.

The New Bill does not have major surprises in form of changes. The changes proposed are majorly to simplify language and increase readability from layman's perspective. Having said this, it is expected that few drafting anomalies identified by practitioners are corrected before the New Bill is passed. In addition, as discussed above, further guidance is expected on continuity of circulars issued under the Old Act.

The shift toward faceless, digital-first assessments has also been positively received, as it is expected to reduce bureaucratic barriers and promote fairness in the tax process. At the same time, the study reveals that while awareness is relatively strong, the depth of understanding among taxpayers remains moderate, with a considerable number still preferring the familiarity of the old regime. Issues such as limited clarity in provisions, restricted access to deductions, and the need for more widespread taxpayer education highlight that the reform, though progressive, requires clearer communication and smooth implementation to achieve its objectives. Overall, the new tax legislation is perceived as a constructive step toward building a transparent and citizen-oriented taxation system. Its long-term success, however, will depend on continuous awareness initiatives, the simplification of technical language, and the provision of robust digital support to enable taxpayers to adapt with confidence.



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