

## NEW TAX SCHEME - COMPLETE OVERVIEW

(As per Budget 2025)

### Introduction

- The new tax regime under Section 115BAC is now the *default option* for individuals, HUFs, AOPs, etc.
- Old regime can only be availed if the taxpayer *actively opts out*.
- Aims to simplify tax compliance with fewer slabs, digital-first assessment, and reduced sections in the Income Tax Act (from 819 to 536).
- Designed to boost household savings and consumption by raising disposable income.

### Tax Rates

- Basic Exemption Limit: ₹ 4 lakh
- Revised Slabs:
  - ₹ 0 – ₹ 4 lakh: Nil
  - ₹ 4 – ₹ 8 lakh: 5%
  - ₹ 8 – ₹ 12 lakh: 10%
  - ₹ 12 – ₹ 16 lakh: 15%
  - ₹ 16 – ₹ 20 lakh: 20%
  - ₹ 20 – ₹ 24 lakh: 25%
  - Above ₹ 24 lakh: 30%
- Zero Tax Threshold: No tax up to ₹ 12 lakh (₹ 12.75 lakh for salaried with standard deduction).

### Section 87A Rebate and Standard Deduction

- Section 87A Rebate:
  - Full rebate of income tax payable or up to ₹ 60,000 (whichever is lower).
  - Available for individuals with income up to ₹ 12 lakh.
- Standard Deduction:
  - Salaried taxpayers: ₹ 75,000
  - Family pensioners: ₹ 25,000



## Comparison: Old vs New Regime

Feature	Old Regime	New Regime
Default Option	Not applicable (optional)	Default (must opt out for old)
Tax-Free Limit	₹ 2.5 lakh (₹ 3 lakh for seniors)	₹ 12 lakh (₹ 12.75 lakh salaried with deduction)
Slabs	5%, 20%, 30%	Multiple slabs from 5% to 30% with wider ranges
Standard Deduction	₹ 50,000 (salaried)	₹ 75,000 (salaried); ₹ 25,000 (pension)
Deductions (80C, HRA, etc.)	Available	Not available
Section 87A Rebate	Up to ₹ 12,500 (income ≤ ₹ 5 lakh)	Up to ₹ 60,000 (income ≤ ₹ 12 lakh)
Complexity	High (multiple deductions, exemptions)	Low (straightforward slab-based)

### For Whom It Is Beneficial

- Middle-income earners (up to ₹ 12 lakh) benefit most as they pay *zero tax*.
- Salaried class gains additional relief due to the *higher standard deduction*.
- Taxpayers preferring *simplicity* over claiming multiple deductions/exemptions.
- Households looking for increased disposable income and simplified filing.

### Final Thoughts

- The scheme simplifies tax compliance with transparent, digital-first assessments.
- Raises the effective tax-free threshold, easing the burden on middle-class families.
- Encourages savings and boosts consumption in the economy.
- While beneficial for many, those with significant deductions under the old regime may still compare before choosing.

