



**Old Tax Regime
For
Salaried Employees?
Or
New Tax Regime**



The recent Budget 2023 has caused a lot of confusion among taxpayers regarding the choice between the old and new tax regimes. The government has introduced various incentives in the 2023 Budget to encourage the adoption of the new regime.

New Tax Regime

A new tax regime was introduced in Budget 2020 wherein the tax slabs were altered, and taxpayers were offered concessional tax rates. However, those who opt for the new regime cannot claim several exemptions and deductions, such as HRA, LTA, 80C, 80D and more. Because of this, the new tax regime did not have many takers.

Budget 2023 introduced key changes to encourage taxpayers to adopt the new regime

- 1) Higher Tax Rebate Limit:**
- 2) Streamlined Tax Slabs**
- 3) Standard Deduction**
- 4) Family Pension Deduction:**
- 5) Reduced Surcharge for High Net Worth Individuals**
- 6) Higher Leave Encashment Exemption**
- 7) Default Regime**



Old Tax Regime

The old regime is the tax system that prevailed before the introduction of the new regime. Under this regime, there are over 70 exemptions and deductions available, including HRA and LTA, that can reduce your taxable income and lower tax payments. The most popular and generous deduction is Section 80C, which allows for a reduction of taxable income up to Rs.1.5 lakh. The taxpayers are given a choice between the old and the new tax regime.

Difference Between Old Vs New Tax Regime: Which is Better?

The decision to switch to the new or remain in the old tax regime or which regime is better for you shall be based on the tax savings deductions and exemptions you are eligible for in the old tax regime. To make it easier, we have calculated a breakeven point for various income levels (refer to the table below) for a salaried individual below 60 years of age. This can be used to determine which regime to choose.

Breakeven threshold for deciding between New vs Old tax regimes

The Breakeven point is that amount where there will be no difference in tax liability between the two tax regimes. If your total eligible deductions and exemptions in the old tax regime are higher than the breakeven threshold for your income level, it is advisable to stay in the old regime. On the other hand, if the breakeven threshold is higher, then moving to the new tax regime is more beneficial.

Tax under Old vs New regime

Here are a few calculations to which will help you decide between old vs the new tax regime:

When total deductions are ₹1.5 lakhs or less: New regime will be beneficial

When total deductions are less than ₹1.5lakhs					
A	B	C	D	E	F
Gross Total Income	Tax as per Old Regime	Tax as per New Regime		Difference (B-D)	Which regime is better?
	<ul style="list-style-type: none"> - Standard deduction = ₹50,000 - Others u/s 80C, 80D etc = ₹1,50,000 - Rebate on income up to ₹5,00,000 	Pre-Budget 2023	Post-Budget 2023		
		<ul style="list-style-type: none"> - No deductions or exemptions - Rebate on income up to ₹5,00,000 	<ul style="list-style-type: none"> - Standard deduction: ₹50,000 - Rebate on income up to ₹7,00,000 		
₹5,00,000	₹0	₹0	₹0	₹0	Any
₹6,00,000	₹0	₹22,500	₹0	₹0	Any
₹7,00,000	₹0	₹32,500	₹0	₹0	Any
₹7,50,000	₹22,500	₹37,500	₹0	₹22,500	New
₹8,00,000	₹32,500	₹45,000	₹30,000	₹2,500	New
₹9,00,000	₹52,500	₹60,000	₹40,000	₹12,500	New
₹10,00,000	₹72,500	₹75,000	₹52,500	₹20,000	New
₹13,00,000	₹1,42,500	₹1,37,500	₹1,00,000	₹42,500	New
₹15,00,000	₹2,02,500	₹1,87,500	₹1,40,000	₹62,500	New
₹15,50,000	₹2,17,500	₹2,02,500	₹1,50,000	₹67,500	New
₹17,00,000	₹2,62,500	₹2,47,500	₹1,95,000	₹67,500	New
₹20,00,000	₹3,52,500	₹3,37,500	₹2,85,000	₹67,500	New
₹30,00,000	₹6,52,500	₹6,37,500	₹5,85,000	₹67,500	New

When total deductions are more than ₹3.75 lakhs: Old regime will be beneficial

When total deductions are more than ₹3.75 lakhs					
A	B	C	D	E	F
Gross Total Income	Tax as per Old Regime - Standard deduction: ₹50,000 - Others u/s 80C+80D+NPS+Home loan interest (available up to ₹2,00,000) etc = Considered: ₹3,80,000 = ₹1,50,000+₹55,000+₹25,000+₹1,50,000 - Rebate on income up to ₹5,00,000	Tax as per New Regime		Difference (B-D)	Which regime is better?
		Pre-Budget 2023 - No deductions or exemptions - Rebate on income up to ₹5,00,000	Post-Budget 2023 - Standard deduction: ₹50,000 - Rebate on income up to ₹7,00,000		
₹5,00,000	₹0	₹0	₹0	₹0	Any
₹6,00,000	₹0	₹22,500	₹0	₹0	Any
₹7,00,000	₹0	₹32,500	₹0	₹0	Any
₹7,50,000	₹0	₹37,500	₹0	₹0	Any
₹8,00,000	₹0	₹45,000	₹30,000	-₹30,000	Old
₹9,00,000	₹0	₹60,000	₹40,000	-₹40,000	Old
₹10,00,000	₹26,500	₹75,000	₹52,500	-₹26,000	Old
₹13,00,000	₹86,500	₹1,37,500	₹1,00,000	-₹13,500	Old
₹15,00,000	₹1,33,500	₹1,87,500	₹1,40,000	-₹6,500	Old
₹15,50,000	₹1,48,500	₹2,02,500	₹1,50,000	-₹1,500	Old
₹17,00,000	₹1,93,500	₹2,47,500	₹1,95,000	-₹1,500	Old
₹20,00,000	₹2,83,500	₹3,37,500	₹2,85,000	-₹1,500	Old
₹30,00,000	₹5,83,500	₹6,37,500	₹5,85,000	-₹1,500	Old

When total deductions are between ₹1.5lakhs to ₹3.75 lakhs: will depend on your income level

When total deductions are between ₹1.5 lakhs and ₹3.75 lakhs					
A	B	C	D	E	F
Gross Total Income	Tax as per Old Regime - Standard deduction: ₹50,000 - Others u/s 80C+80D+others: ₹2,50,000 = ₹1,50,000+₹50,000+₹50,000 - Rebate on income up to ₹5,00,000	Tax as per New Regime		Difference (B-D)	Which regime is better?
		Pre-Budget 2023 - No deductions or exemptions - Rebate on income up to ₹5,00,000	Post-Budget 2023 - Standard deduction: ₹50,000 - Rebate on income up to ₹7,00,000		
₹5,00,000	₹0	₹0	₹0	₹0	Any
₹6,00,000	₹0	₹22,500	₹0	₹0	Any
₹7,00,000	₹0	₹32,500	₹0	₹0	Any
₹7,50,000	₹0	₹37,500	₹0	₹0	Any
₹8,00,000	₹12,500	₹45,000	₹30,000	-₹17,500	Old
₹9,00,000	₹32,500	₹60,000	₹40,000	-₹7,500	Old
₹10,00,000	₹52,500	₹75,000	₹52,500	₹0	Any
₹13,00,000	₹1,12,500	₹1,37,500	₹1,00,000	₹12,500	New
₹15,00,000	₹1,72,500	₹1,87,500	₹1,40,000	₹32,500	New
₹15,50,000	₹1,87,500	₹2,02,500	₹1,50,000	₹37,500	New
₹17,00,000	₹2,32,500	₹2,47,500	₹1,95,000	₹37,500	New
₹20,00,000	₹3,22,500	₹3,37,500	₹2,85,000	₹37,500	New
₹30,00,000	₹6,22,500	₹6,37,500	₹5,85,000	₹37,500	New

What deductions and exemptions are allowed under the new tax regime?

Here is a comparison between the deductions and exemptions available under the new and the old tax regime

Particulars	Old Tax Regime	New tax Regime (until 31st March 2023)
Income level for rebate eligibility	₹ 5 lakhs	₹ 5 lakhs
Standard Deduction	₹ 50,000	-
Effective Tax-Free Salary income	₹ 5.5 lakhs	₹ 5 lakhs
Rebate u/s 87A	₹12,500	₹12,500
HRA Exemption	✓	X
Leave Travel Allowance (LTA)	✓	X
Other allowances including food allowance of Rs 50/meal subject to 2 meals a day	✓	X

Standard Deduction (Rs 50,000)	✓	X
Entertainment Allowance and Professional Tax	✓	X
Perquisites for official purposes	✓	✓
Interest on Home Loan u/s 24b on: Self-occupied or vacant property	✓	X
Interest on Home Loan u/s 24b on: Let-out property	✓	✓
Deduction u/s 80C (EPF LIC ELSS PPF FD Children's tuition fee etc)	✓	X

Employee's (own) contribution to NPS	✓	X
Employer's contribution to NPS	✓	✓
Medical insurance premium - 80D	✓	X
Disabled Individual - 80U	✓	X
Interest on education loan - 80E	✓	X
Interest on Electric vehicle loan - 80EEB	✓	X
Donation to Political party/trust etc - 80G	✓	X
Savings Bank Interest u/s 80TTA and 80TTB	✓	X
Other Chapter VI-A deductions	✓	X

All contributions to Agniveer Corpus Fund - 80CCH	✓	Did not exist
Deduction on Family Pension Income	✓	✓
Gifts upto Rs 5,000	✓	✓
Exemption on voluntary retirement 10(10C)	✓	✓
Exemption on gratuity u/s 10(10)	✓	✓
Exemption on Leave encashment u/s 10(10AA)	✓	✓
Daily Allowance	✓	✓
Conveyance Allowance	✓	✓
Transport Allowance for a specially-abled person	✓	✓

FAQs on Old Tax Regime vs New Tax Regime

Which tax regime is better for 7 lakhs?

If you have an income of Rs 7 lakhs, the new tax regime will benefit you.

Which tax regime is better for 10 lakhs salary?

If you have an income of Rs 10 lakhs, the old tax regime will benefit you only if you have made tax savings investments (deductions other than standard deductions) of over Rs 2,62,500.

If these deductions are less than Rs 2,62,500, then the new regime will be better for you.

Which tax regime is better for 12 lakhs salary?

The old tax regime is good for you if you have invested more than Rs 3,00,000 in tax saving schemes. If you have invested or spent less than Rs 3,00,000, then the new regime will be better for you.

Which tax regime is better for 15 lakhs salary?

Which regime is better for you will depend on the amount of tax-saving investments you have made:

Old regime: if tax-saving investments $>$ Rs. 3,58,000

New regime: if tax-saving investments $<$ Rs 3,58,000



Which tax regime is better for 20 lakhs salary?

If you have an income of Rs 20 lakhs, the best regime for you will depend on the tax deductions you are eligible for:

Old regime: if tax-saving investments $>$ Rs. 3,75,000

New regime: if tax-saving investments $<$ Rs 3,75,000

Which tax regime is better for 25 lakhs salary?

If you have an income of Rs 20 lakhs, the best regime for you will depend on the tax deductions you are eligible for:

Old regime: if tax-saving investments $>$ Rs. 3,75,000

New regime: if tax-saving investments $<$ Rs 3,75,000

Which tax regime is better for 30 lakhs salary?

If you have an income of Rs 20 lakhs, the new regime will benefit you if your tax deductions are less than Rs 3,75,000. Else, opt-in for the old tax regime.

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