Frequently Asked Questions (FAQ) about New & Old Tax Regime

Dear All, I have created Q & A format of 115 BAC and pleased to submit for your kind ready reference.

1) What is the section 115BAC ?

Budget 2020 introduced New Tax Regime u/s. 115BAC which offers lower income tax rate

2) Who are eligible to avail this scheme ?

Individual and Hindu Undivided Family (HUF) irrespective of their residential status (i.e) Resident aswellas NRI are eligible to avail this scheme.

3) What is the existing (OLD) Income Tax Slab Rate ?

Based on Income (Net Taxable Income after all Deductions)		As on 31st March		
		Individual Age	Senior Citizen Age	Super Senior Age
From (Rs.)	To (Rs.)	upto 59 years	Reached 60 & upto 79	80 Years & above
0	2,50,000	Nil	Nil	Nil
2,50,001	3,00,000	5%	Nil	Nil
3,00,001	5,00,000	5%	5%	Nil
5,00,001	10,00,000	20%	20%	20%
10,00,001	Above	30%	30%	30%
u/s.87A upto Rs.12,500/- tax Rebate / relief available, if taxable income is upto Rs.5 Lakh				
4% Health & Education Cess applicable + Surcharge applicable if total taxable income exceed Rs.50 Lakh				

4) What is the (NEW) Income Tax Slab Rate u/s.115BAC introduced from FY: 2020-21?

Based on Income (Net Taxable Income after all Deductions)		As on 31st March		
		Individual	Senior Citizen	Super Senior
From (Rs.)	To (Rs.)	upto 59 years	Reached 60 & upto 79	80 Years & above
0	2,50,000	Nil	Nil	Nil
2,50,001	5,00,000	5%	5%	5%
5,00,001	7,50,000	10%	10%	10%
7,50,001	10,00,000	15%	15%	15%
10,00,001	12,50,000	20%	20%	20%
12,50,001	15,00,000	25%	25%	25%
15,00,001	Above	30%	30%	30%
u/s.87A upto Rs.12,500/- tax Rebate / relief available, if taxable income is upto Rs.5 Lakh				
4% Health & Education Cess applicable + Surcharge applicable if total taxable income exceed Rs.50 Lakh				

5) What is the difference between (NEW) and (OLD) Income Tax Slab Rate ?

Based on Income		OLD TAX RATE				NEW TAX RATE
Net Taxable Income after all Deductions		Individual (Age)	Senior Citizen	Super Senior	♋	Individual / Senior Citizen / Super Senior Citizen
From (Rs.)	To (Rs.)	Upto 59 yrs	60 to 79 Yrs	80 and Above	→	Any Age / All Age
0	2,50,000	Nil	Nil	Nil		Nil
2,50,001	3,00,000	5%	Nil	Nil	Vs.	5%
3,00,001	5,00,000	5%	5%	Nil		5%
5,00,001	7,50,000	20%	20%	20%	←	10%
7,50,001	10,00,000	20%	20%	20%		15%
10,00,001	12,50,000	30%	30%	30%	♋	20%
12,50,001	15,00,000	30%	30%	30%		25%
15,00,001	Above	30%	30%	30%		30%

If the net taxable income is upto Rs.5,00,000 /- (Rupees Five Lakh only), then maximum upto Rs.12,500 /- tax relief / rebate available under section 87A for Both New & Old Tax Regime

☞ 4% Health & Education Cess applicable + Surcharge applicable if total taxable income exceed Rs.50 Lakh

6) Who will benefit, if they choose (NEW) Income Tax Slab Rate ?

Those who have taxable net income from Rs.5,00,001 /- upto Rs.15,00,000 /- and if they are not investing any tax saving investments like 80C, 80D, 80E, 24B and so-on, then they could avail lower tax rate percentage of either 10/15/20/25 according to their income slab.

	Based on Income		OLD TAX RATE				NEW TAX RATE
	Net Taxable Income after all Deductions		Individual (Age)	Senior Citizen	Super Senior	♋	Individual / Senior Citizen / Super Senior Citizen
	From (Rs.)	To (Rs.)	Upto 59 yrs	60 to 79 Yrs	80 and Above	→	Any Age / All Age
🚫	~~0~~	~~2,50,000~~	~~Nil~~	~~Nil~~	~~Nil~~		~~Nil~~
🚫	~~2,50,001~~	~~3,00,000~~	~~5%~~	~~Nil~~	~~Nil~~	Vs.	~~5%~~
🚫	~~3,00,001~~	~~5,00,000~~	~~5%~~	~~5%~~	~~Nil~~		~~5%~~
☑	5,00,001	7,50,000	20%	20%	20%	←	10%
☑	7,50,001	10,00,000	20%	20%	20%	♋	15%
☑	10,00,001	12,50,000	30%	30%	30%		20%
☑	12,50,001	15,00,000	30%	30%	30%		25%
🚫	~~15,00,001~~	~~Above~~	~~30%~~	~~30%~~	~~30%~~		~~30%~~

7) Can I choose (NEW) Income Tax Slab Rate in this FY: 2020-21 Filing and Later can I change (Existing) Old Tax Regime in future Assessment Years ?

If you are not doing any Business (or) Professional then you can choose any tax regime as per your wish. In other words, If you are either Salaried Employee / Pensioner, then you can choose and Change either New / Old Tax Regime in Each and Every Assessment Year even though earlier if you submitted Form-12BB to your employer into contrary.

8) I am Professional (or) doing trade / business / running factory. Like Individual Employees and Pensioners, can I change NEW (or) OLD Income Tax regime during every AY ?

NO. After choosing / availing Section 115BAC by applying online Form No: 10IE through “other Forms” in Income Tax Portal and Filed their IT return under New Tax Regime, if Professionals and Business people want to change the existing (old) Tax Regime, then they have the opportunity to withdraw the New Tax Regime only once in their life time.

Once they withdraw by filing online Form-10IE, then they can continue to file their Income Tax Return under OLD tax regime only and they will not be permitted to avail NEW tax regime. In other words we can say that Person earning business income has to file Form 10-IE twice (i.e) First at the time of switching to the new tax regime and second when switching back to the Old scheme. That’s All.

But this restriction is not available for Pensioners, Private / Public Employees, whose income is NOT covered under Profession (or) business / trade. Pensioners and Salaried People can Enter (or) Exit and Change the OLD and NEW tax regime as per their wish any number of upcoming Assessment Years as per their wish, unless otherwise, they are not doing any business / trade (or) Professions like Medical Profession, Chartered Accountant, Company Secretary, Lawyers, Engineers and so-on.

9) What are the exemptions/deductions are available under New Tax Regime u/s.115 BAC ?

Although most of tax deductions and exemptions cannot be claimed under the new tax regime, the following deductions are STILL PERMITTED under new tax regime.

✔	100% Exemption pertaining to payment of Gratuity U/s. 10(10) for Central & State Govt. Employees and upto Rs.20 Lakhs only for PSU, Bank Employees & Non-Govt. Employees.
✔	Exemption pertaining to Commutation of pension U/s. 10(10A)
✔	Exemption pertaining to Leave Encashment U/s. 10(10AA)
✔	Exemption pertaining to Retrenchment Compensation Scheme U/s. 10(10B)
✔	Exemption pertaining to payment scheme of voluntary retirement / separation U/s. 10(10C)
✔	Exemption pertaining to tax paid by the employer on non-monitory perks U/s. 10(10CC)
✔	Exemption pertaining to payment received under Life Insurance Policy U/s. 10(10D)
✔	Exemption pertaining to interest and withdrawal from RPF U/s. 10(12)
✔	Exemption on lump sum amount received on maturity from National Pension Scheme A/c / Exemption pertaining to payment including withdrawal from NPS U/s. 10(12A) / (12B)
✔	Employer's contribution to (NPS) Pension Account u/s.80CCD(2) with condition that deduction cannot exceed 10% of employees salary.

✓	Exemption pertaining to payment from Super Annuation Fund U/s. 10(13)
✓	Exemption pertaining to Employer Contribution of EPF
✓	Exemption pertaining to Education Scholarship
✓	Exemption pertaining to Payments of awards instituted in public interest
✓	Interest on Public Provident Fund & Final payment on maturity of PPF u/s.10(1) are allowed
✓	Interest from Sukanya Samridhi withdrawal (or) Final amount u/s.10(11A)
✓	Gift from Employer
✓	Conveyance / Travelling / Tour / Transfer Allowance received by the employees to meet the expenditure incurred as part of the employment to perform office duties
✓	Interest received on post office savings account under Section 10(15)(i) of the Income Tax Act for up to INR 3,500 per individual during the FY and upto Rs.7,000 for Joint Account [read with the Gazette notification number S.O 1296(E), Dated 03-June-2011]
✓	Daily allowance given to employee if his place of work is different from normal place of duty
✓	Transport allowance permitted ONLY to differently-abled employees (i.e) Blind / deaf / dumb / orthopedically handicapped employees only upto Rs.3200 per month u/s.10(14) to travel between his/her home to office (i.e) To meet the expenditure for the purpose of commuting between place of residence and place of duty
✓	Rebate u/s.87A: If NET taxable income does not exceed Rs.5 Lakh, then Upto Rs.12,500 /- tax rebate is permissible as like as OLD tax regime.
☞	Additional Deductions available for Business men / Traders opting NEW tax regime
✓	Deductions upto 30% salary of new employment / additional employee cost u/s.80JJAA
✓	If SEZ unit located in International Financial Service Centre, then deduction Section 80LA(1A) shall be available subject to fulfilment of the conditions contained in that section.
✓	In case of Depreciation allowance that is made with respect to a block of assets that has not been given full effects to prior to the assessment year that is going to begin from April 1, 2021, then the corresponding adjustment shall have to be made to a written down value of such block of assets as on April 1, 2020, in a prescribed manner; however, if the option of the new tax regime has been implemented for a previous year that is relevant to assessment year beginning from April1, 2021.

10) What are the exemptions/deductions are **NOT** available under New Tax Regime ?

☞	Deductions / Exemptions are NoT available
	Standard Deductions of Salary / Pension such as Rs.50,000 /- u/s. 16(i)a
	Entertainment Allowance u/s. 16(ii)
	Tax on Employment (i.e) Professional Tax u/s. 16(iii)
	Interest on Home Loan upto Rs.2,00,000 /- u/s. 24(b)
	Leave Travel Allowance u/s. 10(5)
	Housing Rent Allowance u/s. 10(13)A
	Special Allowance / Exemption of Any other Allowance u/s. 10(14)
	Allowance to MPs / MLAs u/s. 10(17)
	Income Received from Minor Child for Clubbing u/s.10(32)
	Except 80CCD(2) & 80JJA, almost all other Deductions of Chapter-VIA under 80C to 80U suchas LIC / Private insurance premium paid, Equity Linked Savings Schemes (ELSS), EPF, PPF and NSC, Education Loan, Home Loan Principal Paid, Children Education Fee / Tuition Fee paid, Medical Treatment, Medical Check-up, Medical Insurance / Donation etc.
	SB Interest from Banks / Post Office / Co-operative Society upto Rs.10,000 /- (Applicable in the age group upto 59 years) u/s. 80TTA
	FD + SB Interest from Banks / P.O / Co-Ope. Society upto Rs.50,000 (Applicable in the age group of 60 years and more) u/s. 80TTB
	Family pension upto Rs.15,000 /- u/s.57(ii)a
	Deduction for Scientific Research u/s.35
	Amount paid (in any mode other than cash) by an individual or HUF to LIC or other insurers to effect or keep in force an insurance on the health u/s.80D
	Deduction in respect of maintenance including medical treatment of a dependant who is a person with a disability u/s. 80DD
	Expenses actually paid for medical treatment of specified diseases/ailments u/s.80DDB
	Amount paid out of income chargeable to tax by way of payment of interest on loan taken from financial institution/approved charitable institution for pursuing higher education u/s.80E
	Interest payable on loan taken up to Rs. 35 lakhs by the taxpayer from any financial institution, for the purpose of acquisition of a residential house property whose value doesn't exceed Rs. 50 lakhs u/s.80EE
	Interest payable on loan taken by an individual from any financial institution during the period beginning from 01/04/2019 and ending on 31/03/2023 to purchase an electric vehicle u/s.80EEB
	Rent paid for furnished/unfurnished residential accommodation (Subject to certain conditions suchas those who are NOT receiving HRA etc.) u/s.80GG
	Deduction in respect of donations to certain funds, charitable institutions etc. u/s.80G
	Deduction in respect of certain donations for scientific research or rural development u/s.80GGA

⊗	Deduction in respect of contributions given by any person to political parties u/s.80GGC
⊗	Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste u/s.80JJA
⊗	Royalty income of authors of a certain specified category of books other than text books u/s.80QQB
⊗	Royalty in respect of patents registered on or after 01.04.2003 (subject to certain conditions) u/s.80RRB
⊗	A resident individual who, at any time during the previous year, is certified by the medical authority to be a person with a disability u/s.80U (upto Rs.75,000 /- (or) upto Rs.1,25,000 /- if severe Disability)
⊗	Allowances (Under Sec.10(14)) like Travelling/Transfer Allowance, Conveyance Allowance, Helper Allowance, Research Allowance or Uniform Allowance
⊗	Any allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the performance of the duties of an office or employment of profit;
⊗	Any allowance granted for encouraging the academic, research and training pursuits in educational and research institutions;
⊗	Any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear during the performance of the duties of an office or employment of profit.
⊗	Any Special Compensatory Allowance in the nature of [Special Compensatory (Hilly Areas) Allowance] or High Altitude Allowance or Uncongenial Climate Allowance or Snow Bound Area Allowance or Avalanche Allowance
⊗	Any Special Compensatory Allowance in the nature of Border Area Allowance, Remote Locality Allowance or Difficult Area Allowance or Disturbed Area Allowance
⊗	Special Compensatory (Tribal Areas/Schedule Areas/Agency Areas) Allowance
⊗	Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place provided that such employee is not in receipt of daily allowance
⊗	Any allowance granted to an employee to meet the hostel expenditure on his child
⊗	Compensatory Field Area Allowance
⊗	Compensatory Modified Field Area Allowance
⊗	Any special allowance in the nature of counter-insurgency allowance granted to the members of armed forces operating in areas away from their permanent locations
⊗	Underground Allowance granted to an employee who is working in uncongenial, unnatural climate in underground mines
⊗	Any special allowance in the nature of high altitude (uncongenial climate) allowance granted to the member of the armed forces operating in high altitude areas
⊗	Any special allowance granted to the members of the armed forces in the nature of special compensatory highly active field area allowance
⊗	Any special allowance granted to the member of the armed forces in the nature of Island (duty) allowance
⊗	Status of Losses of previous years / Set off loss / Status & Depreciation for current period and The accumulated AMT credit will be lapsed and assess cannot carry forward the same for set-off u/s.115JC and Carry forward and set off of AMT credit u/s.115JD

THANKS

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