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A Study of Comparison of New and Old Tax Regime

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ABSTRACT :

A new direct tax regime has been adopted in India's 2020 budget, which will help taxpayers more and simplify income tax and tax filing procedures. It is clear from looking at a variety of scenarios that each tax system has benefits and drawbacks. For Indian taxpayers, the proposed amendments hardly make life any simpler. Both those who are just starting their careers and have smaller incomes, as well as those who don't have much saved up, should consider the new tax system.

The concept of investing in an individual to lower tax burden was incorporated into the previous tax system. However, one thing that everyone should remember is that choosing your investments and insurance coverage shouldn't be based on the tax regime you choose. Accomplishing your life goals and protecting your and family's future should be the motives for any type of investment.

INTRODUCTION :

What is a tax? Taxes are mandatory contributions to state coffers that are imposed by the government on business earnings and worker income, or they can be added to the price of certain goods, services, and transactions.

How did the tax code come into being?
A about two millennium ago, Caesar Augustus issued an edict mandating global taxation. Taxes were also imposed in the Greek, German, and Roman Empires, sometimes based on occupation and other times on turnover. The Monarch received the proceeds from taxes for many centuries.

Taxation in ancient India can be traced back to various historical periods, including the Maurya and Gupta empires. Taxes were collected in the form of grains, livestock, and other agricultural produce. The Arthashastra, an ancient treatise on statecraft and economics, described various forms of taxation. Since then came different eras of taxation system, the tax system that we know of today originated hundreds of year back, lets look at some eras –

- Mughal Era: During the Mughal Empire, various types of taxes, including land revenue, customs duties, and trade taxes, were collected. The Mughals used a system called "Zabt" to assess and collect land revenue, which later served as the basis for the British system of land revenue collection.
- British Colonial Rule: The British colonial administration significantly reshaped the Indian tax system. The British introduced the Permanent Settlement in Bengal, which fixed land revenue payments in perpetuity, leading to widespread exploitation of peasants. The Ryotwari and Mahalwari systems were also implemented in other regions, with land revenue collected directly from landowners or intermediaries.
- Introduction of Income Tax: In 1860, the British introduced the Income Tax Act in India, which laid the foundation for the modern income tax system. It was primarily levied on high-income individuals and businesses.
- Post-Independence: Following its 1947 declaration of independence, India created its own tax structure. The nation's income tax rules were unified by the Indian Income Tax Act of 1961. A number of other tax legislation were also passed, including the Companies Act, the Wealth Tax Act, and the Gift Tax Act.
- Goods and Services Tax (GST): A significant reform in recent history was the introduction of the Goods and Services Tax (GST) in 2017. GST replaced a complex web of indirect taxes and brought uniformity to the tax system by subsuming taxes like excise duty, service tax, and state-level VAT into a single nationwide tax.
- Dual Taxation System: India has a dual taxation system with taxes levied by both the central government and state governments. The central government collects taxes like income tax, corporate tax, and customs duty, while state governments levy taxes such as VAT, excise duty on alcohol, and professional tax.
- Tax Reforms: Over the years, India has undertaken several tax reforms to simplify and modernize its tax system. These reforms aim to promote economic growth, reduce tax evasion, and improve compliance.

- Globalization and International Taxation: India has adapted its tax laws to address the challenges of globalization, including transfer pricing regulations and the signing of tax treaties with various countries to prevent double taxation.
- Digital Taxation: India has also adapted to the digital economy by introducing measures to tax e-commerce transactions and services provided through the internet.

The history of taxation in India is a reflection of the country's social, economic, and political evolution. It has evolved from ancient times to the present day, with numerous changes and reforms aimed at meeting the changing needs of the nation. Taxation in India, like in most other countries, has a direct effect on individuals. Taxes are collected by the central and state governments and play an important role in financing various government services and functions. The following types of taxes are collected in India:

- Income Tax : Income tax is the most direct way that individuals are affected by taxation. Income tax is taxed at different rates depending on their income level. Income tax rates are updated every year in the Union budget. Income tax revenue is used to finance government programs and functions.
- GST Goods and services tax (GST) is a complex indirect tax that replaces various other taxes, such as Value Added Tax (VAT), Excise Duty, and Service Tax. Goods and services are taxed at the GST rate, which determines the price of goods and services. The impact of GST on an individual's daily expenses can be seen in things like groceries, dining, consumer goods, etc.
- **Customs and Import Duties**: Import duties and customs taxes affect the cost of imported goods, which can, in turn, affect the prices of various products in the Indian market. Individuals pay more for imported goods because of these duties.
- **Wealth Tax and Capital Gains Tax**: Individuals with significant wealth or investments in assets like stocks and real estate may be subject to wealth tax and capital gains tax. These taxes impact individuals who have substantial assets or engage in investment activities.
- **Property Tax**: Property tax is a tax levied by local municipalities on the value of property owned by individuals. This tax is used to fund local infrastructure and services like roads, sewage, and garbage collection.
- **Professional Tax**: Some states in India impose a professional tax, which is a tax on individuals engaged in professions or trades. The amount payable varies based on income.
- **Indirect Taxes**: Indirect taxes are taxes that are not directly charged to consumers. Instead, they are added to the price of products and services. For example, excise taxes and customs duties are two types of indirect taxes that can increase or decrease the cost of goods or services.
- **Investment Taxation**: Taxes on investments, such as dividends, interest income, and capital gains from stocks and mutual funds, can affect the returns individuals earn on their investments.
- **Tax Benefits and Deductions**: The Indian government also offers various tax benefits, deductions, and exemptions. For example, individuals can claim deductions for investments in specific financial instruments like Provident Funds, National Savings Certificates, and insurance premiums. These incentives are designed to encourage savings and investments.
- **Compliance and Reporting**: Individuals are required to file income tax returns, maintain financial records, and comply with various tax regulations. Failure to do so can result in penalties and legal consequences.

Overall, taxation in India plays a significant role in the revenue collection for the government and has a direct and indirect impact on the financial well-being of individuals. It is essential for individuals to be aware of the tax laws and regulations to ensure compliance and make informed financial decisions.
But how do we know about the different types of taxes, there affect on our life, the different regulations of the taxation act and most importantly how much tax do we need to pay and if there are any deductions/provisions made for us?

To answer all these problems and many more, we have complied this paper. But first we need to understand **how does tax affect us as individuals** –

1. Disposable Income: The disposable income of individuals or households is what remains after taxes are deducted from their gross income. A new tax regime may alter the amount of money people have at their disposal. For instance, a reduction in income tax rates could increase disposable income, potentially boosting consumer spending and economic growth. On the other hand, higher taxes could reduce disposable income, leading to decreased spending and savings.

2. Different Income Groups:The impact of a new tax regime varies among income groups. Low-income individuals may benefit from lower tax rates or increased deductions, while high-income earners might face higher tax burdens. The middle class may experience a mix of benefits and challenges. Understanding these dynamics is crucial to ensure that tax policies are equitable and address income inequality.

3. Inflation:Tax policies can affect inflation in several ways. If a government cuts taxes to stimulate economic activity, it can lead to increased demand, potentially causing inflationary pressures. Conversely, increasing taxes can reduce disposable income and consumer spending, potentially curbing inflation. Policymakers need to strike a balance to maintain stable prices.

4. Government Policies: The tax regime is a critical component of a government's fiscal policy. Governments use taxation as a tool to fund public services, manage deficits, and achieve economic goals. Changes in tax policy can reflect a government's priorities, such as promoting sustainability through environmental taxes or supporting certain industries through tax incentives.

5. Business Policies: For businesses, taxes can significantly impact profitability and investment decisions. Corporate tax rates influence where companies choose to establish headquarters or invest in operations. Changes in business tax policies can also affect job creation and the

overall competitiveness of a country's economy.

The term "**old tax regime**" in India usually refers to the old income tax system that existed before the new tax system was introduced with the Union Budget in 2020. The old system had a complex structure that included various deductions and exemptions for taxpayers. Some of the main features of the old system were: ·

- Slab-based Income Tax: In the old system, income tax was assessed on the basis of a slab system, where individuals would be taxed at different rates on the basis of their total income. Generally, the income tax rates and slabs were adjusted in the Union Budget every year.
- "Deductions" and "Exemptions": Under the old system, individuals were able to take deductions and exemptions under various sections of the ITA. These deductions were designed to incentivize saving and investments and reduce tax liability. Examples of common deductions include those for investments in provident funds, national savings certificates, insurance premiums, etc. ·
- "Home Loan Benefits": Homeowners could take a deduction for the interest paid on their home loans under section 24(b) under the ITA. They could also take a deduction for principal repayment of the home loan under section 80C.
- HRA and LTA Benefits: House Rent Allowance (HRA) and Leave Travel Allowance (LTA) were common components of an individual's salary package that could provide tax benefits.
- Investment-Linked Deductions: The old tax regime provided deductions for investments in various specified financial instruments, like Equity-Linked Savings Schemes (ELSS) and Public Provident Fund (PPF)
- Special Provisions for Senior Citizens: Senior citizens enjoyed higher income tax slab limits and additional deductions, acknowledging their different financial needs.
- Tax Rebates: Taxpayers with income within specific limits could claim tax rebates, which helped reduce their overall tax liability.

The new tax regime

The new tax regime in India was introduced in the Union budget for 2020–21 and did not change significantly in the subsequent budget for FY21-22. However, there were reports that the response to the new tax regime in the budget for 2022–23 was lukewarm. According to reports, the government is looking for ways to make the new tax regime more attractive to taxpayers. The Union Budget for the financial year 2023-24 introduced five key changes to the existing Income Tax policy from the previous financial year (FY 2022-23). These changes are: 1. Improving rebates 2. Alterations to Tax Structures and Slabs 3. Reductions in Surcharges 4. Increase Exemption for Leave Encashment for Retirees in the private sector 5. Extension of Standard Deduction The new tax regime is known as the "optional tax regime" because taxpayers have the option to either retain the old tax regime with all deductions and exemptions or opt for the new tax regime. Here are some key features of the new tax regime:

- Decreased Tax Rates: In comparison to the previous tax system, the new tax system offers lower income tax rates. Its tax structure is more straightforward, with lower rates for all income levels.
- No Deductions and Exemptions: The majority of deductions and exemptions have been eliminated or reduced under the new tax regime, which is one of the major changes. Taxpayers who choose this regime are not allowed to deduct any of the following expenses: interest on housing loans, contributions to the Provident Fund, Amounts influencing the new tax structure
- Standard Deduction: To lower the taxable income, the new regime does offer a standard deduction, which deducts a set amount from the total income. For those on salaries, the standard deduction was set at Rs. 50,000 in the budget for the fiscal year 2021–2022.
- **No Rebates**: Certain rebates and exemptions, like the one for taxpayers with an annual income below a certain threshold, are not available in the new tax regime.
- **Simplified Form**s: Filing taxes under the new regime is typically simpler, as there are fewer deductions to calculate and claim. It's designed to make the tax filing process more straightforward.
- **Applicability to All Taxpayers**: The new tax regime is applicable to all individual taxpayers, including salaried employees, self-employed individuals, and senior citizens. However, senior citizens have the option to claim certain exemptions like higher interest income exemption and life insurance premium deductions.

To comprehensively assess the impact of a new tax regime, policymakers and economists must consider these factors holistically. This involves modeling the potential outcomes of different tax policy scenarios, analyzing historical data, and taking into account the unique economic and political context of the country. Public consultation and expert input are essential in designing tax regimes that promote economic growth, fairness, and fiscal responsibility.

In 2020, an SBI report revealed that just 4% of India's population pays income tax, despite making up a substantial 41% of the nation's total private consumption expenditure. The Finance Minister stated in 2020 that the exchequer would lose ₹40,000 crore a year as a result of the New Tax Regime's implementation.
Following the introduction of the new proposals for the 2020–21 fiscal year, tax consultants discovered that the New Tax Regime had not provided the anticipated level of simplification. Instead, people had to figure out how much they would pay in taxes under each regime in order to decide which was better. While taxpayers with business income had only one chance to choose between the two regimes each year, salaried taxpayers were free to do so every year.
On the day of the budget, the financial markets suffered losses because the finance minister fell short of the high standards set for capital market

reforms. Along with the NSE Nifty 50, the S&P BSE Sensex index fell 988 points to close at 39,735.53. 91.7 percent of tax filers (roughly 5.3 crore out of 5.78 crore) claimed deductions of less than ₹2 lakh, while less than 1 percent of all tax filers (roughly 3.7 lakh) claimed deductions of more than ₹4 lakh, per an analysis by the Revenue Department.

Removing important tax exemptions boosts disposable income for a small portion of taxpayers, but the National Statistical Office (NSO) data shows that net savings among Indian households have declined to an 8-year low of 6.5 percent of GDP, which is concerning. With the exception of easing income tax filing requirements for senior citizens over 75, there were no notable modifications made to the New Tax Regime for the fiscal year 2021–2022. The government presented its future tax plan, which called for gradually doing away with all tax benefits while keeping the tax rate low. More public spending would be the main source of economic support, indicating a move toward a more frugal strategy that puts public investment ahead of tax breaks.

Under the previous tax system, taxpayers were free to select the new tax system that was unveiled in the 2020 Union Budget, or they could take advantage of these deductions and exemptions. Although there were fewer tax rates under the new system, there were also fewer available deductions and exemptions. Based on their financial circumstances and the tax benefits they wished to receive, taxpayers could choose the regime that best suited their needs.

There are no exemptions under the new tax system. The total amount of taxpayers' taxable income will rise as a result of this. The new tax regime offers lower income taxes for taxpayers earning up to INR 15 lakhs, but in exchange, certain exemptions and deductions from the previous tax regime must be given up. Leave Travel Allowance, House Rent Allowance, Savings Account Interest, including sections 80C, 80CCC, 80CCD, 80D, 80DD, 80E, 80EE, 80G, 80GG, 80GGA, etc., would no longer be available to the taxpayers. The standard deduction of INR 50,000 under Section 16 will not be available to salaried individuals. In a similar vein, Section 24(b) will not permit the deduction of home loan interest.

Regular investors in tax-saving programs such as NPS and PPF will bear a negative impact. Because there are no available exemptions, people may decide not to invest in tax-free schemes, which could result in a reduction of household savings. Additionally, there's a chance that the insurance industry suffers since insurance companies will need to spend more money on marketing in order to draw in taxpayer funding. The real estate industry might also be impacted because taxpayers favored real estate investments and the large tax deductions associated with them, which are now unavailable.

While salaried tax payers have the option to choose on an annual basis, business owners only have one opportunity to do so and are not able to change their minds once they have made a decision.

This puts undue pressure on business owners to make the right choice now, even though their circumstances may change later and necessitate a different choice. This lack of adaptability amongst various taxpayers might result in a lower uptake of the new system.

To ascertain which tax regime is more beneficial for them, taxpayers must thoroughly assess their financial circumstances, including their income sources, investments, and deductions. Depending on changes in income, investments, and other financial factors, this decision may change from year to year. Making an educated choice can be facilitated by utilizing online tax calculators or speaking with a tax expert.

It's important to note that the tax regime can change from year to year with updates in the annual Union Budget, so taxpayers should consult the latest tax rules and regulations when filing their income tax returns.

REVIEW OF LITERATURE :

In an attempt to reframe objectives and abstractions that influenced the Indian tax system, **Ambirajan (1961)** examined the establishment, development, enforcement, and prospects for the corporate income tax in India. He discovered that the corporate tax structure had little bearing on the corporate sector's investment structure. He stated that comprehensive tax reforms were only put together during the post-libration phase. He argued that, in comparison to many developing nations, corporate tax rates in India were at an all-time high. The study's conclusion was that tax reforms were absolutely necessary.

Pawan.k. Agarwal (1991) focused on calculating the income tax's receptiveness as a function of changes in the earnings distribution imbalance. The estimated flexibility 1.17 will change as imbalance increases and decreases from 1966–1967 to 1983–1984. He concluded that the yield of individual income tax in India increases with an increase in the tax imbalance in the distribution of earnings among individuals.

Regarding the income tax structure in India, **V Rani (2011)** investigated the rise in income tax earnings, the income tax department's presentation, and the tax executives' keen insight. The analysis found that the administration has made an effort to fulfill the goal of providing public assistance by offering a number of incentives for necessities, thrift, and pension plans, among other things. The administration has obtained specific projections for expanding tax forms, including PAN presentation, electronic income tax revenue filing, online tax accounting, and so on.

The fundamental tax system in India and the applicability of GST were examined by **Sherline T.I. (2016)** in her research paper, "Indian Tax Structure and Relevance of GST." This study showed that firms in the economy are affected differently by cascading tax revenues, with a comparatively large burden on those who do not receive full offsets.g tendency was observed in the percentage of direct taxes in the government's total tax earnings, the number of taxpayers, the proportion of income tax to GDP, and the buoyancy coefficient during this phase.

In order to assess the effects of direct and indirect taxes on India's economic growth, **Pramod Kumar Pandey (2017)** carried out a study titled "The

Impact of Indian Taxation System on its Economic Growth." The Central Board of Direct Taxes and the Central Board of Excise and Customs do not coordinate well, according to the study, so merging these two agencies into one is imperative.

Gauge, Nishant, and Katdare (2015) The article "Indian Tax Structure - An Analytical Perspective" detailed the total amount of money collected over a four-year period from various tax types. According to his research, indirect tax revenue is almost twice as large as direct tax revenue. According to his research, structural reforms should take precedence over policy reforms in government strategy.

The Indian constitution gives the federal and state governments the authority to impose the appropriate taxes, as noted by **Srinivas K. R. (2016)** in his article "Issues and Challenges of GST in India." This will probably alter the entire structure of the country's current indirect taxation system.In place of the numerous indirect taxes imposed by the two governments, the Goods and Services Tax (GST) will be a compressive indirect tax structure on the production, distribution, and consumption of goods and services throughout India.

RESEARCH METHODOLOGY :

Research methodology refers to the systematic process researchers use to plan, conduct, and analyse research studies. It provides a framework for the research, helping ensure that it is well-organised, reliable, and produces valid results

Objectives of the paper -

Research objectives describe concisely what a researcher wishes to achieve during the project. They help in summarising and narrowing down the project and provide direction to the study. Research objectives for this paper include:

1. The study aims to draw the benefits and drawbacks of the old and the new tax regime of india
2. The study aims to help the individuals (specifically middle class section of the society with varying income) to select a tax regime
3. The study aims to provide constructive criticism for the tax regimes
4. The study aims to provide improvements and suggestions to better help suit the individuals needs

We must acknowledge that the government has several obligations, two of which are education and health care via government-run hospitals. Additionally, the government offers subsidies or cooking gas at a discounted price. Naturally, infrastructure development, national defense, and other related expenses must account for the majority of government spending. The government uses tax revenue to fund a number of welfare initiatives, such as job programs. The government is responsible for covering the administrative costs for the thousands of workers across multiple departments. We must therefore recognize that we are required by law to pay taxes in accordance with the various responsibilities of the government.

On the other hand, we can pay our taxes wisely and select the tax system that best fits our needs. We have compiled the arguments and discussed how a particular regime may be more appropriate for a particular person in this essay.

In conclusion, a taxpayer should carefully consider their options before deciding whether to use the old tax system or the new one. Both new investors and taxpayers starting their careers will benefit from the new regime. The previous system would have been more advantageous for taxpayers with higher incomes because deductions and exemptions could be claimed. The new system would be ideal for taxpayers who desire investment freedom. Individual taxpayers can choose the tax regime annually depending on their convenience. However, the same does not apply to business income as the choice, in this case, can be changed once the business no longer exists or is closed.

Sampling technique :

In this research paper, both quantitative and qualitative data will be utilised. Quantitative data consists of numerical information in which we will be analysing different tax slabs announced by the government during the union budget. The tax slabs in old and new tax regime will be analysed and thus draw our conclusions

The data is collected from the secondary sources, such as the websites of ministry of finance and their published reports and research papers will be our basis for analysing the purpose of tax and their affect on individuals.

FINDING 1: ‘drawbacks and benefits’

THE BENEFITS OF **OLD** TAX REGIME

- Familiarity: The old tax regime was well-established and familiar to taxpayers, making it easier for individuals to understand and comply with tax laws.
- Simplicity: The old tax regime often had simpler tax structures with fewer deductions and exemptions, which reduced the complexity of tax filings for many individuals.

- Stability: Since the old tax regime had been in place for a long time, it provided stability and predictability to taxpayers and tax professionals, allowing them to plan their finances accordingly.
- Accessibility: The old tax regime was accessible to a wide range of taxpayers, including those who might not have access to sophisticated tax planning tools or professional assistance.
- Consistency: The old tax regime offered consistency in tax rules and regulations, which minimized confusion and uncertainty for taxpayers.

THE DRAWBACKS OF **OLD** TAX REGIME

- Limited Tax-saving Options: The old tax regime often provided limited opportunities for taxpayers to save on taxes through deductions and exemptions. This resulted in higher tax liabilities for many individuals compared to newer tax structures.
- Lack of Incentives for Investments: The old tax regime sometimes lacked incentives for investments in certain sectors or instruments. This could discourage taxpayers from making investments that could benefit both the economy and their personal financial goals.
- Less Alignment with Economic Objectives: The old tax regime might not have been as aligned with current economic objectives or government policies compared to newer tax structures. As economic priorities change, tax systems need to adapt to encourage desired behaviors and stimulate growth.
- Inefficiency and Inequity: The old tax regime might have been inefficient in terms of resource allocation and could have perpetuated inequities in the tax system by favoring certain groups or industries over others.

THE BENEFITS OF **NEW** TAX REGIME

- Simplified Tax Structure: The new tax regime offers a simplified tax structure with reduced tax slabs, making it easier for taxpayers to understand and comply with tax laws. This simplification streamlines the tax filing process and reduces the burden of tax compliance.
- Reduced Tax Rates: Generally speaking, the new tax system has lower tax rates than the previous one, particularly for those who choose to forgo deductions and exemptions. Many taxpayers may see a reduction in their tax obligations as a result, keeping more of their income.
- Flexibility and Choice: Depending on their financial situation and tax planning objectives, taxpayers now have the freedom to select between the old and new tax structures under the new tax regime. People can maximize their tax savings and financial planning strategies thanks to this flexibility.
- Elimination of Ambiguity: The new tax regime eliminates various ambiguities and complexities present in the old tax structure, such as multiple exemptions and deductions. By simplifying the tax system, it reduces the scope for interpretation and ensures greater clarity in tax compliance.

THE DRAWBACKS OF **NEW** TAX REGIME

- Limited Tax-saving Options: The new tax regime significantly reduces the number of deductions and exemptions available to taxpayers compared to the old regime. This limitation may result in higher tax liabilities for certain individuals, especially those who used to benefit from various tax-saving provisions.
- Complexity in Decision-making: Choosing between the old and new tax regimes requires careful analysis of individual financial situations. Taxpayers must consider factors such as income sources, deductions, exemptions, and long-term financial goals to determine which regime is more beneficial. This decision-making process can be complex and time-consuming.
- Uncertainty in Transition: The transition from the old tax regime to the new one may create uncertainty and confusion among taxpayers. Many individuals may be unsure about how the changes will impact their tax liabilities and financial planning strategies, leading to apprehension and reluctance to switch to the new regime.
- Potential Impact on Investments: The reduction in tax-saving options under the new regime could discourage individuals from making certain investments. Tax incentives play a crucial role in promoting savings and investments, and the limited deductions and exemptions available in the new regime may dampen investment sentiment in certain sectors.
- Inequity in Tax Burden: The new tax regime may not distribute the tax burden equitably among different income groups. Some individuals, particularly those with lower incomes or specific financial obligations, may face higher tax liabilities under the new regime compared to the old one, leading to concerns about fairness and social equity.

FINDING 2: 'selecting a tax regime' :

The main objection of this paper was to help the individuals (specifically middle class section of the society with varying income) to select a tax regime. The middle class section in India is divided into 3 segments - mainly the Leo income class, the lower middle class, the upper middle class. The have varying income levels and needs.

On the basis on this segmentation we are able to decide if the old or new tax regime will be beneficial for them. For every income class we have a table associated with it so that readers can have a better idea about the tax slabs and old vs the new regime.

LOW INCOME CLASS :

We can view the tax breakdown and benefits provided by the Indian tax authority, up to a maximum of 5 lakhs, using the table below. This group of people has low incomes; their annual income is $55,000 or less. The Indian government offers additional benefits of section 80C deduction as well as rebates, which are refunds of taxes paid when an individual's tax liability is less than their tax liability. Certain investments and expenses are exempt from income tax under Section 80C of the Income Tax Act. If you distribute your investments among various financial instruments, like PPF, NSC, ELSS, etc.

Up until the income group of 5 lakh there is no difference in regards to the old and new tax regime. So a low income class family can choose either regime as they can claim rebate within both. But the new regime doesn't allow a number of deducting like-

- Not in Chapter VI-A Deductions: Under the new system, deductions for 80C (investments in PPF and ELSS) and 80D (health insurance premiums, etc.) are not permitted.
- No HRA, LTA, or Other Allowances: You are not eligible for exemptions from paying certain types of allowances, such as entertainment allowances, leave travel allowances, or house rent allowances (HRA).
- No Interest on Housing Loan: Under Section 24(b), there is no deduction for interest paid on housing loans for properties that are vacant or self-occupied.

The government made it clear that people who choose the New Tax Regime are not eligible for a number of exemptions and deductions that are exclusive to the Old Tax Regime, including the HRA, LTA, 80C, and 80D. Finance Minister Nirmala Sitharaman, however, said during her budget speech for 2023–24 that the budget proposals for the new income tax regime would leave more money in the hands of the people, allowing taxpayers to choose where to allocate their funds without government incentives or disincentives.

OLD vs NEW Tax Regime: FY 2023-24

Particulars	Old Regime	Proposed New Regime in Budget 2023
Salary Received	4,50,000.00	4,50,000.00
Less: Exemption for HRA	0.00	
Less: Standard Deduction	50,000.00	50,000.00
Less: Professional Tax	0.00	0.00
Less: Interest on Housing Loan	0.00	
Gross Total Income	**4,00,000.00**	**4,00,000.00**
Less: Section 80C (LIC, ELSS, PPF etc.)	50,000.00	
Less: Section 80CCD (NPS Employee Contribution only)	0.00	
Less: Section 80D (Medical Insurance Premium of Self & Parents)		
Net Taxable Income	**3,50,000.00**	**4,00,000.00**
Tax Under Old Regime		
Up to Rs 2.5 lakh @ 0%	0.00	
Rs 2,50,001 to Rs 5 lakh @ 5%	5,000.00	
Rs 5,00,001 to Rs 10 lakh @ 20%	0.00	
Over Rs. 10 lakh @ 30%	0.00	
Cess @ 4%	0.00	

Tax Rebate	5,000.00	
Tax Under Old Regime	0.00	
Tax Under Proposed New Regime		
Up to Rs 3 lakh @ 0%		0.00
Rs 3,00,001 to Rs 6 lakh @ 5%		5,000.00
Rs 6,00,001 to Rs 9 lakh @ 10%		0.00
Rs 9,00,001 to Rs 12 lakh @ 15%		0.00
Rs 12,00,001 to Rs 15 lakh @ 20%		0.00
Over Rs. 15 lakh @ 30%		0.00
Cess @ 4%		0.00
Tax Rebate		5,000.00
Tax Under Proposed New Regime		0.00

LOWER MIDDLE CLASS :

With the help of the table, we can see the tax breakdown and benefits given by the **tax authority of India - upto 9 lakhs.** This is the category of lower middle income group - an annual income of 5-9 lakhs or below.

The Indian government offers additional benefits of section 80C deduction as well as rebates, which are refunds of taxes paid when an individual's tax liability is less than their tax liability.After deducting the standard deduction and tax rebate, you can enjoy tax-free income under the new tax regime up to Rs 7.5 lakh.

OLD vs NEW Tax Regime: FY 2023-24

Particulars	**Old Regime**	**Proposed New Regime in Budget 2023**
Salary Received	9,00,000.00	9,00,000.00
Less: Exemption for HRA		
Less: Standard Deduction	50,000.00	50,000.00
Less: PT		0.00
Less: Interest on Housing Loan		
Gross Total Income	**8,50,000.00**	**8,50,000.00**
Less: Section 80C (LIC, ELSS, PPF etc.)	0.00	
Less: Section 80CCD (NPS)	0.00	
Less: Section 80D (Medical Insurance Premium of Self & Parents)		
Net Taxable Income	**8,50,000.00**	**8,50,000.00**
Tax Under Old Regime		
Up to Rs 2.5 lakh @ 0%	0.00	
Rs 2,50,001 to Rs 5 lakh @ 5%	12,500.00	
Rs 5,00,001 to Rs 10 lakh @ 20%	70,000.00	
Over Rs. 10 lakh @ 30%	0.00	
Cess @ 4%	3,300.00	

Tax Rebate	0.00	
Tax Under Old Regime	85,800.00	
Tax Under Proposed New Regime		
Up to Rs 3 lakh @ 0%		0.00
Rs 3,00,001 to Rs 6 lakh @ 5%		15,000.00
Rs 6,00,001 to Rs 9 lakh @ 10%		25,000.00
Rs 9,00,001 to Rs 12 lakh @ 15%		0.00
Rs 12,00,001 to Rs 15 lakh @ 20%		0.00
Over Rs. 15 lakh @ 30%		0.00
Cess @ 4%		1,600.00
Tax Rebate		0.00
Tax Under Proposed New Regime		41,600.00

UPPER MIDDLE CLASS :

The tax breakdown and benefits provided by the Indian tax authority, up to 15 lakhs, are shown in the above table. With an annual income of 9–15 lakhs or less, this group falls into the lower middle income category. The Indian government offers additional benefits of section 80C deduction as well as rebates, which are refunds of taxes paid when an individual's tax liability is less than their tax liability.

OLD vs NEW Tax Regime: FY 2023-24		
Particulars	**Old Regime**	**Proposed New Regime in Budget 2023**
Salary Received	15,00,000.00	15,00,000.00
Less: Exemption for HRA	1,80,000.00	
Less: Standard Deduction	50,000.00	50,000.00
Less: PT		0.00
Less: Interest on Housing Loan	2,00,000.00	
Gross Total Income	**10,70,000.00**	**14,50,000.00**
Less: Section 80C (LIC, ELSS, PPF etc.)	1,50,000.00	
Less: Section 80CCD (NPS)		
Less: Section 80D (Medical Insurance Premium of Self & Parents)	50,000.00	
Net Taxable Income	**8,70,000.00**	**14,50,000.00**
Tax Under Old Regime		
Up to Rs 2.5 lakh @ 0%	0.00	
Rs 2,50,001 to Rs 5 lakh @ 5%	12,500.00	
Rs 5,00,001 to Rs 10 lakh @ 20%	74,000.00	
Over Rs. 10 lakh @ 30%	0.00	
Cess @ 4%	3,460.00	
Tax Rebate	0.00	

Tax Under Old Regime	89,960.00	
Tax Under Proposed New Regime		
Up to Rs 3 lakh @ 0%		0.00
Rs 3,00,001 to Rs 6 lakh @ 5%		15,000.00
Rs 6,00,001 to Rs 9 lakh @ 10%		30,000.00
Rs 9,00,001 to Rs 12 lakh @ 15%		45,000.00
Rs 12,00,001 to Rs 15 lakh @ 20%		50,000.00
Over Rs. 15 lakh @ 30%		0.00
Cess @ 4%		5,600.00
Tax Rebate		0.00
Tax Under Proposed New Regime		1,45,600.00

FINDING 3: 'constructive criticism of tax regimes' :

1. Complicatedness: Many tax structures are excessively complex, resulting in extreme costs for two together things and businesses. Simplifying tax regulations and processes can make ruling class more understandable and comprehensible, reducing the burden on taxpayers and growing agreement.
2. Tax avoidance and evasion: Tax wholes frequently struggle to combat tax avoidance and evasion, developing in wasted income for governments. Strengthening imposition devices, closing escapes and improving worldwide assistance can help address this problem.
3. *Distributive impact: Tax tactics can have various belongings on different revenue groups, frequently growing inequality. Determining the distributional belongings of tax corrects and the fair distribution of the burden in association are critical to advancing social union and similarity.
4. *Distortionary belongings: Certain taxes, to a degree extreme slight taxes or capital taxes, can discourage contracting, expenditure and entrepreneurship, accordingly precluding business-related growth. The main challenge search out design tax methods to underrate distortionary effects and in the intervening time accumulate enough revenue.
5. Allied tax collection: The all-encompassing nature of trade create allied taxation specifically troublesome, as multinationals can frequently shift their profits to reduced-tax jurisdictions. To claim the sustainability and fairness of tariff, it is main to correct corporate tax rules for fear that profit switching and guarantee that companies pay their fair share of taxes however place they use.
6. Environmental facets: Many tax wholes do not adequately consider incidental externalities in the way that pollution or colorless odorless gas diffusions. The launch of environmental taxes or element costing means can help to account for these costs and spur environmentally tenable presence.
7. Innovation and business-related development: Tax wholes should be created to strengthen change, entrepreneurship and asset in creative activities that cause enduring financial growth. This concede possibility contain inducements for research and development, support for narrow trades, and the publicity of a competitive trade surroundings.

Suggestions :

The Budget 2023 led to plenty disorientation with taxpayers concerning the choice middle from two points the traditional and new tax regimes. The administration imported differing inducements in the 2023 Budget to strengthen the enactment of the new system. These changes show that the administration determines to have taxpayers change to the new management and yet terminate the traditional individual. Though the new government is immediately the default tax system, the traditional tax administration will touch survive.There are three types of groups Economically Weaker Section (EWS), Lower Income Group (LIG), Middle Income Group (MIG). Any administration blueprint that determines residence to aboriginal american villagers will depend on future action the classification the resident fits in eco-nomically. Earlier Sitharaman had pronounced that taxpayers are free to select betwixt the traditional and new tax system.While reprimand columnists afterwards the established post-Budget address to the main board of RBI, she pronounced that the new management will benefit the common people as it will leave more services in their hands. She further pronounced that it is not inevitable to encourage things to spend through administration blueprints but present him an excuse to form a private resolution concerning properties.The new tax administration will solve from the next monetary
As declared in the Union Budget, no tax hopeful assessed on earnings until Rs 3 lakh under the new reign. Income betwixt Rs 3-6 lakh hopeful burdened at 5 per insignificant value; Rs 6-9 lakh at 10 per insignificant value, Rs 9-12 lakh at 15 per insignificant value, Rs 12-15 lakh at 20 per insignificant value and pay of Rs 15 lakh and above will be burdened at 30 per insignificant value.
However, no tax hopeful assessed on annual revenue of until Rs 7 lakh.Here are any forecasts that will help you establish betwixt the traditional vs the new tax government:

- When total deductions are 71.5 lakhs or less: The new administration will be advantageous
- When total deductions are in addition to 73.75 lakhs: The traditional administration will be advantageous
- When total deductions are 'tween 71.5 lakhs to 73.75 lakhs: will believe your salary level.

CONCLUSION :

Many individuals often find themselves questioning the disparities between the old and new tax regimes. The new income tax regime is designed to accommodate those who prefer minimal deductions or wish to avoid the burden of extensive tax preparation. This includes non-salaried taxpayers, such as consultants, who are not eligible for Section VIA exemptions and deductions. Additionally, older individuals who do not receive a pension from their employment, thus rendering them ineligible for the Rs.50,000 standard deduction, may also find the new regime more suitable.

Conversely, senior citizens, who derive a substantial portion of their income from interest, can benefit from the newly introduced Section 80TTB, which allows them to claim Rs.50,000 as interest income deduction. Therefore, they may feel more secure under the old tax regime.

Both the old and new tax regimes possess advantages and disadvantages. The previous tax structure encourages taxpayers to cultivate a habit of saving, while the new tax structure favours employees with lower earnings and investments, resulting in fewer deductions and exemptions. The new tax system is considered safer and simpler, involving fewer records and reducing the potential for tax evasion fraud. However, due to the unique nature of individual deductions and exemptions, a thorough comparison of the two regimes is necessary to determine the best fit for each person.

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