



**RSM Newsflash - Employee Guidance**  
**New Tax Regime & Old**  
**Tax Regime for Individuals**

April 2020

THE POWER OF BEING UNDERSTOOD



# New Tax Regime for Individuals & HUFs Introduced

- Finance Act 2020 inserted a new section 115BAC (applicable from Financial Year 2020-21):

*“Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, the income-tax payable in respect of the total income of a person, being an **Individual or a Hindu undivided family**, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2021, shall, **at the option** of such person, be computed at the rate of tax given under new regime.*

*.....”*

# New Tax Regime for Individuals & HUFs Introduced

- New Optional Personal taxation regime (Forego certain deductions)
- Old Tax Regime to Continue
- Applicable to Individuals and HUFs
- For Individuals and HUFs having income other than business or profession has a right to choose the option of whether to go with old scheme or new regime **on a year to year basis considering whichever is more beneficial.**
- A key feature of this new regime is that the income tax slab rates have been significantly reduced. However, the new rates come at the cost of various key income tax exemptions and deductions, which are currently available under the old (existing) income tax regime.

# Certain Pros / Cons of the New vs. Old Tax Regime

## New Tax Regime

### ➤ Pros

- Reduced Tax rates and reduced compliances
- Investors may not prefer to lock-in funds in the prescribed instruments for the specified period
- Increased liquidity in the hands of the taxpayer
- Revival of consumption cycle / demand

### ➤ Cons

- Non-availability of certain specified deductions
- Not suitable for Long term planning

## Old Tax Regime

### ➤ Pros

- Enforcing Investment culture / funds for major expenses
- Domestic savings contribute to overall National savings rate

### ➤ Cons

- Significant lock-in periods
- Not suitable for senior citizens, millennials
- Limited investment avenues
- Need to maintain documentation in case of any tax proceedings

# Personal Tax Rates under New Regime and Old Regime

Income tax slabs (In Rs.)	New Regime	Old Regime
0- 2.5 lakh#	Exempt	Exempt
2.5 lakh – 5 lakh	5%	5%
5 lakh – 7.5 lakh	10%	20%
7.5 lakh – 10 lakh	15%	20%
10 lakh – 12.5 lakh	20%	30%
12.5 lakh – 15 lakh	25%	30%
15 lakh and above	30%	30%

- **Surcharge and Health & Education cess continue under both the regime**
- **Rebate under section 87A is applicable** to resident individual under both the regimes if taxable income is less than Rs. 5,00,000
- #Basic exemption income in case of resident individual of 60 years or more and 80 years of more continue to remain same at Rs. 3 lakh and Rs. 5 lakh respectively in new regime.
- No deduction available for any allowances / perquisites

# Specified Exemptions & Deductions not available under New Regime – Illustrative list

- 10(13A) – House Rent Allowance
- 10(5) – Leave travel Concession
- 10(14) – Covers special allowance detailed in Rule 2BB (such as children education allowance, hostel allowance, transport allowance, per diem allowance, uniform allowance, etc).
- 10(17) – Income by way of Daily allowance / any other allowance received by MP, member of state legislature, etc
- 10(32) – Clubbing benefit of Rs. 1500 per minor child
- 10AA – Exemption to SEZ unit
- Section 16 – Standard Deduction of Rs. 50000, Entertainment Allow., PT
- 24(b) – Interest on borrowed loan for a Self Occupied property (**rented property not covered**)
- 32(1)(iia) – Additional depreciation
- 32AD – Investment Allowance for investment in Andhra Pradesh / Telangana / Bihar / West Bengal
- 33AB – Tea / Coffee / Rubber Development
- 33ABA – Site Restoration Fund
- 35(2AA) – deduction for Payment to National Laboratory or University or IIT
- 35AD – Deduction in respect of specified business
- 35CCC - Expenditure on agricultural extension project
- 57(iia)- Family pension
- Any provision of chapter VI – A – section 80C, 80CCD(1B), 80D etc
- **Section 80CCD(2) is not covered (where an employer makes a contribution TO NPS)**

# Further Amendments Proposed to Income Tax Rules

- To amend Income-tax Rules, 1962, so as to allow only following allowances notified under section 10(14) of the Act to the Individual or HUF exercising option under the new regime:
  - a) Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
  - b) Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
  - c) Any Allowance granted to meet the cost of travel on tour or on transfer;
  - d) Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.
- To amend rule 3, so as to remove exemption in respect of free food and beverage through vouchers provided to the employee (for those opting new regime)

# Allowability of losses – Under New Regime

---

- Loss from earlier assessment years shall not be allowed if such loss or depreciation is attributable to specified deductions.
- Losses under the head House Property pertaining to the current year (including loss from Let out Property), shall not be allowed to be set-off against any other head of income.
- Depreciation is allowed. However, additional depreciation under section 32(1)(iia) is not allowed.

# Recent Clarifications on TDS by Employer on Intimation by Employee

**CBDT vide circular dated 13 April 2020 has issued clarification in respect of the option under section 115BAC :**

- An employee, having income other than business income and intending to opt for new regime to intimate the deductor-employer
- No timeline specified for intimation to employer
- If such intimation is not made by the employee, the employer shall deduct tax at source under old regime
- Intimation will only be for the purpose of Tax Deducted At Source (TDS) by the employer during the previous year. The employee will not be allowed to modify such intimation to employer during that year.
- The option at the time of filing return of income could be different from the intimation made to the employer

# Exercising of Option under New Regime

*Nothing contained in this section (115BAC) shall apply unless option is exercised in the prescribed manner by the person,—*

- (i) **having income from business or profession, on or before the due date specified** under sub-section (1) of section 139 for furnishing the returns of income for any previous year relevant to the assessment year commencing on or after the 1st day of April, 2021, and **such option once exercised shall apply to subsequent assessment years;***
- (ii) having income other than the income referred to in clause (i), **alongwith the return of income to be furnished under sub-section (1) of section 139** for a previous year relevant to the assessment year:*

*Provided that the option under clause (i), **once exercised for any previous year can be withdrawn only once for a previous year other than the year in which it was exercised** and thereafter, the person shall never be eligible to exercise option under this section, except where such person ceases to have any income from business or profession in which case, option under clause (ii) shall be available.*

# Comparative Table Reflecting Existing and New Tax Regime (if no eligible investment is made)

FY 2020-21					
Annual Income (Rs.)	New Regime (No deduction available)		Old Regime (No deduction considered)		Benefit as per the new regime
	Tax Rate (%)	Tax Amount (Rs.)	Tax Rate (%)	Tax Amount (Rs.)	
250,000		-		-	
500,000	5%	-	5%	-	
750,000	10%	39,000	20%	65,000	26,000
800,000	15%	46,800	20%	75,400	28,600
1,000,000	15%	78,000	20%	117,000	39,000
1,250,000	20%	130,000	30%	195,000	65,000
1,500,000	25%	195,000	30%	273,000	78,000
5,000,000	30%	1,287,000	30%	1,365,000	78,000
75,00,000	30%	2,067,000	30%	2,145,000	78,000
1,00,00,000	30%	2,847,000	30%	2,925,000	78,000
1,50,00,000	30%	4,407,000	30%	4,485,000	78,000
2,00,00,000	30%	5,967,000	30%	6,045,000	78,000
3,50,00,000	30%	10,647,000	30%	10,725,000	78,000
5,00,00,000	30%	15,327,000	30%	15,405,000	78,000
5,50,00,000	30%	16,887,000	30%	16,965,000	78,000

# Breakeven Point analysis

Breakeven point in terms of specified deductions at various level of income have been tabulated in the following table. New regime is beneficial if specified deduction is less than the amount mentioned in the below table whereas old scheme is beneficial if specified deduction is more:

Income	Breakeven point for specified deductions
5,00,000	No tax payable under both the regimes after claiming rebate under section 87A
6,00,000	50,000
7,00,000	1,00,000
8,00,000	1,37,500
9,00,000	1,62,500
10,00,000	1,87,500
11,00,000	1,87,500
12,00,000	1,91,670
13,00,000	2,16,665
14,00,000	2,33,330
15,00,000 and above	2,50,000

# Example: 1

Computation of Taxable income and tax thereon of a Salaried employee under the Old and New regime:

Particulars	Old Regime	New Regime	Old Regime	New Regime
Income	12,50,000	12,50,000	15,00,000	15,00,000
<b>Less: Specified deductions</b>				
80C deduction	1,50,000	-	1,50,000	
Standard deduction	50,000	-	50,000	-
Profession tax	2,500	-	2,500	-
Taxable Income	10,47,500	12,50,000	12,97,500	15,00,000
<b>Tax on above (including Health &amp; Education cess @4%)</b>	<b>1,31,820</b>	<b>130,000</b>	<b>2,09,820</b>	<b>1,95,000</b>



## Example: 2

Computation of Taxable income and tax thereon of a Salaried employee if they pay interest on self occupied property and medical premium under the Old and New regime.

Particulars	Old Regime	New Regime	Old Regime	New Regime
Income	12,50,000	12,50,000	15,00,000	15,00,000
<b>Less: Specified deductions</b>				
Interest on self occupied property	2,00,000	-	2,00,000	-
80C	1,50,000	-	1,50,000	-
80D	25,000	-	25,000	-
Standard deduction	50,000		50,000	
Profession tax	2,500	-	2,500	-
Taxable Income	8,22,500	12,50,000	10,72,500	15,00,000
<b>Tax on above (including cess @4%)</b>	<b>80,080</b>	<b>1,30,000</b>	<b>1,39,620</b>	<b>1,95,000</b>



# Comprehensive Illustration for Various Income Class

Particulars	Assuming Salary Rs. 30 Lakh		Assuming Salary Rs. 25 Lakh		Assuming Salary Rs. 20 Lakh		Assuming Salary Rs. 15 Lakh		Assuming Salary Rs. 10 Lakh	
	Old Regime	New Regime								
	Amount	Amount								
Basic	1,050,000	1,050,000	875,000	875,000	700,000	700,000	525,000	525,000	350,000	350,000
HRA	525,000	525,000	437,500	437,500	350,000	350,000	262,500	262,500	175,000	175,000
others	1,425,000	1,425,000	1,187,500	1,187,500	950,000	950,000	712,500	712,500	475,000	475,000
<b>Gross Salary</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
Profession Tax	2,500		2,500		2,500		2,500		2,500	
Standard Deduction	50,000	-	50,000	-	50,000	-	50,000	-	50,000	-
<b>Net Salary</b>	<b>2,947,500</b>	<b>3,000,000</b>	<b>2,447,500</b>	<b>2,500,000</b>	<b>1,947,500</b>	<b>2,000,000</b>	<b>1,447,500</b>	<b>1,500,000</b>	<b>947,500</b>	<b>1,000,000</b>
80C	150,000	-	150,000	-	150,000	-	150,000	-	150,000	-
80D	30,000	-	30,000	-	30,000	-	30,000	-	30,000	-
80CCD(1B) - NPS	50,000	-	50,000	-	50,000	-	50,000	-	50,000	-
Section 24 (interest)	200,000	-	200,000	-	200,000	-	200,000	-	200,000	-
<b>Net Taxable Salary</b>	<b>2,517,500</b>	<b>3,000,000</b>	<b>2,017,500</b>	<b>2,500,000</b>	<b>1,517,500</b>	<b>2,000,000</b>	<b>1,017,500</b>	<b>1,500,000</b>	<b>517,500</b>	<b>1,000,000</b>
Basic tax	567,750	637,500	417,750	487,500	267,750	337,500	117,750	187,500	16,000	75,000
Education cess	22,710	25,500	16,710	19,500	10,710	13,500	4,710	7,500	640	3,000
<b>Total Tax liability</b>	<b>590,460</b>	<b>663,000</b>	<b>434,460</b>	<b>507,000</b>	<b>278,460</b>	<b>351,000</b>	<b>122,460</b>	<b>195,000</b>	<b>16,640</b>	<b>78,000</b>
<b>Excess Tax under New Regime</b>		<b>72,540</b>		<b>72,540</b>		<b>72,540</b>		<b>72,540</b>		<b>61,360</b>

Thank you  
for your time  
and attention

# Contact Us

For further information please contact:

RSM Astute Consulting Pvt. Ltd.

13th Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021.

T: (91-22) 6108 5555 / 6121 4444

F: (91-22) 2287 5771

E: [emails@rsmindia.in](mailto:emails@rsmindia.in)

W: [www.rsmindia.in](http://www.rsmindia.in)

Offices: Mumbai, New Delhi - NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham and Jaipur.



[facebook.com/RSMInIndia](https://facebook.com/RSMInIndia)



[twitter.com/RSM\\_India](https://twitter.com/RSM_India)



[linkedin.com/company/rsm-india](https://linkedin.com/company/rsm-india)

RSM Astute Consulting Pvt. Ltd. (Including its affiliates) is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ .

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

This presentation covers an overview of the new and old tax regime as applicable to individuals in India post the Finance Act 2020. No opinion should be formed or any decision made based on the content of this publication. It may be noted that nothing contained in this publication should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the topics covered in this publication. Appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this publication.

28 April 2020

© RSM International Association, 2020