

Tax Planning of an Individual for the Assessment Year 2021-2022

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Calculation of tax liability under Income Tax Act of an individual is very tedious work even for a person having some basic idea of income tax, largely due to availability of various exemptions/deductions namely: leave travel concession (LTC), Standard Deduction, Interest on loan in respect of self occupied house property and various deductions under Chapter VIA (other than 80CCD or Section 80JJAA) etc. So he has to take the help of a professional for this purpose. In order to simplify calculation of tax liability Finance Minister introduced new tax rate (without any exemptions/deductions) of income tax in lieu of existing tax rate.

Tax planning is an arrangement of one's financial affairs in such a way that without violating in any way the legal provisions of an Act, full advantage is taken of all exemptions, rebates, reliefs and deductions permitted under the Act, so that burden of the taxation on an assessee, as far as possible, is the least. Main aim of the tax planning is to reduce tax burden of the assessee by availing various exemptions and deduction available in the Act. So, that litigation and black money could be minimised in the economy.

First of taxable income from various heads namely: Salary, House Property, Business and Profession, Capital Gains & Other Sources as per Income Tax Act, 1961, keeping in view residential status of the individual shall be computed. Deemed income if any will be clubbed. Losses of current year, brought forward losses, unabsorbed depreciation shall be deducted as per provision of Income Tax. If individual received any income from any association of persons or co-operative society or interest, salary, bonus, commission and other remuneration from any firm that will be added in determining gross total income of the individual and after deducting various deductions available U/S 80C to 80U to an individual will be deducted then we will find Taxable Income of the individual.

Calculation of tax liability under Income Tax Act of an individual is very tedious work even for any person having some basic idea of income tax, largely due to availability of various exemptions/deductions namely: leave travel concession (LTC), Standard Deduction, Interest on loan in respect of self occupied house property and various deductions under Chapter VIA (**other than 80CCD or Section 80JJAA**) etc. So he has to take the help of a professional for this purpose. In order to simplify calculation of tax liability Finance Minister introduced new tax rate (without any exemptions/deductions) of income tax in lieu of existing tax rate. The following table 1 and 2 gives a glimpse of the existing as well as new tax rate.

Table 1. Existing tax rate for an individual

Income	Tax Rate
Income up to Rs.250000	Nil
Income between Rs.250001 to Rs.500000	5%
Income between Rs.500001 to Rs.1000000	20%
Income above Rs.1000001	30%

Table 2. New tax rate for an individual

Income	Tax Rate
Income up to Rs.250000	Nil
Income between Rs.250001 to Rs.500000	5%
Income between Rs.500001 to Rs.750000	10%
Income between Rs.750001 to Rs.1000000	15%
Income between Rs.1000001 to Rs.1250000	20%
Income between Rs.1250001 to Rs.1500000	25%
Income Above Rs.1500000	30%

Above rate of taxes will be applicable with effect from Assessment Year 2021-2022 then individual assessee will not avail various exemptions/deductions given in table 3:

Table 3. List of deductions which must not be availed for opting new tax rate

S.No.	Particulars	Section
1.	Leave travel concession	[Sec 10(5)]
2.	House rent allowance	[Sec 10(13A)]
3.	Special allowance detailed in Rule 2BB(Such as children education allowance, hostel allowance, transport allowance, academic allowance, uniform allowance, etc)	[Sec 10(14)]
4.	Allowance for clubbing of income of minor	[Sec 10(32)]
5.	(i) Standard Deduction, (ii) Entertainment Allowance and (iii) Professional Taxes paid	[Sec 16]
6.	Interest on loan in respect of self-occupied property or vacant property (loss under the head IFHP for rented house shall not be allowed to be set off under any other head but would be allowed to be c/f as per law);	[Sec 24]
7.	Standard Deduction in case of family pension	[Sec 57 (ii)]
8.	Deductions of Chapter VI-A (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G & 80GG, etc.). [However, deduction under section 80CCD (1B) (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed.]	Chapter VI-A

Impact of Old Tax Rates

- In case of old pattern of tax rate assessee is compelled to make savings in specified securities where generally lock in period varies from 3 to 5 years. This is considered forced saving and is very much helpful for meeting future expenses related to marriage, education, purchase of house property, medical needs, etc.
- As per available data of March, 2019 India's gross savings rate was approximately 30 per cent. Major contributors to it were tax payers, if these contributors adopt new income tax rate (optional), then rate of savings will be adversely affected but at the same time consumptions and demand would increase.
- Some of the tax payers don't want to make investment in conventional tax saving schemes because they want to make investment in other star-rated funds related to mutual funds, which are performing better than tax saving schemes. Now they can do that.
- Documentation and proof required in old regime but in new tax rate that is not required. So, if a person cannot maintain documents properly new tax rate is good for him.
- Old scheme of tax is not beneficial for those persons who prefer to spend rather than save.

Impact of New Tax Rate:

- **Reduced Tax Rate:**
Since most of the exemptions and deductions are not available so, the documentation required is almost nil. Hence, filing of Income tax return becomes simpler and at the same time assessee may have to pay less tax in comparison to old tax rate.
- **Freedom from Investment**
Deductions/allowances/exemptions would not be the criteria for availing the tax benefit. Hence, assessee is having more money which can be invested by him in open-ended mutual funds/instruments/deposits, which provides him good returns as well as flexibility of withdrawal. On the other hand certain eligible instruments (which qualify for deduction u/s 80C) have a longer lock-in period such as fixed deposits with banks and post offices have a lock-in period of five years.
- **Liquidity Increases**
Since no investment is to be made for deduction as per Income Tax Act, 1961 hence, investible funds increases in the hands of the assessee, so liquidity increases.
- **Lack of Forced Savings** In case of old regime assessee is compelled to make savings in specified securities where generally lock in period vary from 3 to 5 years which is considered forced saving and very much helpful for meeting future expenses related to

marriage, education, purchase of house property, medical, etc ., but in new regime saving is not necessary, so assessee may have to face problem at the time of dependent family member's, education, marriage, expenses related to hospital or purchase of house property.

From the point of view tax planning individual may be divided in two parts namely:

- i. Having No Income From Business Profession**
- ii. Having Income From Business Profession**

Individual Having No Income from Business or Profession:

Individual having no income from business or profession has to **decide every year** which tax rate is more suitable for him as option is open to take decision at the time of filing of Income Tax Return (old or new rate) and he will decide which one is beneficial after computing tax liability. Though taxpayer looking for flexibility in investment, choices may give priority to new tax rate.

Individual Having Income from Business or Profession:

If individual having income from business or profession then **option once exercised for the assessment year 2021-2022 will be final and that will continue for subsequent years.** If individual will opt for new tax rate then will not avail various deductions given in Chapter VIA (As given in above table 3, Point No.8).

A Few Tips from Tax Planning Point of View for individual:

- a. Tax liability on an assessee is determined on the basis of his residential status, so an individual should try not to satisfy any one of the basic condition i.e., should not reside in India 182 days in previous year or 60 days in previous year and 365 days in 4 years *preceding* the previous year. Then he will be **NON – RESIDENT and his tax liability will be minimised.**
- b. **If option is given to choose between Dearness Allowance and Dearness Pay:** Priority should be given to Dearness Pay; because it will increase automatically retirement benefits.
- c. **Priority should be given to following allowances, if option is given:**
 - I. Conveyance Allowance
 - II. Foreign Allowance
 - III. Tour Allowance
 - IV. Helper Allowance

- V. Academic Allowance
- VI. Uniform Allowance etc.

As above allowances are fully exempted

d. Priority should be given to following perquisites, if option is given:

- i. Medical Facilities
- ii. Refreshment Facilities
- iii. Conveyance Facility
- iv. Telephone or Mobile Facility
- v. Facility of Lunch/Dinner
- vi. Family Planning Facilities
- vii. Interest Free Loan up to Rs.20000
- viii. Refresher Course Facility
- Free Education Facility etc.

As above perquisites are fully exempted

- e. **Employee should contribute in Recognised Provident Fund (RPF) 12%:** So, that his employer will have to contribute same amount which will be beneficial for the employee in long run.
- f. **Priority should be given to that institution where facility of Recognised Provident Fund Available for employment:** Because if, due to any reason he leaves that institution before completion of 5 years and want to join some other institution having RPF then amount standing in RPF will be transferred in new institution, so he will not be loser. Moreover, if he has rendered services for more 5 years then he may get full amount standing in RPF.
- g. **If option is given to Choose between House Rent Allowance and Rent Free House:** Then decision should be taken considering tax liability in both options.
- h. **Avoid last-minute tax planning**
 - i. Avoid encashment of earned leave during employment period.
 - j. Avail Maximum deductions of Chapter VI- A
 - k. Don't forget to invest in a NPS scheme:- Section 80CCD (1B) allows you an **additional deduction of Rs.50000** if you invest your income in the National Pension Scheme. Thus, investments in NPS serve you dual purposes. You can claim an additional deduction and also plan for your retirement.
- l. **Buy Health Insurance:-** Section 80D of the Income Tax Act allows the premiums paid for a health insurance policy as eligible deductions from your taxable income. So, don't ignore a health insurance plan. The plan would come in handy in meeting the financial expenses of a medical contingency you and your family faces. Moreover, premiums paid for self and family are allowed as a deduction from tax up to a maximum of Rs.25, 000. If you also

buy a health plan for your senior citizen parents, you can claim an additional deduction of Rs.50, 000 making the total available deduction Rs.75, 000.

- m. House should be purchased/constructed taking loan from any financial institution (**For Let out Purpose**) only.
- n. construct house in the name of wife (if she is not working) by creating capital in her name then husband may be tenant of wife and get full deduction of House Rent Allowance U/S 10 (13A).
- o. If the house will be use for self occupied purposes in that case loan should be taken for house as interest on loan for such houses are allowed up to Rs.2 Lakh.
- p. If individual is having sufficient fund for acquiring property in that case also from tax planning point of view invest your money in any tax free securities and take loan for purchase/construction of the house.
- q. If loan is taken from foreign country then while paying interest on loan tax must be deducted otherwise interest paid will not qualify for deduction.
- r. Proper tax planning regarding setting up a new business should be made well in advance like: selection of place, product and organisation structure - individual, partnership, firm or company considering various tax implications given (U/S 10A) Free Trade Zone, (U/S 10B) 100% Export Oriented Units, (U/S 10C) Units established in North Eastern Region Or (U/S 80IA) Infrastructure Development etc.
- s. Tax Planning Regarding Nature of Business: Various Tax reliefs are available on the nature of business like: [Sec 10(22FB)] Venture Capital, [Sec 10(23G)] Infrastructure Capital, [33AB] Tea Development Account, [Sec 33AC] Shipping Business, [Sec 35AB] Business Providing Telecommunication Services, [Sec 42], Business for Prospecting Mineral Oil, [44BBA] Business of Operating Aircraft. Etc.,

- t. Managerial decisions are taken regarding (i) make or buy (ii) Purchase of any machinery either on Higher Purchase or Installment system (iii) Shut down or continue production (iv) Repair, Renewal or Replacement decisions are taken considering tax implications.
- u. Try to sale any capital asset after converting it long term.
- v. Try to take exemptions of Sec 54, 54B, 54D, 54EC, 54ED, 54F & 54G in income from capital gains.
- w. Try to invest in **tax free securities** if you are in the highest tax net.
- x. Individuals **must open PPF A/C** in the name of each family member. Moreover, Rs.150000 should be deposited in each a/c if having investible funds. **Sukanya Samridhhi Account should be opened** in the name of daughters less than 10 years old (Maximum 2 a/c in a family). **Dividend up to Rs.10 Lakh is exempt** received from domestic company, so, individual may think to invest in shares of domestic company.
- y. As per rule gift cannot be given to wife, daughter in law but if you want to gift them that amount can be deposited in their PPF account.

[Note: Point(s) j, l & o mentioned above should be ignored by individual, if opts New Tax Rates]

Present paper is based on following assumptions:

1. Here basic exemption limit for the assessee whose age is less than 60 years is only taken, but this limit is Rs.3 Lacks and Rs.5 lacs in case of senior citizens (age is 60 years or more) and super senior citizens (age is 80 years or more) respectively.
2. Calculation of taxes is done without Health and Education Cess.
3. Amount of exemptions/deduction may vary from man to man.
4. Taxes in each year will depend on the tax rate.
5. Deduction under section 80CCD (1B) (employer contribution on account of employee in notified pension scheme) is not considered.
6. In some cases savings may be equal or more than gross income.

From the point of view of having exact benefit/loss from old/new tax rate can be formed taking various options taking Allowances, Exemptions and Deductions available under the Income Tax Act, 1961 for an individual.

Here only 12 cases formed as given below

1. **Individual not claiming any exemption/deduction.**
2. **Individual claims only Standard Deduction Rs.50000 U/S 16(i).**
3. **Individual claims common deductions like Standard Deduction Rs.50000 U/S 16(i) & Rs.150000 U/S 80C amounting Rs.200000.**
4. **Individual being salaried employees claims deductions discussed in point 3 & 80D amounting Rs.225000.**
5. **Individual claims Leave Travel Concession, House rent Allowance amounting Rs.250000.**
6. **Individual claims Leave Travel Concession, House rent Allowance amounting Rs.300000**
7. **Individual claims Leave Travel Concession, House rent Allowance amounting Rs.350000**
8. **Individual claims Leave Travel Concession, House rent Allowance amounting Rs.400000**
9. **Individual being salaried employee claims Leave Travel Concession, House rent Allowance amounting Rs.450000**
10. **Individual claims various exemptions/deductions mentioned in point 6 and Interest on loan taken (maximum Rs.2 lacs U/S 24) for the construction/acquisition of self occupied house property amounting Rs.500000.**
11. **Individual claims various exemptions/deductions mentioned in point 7 and Interest on loan taken (maximum Rs.2 lacs U/S 24) for the construction/acquisition of self occupied house property amounting Rs.550000.**
12. **Individual claims various exemptions/deductions mentioned in point 8 and Interest on loan taken (maximum Rs.2 lacs U/S 24) for the construction/acquisition of self occupied house property amounting Rs.600000.**

On the basis of above an individual have an idea whether old rate of taxes availing various exemptions/deductions will be beneficial or new tax rate without availing exemptions/deductions [except Sec 80CCD (1B)].

Note: If the individual is entitled to avail the benefit of deductions under one or more sections the total deduction cannot be more than Gross Total Income (**Excluding Long Term Capital Gains, Short Term Capital Gains u/s 111A, winning from lottery, races and income mentioned u/s 115A,115AB, 115AC, 115ACA, 115AD, 115BBA, and 115D**).

Case 1

If it is assumed that no exemptions/deductions is taken by the individual then at various income level Tax Savings/Tax payable will be as follows:

Table 4
Statement showing the amount of Tax Savings, assuming that no exemption/deduction is claimed in both the options:

Annual Income	Tax Calculated As Per Existing Tax Rate On Column 1	Tax Calculated As Per New Tax Rate (On Column 1)	Tax (Payable)/ Tax Savings in New Tax Rate
(A)	(B)	(C)	(B – C)
250000	0	0	0
500000	12500	12500	0
750000	62500	37500	25000
1000000	112500	75000	37500
1100000	142500	95000	47500
1200000	172500	115000	57500
1250000	187500	125000	62500
1300000	202500	137500	65000
1400000	232500	162500	70000
1500000	262500	187500	75000
1600000	292500	217500	75000
1700000	322500	247500	75000
1800000	352500	277500	75000
1900000	382500	307500	75000
2000000	412500	337500	75000
2500000	562500	487500	75000
3000000	712500	637500	75000
3500000	862500	787500	75000
4000000	1012500	937500	75000
4500000	1162500	1087500	75000
5000000	1312500	1237500	75000

It is evident from the table that if, individual is not claiming any exemptions/deductions in old tax rate then in each and every income group beyond Rs.5 Lakh. He will save tax between Rs. 25 to 75 thousand in new tax slab in comparison to old tax slab

So, it is concluded that new tax slab is beneficial for each employee subject to the condition that he is not going to take any exemptions/deductions in old tax rates.

CASE - 2

Individual claims only Standard Deduction Rs.50000 U/S 16 (i), availing old rate of taxes.

Table 5

Statement showing the amount of Tax Savings, assuming exemption/deduction is claimed in Existing Tax Rate (Old Rate):

Annual Income	Deducti on of S.D.	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	(A – B)	C	D	(C – D)
250000	50000	200000	0	0	0
500000	50000	450000	10000	12500	(2500)
750000	50000	700000	52500	37500	15000
1000000	50000	950000	102500	75000	27500
1100000	50000	1050000	127500	95000	32500
1200000	50000	1150000	157500	115000	32500
1250000	50000	1200000	172500	125000	47500
1300000	50000	1250000	187500	137500	50000
1400000	50000	1350000	217500	162500	55000
1500000	50000	1450000	247500	187500	60000
1600000	50000	1550000	277500	217500	60000
1700000	50000	1650000	307500	247500	60000
1800000	50000	1750000	337500	277500	60000
1900000	50000	1850000	367500	307500	60000
2000000	50000	1950000	397500	337500	60000
2500000	50000	2450000	547500	487500	60000
3000000	50000	2950000	697500	637500	60000
3500000	50000	3450000	847500	787500	60000
4000000	50000	3950000	997500	937500	60000
4500000	50000	4450000	1147500	1087500	60000
5000000	50000	4950000	1297500	1237500	60000

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Table 2 clearly represents individual’s position in new tax rate is always gainer and is ranging between Rs.15000 to Rs.60000 when the income is Rs.7.5 lacs and Rs.15 lacks. If income is going beyond Rs.15 lacs assessee benefit in new tax rate remains unchanged when employee is

only claims for standard deduction amounting Rs.50000. Only when the income of the individual is Rs. 5 lacs tax liability is more in new rate but this has got no meaning because if income is up to Rs.5 lacs he will get tax rebate up to Rs.12500.

So, it may be concluded that new rate of taxes is better if the exemption/deduction amount is up to Rs.50000.

CASE – 3

Individual Claims for Standard Deduction U/S 16(i) (Rs.50000) & Deduction U/S 80C (Rs.150000) amounting to Rs.200000 only.

Table – 6. Statement showing the amount of Tax Savings, assuming exemption/deduction is claimed in Existing Tax Rate (Old Rate):

Annual Income	Deducti on of S.D. & 80C	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	(A – B)	C	D	(C – D)
250000	200000	50000	0	0	0
500000	200000	300000	2500	12500	(10000)
750000	200000	550000	22500	37500	(15000)
1000000	200000	800000	72500	75000	(2500)
1100000	200000	900000	92500	95000	(2500)
1200000	200000	1000000	112500	115000	(2500)
1250000	200000	1050000	127500	125000	2500
1300000	200000	1100000	142500	137500	5000
1400000	200000	1200000	172500	162500	10000
1500000	200000	1300000	202500	187500	15000
1600000	200000	1400000	232500	217500	15000
1700000	200000	1500000	262500	247500	15000
1800000	200000	1600000	292500	277500	15000
1900000	200000	1700000	322500	307500	15000
2000000	200000	1800000	352500	337500	15000
2500000	200000	2300000	502500	487500	15000
3000000	200000	2800000	652500	637500	15000
3500000	200000	3300000	802500	787500	15000
4000000	200000	3800000	952500	937500	15000
4500000	200000	4300000	1102500	1087500	15000
5000000	200000	4800000	1252500	1237500	15000

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Individual's position in the old rate will be better if, he avails various exemptions/deductions like Standard Deduction & Deductions U/S 80 C. It is clear from the aforesaid table that when individual is availing deduction of Rs.2 lacs so, his taxable income reduced by Rs 2 lacs. Table transpires that if the gross salary of the assessee is up to Rs.12.25 lacs he has to pay more tax as per new tax slab. If gross salary of the assessee is between Rs.12.25 to Rs.14.99 lacks he has to pay less tax as per new tax slab and from Rs15 lacs and onwards he will save Rs.15000 in new tax slab.

CASE – 4

Individual Claims common deductions like Standard Deduction [U/S 16(i)] (Rs.50000), U/S 80C (Rs.150000) & 80D (Rs.25000) amounting Rs.225000 only then they will be in position to save amount as indicated in table – 7.

Table – 7.Statement showing the amount of Tax Payable/ Tax Savings, assuming exemption/deduction is claimed in Existing Tax Rate (Old Rate):

Annual Income	Deduction of S.D. 80C and 80D	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	(A – B)	C	D	(C – D)
250000	225000	25000	0	0	0
500000	225000	275000	1250	12500	(11250)
750000	225000	525000	17500	37500	(20000)
1000000	225000	775000	67500	75000	(7500)
1100000	225000	875000	87500	95000	(7500)
1200000	225000	975000	107500	115000	(7500)
1250000	225000	1025000	120000	125000	(5000)
1300000	225000	1075000	135000	137500	(2500)
1400000	225000	1175000	165000	162500	2500
1500000	225000	1275000	195000	187500	7500
1600000	225000	1375000	225000	217500	7500
1700000	225000	1475000	255000	247500	7500
1800000	225000	1575000	285000	277500	7500
1900000	225000	1675000	315000	307500	7500
2000000	225000	1775000	345000	337500	7500
2500000	225000	2275000	495000	487500	7500
3000000	225000	2775000	645000	637500	7500
3500000	225000	3275000	795000	787500	7500
4000000	225000	3775000	945000	937500	7500
4500000	225000	4275000	1095000	1087500	7500
5000000	225000	4775000	1245000	1237500	7500

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Table 7 depicts the advantageous position in the new rate if individual's income is more than 13.50 lacks as he has to pay less tax in new tax slab even if he is not claiming and deduction/exemption. And if assessee's income is less than 13.50 lacs, he will have to pay more tax in new tax slab which varies between Rs.20000 at gross income of Rs.7.5 lacs to to Rs.2500 at gross income Rs.13 lacs. **It is pertinent to mention here that at income of Rs.5 lacs additional tax liability of Rs.11250 but that is meaningless as assessee will get rebate u/s 87A of Rs.11250.** So, it may be concluded (if the income is Rs.13.5 lacs individual will have to pay equal amount in both system i.e., Rs.1.5 lacs). So it may be concluded that if income of the individual is more than 13.5 lacs he will be gainer in new tax slab without making any investment.

CASE – 5

Individual claims deductions like Standard Deduction [U/S 16(i)] (Rs.50000), U/S 80C (Rs.150000) & 80D (Rs.50000) amounting Rs.250000 only then they will be in position to save amount as indicated in table – 8.

Table – 8

Statement showing the amount of Tax Payable/ Tax Savings, assuming exemption/deduction is claimed in Existing Tax Rate (Old Rate):

Annual Income	Deduction of S.D. 80C and 80D	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	(A – B)	C	D	(C – D)
250000	250000	0	0	0	0
500000	250000	250000	0	12500	(12500)
750000	250000	500000	12500	37500	(25000)
1000000	250000	750000	62500	75000	(12500)
1100000	250000	850000	82500	95000	(12500)
1200000	250000	950000	102500	115000	(12500)
1250000	250000	1000000	112500	125000	(12500)
1300000	250000	1050000	127500	137500	(10000)
1400000	250000	1150000	157500	162500	(5000)
1500000	250000	1250000	187500	187500	0
1600000	250000	1350000	217500	217500	0
1700000	250000	1450000	247500	247500	0
1800000	250000	1550000	277500	277500	0
1900000	250000	1650000	307500	307500	0
2000000	250000	1750000	337500	337500	0
2500000	250000	2250000	487500	487500	0
3000000	250000	2750000	637500	637500	0
3500000	250000	3250000	787500	787500	0
4000000	250000	3750000	937500	937500	0
4500000	250000	4250000	1087500	1087500	0
5000000	250000	4750000	1237500	1237500	0

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

If individual's income is up to Rs.14 lacs and claims deduction Rs.2.5 lacs then it is advisable that he should opt old tax rate because he has pay less tax in it and will be equal at income of Rs.15 lacs or more (in both schemes). So, it may be concluded that individual should opt new tax slab without making any investment.

Case 6

Individual Claims Leave Travel Concession, House rent Allowance amounting Rs.300000.

Table – 9

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions are claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	C	D	E	(D – E)
250000	0	0	0	0	0
500000	300000	200000	0	12500	(12500)
750000	300000	450000	0	37500	(37500)
1000000	300000	700000	52500	75000	(22500)
1100000	300000	800000	72500	95000	(22500)
1200000	300000	900000	92500	115000	(22500)
1250000	300000	950000	102500	125000	(22500)
1300000	300000	1000000	112500	137500	(25000)
1400000	300000	1100000	142500	162500	(20000)
1500000	300000	1200000	172500	187500	(15000)
1600000	300000	1300000	202500	217500	(15000)
1700000	300000	1400000	232500	247500	(15000)
1800000	300000	1500000	262500	277500	(15000)
1900000	300000	1600000	292500	307500	(15000)
2000000	300000	1700000	322500	337500	(15000)
2500000	300000	2200000	472500	487500	(15000)
3000000	300000	2700000	622500	637500	(15000)
3500000	300000	3200000	772500	787500	(15000)
4000000	300000	3700000	922500	937500	(15000)
4500000	300000	4200000	1072500	1087500	(15000)
5000000	300000	4700000	1222500	1237500	(15000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Table 9 represents if individual saves Rs.3 lacs then he will have to pay less tax in old tax rate benefit is going to decrease as his income is increasing and becomes constant at income of Rs.15 lacs or above being Rs.15000. **So, it may be concluded old tax rate is always beneficial if any person's savings is Rs.3 lacs.**

Case 7

Individual Claims Leave Travel Concession, House rent Allowance amounting Rs.350000.

Table 10

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions are claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	C	D	E	(D – E)
250000	0	0	0	0	0
500000	350000	150000	0	12500	(12500)
750000	350000	400000	7500	37500	(30000)
1000000	350000	650000	42500	75000	(32500)
1100000	350000	750000	62500	95000	(32500)
1200000	350000	850000	82500	115000	(32500)
1250000	350000	900000	92500	125000	(32500)
1300000	350000	950000	102500	137500	(35000)
1400000	350000	1050000	127500	162500	(35000)
1500000	350000	1150000	157500	187500	(30000)
1600000	350000	1250000	187500	217500	(30000)
1700000	350000	1350000	217500	247500	(30000)
1800000	350000	1450000	247500	277500	(30000)
1900000	350000	1550000	277500	307500	(30000)
2000000	350000	1650000	307500	337500	(30000)
2500000	350000	2150000	457500	487500	(30000)
3000000	350000	2650000	607500	637500	(30000)
3500000	350000	3150000	757500	787500	(30000)
4000000	350000	3650000	907500	937500	(30000)
4500000	350000	4150000	1057500	1087500	(30000)
5000000	350000	4650000	1207500	1237500	(30000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Table 10 clearly indicate if individual claims deduction of Rs.3.5 lacs old rate of taxes is always beneficial and at income of Rs. 15 lacs or more benefits becomes constant being Rs.30000 thousand.

CASE – 8

Individual claims various exemptions/deductions like LTC (Rs.45000), HRA (Rs.95000), Standard Deduction (Rs.50000), Deduction U/S 80 C (Rs.150000), 80D (Rs.25000), 80DD (Rs.25000) & 80TTA (Rs.10000) amounting to Rs.400000.

Table 11

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions are claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate)
A	B	C	D	E	(D – E)
250000	0	0	0	0	0
500000	40000	100000	0	12500	(12500)
750000	40000	350000	5000	37500	(32500)
1000000	40000	600000	32500	75000	(42500)
1100000	40000	700000	52500	95000	(42500)
1200000	40000	800000	72500	115000	(42500)
1250000	40000	850000	82500	125000	(42500)
1300000	40000	900000	92500	137500	(45000)
1400000	40000	100000	112500	162500	(50000)
1500000	40000	1100000	142500	187500	(45000)
1600000	40000	1200000	172500	217500	(45000)
1700000	40000	1300000	202500	247500	(45000)
1800000	40000	1400000	232500	277500	(45000)
1900000	40000	1500000	262500	307500	(45000)
2000000	40000	1600000	292500	337500	(45000)
2500000	40000	2100000	442500	487500	(45000)
3000000	40000	2600000	592500	637500	(45000)
3500000	40000	3100000	742500	787500	(45000)
4000000	40000	3600000	892500	937500	(45000)
4500000	40000	4100000	1042500	1087500	(45000)
5000000	40000	4600000	1192500	1237500	(45000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

If individual is in position to take exemptions/deductions of Rs.4 lacs then the table transpires that it will be beneficial for them to accept existing tax rate, due to the fact that in new tax rate he will have to pay more tax and that will vary between 32500 (at annual

income of Rs.7.5 lacs) to Rs.50000 ((at annual income Rs.14 lacs) and that decreased to Rs.45000 at gross annual income of Rs.15 lacs and above.

It may be concluded that as the amount of exemptions/deductions increases existing rate of tax becomes more beneficial.

CASE – 9

Individual claims various exemptions/deductions like LTC (Rs.45000), HRA (Rs.95000), Standard Deduction (Rs.50000), Deduction U/S 80 C (Rs.150000), 80D (Rs.25000), 80DD (Rs.25000) & 80TTA (Rs.10000) amounting to Rs.450000.

Table 12

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions are claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate)
A	B	C	D	E	(D – E)
250000	0	0	0	0	0
500000	450000	50000	0	12500	(12500)
750000	450000	250000	0	37500	(37500)
1000000	450000	550000	22500	75000	(52500)
1100000	450000	650000	42500	95000	(52500)
1200000	450000	750000	62500	115000	(52500)
1250000	450000	800000	72500	125000	(52500)
1300000	450000	850000	82500	137500	(55000)
1400000	450000	950000	102500	162500	(60000)
1500000	450000	1050000	127500	187500	(60000)
1600000	450000	1150000	157500	217500	(60000)
1700000	450000	1250000	187500	247500	(60000)
1800000	450000	1350000	217500	277500	(60000)
1900000	450000	1450000	247500	307500	(60000)
2000000	450000	1550000	277500	337500	(60000)
2500000	450000	2050000	427500	487500	(60000)
3000000	450000	2550000	577500	637500	(60000)
3500000	450000	3050000	727500	787500	(60000)
4000000	450000	3550000	877500	937500	(60000)
4500000	450000	4050000	1027500	1087500	(60000)
5000000	450000	4550000	1177500	1237500	(60000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Above table transpires individual's position at exemption/deduction of Rs.4.5 lacs is sound in old tax system. As he has to pay less tax at income of Rs.14 lacs or above.

CASE – 10

Individual claiming various exemptions/deductions like LTC (Rs.45000), HRA (Rs.95000), Standard Deduction (Rs.50000), Deduction U/S 80 C (Rs.150000), 80D (Rs.25000), 80DD (Rs.25000) & 80TTA (Rs.10000) amounting to Rs.500000.

Table 13

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions is claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	C	D	E	(D – E)
250000	0	0	0	0	0
500000	500000	0	0	12500	(12500)
750000	500000	250000	0	37500	(37500)
1000000	500000	500000	12500	75000	(62500)
1100000	500000	600000	32500	95000	(62500)
1200000	500000	700000	52500	115000	(62500)
1250000	500000	750000	62500	125000	(62500)
1300000	500000	800000	72500	137500	(65000)
1400000	500000	900000	92500	162500	(70000)
1500000	500000	1000000	112500	187500	(75000)
1600000	500000	1100000	142500	217500	(75000)
1700000	500000	1200000	172500	247500	(75000)
1800000	500000	1300000	202500	277500	(75000)
1900000	500000	1400000	232500	307500	(75000)
2000000	500000	1500000	262500	337500	(75000)
2500000	500000	2000000	412500	487500	(75000)
3000000	500000	2500000	562500	637500	(75000)
3500000	500000	3000000	712500	787500	(75000)
4000000	500000	3500000	862500	937500	(75000)
4500000	500000	4000000	1012500	1087500	(75000)
5000000	500000	4500000	1162500	1237500	(75000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Table 13 clearly shows as savings is increased benefit in old tax rate also increased. Here benefit of Rs.75000 was recorded at income of Rs.15 lacs or above.

CASE -11

Individual claims various exemptions/deductions and Interest on loan taken (maximum Rs.2 lacs U/S 24) for the construction/acquisition of self occupied house property amounting Rs.550000.

Table 14

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions are claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	C	D	E	(D – E)
250000	0	0	0	0	0
500000	550000	0	0	12500	(12500)
750000	550000	200000	0	37500	(37500)
1000000	550000	450000	10000	75000	(65000)
1100000	550000	550000	22500	95000	(72500)
1200000	550000	650000	42500	115000	(72500)
1250000	550000	700000	52500	125000	(72500)
1300000	550000	750000	62500	137500	(75000)
1400000	550000	850000	82500	162500	(80000)
1500000	550000	950000	102500	187500	(85000)
1600000	550000	1050000	127500	217500	(90000)
1700000	550000	1150000	157500	247500	(90000)
1800000	550000	1250000	187500	277500	(90000)
1900000	550000	1350000	217500	307500	(90000)
2000000	550000	1450000	247500	337500	(90000)
2500000	550000	1950000	397500	487500	(90000)
3000000	550000	2450000	547500	637500	(90000)
3500000	550000	2950000	697500	787500	(90000)
4000000	550000	3450000	847500	937500	(90000)
4500000	550000	3950000	997500	1087500	(90000)
5000000	550000	4450000	1147500	1237500	(90000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab

Table 14 clearly shows that when exemption/deduction is Rs.5.5 lacs then assessee's has to pay less tax in existing income tax structure. Benefit in old rate of taxes varies between Rs.37500 at (income of Rs. 7.5 lacs) to Rs.90000 when income is Rs.16 lacs or above.

Case – 12

Individual claims various exemptions/deductions like LTC (Rs.45000), HRA (Rs.95000), Standard Deduction (Rs.50000), Deduction U/S 80 C (Rs.150000), 80D (Rs.25000), 80DD (Rs.25000), 80TTA (Rs.10000) & Repayment of House Building Advance (Rs.2 lacks) amounting to Rs.600000 only.

Table 15

Statement showing the amount of Tax Payable/Tax Savings, assuming that above stated exemptions/deductions are claimed in Existing Tax Rate (Old Rate):

Annual Income	Deductions as per sections stated above	Net Income	Tax Calculated As Per Existing Tax Rate (On Colum 3)	Tax Calculated As Per New Tax Rate (On Colum 1)	Tax (Payable)/ Tax Savings in New Tax Rate
A	B	C	D	E	(D – E)
250000	0	0	0		0
500000	600000	(-)100000	Nil	0	0
750000	600000	150000	Nil	37500	(37500)
1000000	600000	400000	7500	75000	(67500)
1100000	600000	500000	12500	95000	(82500)
1200000	600000	600000	32500	115000	(82500)
1250000	600000	650000	42500	125000	(82500)
1300000	600000	700000	52500	137500	(85000)
1400000	600000	800000	72500	162500	(90000)
1500000	600000	900000	92500	187500	(95000)
1600000	600000	1000000	112500	217500	(105000)
1700000	600000	1100000	142500	247500	(105000)
1800000	600000	1200000	172500	277500	(105000)
1900000	600000	1300000	202500	307500	(105000)
2000000	600000	1400000	232500	337500	(105000)
2500000	600000	1900000	382500	487500	(105000)
3000000	600000	2400000	532500	637500	(105000)
3500000	600000	2900000	682500	787500	(105000)
4000000	600000	3400000	832500	937500	(105000)
4500000	600000	3900000	982500	1087500	(105000)
5000000	600000	4400000	1132500	1237500	(105000)

Note: Amount shown in parenthesis () represents additional tax payable in new tax slab.

Table 15 clearly shows that when exemption/deduction amount is increased to Rs.6 lacs then assessee's position becomes stronger because he has to pay less tax in present income tax structure that varies between Rs.37500 Rs. 105000. Therefore, it can be said that if assessee is interested to take the benefit of exemption/deduction then they should opt existing tax rate.

Conclusion

On the basis of aforesaid analysis it can be concluded that New Tax Rate is more beneficial for them who are not interested in making investments in tax saving schemes and want to bring flexibility in their investment but, if any person desires to take various exemptions/deductions available as per Income Tax Act, 1961 then Existing Rate of Tax may be more beneficial.

On the basis of above 12 cases it may be concluded from **Case I** that new rate of taxes will be beneficial if no deductions/exemptions are taken in old rate of taxes. **Case 2** states when only deduction of Rs.50000 is taken assessee is gainer in new rate up to Rs.60000. From **Case 3** it is clear that when assessee's income is 15 lacs or above and taking deduction of Rs.2 lacs he will be gainer in old rate of taxes up to Rs.15000. In **Case 4** deductions claimed Rs.2.25 lacs then benefit will reduce to Rs.7500 at gross income Rs.15 lacs and above. If deductions is claimed Rs.2.5 lacs tax liability is almost same in new and old rate of taxes (**Refer Case 5**). Benefit in old rate is increasing as amount of deductions going to increase (**Refer Cases 6 – 12**). Deductions/Exemptions going to increase by Rs.50000 and benefit are going to increase by Rs.15000 in each case. Maximum benefit Rs.1.05 lacs are recorded at the amount of Deductions Rs.6 lacs.

However, it is advisable to make a comparative analysis before taking decision of adopting Existing Rate of Tax or New Tax Rate as it is optional for each and every year for an individual not having any income from Business/Profession.

References:

Income Tax Act as amended time to time