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COMPARATIVE STUDY ON OLD REGIME v/s NEW REGIME TAX WITH REFERENCE TO SALARIED PERSON

Dr. G.R. Joshi, **M.Com, M.Phill, P.hD**
Associate Professor, Department of Commerce, Government First Grade College, (Kuvempu University) Soraba, Shivamogga district

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ABSTRACT

Income tax is one of the main resources of revenue of government. Every individual person who earns income more than the exempted limit will liable to pay the income tax. The Indian Income tax system levies tax on individual taxpayers depending on their income level. The Union Budget 2025 has brought significant changes to India's personal income tax structure, raising the question: "Should you opt for the old tax regime versus the new tax regime?" Whether you're a salaried professional or a self-employed individual, making the right choice between the old regime vs new regime can help optimise your overall tax liability. In this study we compare the both the system on the basis of their advantages and disadvantages and tax liability, more money in hands, savings for future, easy processing and speedy return

INTRODUCTION

Income tax is one of the main resources of revenue of government. Every individual person who earns income more than the exempted limit will liable to pay the income tax. The Indian Income tax system levies tax on individual taxpayers depending on their income level. Up to 2019-2020 a Single tax assessment system was prevailing to assess the income tax liability of individual tax payers, but in the Financial year 2020-21 the method of levying taxes changed and a new tax regime was introduced in which the tax rates were reduced quite significantly along with a huge reduction in tax saving opportunities as well. In this situation individual tax payers have two choices i.e. Old tax regime and New tax regime. So the question arise that which is better?

The Union Budget 2025 has brought significant changes to India's personal income tax structure, raising the question: "Should you opt for the old tax regime versus the new tax regime?" Whether you're a salaried professional or a self-employed individual, making the right choice between the old regime vs new regime can help optimise your overall tax liability. This in-depth article explores the new tax regime vs the old tax regime, highlights the latest income tax slabs, and offers key insights to help you decide which system best suits your financial goals.

In this study we compare the both the system on the basis of their advantages and disadvantages and tax liability, more money in hands, savings for future, easy processing and speedy return types questions and for this purpose we conducted a survey on the basis of questionnaire and ask the questions with multiple choices and analysis the results and find the conclusion.

RESEARCH METHODOLOGY

This research work is descriptive in nature. Both the primary and secondary data collection method was adopted. The primary data was collected through a questionnaire designed for the study. Secondary data was taken from published sources and websites. The data and information collected from both the sources were classified, tabulated and analyzed as per requirement of the study and findings are presented in systematic way.

Sampling Technique

Targeted population:	**Sampling method:**	**Sample size:**
Individual tax payers	Convenience sampling	200

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REVIEW LITERATURES

Garg, P (2021) made a study in his article entitled "A comparative study on individual tax payer preference between old vs new tax regime". The objectives of the study were to analyze the individual taxpayer's choice between two tax regimes and the benefits by comparing two alternatives. The data is collected through sample questionnaire of 80 respondents and analyzedby the help of tables, and percentages. The study found that the new tax regime is optional in nature and most of the deductions and exemptions are not allowed, so the respondents adoptedthe old tax regime. Majority of respondents depend upon CAs and tax experts to file their returns

A Comparative Study of the Old Income Tax and the New Tax Regime on Indian Individual Taxpayers (Towards Excellence, 2022) This article analyses the voluntary nature of the new tax regime, its lower tax rates in comparison to the previous system. It mentions that taxpayers opting for the old regime can take advantage of exemptions like HRA and LTA, whereas the new system beneficiaries cannot. The research compares the differences in tax liability based on different income levels and tax slabs

Dutta, S (2023) wrote a paper entitled "Old tax regime vs New tax regime: A tricky choice forsalaried individual taxpayers". In the study the author has tried to compare the new and old taxregime structure for payment of tax liabilities of a salaried individual. The entire study was conducted with the help of secondary data collected from various sources. The simple tables are used to analyse the data and it has been found that the new tax regime is a better option than the old tax regime in connection with payment of tax liabilities. Despite of unavailabilityof most of the exemptions and deductions in the new tax regime, it is still acceptable due to lower tax rate and more basic tax exemption limit i.e. Rs 7,00,000.

A Comparative Study between Old and New Tax Regime for F.Y. 2023-2024 (International Journal for Multidisciplinary Research, 2023) This paper examines the changes brought about in the 2023-24 budget, highlighting the government's shift to make the new tax regime the default. The research criticizes whether the changes make the new regime more taxpayer-friendly. The study is based on secondary data to bring out contrasts in tax slabs, deductions, and ease of compliance.

A Comparative Study between Old Tax Regime and New Tax Regime for F.Y. 2023-2024 (Sah, 2023) This research assesses the cost implications of the selection between the new and old tax regimes, with an emphasis on changes brought in Budget 2023-24. It highlights the reduced tax rates of the new regime but reduced allowances, so it is more appealing to those without much investment. On the other hand, the old regime is still favorable for those who depend on tax-saving schemes.

(2023). A Study of Comparison of New and Old Tax Regime: Retrieved from This study points out that the new tax regime offers a simplified structure, reduced tax rates, and flexibility, but it also has drawbacks such as limited tax-saving options and potential impacts on investments.

Analysis of Tax Liability (2024): Tax Paid Under Old and New Tax Regime for FY 202425. Money provides a detailed table illustrating the tax paid under both the old and new regimes for various income levels in FY 2024- 25, along with the savings achieved under the new regime. For example, with an income of 6, 00,000, the tax under the old regime is 23,400, while it's 0 under the new regime.

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COMPARISON OF TAX SLABS UNDER DIFFERENT YEAR BUDGETS

Table:1 Showing tax slabs under New Tax Regime under different Financial year budget

As per new Tax Regime (Introduce in 2021)		Change made in new Tax Regime (Union budget 2023- 2024)		Change made in new Tax Regime (Union budget 2024- 2025)		Change made in new Tax Regime (Union budget 2025- 2026)	
Income slabs (Annual Income)	**Rates of Tax %**	**Income slabs (Annual Income)**	**Rates of Tax %**	**Income slabs (Annual Income)**	**Rates of Tax %**	**Income slabs (Annual Income)**	**Rates of Tax %**
Upto Rs.2,50 lakh	Nil	Up to Rs. 3.00.000	Nil	Up to Rs. 3,00,000	Nil	Up to Rs. 4,00,000	Nil
Rs. 2,50 to 5 lakh	5%	Rs. 3,00,001 to 6,00,000	5%	Rs. 3,00,001 to 7,00,000	5%	Rs. 4,00,001 to 8,00,000	5%
Rs.5to 7,50 Lakh	10%	Rs. 6.00.001 to 9.00.000	10%	Rs. 7,00,001 to 10,00,000	10%	Rs. 8,00,001 to 12,00,000	10%
Rs.7,50 to 10 Lakh	15%	Rs. 9,00,001 to 12,00,000	15%	Rs. 10,00,001 12.00,000	15%	Rs. 12,00,001 16.00,000	15%
Rs.10 lakh to 12,50 Lakh	20%	Rs. 12,00,001 to 15,00,000	20%	Rs. 12,00,001 to 15,00,000	20%	Rs. 16,00,001 to 20,00,000	20%
Rs.12,50 to 15 Lakh	25%	Above Rs. 15,00,000	30%	Above 15,00,001	30%	Rs. 20,00,001 to 24,00,000	25%
Rs. 15 Lakh and above	30%					Above 24,00,001	30%

Source: CBDT

It is clear from the above table that in new tax regime that the tax slabs are six in comparison to old tax regime of 3 and for financial year 2023-2024 only five tax slabs are proposed, one tax slab of 25% deleted and slabs income range increase by 50,000 in each slabs so it looks more benefit able for individual tax payers.

- The rebate allowed under section 87A has now been increased to Rs.60,000 for new regime from Rs.25,000. Since the rebate allowed has been increased, tax incidence for income up-to Rs.12,00,000 will be zero.
- Rebate is not allowed for income taxable at special rates. For example, capital gain u/s 112A.
- Marginal relief on rebate is still applicable.
- It is to be noted that the old regime and new regime for FY 2024-25, both falls under the existing Income Tax Act. The bill, when passed, will become the new Income Tax Act, which is applicable from 01st April 2026.

OLD TAX REGIME

Table 2: Showing the tax rates for individual from financial year 2020-21 onwards

Income slab (Annual Income)	Rate of tax
Up to Rs. 2.50 Lakh	Nil
Income from 2.50 to 5.00 lakh	5%
Income from 5.00 to.10.00 Lakh	20%
Income from 10.00 Lakh and above	30%

Source: CBDT

The table 2 shows that tax liabilities of assesse opt for calculating his tax liability either old or new on the basis of his income and savings.

Table 4. Distribution of respondents according to their profession

Profession	No of Respondents	Percentages
Salaried Persons	80	40
Professionals	50	25
Businessmen	60	30
Others	10	05
Total	200	100

Source: Primary data

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The table 4 shows 35 respondents belongs to salaried class that is maximum and 15 respondents belong to others. In this category Small shopkeeper, service provider and jobbers are included.

Table 5. Distribution of respondents according to their income

Annual Income	No. of Respondents	Percentages
3,00,333 to 5,00,000	35	17.5
5,00,001 To 10,00,000	65	32.5
10,00,001 To 15,00,000	60	30.00
Above 15,00,000	40	20.00
Total	200	100

Source: Primary data

From table 5 it is clear that maximum respondents 45 in the income range of 5 to 10 lakh per annum and 25 respondents had income of 10 to15 lakh and 10 respondents had income of more than 15 lakh.

Table 6 Distribution of respondents on the basis of option of New/Old tax regime

Particulars	No of Respondents	Percentages
New tax regime	130	65
Old tax regime	70	35
Total	200	100

Source: Primary data

New tax regime : 130 (65.00) respondents opt new tax regime Old tax regime : 70(35.00) respondents opt new tax regime. On the basis of above table it is clear that 65 percent respondents opt new tax regime belongs to income group of up to 10 lakh and 35 percent respondents opt old tax regime belongs to more than 10 lakh of incomes.

Table No. 5 Taxpayer Preferences Based on Income Slabs

Income Slab (₹)	No. of Taxpayers Choosing Old Regime	No. of Taxpayers Choosing New Regime	% Preference (Old)	% Preference (New)
5-10 Lakh	120	80	60	40
10-15 Lakh	140	60	70	30
15-20 Lakh	110	90	55	45
20 Lakh and above	80	120	40	60

The above table shows the breakup of percentages into income groups and their categories, most likely under two different tax regimes or contexts. Taking the group of people with earnings between Rs. 5-10 lakh, 60% belong to old regime while 40% belong to the New, and this trend is more or less reflected when recalculated; for the Rs.10-15 lakh group, the tilt becomes even more pronounced, with 70% belonging to the old regime and 30% to the New. This strong preference is curious, hinting at reasons such as lower tax rates or superior benefits. The Rs.15-20 lakh bracket tilts the scale in that 55% are in favor of the old regime, while 45% prefer the New, indicating a closer contest. Lastly, for those having income above Rs.20 lakh and above 40% the old regime, and 60% prefer the new, meaning that higher earners may have an edge in benefits under the new regime scheme. This kind of data would, in general, suggest changing preference patterns possibly due to benefits, tax savings, or personal financial planning in accordance with income levels.

Comparison of tax calculation under old regime and New regime

The table below shows which tax regime is more beneficial at various income levels and deduction amounts.

Deductions (Only Chapter VI A)	NIL	₹1,00,000	₹1,50,000	₹1,38,500	₹1,87,500	₹2,00,000	₹2,25,000	₹2,50,500	₹2,75,500	₹3,00,000	₹3,25,000	₹3,44,000	₹3,80,500	₹3,87,000	₹3,92,000	₹4,08,500
Gross Income																
₹5,50,000	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹6,50,000	New	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹7,00,000	New	New	New	New	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹8,00,000	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹8,50,000	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹9,00,000	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old
9,50,000	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old
10,00,000	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old
₹10,50,000	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old
₹11,50,000	New	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old
₹12,50,000	New	New	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old
₹14,00,000	New	New	New	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old
₹14,50,000	New	New	New	New	New	New	New	New	New	New	New	New	New	New	SAME	Old
₹15,00,000	New	New	New	New	New	New	New	New	New	New	New	New	New	New	New	SAME
₹15,50,000	New	New	New	New	New	New	New	New	New	New	New	New	New	New	New	New
₹16,00,000	New	New	New	New	New	New	New	New	New	New	New	New	New	New	New	New

Tax under Old vs New Regime for FY 2024-25Here are a few calculations that will help you decide between the old v/s the new tax regime:

Eg. 1 When Total Deductions are Rs.1.75 Lakhs or Less: The New Tax Regime will be Beneficial

A	B	C	D	E
Gross Total Income	Tax as per old regime Less" standard deduction=50,000 Deduction U/s 80C to 80U=1,75,000 Rebate on Income upto 5,00,000	Tax as per New regime Standard deduction =75,00,000 Rebate on Income upto 7,00,000	Difference B-C	Which regime is better
5,00,000	0	0	0	Any
6,00,000	0	0	0	Any
7,00,000	0	0	0	Any
7,50,000	18,200	0	18,200	New
8,00,000	28,600	23,400,	5,200	New
9,00,000	49,400	33,800	15,600	New
10,00,000	70,200	44,200	26,000	New
13,00,000	1,40,400	88,400	52,000	New
15,00,000	2,02,800	1,30,000	72,800	New
15,50,000	2,18,400	1,40,400	78,000	New
17,00,000	2,65,200	1,84,600	80,600	New
20,00,000	3,58,800	2,78,200	80,600	New
30,00,000	6,70,800	5,90,200	80,600	New

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Eg. 2 When Total Deductions are More Than Rs. 4.5 Lakhs: The Old Tax Regime will be Beneficial

A	B	C	D	E
Gross Total Income	Tax as per old regime (Including Cess) Less" standard deduction=50,000 Others U/s 80C+80D+NPS+Home loan interest (Available up to Rs. 2,00,000) etc, considered Rs. 4,50,000 Rebate on Income upto 5,00,000	Tax as per New regime: (Including Cess) Standard deduction =75,00,000 Rebate on Income upto 7,00,000	Difference B-C	Which regime is better
5,00,000	0	0	0	Any
6,00,000	0	0	0	Any
7,00,000	0	0	0	Any
7,50,000	0	0	0	Any
8,00,000	0	23,400	-23,400	Old
9,00,000	0	33,800	-33,800	Old
10,00,000	0	44,200	-44,200	Old
13,00,000	75,400	88,400	-13,000	Old
15,00,000	1,17,000	1,30,000	-13,000	Old
15,50,000	1,32,600	1,40,400	-7,800	Old
17,00,000	1,79,400	1,84,600	-5,200	Old
20,00,000	2,73,00	2,78,200	-5,200	Old
30,00,000	5,85,000	5,90,200	-5,200	Old

Eg. 3 When Total Deductions are Between Rs.1.75 Lakhs to Rs.4.5 Lakhs: Will Depend on Various Income Levels

A	B	C	D	E
Gross Total Income	Tax as per old regime (Including Cess) Less" standard deduction=50,000 Others U/s 80C+80D+NPS+Home loan interest (Available up to Rs. 2,00,000) etc, considered Rs. 4,25,000 Rebate on Income upto 5,00,000	Tax as per New regime: (Including Cess) Standard deduction =75,00,000 Rebate on Income upto 7,00,000	Difference B-C	Which regime is better
5,00,000	0	0	0	Any
6,00,000	0	0	0	Any
7,00,000	0	0	0	Any
7,50,000	0	0	0	Any
8,00,000	0	23,400	-23,400	Old
9,00,000	0	33,800	-33,800	Old
10,00,000	18,200	44,200	-26,000	Old
13,00,000	80,600	88,400	-7,800	Old
15,00,000	1,24,800	1,30,000	-5,200	Old
15,50,000	1,40,400	1,40,400	00	Old/New
17,00,000	1,87,200	1,84,600	2,600	New
20,00,000	2,80,800	2,78,200	2,600	New
30,00,000	5,95,800	5,90,200	2,600	New

Advantages of Old Tax Regime

The old tax regime offers several advantages, particularly through exemptions and deductions that help reduce tax liability. Taxpayers can claim deductions on various expenses, such as the standard deduction, home loan interest, medical expenses, and education loan interest.

Additionally, the old regime encourages long-term wealth creation by providing tax benefits on investments in instruments like the Public Provident Fund (PPF), National Pension Scheme (NPS), and Equity-Linked Saving Scheme (ELSS).

These incentives make the old tax regime a favourable choice for those looking to optimise their tax savings while securing their financial future.

Disadvantages of Old Tax Regime
One of the biggest disadvantage of the old tax regime is its complex tax structure that includes multiple exemptions and deductions. This can be challenging for taxpayers to understand and comply with.

Additionally, it offers limited flexibility, as once investments are made and deductions claimed, taxpayers cannot alter their tax plan during the financial year. This rigidity makes it difficult for individuals to optimise their tax strategy as and when needed.

Advantages of New Tax Regime
The new tax regime offers several advantages, primarily through lower tax rates, which can help taxpayers save money and increase their in-hand income. Additionally, it features a simpler tax structure compared to the old regime, eliminating the need to navigate multiple exemptions and deductions. This streamlined approach makes tax filing easier and reduces the compliance burden for individuals.

Disadvantages of New Tax Regime
Despite the benefits, the new tax regime comes with certain disadvantages, primarily due to the limited availability of exemptions and deductions. While it does offer a few advantages like standard deduction, leave travel concession, and tax-free withdrawals from the Provident Fund, it lacks the extensive deductions available under the old regime.
Additionally, it provides fewer opportunities for tax planning. This can be a drawback for individuals looking to maximise their tax savings through strategic investments and deductions.

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 have more personal commitments such as repayment of personal/vehicle loans, medical treatment of parents or dependents, or wish to avoid the burden of extensive tax preparation or have minimal tax deductions due to their ineligibility for section 10 exemptions, standard deductions, tax on employment, employer contribution to pension scheme etc., Conversely, the old tax regime can yield more tax savings for senior citizens, who derive a substantial portion of their income from interest, can benefit from Section 80TTB, which allows them to claim Rs.50,000 as interest income deduction and 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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