

Old vs new: Soon, I-T portal may show which tax regime's best for you

Move may help government achieve target of making two-thirds of taxpayers switch to new regime in the next financial year

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The income-tax (I-T) department is working on a system-driven mechanism that will generate the calculation of both the old and the new tax scheme based on income and investment of taxpayers, helping them make an informed choice.

The move will help the government achieve its target of making two-thirds, or 50-60 per cent, of taxpayers switch to the new regime in the next fiscal year.

"While filing income-tax returns (ITR), the system will automatically generate the total money taxpayers will save on both schemes, helping them choose the one most beneficial to them," said a senior government official.

The official said that the system will also improve its tax-filing mechanism. "Besides user interface, the overall experience of filing ITR will also be smooth," he added.

The system will also compare the two schemes in an easy-to-understand format, said another source.

According to him, the department has invited suggestions from tax experts and



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stakeholders on ways to educate taxpayers on the benefits of the revamped new tax regime.

The Union Budget 2023-24 revamped the new tax regime for individuals by changing the I-T slabs, besides raising the rebate from ₹5 lakh to ₹7 lakh under the new regime.

Moreover, the new tax regime will be the

default option unless a taxpayer selects the old regime.

An official estimation says about 12.5 million taxpayers fall in the ₹5-7-lakh I-T slab — a cohort likely to move to the new regime, said the government official quoted earlier.

"To be ready by the middle of next year, the

READYING FOR THE SWITCH

- System would show the calculation and comparison of the two schemes
- The system, which would be ready by middle of next year, may capture complete income profile of the taxpayers
- This will give an accurate assessment to taxpayers based on their income and investment
- About 12.5 million taxpayers fall under the income tax slab of ₹5-7 lakh
- Official said that the systems will also improve its tax filing mechanism
- 41 million individual taxpayers reported an income of up to ₹5 lakh in AY 2021-22

system may possibly try to capture the complete income profile of taxpayers to provide an accurate assessment," he said.

Under the new revamped tax regime, an individual with annual income up to ₹3 lakh will not have to pay any tax (against an earlier limit of ₹2.5 lakh). Further, it proposes a 5 per

cent tax for income between ₹3 and ₹6 lakh, 10 per cent for income between ₹6 and ₹9 lakh, 20 per cent for income between ₹9 and ₹12 lakh, 25 per cent for income between ₹12 lakh and ₹15 lakh, and 30 per cent for income above ₹15 lakh.

This will result in a 25 per cent reduction in tax liability for individuals with income up to ₹9 lakh and a roughly 20 per cent reduction in tax liability for individuals with income up to ₹15 lakh.

According to data shared by the government in the Lok Sabha on February 13, there were over 41 million individual taxpayers who reported income of up to ₹5 lakh in assessment year (AY) 2021-22.

There were also 14 million taxpayers who reported income between ₹5 lakh and ₹10 lakh, while the total returns filed in AY 2021-22 was over ₹6.3 crore.

These taxpayers will not have to pay any tax in AY 2024-25, provided their annual income is not above the ₹7 lakh limit.

In line with the latest data on the ITR filing website, as many as 75,479,837 tax returns were filed in AY 2022-23, of which more than 71.9 million ITRs were verified and over 69.6 million returns processed until February 12.

