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A comparative study between old tax regime and new tax regime for the financial year 2023-2024

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Abstract
Tax structure is one of the predominant roles to development of an economy. One of the main sources to generate revenue for the government either by central Government or State government. Government makes money is through taxes. In India there are two types of taxes such as direct and indirect tax. A new income tax system for individual taxpayers in India was unveiled in the 2020 union budget. From financial year 2020-2021, individual taxpayers have an option to choose old tax regime and the new tax regime.
Finance Minister's Nirmala Sitharaman has announced certain adjustments to the new tax system in the union budget for the financial year 2023-2024. The new tax system will now be the "default'' option rather than something that the individual taxpayer chooses to use. The old tax system has not changed, though. This easy tries to analyze which tax system, in light of the adjustment made in the new tax system under the annual budget 2023-2024, is most advantage to tax payers. This research work is fully dependent on secondary data which is collected from many articles, books, Newspapers, journals, Magazines and Government website. The changes made in the new tax regime under the union budget 2023-2024'' are focus in this article.

Keywords: CESS, old tax regime, new tax regime, surcharge

Introduction
A tax regime is a system of laws, policies and procedures put in place by a government to control the assessment, collection and administration of taxes in a Specific territory. It includes the full set of guidelines that specify how taxes are assessed, determined, reported and paid by people, business and other entities.
Budget 2020 announced a new personal income tax system with more tax slabs and lower tax rates for individual taxpayers, but it also eliminated all available current exemptions, concessions and deductions. The Finance minister's Nirmala Sitharaman then gave taxpaying people the opportunity to select between the new tax system and the old tax regime.
However, the finance minister of the union budget for the year 2023-2024 proposed some revisions to the new tax system, while the old tax system remains unchanged. According to the budget for the year 2023-2024, the new tax regime will be the "default'' option. This implies that a taxpayer can choose the old tax regime or the new tax regime, but if they do not, they will be moved automatically to the new tax regime.

There are some key details about tax regime:
I. Tax Types: A tax regime typically covers various types of taxes that are levied by the government. These taxes can include Income tax, corporation tax and Goods and services tax, customs duty and other levies. Each types of tax may have own rules and regulations governing its computation, determination, payment and reporting.
II. Tax Laws and Regulations: A tax regime is supported by a legal framework that includes tax laws, regulations, and guidelines. These laws define obligations of taxpayers, determine the tax rates, establish procedures for tax assessment and collection and outline penalties for non-compliance.
III. Tax Administration: The administrative framework in charge of putting tax laws into effect and enforcing them is also a part of the tax system. Tax authorities who manage the collection, audit and enforcement of taxes, such as revenue agencies or department may be involved in this.

IV. Tax Rates and Structures: A tax regime define the tax rates and structures that decide how much tax is due. Tax rates can be regressive. Tax structure may comprise thresholds, exemptions, credits, deductions and tax brackets that affect the ultimate tax burden and the taxable base.
V. Reporting and Compliance: The tax code specifies how taxpayers must record their earning, assets and business dealings. This includes submitting tax returns, keeping track of transactions, and providing pertinent data.
VI. International Taxation: Tax regime also handle international tax concerns such as cross-border transactions, transfer pricing, double taxation agreements and step to combat tax evasion and avoidance. In a linked global economy to maintain fair and effective tax systems,
VII. Compliance and enforcement: A tax regime creates procedures to guarantee adherence to tax laws and rules. Audit, fines for non-compliance, dispute resolution procedures, and legal remedies are all included in this. Tax fraud or evasion is regarded severely and is punishable by fines, jail time, or both.
Understanding the tax regime is essential for individuals, businesses, and organizations to comply with tax obligations and make informed decisions regarding tax planning and financial matters. It is advisable to consult tax professionals or experts to navigate the complexities of the tax regime and ensure compliance with applicable laws and regulations.

Objectives of the study
1. To study the comparison between old tax regime and new tax regime.
2. To study the changes made in the new tax regime under the union budget 2023-2024.
3. To analyze which tax regime is beneficial to taxpayeRs.
4. To find out tax liability of an individual under both old tax and new tax regime
5. To study the rebate section 87A under both old tax regime and new tax regime.

Research Methodology and Data Collection
A descriptive & analytical research methodology has been used for this research article. This article is totally based on secondary data. Secondary data has collected from government budget, journals, books, Newspaper, articles, Bulletin and website.

Taxation system
Indian taxation system is divided into two categories such as direct tax and indirect tax. We know the term income tax, wealth tax and corporate tax, which is known as direct taxes. It is the government's principal source of income. According to the Income Tax Act of 1961, every assessed who owes taxes must do so. The Indian finance minister established a new tax regime in the budget for 2020 was first time introduced in Indian taxation system, giving taxpayers a choice between two tax regimes. However, the finance minister announced several changes to the new tax system in the Union Budget 2023-2024 that will benefit taxpayers.

Tax slabs and comparison between Tax slab Rates
Slabs Rates: The old tax structure had fewer tax slabs structure but very high rates that did not produce as excellence of results. As a result, the finance minister announced a new tax regime in the year of 2020 budget. This regime offered the option of payment of tax liabilities under the both system either by the previous tax regime or the new tax regime and includes more tax slabs and lower tax rates.
Even after the New Tax Regime was implemented, the majority of taxpayers still opted for the previous system because the letter eliminated all advantage concern with certain exemptions, rebate, relief, margin, deduction and standard deduction.

Table 1: As per old tax regime (before 2021)

Income (Rs.)	Rates of Tax %
FiRs.t on upto Rs. 250000	**Nil**
Next on Rs. 250001 to 500000	5%
Next on Rs. 500001 to 1000000	20%
Above Rs. 1000000	30%

Table 2: As per new Tax Regime (Introduce in 2021)

Income (Rs.)	Rates of Tax %
FiRs.t on upto Rs. 250000	Nil
Next on Rs. 250001 to 500000	5%
Next on Rs. 500001 to 750000	10%
Next on Rs. 750001 to 1000000	15%
Next on Rs. 1000001 to 1250000	20%
Next on Rs. 1250001 to 1500000	25%
Above Rs. 1500000	30%

Table 3: Change made in new Tax Regime (Union budget 2023-2024)

Income (Rs.)	Rates of Tax %
FiRs.t on upto Rs. 300000	Nil
Next on Rs. 300001 to 600000	5%
Next on Rs. 600001 to 900000	10%
Next on Rs. 900001 to 1200000	15%
Next on Rs. 1200001 to 1500000	20%
Next on Rs. 1500000	30%

The Term standard deduction refers to that portion of income do not subject to tax that can be used to reduce tax liabilities
1. House Rent allowances.
2. Interest of Housing loan.
3. Leave travel Allowances etc.

But in the union budget 2023-2024, Finance minister made fewer changes in new tax regimes slab rate for financial year 2023-2024. Therefore from now a taxpayer's can pay tax either as per old tax regime or new tax slabs.

Table 4: New tax slabs for the financial year 2023-204

Old Tax regime (For F.Y. 2023-2024)	New Tax regime (For F.Y. 2023-2024)
FiRs.t on 250000 = Nil	FiRs.t on Upto Rs. 300000 = Nil
Next on 250001 to 500000 = @ 5%	Next on Rs. 300001 to 600000 = 5%
Next on 500001 to 1000000 = @ 20%	Next on Rs. 600001 to 900000 = 10%
Above 1000000 = @ 30%	Next on Rs. 900001 to 1200000 = 15%
	Next on Rs. 1200001 to 1500000 = 20%
	Next on Rs. 1500000 = 30%

Source: Annual Union Budget

Table 5: Comparative study of new tax regime announced in union budget 2020 and in budget 2023

Introduced in Budget 2020	Changes made in Budget 2023
Rebate limits is Rs. 500000	Rebate limits is Rs. 700000
No benefits of deductions	Standard deduction allowed of Rs. 50000
No benefits of NPS	NPS allowed upto Rs. 50000

Source: Annual union budget

Table 6: Surcharge table

Old surcharge rates	New surcharge Rate
Income exceeds 50 lakh upto 1 crore @ 10%	Income exceeds 50 lakh upto 1 crore @ 10%
Above 1 crore to 2 crore @ 15%	Above 1 crore to 2 crore @ 15%
Above 2 crore upto 5 crore @ 25%	Above 2 crore upto 5 crore @ 25%
Above 5 crore @ 37%	

Source: Annual union budget

Table 06, showing highest surcharge rate reduced from 37% (percentage) to 25% (percentage) in the union budget 2023-2024. So we can say that new surcharge rates in the financial budget 2023-2024 beneficial for individual taxpayer to reduce his tax liabilities.

Rebate under Section 87A

In the union budget 2013-2014, the government of India announced or proposed a rebate under section 87A. Rebate helps individual taxpayer's to reduce his tax liabilities of tax payer's. It is benefits provided by government to certain resident tax payer's.

If the income of an individual is below the basis exemption limit then he is not required to file income tax return (ITR). Though those who have income less than of Rs. 250000 old Tax Regime or Rs. 300000 for new Tax Regime and want to claim an income tax refund can return in any other case.

Table 7: Showing total amount of rebate and limit of total taxable income under section 87A

Financial year	Limit on total taxable income	Amount of rebate allowable under section 87A
2013-2014	500000	2000
2014-2015	500000	2000
2015-2016	500000	2000
2016-2017	500000	2500
2017-2018	350000	2500
2018-2019	350000	12500
2019-2020	500000	12500
2020-2021	500000	12500
2021-2022	500000	12500
2022-2023	500000	12500
2023-2024	500000/700000	12500 & 25000 for new tax regime

Source: Annual union budget

From above Table 07, it seems that union budget 2023 announced various amendments, and the aim was to make the new tax regime more beneficial for the financial year 2023-2024, the rebate limit has been increased to Rs. 700000 under the new tax regime.

It means a resident individual taxpayer's with taxable income up to Rs. 700000 will receive Rs. 25000 or the amount of tax payable whichever is less as tax rebate or relief under section 87A as per income tax act 1961. But a resident individual taxpayer's who adopted old tax regime with taxable income up to Rs. 500000 will receive Rs. 12500 or the amount of tax payable whichever is lower.

In the case of the old tax regime, the maximum slabs amount of non-taxable income for an individual taxpayer's was Rs 250000. However, He can also get a rebate up to Rs 2,500 under section 87A if he has a total income of up to Rs 350000 for financial years 2018-19. From Financial year 2019-20 onwards, the rebate has been increased up to Rs 12,500 for an income up to Rs 500000. So, that means an individual earning up to 500000 will not be required to pay any income tax from FY 2019-20 onwards. If he has tax saving investments under section 80C of up to Rs 150000 then you will not have to pay any taxes till Rs 600000. In the budget year 2023-2024, In case of New tax Regime, The maximum limit of non-taxable income for an individual taxpayer's is Up to Rs 300000. However, He can also get a rebate of Rs 25000 under section 87A if you have a total income of up to Rs 700000 for FY 2023-24. So, that means an individual earning up to 700000 will not be required to pay any income tax from FY 2023-24 onwards. However, in the case of the old regime, the limit for rebate under section 87A is still 500000.

Table 7: Showing gross total income of Mr. Sudhir

Particular's	Amount
Income from salary	200000
Income from House property	125000
Income from capital Gain	125000
Income from other source	300000
Gross Total Income	750000

Source: Data taken from primary sources

Table 8: Showing total income and tax liability under old tax regime and new tax regime

Particular's	Old tax regime	New tax regime
Gross Total Income	750000	750000
Less: Standard deduction	50000	50000
Less: Deduction Under section 80 C		
Contribution For RPF 50000		
Contribution to LIP 10000		
Purchase of mutual fund 15000		
Deposited to Sukanya samridhi account 5000	80000	Nil
Less:- Deduction under Section 80 D		
Medical insurance premium by cheques 10000	10000	Nil
Total Taxable Income	610000	70000

Source: Primary data

Table 9: Showing total tax liabilities under old tax regime and new tax regime for the financial year 2023-2024

Old Tax Regime	New Tax Regime
Tax on fit Rs. 250000 Nil	FiRs.t on 300000 Nil
Next on 250000 @ 5% 12500	Next on 300000 @ 5% 15000
Remaining 110000 @ 20% 22000	Remaining 100000 @ 10% 10000
Add: Surcharge Nil	Total 25000
34500	Less:- Rebate U/S 87A 25000
Add:- H.H & E.C. @ 4% 1380	Tax liabilities Nil
Total tax liabilities = 35880	

Above Table No-08 & Table No-09, it seems that under old tax regime all deduction and exemption are available under These Tax Regime but rebate are allowed up to taxable income Rs. 500000. Under new tax regime only standard deduction are allowed other deduction are not available. Rebate under Section 87A are to be allowed up to taxable income Rs. 700000. It is also clear that small individual taxpayer's who has taxable income up to Rs. 700000 who chose new tax regime because his tax liabilities is Nil.

Advantages and Disadvantages of the New Tax Regime (According to changes made in union budget 2023-2024)

A. The Advantages of the New Tax Regime

1. Under new tax regime, up to Rs. 300000 a taxpayer has no need to pay tax.
2. Rebate limit extended up to Rs. 700000.
3. Standard Deduction allowable of Rs. 50,000.
4. NPS allowable up to Rs. 50,000.

B. The Disadvantages of the New Tax Regime

1. No HRA or 80GG Exemptions.
2. No deductions under chapter 6A (80C, 80D etc.)
3. No home loan benefits.
4. No leave travelling Allowance. New regime vs Old regime (for F.Y. 2023-2024) (A comparative Study)

Table 10: Let's try to understand this from a practical point of view

Income (Rs.)	Standard Deduction (Rs.)	Extra deductions (Rs.)	Old tax Regime Taxable Tax income liabilities	New tax Regime Taxable Tax income liabilities	Better
265000	50000	-	215000 Nil	215000 Nil	Both
475000	50000	-	425000 Nil	425000 Nil	Both
660000	50000	200000	410000 Nil	610000 Nil	Both
945000	50000	205000	690000 52520	895000 46280	New
1055000	50000	250000	755000 66040	1005000 63180	New
1410000	50000	300000	1060000 135720	1360000 126880	Old
1545000	50000	400000	1095000 146640	1495000 154960	Old

Conclusion

Taxpayer's have freedom under new tax system. Only individuals who choose the new system are entitled for any personal tax saving under union budget for 2023-2024. The income of middle class tax payers would be impacted by the new income tax regime. Tax planning is not available under the new tax regime because there is no deduction or exemption but only standard deduction and NPS are allowed under new tax regime.

We have decided that up to Rs. 500000, both regimes are favorable for tax payers with the aid of the aforementioned analysis. To decide which choice is best for him, a person must first calculate his tax liability if his income is greater than Rs. 500000. The standard deduction of Rs 50,000 is favorable for individuals with incomes up to Rs 750000 under the new tax system. The new tax law limits refunds to 700000.

If someone has done their tax planning correctly, obtain numerous deductions, invested money and made plans for future benefits, they should pick the previous tax system because it decreased their tax liability.

Findings

1. Old tax regime was beneficial for the tax payers who were allowed for various exemption and deduction because of which their tax liability is reduced.
2. Tax planning plays a very important role in old tax regime but there is no role of tax planning in new tax regime.
3. An assesses whose income up to Rs. 750000 is beneficial to new tax regime.
4. Standard deduction and NPS is also allowed in new tax regime.
5. No any other deductions are allowed under new tax regime.
6. Tax payers whose income up to Rs. 500000 both tax Regime are beneficial for tax point of view.
7. There is no any relaxation for investment & saving for Tax payers in new tax regime.
8. Small tax payers are to be also chose new tax regime.

Suggestions

1. Various Exemption, deduction and concessions should be allowable in old tax regime.
2. I suggest that taxpayer's should proper tax planning and get benefit of old tax regime.
3. While choosing the option, taxpayer should pay proper attention because new tax regime is the default option.
4. There should be option given to tax payers switching from new to old & old to vice versa as per the situation arises.

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