

News / Budget / Old tax regime: Time to let go after Budget 2025 changes?

Old tax regime: Time to let go after Budget 2025 changes?

Many taxpayers preferred the old tax regime because it allowed them to claim deductions for expenses like house rent, home loan interest, etc, but they might reconsider following the announcements in Budget 2025.

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The tax-free income limit has been raised to Rs 12 lakh.



In Short

- Budget 2025 raised tax-free income limit to Rs 12 lakh
- Old tax regime unchanged, raising questions on its relevance
- New regime simpler, avoids need for tax-saving investments

The Union Budget 2025 introduced [major changes to the new income tax regime](#), making it more attractive for middle-class taxpayers.

The tax-free income limit has been raised to Rs 12 lakh, and with the Rs 75,000 standard deduction, the effective exemption limit now stands at Rs 12.75 lakh.

However, the old tax regime has not been changed, leading many to question [whether it is still useful for taxpayers](#).

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NEW TAX REGIME vs OLD TAX REGIME



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In the past, many taxpayers preferred the old tax regime because it [allowed them to claim deductions](#) for expenses like house rent, home loan interest, and investments in schemes like the Public Provident Fund (PPF) and Employees' Provident Fund (EPF).

The new tax regime, introduced in 2020, offered lower tax rates but no deductions. It was not as popular initially because many taxpayers relied on deductions to reduce their tax burden.

But with the latest changes in Budget 2025, the new regime has become far more attractive.

Under the new tax regime, individuals earning up to Rs 12 lakh will pay zero tax. Even those earning above Rs 12 lakh will benefit from lower tax rates compared to the old regime.

The old regime remains useful only for taxpayers who have high deductions, such as home loan interest or large tax-saving investments.

OLD TAX REGIME LOSING RELEVANCE?

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Tax experts believe the government is pushing taxpayers toward the new tax regime, making the old one almost unnecessary.

Ankit Jain, Partner at Ved Jain & Associates, said, "With the new tax slabs, the old tax regime is becoming nearly irrelevant. Individuals earning up to Rs 12 lakh will naturally opt for the new regime since no tax is applicable. Even for those earning above Rs 12 lakh, the new tax rates make it more beneficial. Only those with very high deductions, like home loan interest, may still find the old regime useful."

Pallav Pradyumn Narang, Partner at CNK, pointed out that the new regime is simpler and avoids the hassle of tax-saving investments.

"With the tax-free limit raised to Rs 12 lakh, the old tax regime seems to be fading away. It is unlikely that salaried individuals will choose the old regime when the new

one offers lower tax rates without requiring investment in tax-saving schemes," he added.

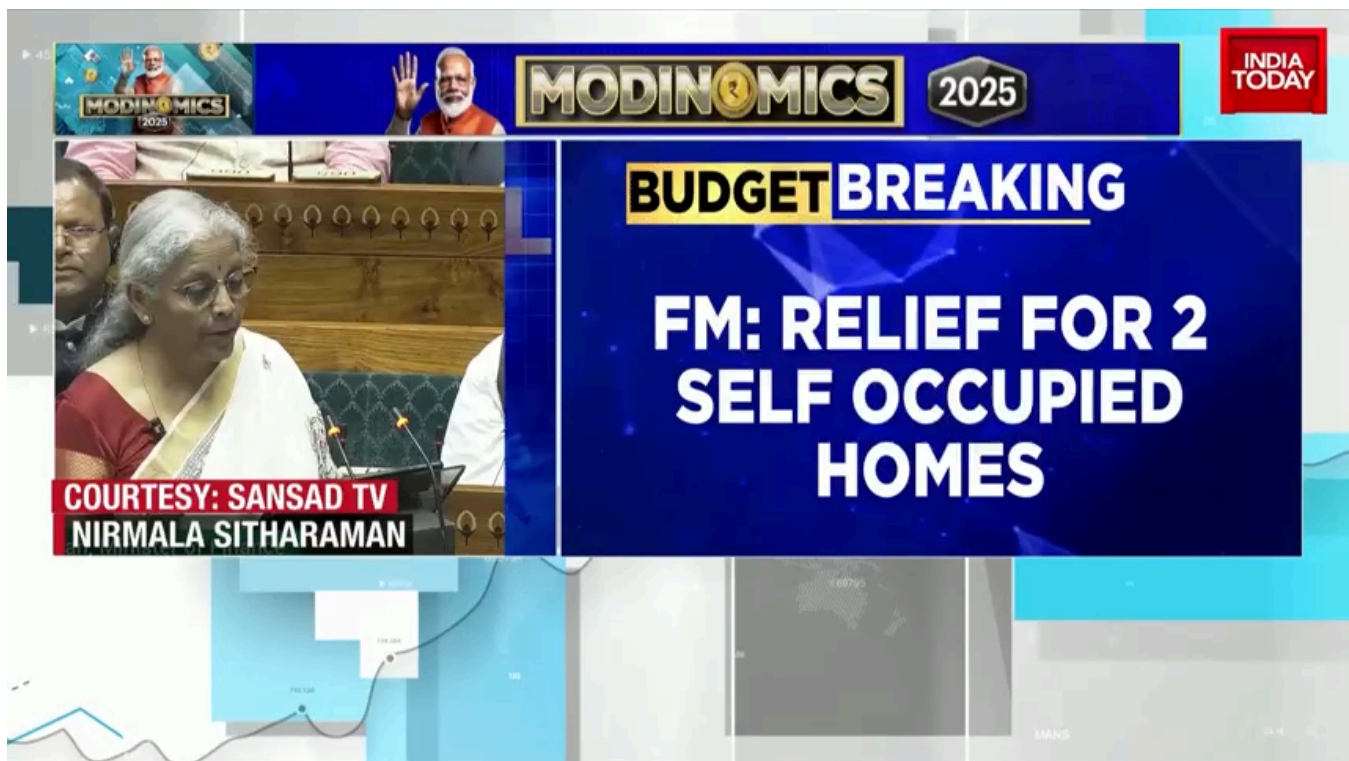
The government has made it clear that it wants more people to switch to the new tax regime. While the new system was optional at first, the continuous changes to make it more beneficial suggest that it could become the default system in the future.

"The increase in the tax-free limit from Rs 7 lakh to Rs 12 lakh under the new tax regime shows the government's strong push to move taxpayers away from the old system. Since the old regime has not seen any new deductions or exemptions, its relevance is reducing rapidly," said Nisarg Desai, Partner at Gandhi Law Associates.

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