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Middle-class moment arrives

Restructured tax slabs will result in savings of ₹80,000-1.10 lakh per annum for taxpayers

PRIYANSH VERMA

WHILE NOTING THAT “democracy, demography, and demand” are the key pillars in India’s journey towards ‘Viksit Bharat’, finance minister Nirmala Sitharaman on Saturday announced a massive tax relief for the country’s middle-class.

In her Budget speech, Sitharaman said that there will be no personal income tax payable up to annual income of ₹12 lakh, under the new tax regime (NTR). For salaried taxpayers and pensioners, with the benefit of ₹75,000 under standard deduction, the limit will be ₹12.75 lakh per annum, which is substantially higher than the extant ₹7.75 lakh limit.

The FM also announced changes in income slabs and tax rates under the NTR, which will substantially reduce the taxes for the middle-class and leave more money in their hands, boosting household consumption, savings and investment. The restructured slabs will result in tax savings of ₹80,000-1,10,000 per annum for taxpayers.

The FM, however, didn’t announce any changes in the old tax regime (OTR), which analysts say is likely to make it obsolete going forward. “With the introduction of revised tax slabs in the new regime, many traditional exemptions under the old regime are becoming less attractive for taxpayers. Thus, more taxpayers are likely to adopt the NTR,” said Amit Maheshwari, tax partner, AKM Global. Over 72% of taxpayers have opted for the NTR till now.

Maheshwari said tax deductions applicable under Section 80C, Section 80D and Section 24(b) for those who opt for the OTR may no longer be that

appealing when compared to the NTR. The NTR is an exemption-less and deduction-less regime [other than those specified under Section 80(JAA and 80M, and standard deduction).

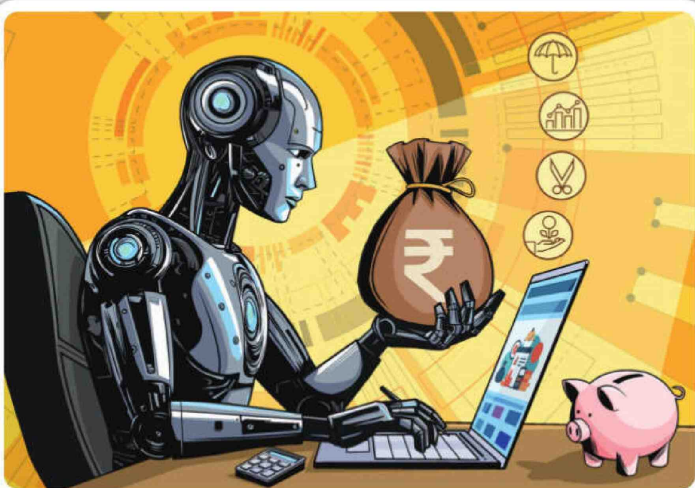
According to the Finance Bill, 2025, under the NTR, annual income up to ₹4 lakh will attract nil tax, and the ₹4-8 lakh income slab will attract 5% tax. In the 2024 Bill, nil tax was for income up to ₹3 lakh, and 5% on income between ₹3-7 lakh. The 10% slab applies now to the ₹8-12 lakh income slab; earlier it was for the ₹7-10 lakh slab. But with the rebate limit under Section 87A of the Income-Tax Act raised from ₹7 lakh to ₹12 lakh, no tax will be payable up to ₹12 lakh.

Further, income in the ₹16-20 lakh slab will attract 20% tax, and a new rate of 25% will be applicable for the ₹20-24 lakh slab. The 30% tax rate will kick in after an annual income of ₹24 lakh.

A taxpayer in the new regime with an income of ₹12 lakh will get a benefit of ₹80,000 in tax (which is 100% of tax payable as per existing rates). A person having income of ₹18 lakh will get a benefit of ₹70,000 in tax (30% of tax payable as per existing rates), and a person with an income of ₹25 lakh gets a benefit of ₹1,10,000 (25% of his tax payable as per existing rates).

Alok Agrawal, partner, Deloitte India, said that a significant number of salaried taxpayers under the old regime are likely to move to the new tax regime from FY26 as only those taxpayers earning above ₹24.75 lakh will now prefer to stay in the old regime.

Kumarmanglam Vijay, partner, JSA, said: “Due to the rise in consumer spending, businesses may grow, invest in new projects, and generate more jobs, stimulating overall economic growth.”



CHEQUE MARK

NPS Vatsalya tax benefit

Contributions to NPS Vatsalya accounts eligible for ₹50,000 tax deduction under Section 80CCD(1B) under old tax regime. Partial withdrawal up to 25% of contributions not to be included in parent's income

NSS withdrawal now tax-free

Tax exemption on withdrawals of deposits along with interest accrued from National Savings Scheme accounts by individuals on or after August 29, 2024 with amendment of Section 80 CCA

No higher TDS for non-filers

Removal of higher TDS/TCS for non-filers of income tax return, thus reducing compliance burden for the deductor/collector with Section 206AB and Section 206CCA of I-T Act now omitted

Treatment of staff abroad

Income eligibility limit to be raised to cover more employees such that expenditure incurred by the employer on employee's travel abroad for medical treatment would not be treated as perquisites

New tax regime			
Existing	Slab	Proposed changes*	Surcharge rates
₹0-3 lakh	0%	₹0-4 lakh	0%
₹3-7 lakh	5%	₹4-8 lakh	5%
₹7-10 lakh	10%	₹8-12 lakh	10%
₹10-12 lakh	15%	₹12-16 lakh	15%
₹12-15 lakh	20%	₹16-20 lakh	20%
Above ₹15 lakh	30%	₹20-24 lakh	25%
		Above ₹24 lakh	30%
			Health and education cess 4%

*Per Finance Bill, 2025

RAHUL SINGH, CIO, TATA MUTUAL FUND

“ABSENCE OF ANY CHANGES IN CAPITAL GAINS WILL RESULT IN A SHORT-TERM BOOST TO THE EQUITY MARKETS”

ADHIL SHETTY, CEO, BANKBAZAAR.COM

“A KEY HIGHLIGHT IS THE LONG-AWAITED REVISION OF TAX SLABS IN RESPONSE TO INFLATION, A DEMAND TAXPAYERS HAVE VOICED FOR YEARS”

Reducing the tax burden for the middle class

Annual income (₹)	Income tax on slabs and rates		Benefit of	Rebate benefit	Total benefit
	Present	Proposed			
			Rate/Slab	Full up to ₹12 lakh	
8 lakh	30,000	20,000	10,000	20,000	30,000
9 lakh	40,000	30,000	10,000	30,000	40,000
10 lakh	50,000	40,000	10,000	40,000	50,000
11 lakh	65,000	50,000	15,000	50,000	65,000
12 lakh	80,000	60,000	20,000	60,000	80,000
16 lakh	1,70,000	1,20,000	50,000	0	50,000
20 lakh	2,90,000	2,00,000	90,000	0	90,000
24 lakh	4,10,000	3,00,000	1,10,000	0	1,10,000
50 lakh	11,90,000	10,80,000	1,10,000	0	1,10,000