

Tax Guide 2024- 2025

A complete guide on the latest tax reforms, income tax structure and things to do to make 2025-2026 a successful financial year for you.

Foreword

Income tax is the unfortunate reality of income. If given a choice, most of us wouldn't want to pay tax on the income we earn. But we should, because the income tax we pay is an important source of revenue for the government. As citizens of India, we are also consumers of the country's public infrastructure and facilities. When we want these facilities and infrastructure to improve, it is also our duty and responsibility to contribute towards building and maintaining it. Paying income tax and filing income tax returns is one way of doing that.

PART 1

All you Need to Know About Income Tax

About Income Tax

What is Income Tax?

Income tax is a tax levied directly on the income of an individual/organization/business by the government for the purpose of financing its various operations.

What are the types of Income Tax?

There are two types of income tax - direct tax and the Goods and Services Tax (GST) which subsumed all other indirect taxes such as VAT, service tax, excise etc

Income tax collected by government is not only used for various government schemes but also acts as a fiscal stabilizer that aid in distributing wealth evenly among the population.

According to the Income Tax Act of India, income from the following sources is considered taxable:

Income from:

- Salary
- House Property
- Profit and gains of business or profession
- Capital gains
- Other sources

The sum of income from all the sources above is calculated according to the provisions of Income Tax Act. The tax rates in India vary according to the earnings of an individual and are referred to as Income Tax slabs. These Income Tax rates are revised every year during the budget.

Income tax is calculated on an annual basis. It is levied on the income earned in the previous year which is also known as the Assessment Year. In the eyes of the law, the Financial Year begins on the 1st of April in a given year and ends on the 31st of March of the following year.

How to Save Income Tax?

While the government expects you to pay income tax, it also allows you to legally save on income tax. You don't have to pay income tax if you earn less than Rs.2.5 lakh in a year. Income more than that is taxed as per different slabs, with the tax rates going up with increase in income. No matter how much taxable income you earn, there are certain exemptions and deductions available to all individual and HUF taxpayers that can be used to pay less income tax.

Tax saving options in India

The most popular tax-saving options available to individuals and HUFs in India are under Section 80C of the Income Tax

Act. Section 80C includes various investments and expenses that can be used to claim deductions. The Section 80C limit is Rs.1.5 lakh in a financial year, which means that you can use this entire amount to reduce your taxable income.

Saving tax beyond Section 80C

Apart from the deductions available under Section 80C, there are various other Section 80 deductions that can also be claimed to save on income tax. These deductions include health insurance premiums, tax benefits on home loans, another way to save tax is by creating a Hindu Undivided Family (HUF). An HUF can be created by married Hindu individuals. An HUF would include the creator, who is called Karta, and his or her family members. The advantage of an HUF is that you can split your income between two entities—yourself as an individual taxpayer and the HUF. This way, you can avail the same tax-saving deductions twice.

How to plan your tax-saving investments for the year?

The best time to start planning your tax-saving investments is at the beginning of the financial year. Most taxpayers procrastinate till the last quarter of the year and end up taking hurried decisions. Instead, if you plan at the start of the year, you can make investments that can also help you fulfill your long-term goals. Tax-saving investments should be used to build wealth as well, not only to just save tax.

Use the following pointers to plan your tax-saving for the year:

- Check the tax-saving expenses that you're already making that you can claim. This includes expenses like insurance premium, children's tuition fees, etc.
- Deduct this amount from 1.5 lakh to figure out how much to invest. The entire amount doesn't need to be invested if expenses are covering it
- Choose tax-saving investments based on your goals and profile. ELSS funds, PPF, NPS and fixed deposits are some of the popular options

This way, you can figure out how much you need to invest to save taxes. It is best to begin investing in the first quarter of the financial year so that you can spread the investments over the year. Doing this won't burden you at the end of the year and will also allow you to make informed investment decisions.

Income tax filing:

Know which ITR form is right for you

ITR 1 Sahaj: This form is for individuals being a resident (other than not ordinarily resident) having total income upto Rs 50 lakh, having Income from salaries, one house property, other sources (Interest etc.), and agricultural income up to Rs 5000 (Not for an individual who is either a director in a company or has invested in unlisted equity shares).

- **ITR 2:**
This form is for individuals and HUFs not having income from profits and gains of business or profession.
- **ITR 3:** For individuals and HUFs having income from profits and gains of business or profession.
- **ITR 4 Sugam:** For individuals, HUFs and Firms (other than LLP) being a resident having a total income upto Rs 50 lakh and having income from business and profession which is computed under sections 44AD, 44ADA or 44AE.
- **ITR 5:** For persons other than (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7.
- **ITR 6:** For Companies other than companies claiming exemption under section 11.
- **ITR 7:** For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) only.

PART 2

Guide for e-filing ITR Online

Who Should e-file the ITR

- Online filing of tax returns is easy and can be done by most assessees
- Assessee with a total income of Rs. 5 Lakhs and above
- Individual/HUF resident with assets located outside India
- An assessee required to furnish a report of audit specified under sections 10(23C) (IV), 10(23C) (v), 10(23C) (VI), 10(23C) (via), 10A, 12A (1) (b), 44AB, 80IA, 80IB, 80IC, 80ID, 80JJAA, 80LA, 92E or 115JB of the Act
- Assessee is required to give a notice under Section 11(2) (a) to the assessing officer
- A firm (which does not come under the provisions of section 44AB), AOP, BOI, Artificial Juridical Person, Cooperative Society and Local Authority (ITR 5)
- An assessee required to furnish returns U/S 139 (4B) (ITR 7)
- A resident who has signing authority in any account located outside India
- A person who claims relief under sections 90 or 90A or deductions under section 91
- All companies

Types of e-filing

- Use Digital Signature Certificate (DSC) to e-file. It is mandatory to file IT forms using Digital Signature Certificate (DSC) by a chartered accountant
- If you e-file without DSC, ITR V form is generated, which should then be printed, signed and submitted to CPC, Bangalore by ordinary post or speed post within 120 days from the date of e-filing
- You can file e-file IT returns through an E-return Intermediary (ERI) with or without DSC
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Steps to Follow to File Income Tax Returns

- Filing your income tax returns online doesn't have to be a complicated process. Simply follow the below steps.
- First, log on to IncomeTaxIndiaefiling.gov.in And register on the website.
- Your Permanent Account Number (PAN) is your user ID
- View your tax credit statement or Form 26AS. The TDS as per your Form 16 must tally with the figures in Form 26AS
- Click on the income tax return forms and choose the financial year
- Download the ITR form applicable to you. If you're exempt income exceeds Rs. 5,000, the appropriate form will be ITR-2 (If the applicable form is ITR-1 or ITR 4S, you can complete the process on the portal itself, by using the 'Quick e-file ITR' link - this has been explained below)
- Open excel utility (the downloaded return preparation software) and fill out the form by entering all details using your Form 16
- Check the tax payable amount by clicking the 'calculate tax' tab
- Pay tax (if applicable) and fill in the challan details
- Confirm all the data provided in the worksheet by clicking the 'validate' tab
- Generate an XML file and save it on your desktop
- Go to 'upload return' on the portal's panel and upload the saved XML file
- A pop-up will be displayed asking you to digitally sign the file. In case you have obtained a digital signature, select 'Yes'. If you have not got digital signature, choose 'No'

- The acknowledgment form, ITR Verification (ITR-V) will be generated which can be downloaded by you
- Take a printout of the form ITR-V and sign it in blue ink
- Send the form by ordinary or speed post to the Income-Tax Department-CPC, Post Bag No. 1, Electronic City Post Office, Bangalore, 560 100, Karnataka within 120 days of filing your returns online

Things to Watch Out For

- If the same mobile number or email address is used for more than four taxpayers, you cannot file returns on the website, unless the required change is done. For instance, in some cases, more than five returns may be filed yours, wife, mother, mother-in-law and the Hindu undivided family (HUF) of which you are the Karta, the executor of a will
 - If your name mentioned in your bank documents or official statements is even slightly different from the one given in the PAN card, the portal will consider you a different individual. In certain instances, some individuals give their father's name as their 'middle' name in their PAN card, but do not use it for their bank accounts
 - If a non-resident Indian must file income tax returns, he will need both an India number and a foreign number
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- Income Tax Slab for FY 2025–26 & AY 2026–27
(New & Old Regime Tax Rates)

Income Tax applies to individuals based on a slab system, where different tax rates are assigned to different income ranges. As a person's income increases, the tax rates also increase. This progressive taxation ensures fairness in the tax system. Income tax slabs are revised periodically during the Union Budget and may vary for different categories of taxpayers.

New Tax Regime – Changes Made in Budget 2025

Revised Slabs Introduced under the new regime

Income up to ₹12,00,000 becomes tax-free (after rebate under Section 87A)

Standard Deduction continues at ₹75,000 for salaried employees

Employer's contribution to NPS deduction continues up to 14%

Family pension deduction remains ₹25,000

Income Tax Slabs for FY 2025–26 (AY 2026–27)

Under New Regime

The Budget 2025 introduced revised tax slabs under the New Tax Regime applicable for FY 2025–26.

New Tax Regime Slabs

Tax Slab	Tax Rate
Up to ₹4,00,000	NIL
₹4,00,001 – ₹8,00,000	5%
₹8,00,001 – ₹12,00,000	10%
₹12,00,001 – ₹16,00,000	15%
₹16,00,001 – ₹20,00,000	20%
₹20,00,001 – ₹24,00,000	25%
Above ₹24,00,000	30%

Note: Individuals opting for the new tax regime with income up to ₹12,00,000 will have zero tax liability due to rebate under Section 87A.

Income Tax Slabs for FY 2025–26 (AY 2026–27)

Under Old Regime

No changes were made in the old regime tax slabs in Budget 2025.

Individuals aged below 60 years & HUF

Income Slabs	Tax Rate
Up to ₹2,50,000	NIL
₹2,50,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

Individuals aged 60 years to 80 years

Income Slabs	Tax Rate
Up to ₹3,00,000	NIL
₹3,00,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

Individuals aged above 80 years

Income Slabs	Tax Rate
Up to ₹5,00,000	NIL
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

Comparison of Old vs New Tax Regime Slabs for FY 2025-26

Tax Slabs	Old Tax Regime	New Tax Regime
Up to ₹2,50,000	NIL	NIL
₹2,50,001 – ₹4,00,000	5%	NIL
₹4,00,001 – ₹5,00,000	5%	5%
₹5,00,001 – ₹8,00,000	20%	5%
₹8,00,001 – ₹10,00,000	20%	10%
₹10,00,001 – ₹12,00,000	30%	10%
₹12,00,001 – ₹16,00,000	30%	15%
₹16,00,001 – ₹20,00,000	30%	20%
₹20,00,001 – ₹24,00,000	30%	25%
Above ₹24,00,000	30%	30%

Revised Income Tax Slab Rate Calculation for AY 2026-27 (FY 2025-26) – New Regime

Income Slabs	Income Tax Rates	
Up to ₹4,00,000	Nil	
₹4,00,000 – ₹8,00,000	5% on income exceeding ₹4,00,000	
₹8,00,000 – ₹12,00,000	₹20,000 + 10%	above ₹8,00,000
₹12,00,000 – ₹16,00,000	₹60,000 + 15%	above ₹12,00,000
₹16,00,000 – ₹20,00,000	₹1,20,000 + 20%	above ₹16,00,000
₹20,00,000 – ₹24,00,000	₹2,00,000 + 25%	above ₹20,00,000
Above ₹24,00,000	₹3,00,000 + 30%	above ₹24,00,000

What is Surcharge?

If income exceeds certain thresholds, additional tax (surcharge) applies over normal tax liability.

Surcharge Rates

10% if total income exceeds ₹50 lakh up to ₹1 crore

15% if total income exceeds ₹1 crore up to ₹2 crore

25% if total income exceeds ₹2 crore up to ₹5 crore

37% if total income exceeds ₹5 crore

(Maximum surcharge capped at 25% under New Regime)

For dividend income and capital gains under sections 111A, 112A and 115AD, the maximum surcharge remains 15%.

When Can I Opt for Old vs New Regime?

Nature of Income Selection Option Timing

Salary or income attracting TDS Choice must be informed to employer at start of financial year (default is New Regime). Can be changed while filing ITR.

Business / Professional income Option can generally be exercised only once in lifetime (with limited switching allowed).

If you are planning to share this with clients (especially for tax-saving LIC planning), I can next prepare a simple visual tax comparison chart showing savings under ₹8L, ₹12L, ₹15L income levels—very effective for advisory presentations.

Frequently Asked Questions

How should I calculate income tax for FY 2023-24?

Can I claim 80C deductions and opt for a new income tax slab regime?

No, the new tax regime does not allow many deductions and exemptions which are otherwise available in the old tax regime. Deductions u/s 80C cannot be claimed if the taxpayer is opting for a New tax regime.

How does the government collect the taxes?

Taxes are collected by the Government through three means:

Voluntary payment by taxpayers through various designated Banks. For example, Advance Tax and Self Assessment Tax payments,

Taxes deducted at source [TDS] and

Taxes collected at source [TCS].

Are there separate slab rates for different categories?

Yes, there are separate slab rates under the old tax regimes. However under the new tax regimes, there is no categories as such.

Do I need to file an Income Tax Return (ITR) if my annual income is below ₹3 lakh of the basic exemption limit?

Even if your income is below the exemption limit, you must file your ITR if any of these conditions apply to you.

Is the due date for filing an income tax return the same for all taxpayers?

No, the due date for all the taxpayers is not the same. For individual taxpayers for whom tax audit is not applicable, the due date is 31st July of the assessment year unless extended by the government.

What is the meaning of rebate under section 87A under the IT Act?

Section 87A is a legal provision which allows for tax rebates under the Income Tax Act of 1961. The section, which was inserted through the Finance Act of 2013, provides tax relief for individuals earning below a specified limit. Section 87 A provides that anyone who is residing in India and whose income does not exceed Rs 5,00,000 is eligible to claim a rebate. Thus full income tax rebate is available to individuals with less than Rs 5 Lakh of total taxable income under the old regime, whereas under the new tax regime, the income limit is Rs. 7,00,000. This rebate is applicable only to individuals and not companies, etc and is calculated before adding the health and educational cess of 4 %.

Who decides the IT slab rates, and can they change?

Yes, IT slab rates can be changed by the government. If there are changes in IT slab rates for the financial year, then they are introduced in the Budget and presented in Parliament.

How does the government collect the taxes?

Taxes are collected by the Government through three means:

**Voluntary payment by taxpayers through various designated Banks. For example, Advance Tax and Self Assessment Tax payments,
Taxes deducted at source [TDS] and
Taxes collected at source [TCS].**

What is the Previous year and Assessment year?

The Income-tax law has two important terms: (i) Previous year and (ii) Assessment year. It is extremely important for determining the taxpayer's income and tax payable amount.

(i) Previous year: The previous year is the year in which the income is earned which typically starts on 1st April and ends on 31st March. Whereas, the year immediately following the previous year (1st April to 31st March) is known as 'Assessment Year'.

For example, the current previous year is from 1st April 2023 to 31st March 2024, i.e.

FY 2023-24. The corresponding assessment year is 1st April 2024 to 31st March 2025, i.e. AY 2024-25.

How to file an income tax return online?

To submit your income tax return online, log on to either the income tax e-filing portal or you can also e-file through Cleartax. For e-filing through the income tax portal, log in to www.incometax.gov.in. You can also download the offline JSON utility and file the ITR. Remember to verify the return within 30 of filing the ITR. ITR filing is incomplete without verification, failure to verify the return will be deemed that you have not filed the return at all.

How much income is tax free in India?

Income tax law has prescribed a basic exemption limit for individuals up to which the taxpayers are not required to pay taxes. Such a limit is different for different categories of taxpayers under old tax regime. Individual below 60 years of age are not required to pay tax upto the income limit of Rs 2.5 Lakh. Individuals above 60 years but less than 80 years of age are not required to pay tax upto Rs 3 lakh of income. Individuals above 80 years are not required to pay tax upto Rs 5 lakh of income. The basic exemption limit for all the individuals under the new tax regime is Rs 3 lakh, irrespective of age.

How to calculate surcharge on income tax?

The surcharge is a tax on tax. Hence surcharge is calculated on the tax payable and not on the income earned. For example, if you have an income of Rs 1000 with 30% tax of Rs. 300, if the income is subject to surcharge then 10% surcharge would be levied on tax of Rs. 300 i.e. Rs 30. Surcharge is levied at different rates i.e

10% is levied if total income is > 50 lakh,

15% is levied if total income is more than 1 crore,

25% of income if total income is > 2 crores.

How to calculate the age of a senior citizen for income tax?

Individual above the age of 60 years is regarded as a senior citizen whereas an individual above 80 years is regarded as a super senior citizen for the purpose of income tax. Senior citizens and super senior citizens have been provided higher tax exemption limits and specific benefits by the income tax law in order to provide some relief.

How to pay income tax online?

The income tax payment facility has been migrated from OLTAS to the 'e-Pay Tax' facility of the e-filing portal. You can refer to this step-by-step guide for making your tax payments.

Will my income be taxed if I am an agriculturist?

Any income which is generated from agriculture or its allied activities will not be taxed. However, it will be considered for determining the tax rate while calculating tax on any non-agricultural income that you may have.

If my income is 5 lakh, how much tax do I have to pay?

No tax is payable since tax rebate is available upto Rs. 5 lakh under old regime and Rs. 7lakh under new regime.

If my income is 7 lakh, how much tax do I have to pay?

No tax is payable under the new tax regime up to Rs. 7 lakh.

If my income is 10 lakh, how much tax do I have to pay?

New Regime: 62,400

Old Regime: 1,17,000

If my income is 15 lakh, how much tax do I have to pay?

New Regime: 1,56,000

Old Regime: 2,73,000

If my income is 20 lakh, how much tax do I have to pay?

New Regime: 3,12,000

Old Regime: 4,29,000

These taxes have been calculated based on the assumption that they are Net Taxable Income after deducting all deductions. However, you may add your exact income details on this simplified income tax calculator to find out the exact tax payable. If you are calculating for FY 2023-24, make sure to select the correct financial year.

Do I have to mandatorily opt for a New tax regime while filing returns for AY 2024-25?

Taxpayers have the freedom to select the tax regimes, if one needs to opt for the old regime and claim deductions, exemptions, and losses must file their income tax returns by opting out of the new regime.

For employees, the choice needs to be made at the beginning of the year and can be modified at the time of ITR filing. However, if you are engaged in business or profession, the option to switch to the Old Tax regime is available only once in your lifetime. We recommend that you carefully evaluate your tax outgo under both regimes and then select the one which is most beneficial to you.

How to file an income tax return online?

To submit your income tax return online, log on to either the income tax e-filing portal or you can also e-file through Cleartax. For e-filing through the income tax portal, log in to www.incometax.gov.in. You can also download the offline JSON utility and file the ITR. Remember to verify the return within 30 of filing the ITR. ITR filing is incomplete without verification, failure to verify the return will be deemed that you have not filed the return at all.

Please [click here](#) to read the step-by-step guide on how to e-file ITR on the income tax e-filing portal.

What is e-verification of Income tax returns? How to do it?

The income tax return needs to be verified post submission. It is applicable for all types of return original, belated, revised or updated return. It is mandatory to do verify the return within 30 days from the date of filing. Failure to verify the return will be deemed that you have not filed the return at all. One can do the

verification either by physically by appending the signature on the ITR acknowledgement form (ITR V) manually and sending it to CPC, Bengaluru by courier or post OR electronically via Aadhaar OTP or EVC (electronic verification code) or Digital signature during or after the submission of Income tax return.

Is standard deduction applicable in the new tax regime?

Yes, the standard deduction is allowed under the new tax regime for FY 2023-24. However, it was not allowed as a deduction for FY 2022-23. The new tax regime is introduced and made applicable from FY 2021-22.

What deductions are allowed in the new tax regime?

One can claim a few selective deductions under the new tax regime for FY 2023-24, such as a standard deduction of Rs.50,000, interest on Home Loan u/s 24b on let-out property, employer's contribution to NPS u/s 80CCD, Contributions to Agniveer Corpus Fund u/s 80CCH, Deduction on Family Pension Income (lower of 1/3rd of actual pension or 15,000).

Is HRA exemption available in new tax regime?

No, HRA exemption u/s 10(13A) is not allowed in new tax regime. Along with that most claimed exemptions are also NOT allowed such as Leave Travel Allowance (LTA), Exemption on voluntary retirement 10(10C), Exemption on gratuity u/s 10(10), Exemption on Leave encashment u/s 10(10AA), Daily Allowance, Transport Allowance for a specially-abled person, Conveyance Allowance etc,

How to choose the tax regimes while filing?

There are differential process to opt in for tax regimes between FY 2022-23 and FY 2023-24.

For 2022-23 - default regime is old tax regime

If the total income does not include profit and gains from business & profession and new tax regime needs to be opted, then one must file Form 10IE (online form from Income Tax portal) before the submission of income tax return by clicking Yes for "Do you opt for sec 115BAC(1)?", else one must file income tax return only without the requirement to file Form 10IE. In both the scenarios return must be submitted within the due date.

For 2023-24 - default regime is new tax regime

If the total income does not include profit and gains from business & profession and new old regime needs to be opted, then one must file Form 10IEA (online form from Income Tax portal) before the submission of income tax return by clicking Yes for "Do you opt out from sec 115BAC(1A)?", else one must file income tax return only without the requirement to file Form 10IEA. In both the scenarios return must be submitted within the due date.

Which form has to be filed for opting the old tax regime?

Form 10-IEA must be filed before the due date for opting to pay taxes under the old tax regime.

What happens if an individual doesn't submit the Form 10-IEA timely?

If an individual forgets to complete the submission of Form 10-IEA before or during the filing of the ITR, they will be unable to choose the old tax regime. The delayed submission of the form of failure to submit means that the income tax department will compute tax as per the new tax regime.