

FAQ.1: Personal Income-tax reforms with special focus on middle class

Q.1. What is 'New Regime'?

Ans. New regime provides for concessional tax rates and liberal slabs. However, no deductions are allowed in the new regime (other than those specified for e.g. 80JJAA, 80M, standard deduction).

Q.2. What are the tax slabs in earlier new regime?

Ans. The Finance (No.2) Act, 2024 had the following slabs in the new tax regime for person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2: -

Sl.No.	Total Income (in Rs.)	Rate of tax u/s 115BAC(1A)
1.	Upto 3,00,000	Nil
2.	3,00,001 to 7,00,000	5%
3.	7,00,001 to 10,00,000	10%
4.	10,00,001 to 12,00,000	15%
5.	12,00,001 to 15,00,000	20%
6.	Above 15,00,000	30%

Q.3. What are the new slabs in the proposed new regime introduced by Finance Bill, 2025?

Ans. The new slabs proposed are as under:

Sl.No.	Total Income (Rs. In lacs)	Rate of tax u/s 115BAC (1A)
1.	0- 4	0%
2.	4-8	5%
3.	8-12	10%
4.	12-16	15%
5.	16—20	20%
6.	20-24	25%
7.	More than 24 Lacs	30%

Q.4. What is the tax benefit for different category of taxpayers (0-24 lacs)

Total Income	Tax as per existing rates[as per Finance (No.2) Act, 2024]	Tax as per proposed rates	Benefit of Rate/Slab	Rebate Benefit [with reference to (3)]	Total Benefit[computed when compared to current slab rates]	Tax Payable under new regime
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)=(4)+(5)	(7)
8 lac	30,000	20,000	10,000	20,000	30,000	0
9 lac	40,000	30,000	10,000	30,000	40,000	0
10 lac	50,000	40,000	10,000	40,000	50,000	0
11 lac	65,000	50,000	15,000	50,000	65,000	0
12 lac	80,000	60,000	20,000	60,000	80,000	0
13 lac	1,00,000	75,000	25,000	0	25,000	75,000
14 lac	1,20,000	90,000	30,000	0	30,000	90,000
15 lac	1,40,000	1,05,000	35,000	0	35,000	1,05,000
16 lac	1,70,000	1,20,000	50,000	0	50,000	1,20,000
17 lac	2,00,000	1,40,000	60,000	0	60,000	1,40,000
18 lac	2,30,000	1,60,000	70,000	0	70,000	1,60,000
19 lac	2,60,000	1,80,000	80,000	0	80,000	1,80,000
20 lac	2,90,000	2,00,000	90,000	0	90,000	2,00,000
21 lac	3,20,000	2,25,000	95,000	0	95,000	2,25,000
22 lac	3,50,000	2,50,000	1,00,000	0	1,00,000	2,50,000
23 lac	3,80,000	2,75,000	1,05,000	0	1,05,000	2,75,000
24 lac	4,10,000	3,00,000	1,10,000	0	1,10,000	3,00,000
25 lac	4,40,000	3,30,000	1,10,000	0	1,10,000	3,30,000
50 lac	11,90,000	10,80,000	1,10,000	0	1,10,000	10,80,000

* For income above 12 lac, in the case of resident individuals, marginal relief shall be allowable .

Q.5. What is the maximum total income for which tax liability for individual taxpayers is NIL.

Ans. In the proposed new tax regime, the maximum total income for which tax liability for individual taxpayers is NIL is Rs. 12 lakhs.

Q.6. To claim benefit of NIL tax liability mentioned above, what are the steps required to be taken?

Ans. The benefit of such Nil tax liability mentioned above is available only in the new tax regime. This New tax regime is the default regime. To avail the benefit of rebate allowable under proposed provisions of new tax regime, only return is to be filed otherwise no other step is required to be taken.

Q.7. The change in tax slabs is beneficial for which category of persons?

Ans. New tax regime is applicable to person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2. Accordingly, change in tax slabs will benefit all these persons.

Q.8. How will a person who has an income Rs 12 lac benefit from new rates?

Ans. Any individual earlier was required to pay a tax of Rs 80,000 (in the new regime) for an income of Rs. 12 lacs. Now he will be required to pay nil tax on such income.

Q.9. Whether the limit of total income for NIL tax payments has increased in this budget?

Ans. Yes, the limit of total income for NIL tax payments in the new tax regime has been increased to Rs. 12 lakhs in this budget provided the taxpayer files ITR to avail the rebate.

Q.10. What was the earlier limit of income for nil tax payment?

Ans. Earlier the limit of income for nil tax payment was Rs 7 lac. By increasing this limit to Rs 12 lakh around one crore assesseees who were earlier required to pay tax varying from Rs 20,000 to Rs 80,000 will be now paying nil tax.

Q.11. Is the standard deduction on salary available in the new regime?

Ans Yes, a standard deduction of Rs. 75,000 is available to a tax payer in the new regime. Therefore, a salaried tax payer will not be required to pay any tax where his income before standard deduction is less than or equal to Rs 12,75,000.

Q.12. Whether standard deduction is available in old regime?

Ans. Standard deduction of Rs. 50,000 is available in old regime.

Q.13. How many tax payers will benefit from the new rates and slabs?

Ans. Presently, for AY 2024-25, about 8.75 crore persons have filed their ITRs. All such assesseees who were paying tax in the new tax regime will benefit from the change in rates and slabs.

Q.14. What is the extra amount available to the taxpayers as a result of this change?

Ans. Approximately Rs. 1 lakh crore will be made available in the hands of the taxpayers by virtue of changes in slab, rates and rebate.

Q.15. How is the marginal relief available to individuals?

Ans. In the new regime under section 115BAC(1A), marginal relief is available to only resident individuals who have income marginally above Rs. 12 lacs. For example, for a person having income of Rs. 12, 10,000/-, in the absence of marginal relief, the tax, works out to be Rs. 61,500/-(5% of Rs.4 lacs+10% of 4 lac and 15% of Rs.10 thousand). However, due to marginal relief, the amount of tax to be actually paid is Rs. 10,000/-.

Q.16. How much tax will be paid by a tax payer having income of Rs 12,10,000? What is marginal relief?

Ans. The tax liability on such tax payer by way of slabs only is Rs. 61,500. However a person having Rs 12 lac income pays nil tax. By providing marginal relief it has been ensured that the tax payable by a person having income marginally above Rs 12 lacs is required to pay only marginal amount of tax equal to the amount of income above Rs 12 lacs so that his carry home is also Rs 12 lacs. In this case he will be required to pay a tax of Rs 10,000.

Income	Tax without Marginal relief (Rs.)	Tax actually payable with marginal relief
Rs 12,10,000	61,500	10,000
Rs 12,50,000	67,500	50,000
Rs 12,70,000	70,500	70,000
Rs 12,75,000	71,250	71,250 [No marginal relief]

Q.17. How the marginal relief is computed?

Ans. The marginal relief is computed in the following manner:-

(i) First the tax as per slab rate is computed on the total income.

For e.g. In the answer given to question no.15 above, tax on the total income of Rs.

12,10,000/-shall be computed in following steps:

Sl.No.	Amount to be charged (out of total income of Rs. 12, 10,000/-)	Tax Amount as per slab rates
1.	Initial amount of 4 lac	Nil (being basic exemption)
2.	Tax on subsequent amount of 4 lac (from 4 lac to 8 lac)	Rs. 20,000 (being 5% of Rs. 4 lac)
3.	Tax on subsequent amount of 4 lac (from 8 lac to 12 lac)	Rs. Rs. 40,000/- (being 10% of Rs. 4 lac)
4.	Tax on balance amount of Rs. 10,000/-	Rs. 1500 ((being 15% of Rs. 10,000)
	Aggregate tax liability	Rs. 61, 500/-

- (ii) Tax payable on total income of Rs. 12,00,000/- on which rebate is available is Nil.
- (iii) Now the tax liability without marginal relief (in this case Rs. 61,500) shall be compared with amount exceeding total income upto which rebate is available [in this case Rs. 10,000, [i.e. Rs.12,10,000- Rs. 12,00,000]
- (iv) The marginal relief shall be computed by deducting the income exceeding Rs. 12, 10,000 (i.e. Rs.10,000) from total tax liability determined in this case (i.e. Rs. 61,500) as tabulated above.
- (v) Therefore, in the above case rebate by way of marginal relief is Rs. 51,500 (61,500/- 10,000/-= 51,500/-) is allowed.
- (vi) Tax payable is therefore Rs. 10,000 [Rs. 61,500-Rs.51,500]

Q.18. What is the maximum amount of rebate available to any tax payer?

Ans. The maximum rebate available is Rs 60,000 which is there for a tax payer having income of Rs 12 lacs on which tax is payable as per the new slabs.

Q. 19. What is the total income till which marginal relief is admissible?

Ans. The total income till which marginal relief is available is near about Rs. 12,75,000/-.

Q.20. Whether special income having special rate such as capital gains, lottery etc. also be eligible for rebate?

Ans. No rebate is not available on income from capital gains or lotteries or any other income on which special rate has been provided in the Act. It is available only on the tax payable as per slabs under section 115BAC.

Q.21. What is the difference between rebate and marginal relief?

Ans: Rebate is the deduction from tax which is available to tax payers having income upto Rs. 12 Lacs in the new regime. Marginal relief ensures that taxpayers having income marginally higher than Rs. 12 lacs do not pay tax more than the income in excess of 12 lacs.

FAQ no. 18 Rationalization of rates and threshold of tax deducted at source (TDS) and tax collected at source (TCS)

Q.1 What are the main changes in Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) proposed by the Budget 2025?

Ans. (i) To improve ease of doing business and better compliance by taxpayers, certain rates of TDS and TCS has been rationalized.

(ii) Threshold limit for applicability of the TDS and TCS provisions has also been increased.

Q.2 What are the changes proposed in Finance Bill, 2025 with regard to rates of TDS and TCS?

Ans. Following changes are proposed in the **rates** of TDS and TCS:

S. No.	Section of the Act	Existing TDS/TCS Rate	Proposed TDS/TCS Rate
1.	Section 194LBC - Income in respect of investment in securitization trust	25% if payee is Individual or HUF and 20% otherwise	10%
2.	Sub-section (1) of section 206C – TCS on timber or any other forest produce (not being tendu leaves) obtained under a forest lease and timber obtained by any mode other than under a forest lease	2.5%	2%
3.	Sub-section (1G) of section 206C – TCS on remittance under LRS for purpose of education, financed by loan from financial institution	0.5% after Rs. 7 lakh	Nil

Q.3 What are the changes proposed in Finance Bill, 2025 with regard to threshold of TDS and TCS?

Ans. Following changes are proposed in the **threshold** of TDS and TCS:

S. No.	Section of the Act	Present TDS/TCS threshold (in Rs.)	Proposed TDS/TCS threshold (in Rs.)
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1.	193 - Interest on securities	Nil	10,000/-
2.	194A - Interest other than Interest on securities	(i) 50,000/- for senior citizen; (ii) 40,000/- in case of others when payer is bank, cooperative society and post office (iii) 5,000/- in other cases	(i) 1,00,000/- for senior citizen (ii) 50,000/- in case of others when payer is bank, co-operative society and post office (iii) 10,000/- in other cases
3.	194 – Dividend, for an individual shareholder	5,000/-	10,000/-
4.	194K - Income in respect of units of a mutual fund or specified company or undertaking	5,000/-	10,000/-
5.	194B - Winnings from lottery, crossword puzzle etc.	Aggregate of amounts exceeding 10,000/- during the financial year	10,000/- in respect of a single transaction
6.	194BB - Winnings from horse race		
7.	194D - Insurance commission	15,000/-	20,000/-
8.	194G - Income by way of commission, prize etc. on lottery tickets	15,000/-	20,000/-
9.	194H - Commission or brokerage	15,000/-	20,000/-
10.	194-I Rent	2,40,000/- during the financial year	50,000/- per month or part of a month
11.	194J - Fee for professional or	30,000/-	50,000/-

	technical services		
12.	194LA - Income by way of enhanced compensation	2,50,000/-	5,00,000/-
13.	206C(1G)- Remittance under LRS and overseas tour program package	7,00,000/-	10,00,000/-

Q.4 From when will these changes be made applicable?

Ans. These changes will be effective from 01.04.2025.