

IS NEW TAX REGIME FIT FOR LATE TAX PLANNERS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Are you waking up to [tax planning](#) now that the deadline is almost up? Can't you decide which investments to make? Or don't you have enough surplus to make investments that will help cut your tax bill? The new tax regime could be your best bet to lower this year's tax outgo.

Introduced in 2020, the [new tax regime](#) comes with more tax slabs at lower rates compared to the old regime (see table), but at the same time, does away with all major tax breaks.

"For someone who has delayed tax planning until the last minute, they should calculate their tax outgo under the lower tax rates of the new regime instead of randomly picking investments for tax breaks in haste just to fulfill the current fiscal's requirements," says Prableen Bajpai, founder, Fifix.

"It is better to pay some tax under the new regime than to lock in a lump sum in an investment that doesn't align with your financial goals just to save tax this year."

Note down all the tax-saving investments and expenditures, including payments towards home and education loan, insurance premiums, stamp duty and registration fee towards a property purchase, children's tuition fee etc, done so far.

Deduct these from your total income to arrive at net taxable income and calculate the tax you would have to pay on it.

Now, calculate your tax liability under the new tax regime wherein you will have to forego most tax breaks. Depending on the amount of tax outgo under both the options, you can make a decision.

New tax regime also offers tax breaks on certain investments, including deduction on employer's contribution to employee's National Pension Scheme (NPS) account, exemption on maturity proceeds from life insurance policy, PPF, Sukanya Samriddhi Yojana account, etc.

Take note that salaried taxpayers have the option to switch between the two regimes each fiscal, but those with business income or income from profession can switch back to the old regime after opting for the new regime only once in their lifetime.

Income from freelance stints and derivatives trading also qualifies as business income, so salaried individuals with either will be considered individuals with business income for tax filing and won't have the option to move between the two tax regimes.

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