

ADVISORY NO: 16/2024

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C/7099/Policy/SAPCS/2024

19 Nov 2024

HQs Comd (A)
HQs Corps (A)
HQs SFC (A)

DEDUCTIONS/ EXEMPTIONS ON INCOME TAX ALLOWED
NEW TAX REGIME

1. No of queries have been recd from envt regarding IT exemption and deductions allowed under New Tax Regime.
2. New Income Tax regime is the Default Tax Regime; however, Taxpayers have an option to choose Old Tax Regime.
3. **New Tax Regime.** The new tax regime was introduced in Budget 2020 wherein the tax slabs were altered, and taxpayers were offered concessional tax rates. However, those who opt for the new regime cannot claim several exemptions and deductions, such as HRA, LTA, 80C, 80D, and more. Main features of the new tax regime are as under:-

(a) **Higher Tax Rebate Limit.** Full tax rebate on an income up to ₹7 lakh has been introduced, whereas this threshold is ₹5 lakh under the old tax regime. This means that taxpayers with an income of up to ₹7 lakh will not have to pay any tax at all under the new tax regime.

(b) **Streamlined Tax Slabs.** The tax exemption limit has been increased to ₹3 lakh and the new tax slabs are as under:-

Ser No	Tax Slab for FY 2024-25	Tax Rate
(i)	Upto ₹3 lakhs	Nil
(ii)	₹3 lakh - ₹7 lakh	5%
(iii)	₹7 lakh - ₹10 lakh	10%
(iv)	₹10 lakh - ₹12 lakh	15%
(v)	₹12 lakh - ₹15 lakh	20%
(vi)	More than ₹15 lakh	30%

(c) **Salary Income.** The standard deduction of ₹50,000/- which was only avbl under the old regime, has now been extended to the new tax regime as well. This amount has been incr to ₹75,000/- for the new regime only wef FY 2024-25.

(d) **Family Pension.** Those receiving family pension can claim a deduction of ₹15,000/- or 1/3rd of the pension, whichever is lower. This amount has been increased to ₹25,000/- for the new regime wef FY 2024-25.

(e) **Reduced Surcharge for High Net Worth Individuals.** The surcharge rate on income over ₹5 crore has been reduced from 37% to 25%.

(f) **Higher Leave Encashment Exemption.** The exemption limit for non-government employees has been raised from ₹3 lakh to ₹25 lakh.

4. **Old Tax Regime.** The old regime is the tax system that prevailed before the introduction of the new regime. Under this regime, there are over 70 exemptions and deductions available including HRA and LTA that can reduce taxable income and lower tax payments. The most popular and generous deduction is Sec 80C, which allows for a reduction of taxable income up to ₹1.5 lakh. The taxpayers have a choice between the old and the new tax regime.

5. **Exemptions Allowed in New Tax Regime.**

- (a) Conveyance Allowance for performance of Office Duties.
- (b) Any Allowance for cost of Travel/ Tour/ Transfer.
- (c) Transport Allowance for differently abled employee (Divyang) up to ₹3,200/- p.m.
- (d) Daily allowances received to meet the expenditure incurred on account of absence from place of duty.
- (e) Any allowance granted to meet the expenditure incurred on **purchase or maintenance of uniform.**
- (f) Leave Encashment u/s 10(10AA).
- (g) Gratuity u/s 10(10).
- (h) Interest and final payment under AFPP/ DSOP Fund u/s 10(11).
- (j) Sum received from Life Insurance Policy u/s 10(10D).
- (k) Commutation of Pension u/s 10(10A).
- (l) Interest and withdrawal from Recognised Provident Fund u/s 10(12).
- (m) Standard Deductions on Family Pension u/s 57(IIA).
- (n) Deductions on Deposits in Agniveer Corpus Fund u/s 80CCH(2).
- (o) Employer's contributions to employees NPS Accounts u/s 80CCD(2).

6. **Exemptions not Allowed in New Tax Regime.** Exemptions/ deductions of Old Tax Regime not allowed in New Tax Regime are as under:-

- (a) Deductions under Chapter VIA (u/s 80C, 80CCC, 80CCD, 80DDB, 80EE, 80EEA, 80G, 80IA etc) (max limit of ₹1.5 lakh).
- (b) Allowances u/s 10(14) which incl CEA, Hostel expenditure, Tpt allce, Spl compensatory allce (incl fd area allce), Counter Insurgency allce, High Altitude allce & Island Duty allce.
- (c) Deductions u/s 32AD which allows businesses and professionals to claim a deduction for the wear and tear of their assets used in generating income, 33AB, 33ABA, 35AD, 35CCC.
- (d) HRA u/s 10 (13A).
- (e) Leave Travel Allce u/s 10(5).
- (f) Entertainment Allce and Employment/ Professional Tax.
- (g) Home Loan Interest u/s 24(b).
- (h) Donation or Expdr on Scientific Research.
- (j) Depreciation u/s 32(ia).

7. **Comparison Between Old vs New Tax Regime.** Comparison between the deductions and exemptions avbl under the new and old tax regime are as under:-

Ser No	Particulars	Old Tax Regime	New Tax Regime
(a)	Income level for rebate eligibility	₹5 lakh	₹7 lakh
(b)	Standard Deduction	₹50,000/-	₹75,000/-
(c)	Effective Tax-Free Salary income	₹5.5 lakh	₹7.75 lakh
(d)	Rebate u/s 87A	₹12,500/-	₹25,000/-
(e)	HRA Exemption	✓	X
(f)	Leave Travel Allce (LTA)	✓	X
(g)	Other allces incl food allce of ₹50/ meal subject to 2 meals a day	✓	X
(h)	Standard Deduction	✓	✓
(j)	Entertainment Allce and Professional Tax	✓	X
(k)	Perquisites for official purposes	✓	✓
(l)	Interest on Home Loan u/s 24b on: Self-occupied or vacant property	✓	X
(m)	Interest on Home Loan u/s 24b on: Let-out property	✓	✓

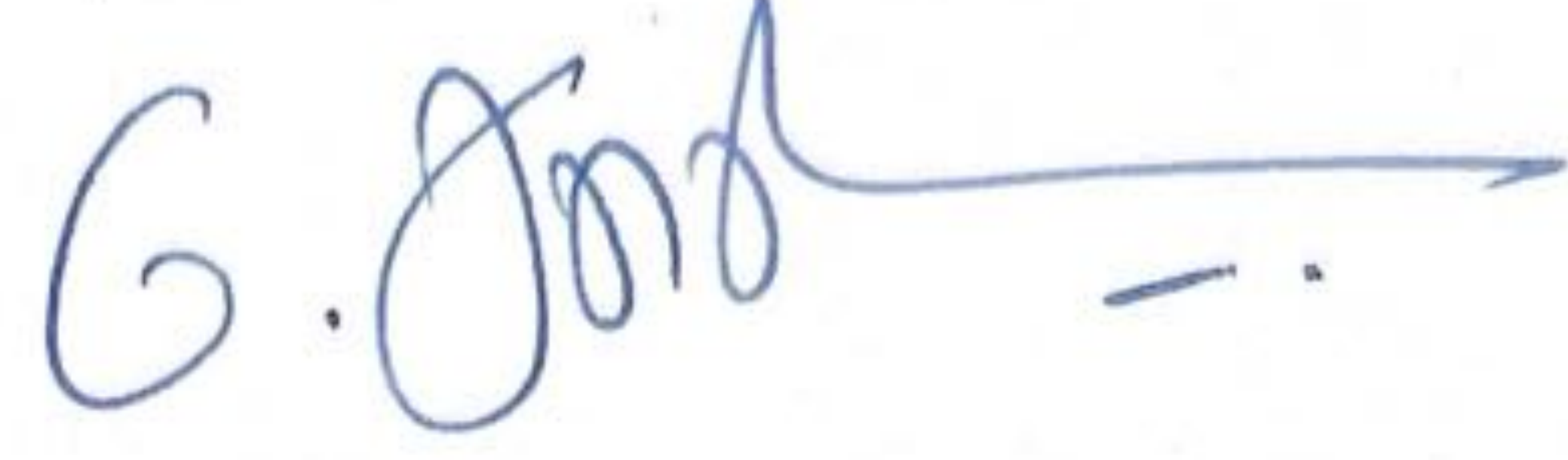
Ser No	Particulars	Old Tax Regime	New Tax Regime
(n)	Deduction u/s 80C (EPF/ LIC/ ELSS/ PPF/ FD/ Children's tuition fee etc)	✓	X
(o)	Employee's (own) contribution to NPS	✓	X
(p)	Employer's contribution to NPS	✓	✓
(q)	Medical insurance premium - 80D	✓	X
(r)	Disabled Individual - 80U	✓	X
(s)	Interest on education loan - 80E	✓	X
(t)	Interest on Electric vehicle loan - 80EEB	✓	X
(u)	Donation to Political party/ trust etc - 80G	✓	X
(v)	Savings Bank Interest u/s 80TTA and 80TTB	✓	X
(w)	Other Chapter VI-A deductions (incl Secs 80C, 80CCD, 80D, 80E, 80EE, 80G, 80U, 80TTA and 80TTB)	✓	X
(x)	All contributions to Agniveer Corpus Fund - 80CCH	✓	✓
(y)	Deduction on Family Pension Income	✓	✓
(z)	Gifts upto ₹50,000	✓	✓
(aa)	Exemption on voluntary retirement 10(10C)	✓	✓
(ab)	Exemption on gratuity u/s 10(10)	✓	✓
(ac)	Exemption on Leave encashment u/s 10(10AA)	✓	✓
(ad)	Daily Allowance	✓	✓
(ae)	Conveyance Allowance	✓	✓
(af)	Tpt Allowance for a specially-abled person	✓	✓

8. Disclaimer.

- (a) When total deductions are more than ₹3.75 lakh, the old tax regime will be more beneficial.
- (b) When total deductions are less than ₹1.5 lakh, the new tax regime will be more beneficial.
- (c) When total deductions are between ₹1.5 lakh to ₹3.75 lakh, choice will depend on gross total income.

(d) IT calculator avbl in public domain may be used before choosing the tax regime.

9. This advisory may be disseminated down to unit level.



(गौरव दलाल / Gaurav Dalal)

कर्नल/ Col

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Col Standing Army Pay Commission Sec

कृते एडजुटैन्ट जनरल/ for Adjutant General

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