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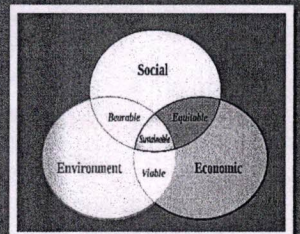
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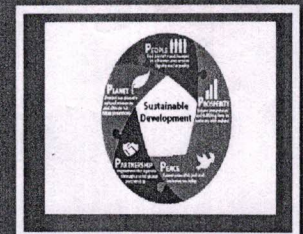
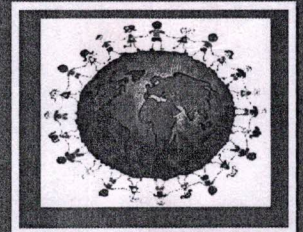


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## **New Direct Tax Reform: Its Impact on Individual Taxpayers**

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### **Abstract:**

The tax system of every country plays a very important role to develop the economy and standards of living of peoples in the countries. Tax policies contribute revenue but another effect is that it reduces the income of living people. A new tax regime was introduced in the Union Budget in 2020. It is very useful for those people who are not saving in terms of deduction into LIC, PF, etc. and another kind of payment on house loan interest. This new regime does not come in place of the old regime but it is a choice to those individuals and HUF. It also includes those salaried people who cannot have an option to convert their new policy to old policy. They carried business and consulting.

**Keywords:** Tax Policy, Income Tax, Tax rate.

### **Introduction:**

It is necessary to run any country and its economy government required revenue. For generating revenue to run country government charge on individual income, such charges on Income individuals are called a tax or Government revenue. Tax is a compulsory charge by the government on an individual or a company to generate income for giving the best amenities fulfillment of the basic necessity. Income tax also useful for cut disparities of reach person earnings and wealth to small person earnings.

The Indian tax system has two main types: as follows:

#### **1. Direct Tax:**

Direct tax is a tax paid by any individual or organization to the government of India. Direct tax contains Income tax, Capital gain, gift tax, and wealth tax. Among all these taxes Income tax is very important. A direct tax cannot be transferred one person to another person as indirect taxes. Only a person who earns income or his responsibility fulfillment all requisites and payment of tax, Direct tax levied on a person who earns more, who has more wealth, someone who sale a property they paid more taxes. Simply whose income high he or she paid more tax and low-income people pay low taxes.

#### **2. Indirect Tax:**

Indirect tax has differed from a Direct Taxed to execute on an individual or any entity. In this type tax is applied goods or services (GST) taken by any individual and sale goods or services. The sellers of services and goods first collect tax from the customer and then he paid to the government. In India, there is a different type of indirect taxes-

1. GST (Goods and Service Tax)
2. Entertainment Tax
3. Value Added Tax
4. Professional Tax
5. Local body taxes

### **Income Tax :**

It is a tax paid by any person who stated in the income tax act on earnings and gains. As per the Income Tax Act, everyone should be file income tax return yearly as per their business or profession whose earning is more than limit given in slab. Income Tax charges are different from



individuals and businesses or professions. An individual can earn from wages, salary, and other income from interest, etc. Business income tax charges on big corporations, small industries, Partnerships, and those people who engage in self-business. The following are the heads of income for the calculation of income tax.

1. Income from salaries
2. Income from business and profession
3. Income from the head of Capital Gain.
4. Income from the head of House property
5. Income from other sources

**All the above sources of a different person it includes.**

1. Individual
2. Company
3. Firm
4. Hindu Undivided Family
5. Body of Individuals
6. Local Authorities
7. Artificial judicial persons not falling in any of the preceding categories.

All above-said persons are eligible for taxes whose income more than the limit stated in the act or change as per time to time. These taxes are calculated based on policies or regimes decided by the finance minister or government in the yearly budget. This paper will discuss a new tax policy for individual and Hindu Undivided Family for filing the income tax return and changes happen in the slab rate in FY 2020-21 or AY 2021-22 stated in Union Budget 2020.

#### **Objectives of the study-**

1. To learn the income tax structure in India.
2. To study the Income Tax and different sources and persons include in the Income tax Act.
3. To Study, the New tax regime stated in the union budget 2020.
4. To study the impact of a new tax regime on Individual taxpayers.

#### **Research Methodology**

The study depends on secondary data which is from web pages, articles, books. All numbers or percentages are taken from Income Tax department web sites.

#### **Tax Calculation Policy-**

Tax is calculated by different tax rates on different Income slabs. Income slab changes as per the situations by the central government from time to time. Income is calculated by adding all the above-said sources by an individuals or Hindu Undivided Family (HUF) and take exemption and deduction those allowed in the income tax act for calculating the taxable income. After taken all exemption and deduction remaining amount is taxable on that amount tax is calculated. For calculating tax there is a different slab existing in the income tax act. That slab executes as per individual age and citizenship of a person. In India, tax slab differed as per age below 60, above 60 below 80 called a senior citizen, and above 80 called a super senior citizen.

#### **New Tax regime clause 53 new Sec insert 115 BAC in finance bill 2020**

In the union budget, 2020 the finance minister of India brings a new tax policy or the newly involved Sec 115 BAC in place of the old tax policy on a voluntary base means any Individual and Hindu Undivided Family they can choose whatever policy to execute for calculating the income tax. Besides, with his income tax return supplied sec 139(1) of the income tax act.



In the sec 115BAC offers a concessional slab rate on Income base. In this sec they explain some like that taxable income calculated not taken any benefit deduction and exemption given sec 80C (Include LIC, PF, DCPS Home loan Principal repayment, etc.), 80D (Health Insurance Premium) in exemption sec 10 (13A) House rent Allowance and also sec 24b of Payment to Interest on Home loan, etc. before selecting new tax regime Individual should calculate his taxable income and fixed which is more profitable for him.

**Important Condition for calculating taxable income given in union budget 2020 clause 53 of finance bill concerning insert new sec 115BAC**

1. Taxable income is computed without taken deduction and exemption stated above.
2. Not allowed any losses taken into consideration in calculating taxable income.
3. As per finance bill if you have business income for them this option executes in once for the succeeding assessment year.
4. Anyone who has a pension and salary income has a chance to change option new regime to old vice versa.

**Old Tax regime-**

In the old tax regime of the Income Tax Act 1961, a person can take all benefits in consideration of all exemption and deductions as stated in the act. In old regime Individual and Hindu Undivided Family salaried who have income with business and profession can take all types of deduction stipulated VI and also all exemption who is eligible for and Included in income tax act with concern limit. In the old regime you can claim Home loan interest paid and Repayment amount also you can take a deduction of 80C, 80D, etc.

In the old regime, there is a difference between a business person who gets a salary and only salaried people. Both can take the benefit of freehanded, not any choice it compulsory to every person.

All the above description following are the slab for the new tax regime and old tax regime for individual and Hindu Undivided Family.

**Income tax Rate Slab as per old Tax Regime**

Income Tax Slab	Tax Rate	Tax Amount
Up to Rs.2.5 Lakh	Nil	0
Rs.2.5 Lakh to 5 Lakh	5%	12500 /-
Rs.5 Lakh to 10 Lakh	20%	12500 +100000/-
Rs.10 Lakh above	30%	125000+

After calculating the tax amount Health and Education cess of 4% is Applicable.

**Income tax Rate slab as per New Tax Regime**

Income Tax Slab	Tax Rate	Tax Amount
Up to Rs.2.5 Lakh	Nil	0
Rs.2.5 Lakh to 5 Lakh	5%	12500 /-
Rs.5 Lakh to 7.5 Lakh	10%	12500 +25000/-
Rs.7.5 Lakh to 10 Lakh	15%	37500+37500/-
Rs.10 Lakh to 12.5 Lakh	20%	75000+50000/-



12.5Lakh to 15 Lakh	25%	125000+62500/-
15 lakh and above	30%	187500+ above

After calculating the tax amount Health and Education cess of 4% is Applicable.

Above said the new tax regime has its charges lower rates income on taxes. It is applicable in an FY 2020-21 and also a choice who wants the old regime or new regime. The new regime change as per lower rate as compared to the old regime in the limit of income 10 Lakh above is 30 % tax on taxable income and in the new tax regime rates are increasing as per income increase 5%, 10 % 15% 20 % 25% up to 15lakh and above 30 % rate on that 4% health and education cess applies to both regime.

Explain with an example of salaried people whose income Rs.10.5 lakh per Annam calculation of the tax as per the Old tax regime and new tax regime

Old Tax Regime			New Tax Regime		
<b>Gross Total Income</b>		<b>10,50,000</b>	<b>Gross Total Income</b>		<b>10,50,000</b>
Deduction and Exemption					
Standard Deduction		50,000			
Interest on House rent		2,00,000			
Deduction U sec 80C		1,50,000			
Deduction U sec 80D		25,000			
<b>Net Taxable Income</b>		<b>6,25,000</b>	<b>Net Taxable Income</b>		<b>10,50,000</b>
2.5 to 5 Lakh	5%	12,500	2.5 to 5 Lakh	5%	12,500
5 to 10 Lakh	20%	25000	5 to 7.5 Lakh	10%	25,000
Above 10 Lakh	30%	Nil	7.5 to 10 Lakh	15%	37,500
			10 to 12.5 Lakh	20%	10,000
			12.5 to 15 lakh	25%	Nil
			Above 15 Lakh	30%	Nil
<b>Total Tax Liability</b>		<b>37,500</b>	<b>Total Tax Liability</b>		<b>85,000</b>
Health and Education Cess	4%	1500	Health and Education Cess	4%	3400
<b>Tax Liability</b>		<b>39,000</b>	<b>Tax Liability</b>		<b>88,400</b>

The above example explains that the new tax regime charge more tax as relating the old tax system. But who have not any deduction and exemption they can take the benefit of the new tax regime? So a new tax regime is suitable for who those have less deduction and exemption.

#### **Impact of new tax regime on Individual and Hindu Undivided Family taxpayers**

Individual and Hindu Undivided Family cannot take any benefit of deductions and exemption. Those who are salaried person but he/she have another source from business or profession he/she cannot take benefit of change policy to every year as per their accessibility. Anyone salaried person whose business stop in the future they can take benefit of the new tax regime to old tax regime accessibility every year.

#### **Conclusion:**

As per new section included in the income tax clause 53, Sec 115BAC is the new tax rate policy for individual and Hindu Undivided Family for calculating their income tax is good to them whose income have less deduction and exemption but those can not afford new policy they have more deduction and exemption of his /her saving. A businessperson can take a new regime policy but they have also a compulsion to follow the same policy every year. They have not any choice to change next year. If anyone has a salaried person also with has consulting income or



business income he/she does not have a chance to change his policy to every year but after closing business and consulting income he can available that option mention in Sec 115BAC.

Announcing the new regime is beneficial to those who have fewer amounts of deduction and exemption. They should be chosen a new policy and those have more saving those chosen the old policy. Otherwise first you calculate your tax liability and then choose which is better for us.

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