



Comprehensive Section 115BAC Overhaul and Understanding the Sweeping Changes to Section 115BAC

Description

The Finance Act of 2023 brought significant changes to Section 115BAC of the Income Tax Act, notably revising the tax regime for individuals, HUFs, and now including AOPs, BOIs, and Artificial Judicial Persons. These amendments have created a new default tax regime and provided new provisions for tax computation, deductions, and rebates.

Here's a summarized explanation of the provisions:

1. **Tax Slabs and Rates:** The basic exemption limit under the new tax regime has been raised to ₹3,00,000. The tax slabs now range from 0% for income up to ₹3,00,000 to 30% for income above ₹15,00,000.

Tax Slab	Rates
Up to Rs. 3,00,000	NIL
Rs. 300,001 to Rs. 6,00,000	5%
Rs. 6,00,001 to Rs. 900,000	10%
Rs. 9,00,001 to Rs. 12,00,000	15%
Rs. 12,00,001 to Rs. 1500,000	20%
Above Rs. 15,00,000	30%

2. **Eligibility Expansion:** Initially applicable to only individuals and HUFs, the new regime now also includes AOPs, BOIs, and Artificial Judicial Persons.
3. **No Age-Based Distinctions:** Unlike the old regime, which had varying basic exemption limits for different age categories, the new regime offers a uniform exemption limit without any age-based distinctions.
4. **Deductions and Exemptions:** Taxpayers opting for the new regime will forfeit most deductions and exemptions, like HRA, LTA, and 80C deduction, among others. However, specific deductions such as leave encashment, VRS, gratuity, and certain others remain available. Standard deduction of Rs. 50,000/- is available in both new and old scheme.
5. **Rebate Provisions:** The Finance Act 2023 introduced a rebate of up to ₹25,000 for resident

individuals opting for the new tax scheme, provided their total income doesn't exceed seven lakh.

6. **Entry and Exit from New Scheme:** The new regime is the default tax regime. For person with business income, the option to switch to the old regime can be exercised only once, and if withdrawn, the switch back to the new regime is also allowed only once. For others, the choice can be made annually at the time of filing the return.
7. **Form Filing:** To opt out of the new regime, assessee with business income need to file a form 10-IEA before the due date of return filing under section 139(1). And assessee having income other than business have exercise old regime in income tax return by filling return before due date U/Sec 139(1).

I have further prepare various examples of cases for better understanding the above provision which are as follows :-

A. Cases having Business Income

All preceding years old scheme

Financial Year	Which Option Available	Option Ex
2024-25	Can excersie Both Option	New
2025-26	Can excersie Both Option	Old
2026-27	Old option will be default... For opting new option, old option has to be withdraw	Old

Opted for new Scheme in between FY 20-21 to 22-23 and not withdrawn

Financial Year	Which Option Available	Option Ex
2024-25	Can excersie Both Option	Old
2025-26	Old option will be default... For opting new option, old option has to be withdraw	New (With
2026-27	Has to adopt only new option henceforth (Can't opt old option now onwards)	New

Opted for new Scheme between FY 20-21 to 22-23 and withdrawn

Financial Year	Which Option Available	Option Ex
2024-25	Can excersie Both	New
2025-26	Can excersie Both	New
2026-27	Can excersie Both	Old

B. Cases not having Business Income

Opted for Any scheme.....

Financial Year	Option Available	Option Ex
2024-25	Both	Old
2025-26	Both	New
2026-27	Both	New

Category

1. Income Tax

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