PERSONAL FINANCE

Old or new tax regime? A simple way to decide before you file

With no tax on income up to ₹12 lakh under the new regime, most people should now choose it. Here is how to check if you are an exception.

By Economic.Express Desk · 20 June 2026 · 2 min read



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In 60 seconds

1. Under the new regime, income up to ₹12 lakh is effectively tax-free (₹12.75 lakh for salaried people).
2. The new regime has lower rates but allows few deductions.
3. The old regime may still win if you claim large HRA, home loan interest and 80C deductions.
4. Salaried taxpayers can choose the regime each year when filing.

As you file your income tax return for 2025-26, you have to choose between the old and new tax regimes. Since the changes in Budget 2025, the new regime has become the better choice for most people, but not for everyone.

Why the new regime is now hard to beat

Under the new regime, a tax rebate means there is no tax on income up to ₹12 lakh. For salaried employees, the ₹75,000 standard deduction lifts that to ₹12.75 lakh. The slabs are: nil up to ₹4 lakh, 5% from ₹4-8 lakh, 10% from ₹8-12 lakh, 15% from ₹12-16 lakh, 20% from ₹16-20 lakh, 25% from ₹20-24 lakh and 30% above ₹24 lakh.

When the old regime can still win

The old regime has higher rates but lets you claim deductions. Ask yourself three questions:

- Do you pay rent and claim HRA? Large HRA claims in a big city favour the old regime.
- Do you have a home loan? Interest of up to ₹2 lakh a year on a self-occupied home is deductible only under the old regime.
- Do you use your ₹1.5 lakh Section 80C limit through EPF, PPF, ELSS or insurance, plus health insurance under Section 80D?

> *If your deductions add up to only a few lakh rupees, the new regime almost always means less tax.*

How to decide

Use the tax calculator on the income tax portal or your employer's payroll tool and enter your actual income and deductions under both regimes. Salaried taxpayers can choose the regime each year when filing, so you are not locked in. People with business income have less freedom to switch back and forth.