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# **SALARIED EMPLOYEE'S COMPLETE TAX GUIDE**

**India · Tax Year 2026–27 · New Tax Regime & Old Regime**

*A Practical Reference for Understanding, Planning & Filing Your Taxes*

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# 1 Tax Slabs & Regime Comparison

India offers two tax regimes for salaried employees — the **New Regime (default)** and the **Old Regime (opt-in)**. Tax Year 2026-27 is the first year governed by the **Income Tax Act 2025** (replacing the 1961 Act from 1 April 2026). Slabs, limits, and benefits are UNCHANGED — only section numbers are renumbered.

## NEW

*Income Tax Act 2025 is now operative. Key renumberings: 80C → Section 123 · 80D → Section 126 · TDS on salary → Section 392 · Form 16 → Form 130. 'Financial Year / Assessment Year' is now simply 'Tax Year'. FY 2026-27 = Tax Year 2026-27.*

## 1.1 New Tax Regime — Tax Year 2026-27

The new regime is the default. Slabs were last revised in Budget 2025 and confirmed unchanged for Tax Year 2026-27 in Budget 2026.

Income Slab	Tax Rate	Tax on Slab	Cumulative Tax
Up to ₹4,00,000	Nil	—	—
₹4,00,001 – ₹8,00,000	5%	₹20,000	₹20,000
₹8,00,001 – ₹12,00,000	10%	₹40,000	₹60,000
₹12,00,001 – ₹16,00,000	15%	₹60,000	₹1,20,000
₹16,00,001 – ₹20,00,000	20%	₹80,000	₹2,00,000
₹20,00,001 – ₹24,00,000	25%	₹1,00,000	₹3,00,000
Above ₹24,00,000	30%	On excess	₹3,00,000 +

## ZERO TAX

*Section 87A rebate of ₹60,000 → zero tax for net taxable income up to ₹12,00,000. Add ₹75,000 standard deduction → gross salary up to ₹12,75,000 is completely tax-free for salaried employees. Note: 87A rebate does NOT apply to LTCG / STCG at special rates.*

## 1.2 Old Tax Regime — Tax Year 2026-27

Income Slab	Tax Rate	Notes
Up to ₹2,50,000	Nil	Basic exemption
₹2,50,001 – ₹5,00,000	5%	Rebate u/s 87A: zero tax up to ₹5L
₹5,00,001 – ₹10,00,000	20%	
Above ₹10,00,000	30%	30% kicks in at ₹10L vs ₹24L in new regime

The old regime allows deductions under Sections 80C/123, 80D/126, HRA, home loan interest, LTA and more — reducing taxable income before the slabs apply.

### 1.3 Head-to-Head Comparison: When to Choose Which

Factor	Favours New Regime	Favours Old Regime
Gross Salary $\leq$ ₹12.75L	Zero tax — clear winner	N/A
Gross Salary $>$ ₹12.75L	If deductions are low	If total deductions are large
80C Investments (Sec 123)	Low / nil (NPS 10% of Salary )	Maxed at ₹1,50,000 (2,00,000 with NPS)
Home Loan Interest (Sec 70)	No benefit here*	Claiming ₹2,00,000 deduction
HRA	Not renting / own house	Renting — high HRA city
80D Health Premium (Sec 126)	Minimal	Self + senior parents $\rightarrow$ ₹75,000
Employer NPS (Sec 124)	Available — use it!	Available — use it!
Standard Deduction	₹75,000	₹50,000
Paperwork burden	Very low — minimal proofs	High — receipts, proofs, certs

\*Interest paid out on let out property deductible against Rental Income

#### Quick Decision Rule for Tax Year 2026-27



Step 1 — If gross salary  $\leq$  ₹12,75,000: choose New Regime (zero tax). Step 2 — If higher: list every deduction you can genuinely claim (80C, 80D, HRA, home loan interest, NPS). If total deductions exceed ₹3,75,000 approximately, Old Regime likely wins. Run the exact numbers — the break-even point has shifted significantly with the new expanded slabs.



You can switch regimes every Tax Year (salaried employees with no business income). Declare your choice to your employer at the start of the year. You may also switch at ITR filing time (31 July 2027). If you miss the original deadline, a revised return can now be filed up to 31 March 2028 — but a fee applies (₹5,000 if income  $>$  ₹5L; ₹1,000 otherwise).

## 2 Ways to Reduce Your Tax

Tax reduction works on two tracks: (1) investing in deductible instruments under the old regime, and (2) restructuring your salary CTC. A few strategies work in both regimes.

### 2.1 Deductions & Exemptions Available

Strategy	Old Section	New Section (2025 Act)	Max Benefit	Regime
Standard Deduction	16(ia)	Sec 17	₹75,000 (new) / ₹50,000 (old)	Both
LI Premium / PPF / ELSS / EPF(Employee) / Loan Principal	80C	Sec 123	₹1,50,000	Old only
NPS Employee Contribution (extra)	80CCD(1B)	Sec 124	₹50,000 beyond 80C/Sec 123	Old only
Employer NPS Contribution	80CCD(2)	Sec 124	10% of Basic + DA	Both
Health Insurance — Self / Spouse / Children	80D	Sec 126	₹25,000	Old only
Health Insurance — Senior Citizen Parents	80D	Sec 126	₹50,000 additional	Old only
HRA Exemption	10(13A)	Sec 17	Formula-based	Old only
LTA (Leave Travel Allowance)	10(5)	Sec 17	Actual travel cost	Old only
Home Loan Interest (self-occupied)	24(b)	Sec 70	₹2,00,000	Old only
Education Loan Interest	80E	Sec 129	Full interest, no cap, 8 yrs	Old only
Savings Bank Interest	80TTA	Sec 140	₹10,000	Old only
Senior Citizen Interest Income	80TTB	Sec 141	₹1,00,000	Old only

### 2.2 Salary Restructuring (Works in Both Regimes)

- ▶ Employer NPS Contribution (Section 124 / old 80CCD(2)): The most powerful lever. Reduces taxable salary in BOTH regimes. Ask HR to route part of CTC as employer NPS.
- ▶ Food Cards / Meal Vouchers: Partially exempt in old regime (₹2,200/month). In new regime, treated as taxable perquisite — not useful.
- ▶ Internet & Telephone Reimbursement: Tax-free up to actual expense in old regime.
- ▶ Uniform / Dress Allowance: Tax-free for actual purchase/maintenance in old regime.

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## 3 Claiming Excess TDS Back

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TDS deducted on your salary (Section 392 of new Act) is advance tax. If TDS deducted > actual tax liability, you receive a REFUND — automatically computed when you file your ITR.

### 3.1 How the Refund Process Works

- File your ITR by 31 July 2027 for Tax Year 2026-27.
- The ITR computes your actual annual tax liability.
- Excess TDS is shown as refund due and credited to your pre-validated bank account.
- Ensure Aadhaar-linked PAN and pre-validated bank account are updated on the income tax portal.

#### **Key Action**



Cross-check Form 130 (formerly Form 16), Form 26AS, and AIS on the tax portal before filing. Discrepancies can delay refunds or trigger assessment notices. The portal now maps old and new section numbers side-by-side to help you during transition.

## 4 Section 123 (80C) and Section 126 (80D) Deductions

### NOTE

From Tax Year 2026-27, Section 80C is renumbered Section 123, and Section 80D is renumbered Section 126 under the Income Tax Act 2025. Benefits, limits, and eligible instruments are completely unchanged. **Both are available under the old regime only.**

### 4.1 Section 123 (formerly 80C) — ₹1,50,000 Investment Deduction (Mostly Old Regime)

Instrument	Lock-in	Return Profile	Tax on Maturity
PPF (Public Provident Fund)	15 years	Govt-backed ~7.1%	Fully tax-free (EEE)
ELSS (Equity Linked Mutual Funds)	3 years	Market-linked	LTCG above ₹1.25L taxable at 12.5%
EPF (Employee Provident Fund)	Till retirement	~8.15%	Tax-free if service > 5 years
Tax-Saver FD (5-year)	5 years	~6.5–7%	Interest fully taxable
NSC (National Savings Certificate)	5 years	~7.7%	Interest taxable annually
Life Insurance Premium	Policy term	Varies	Conditionally exempt
Sukanya Samriddhi Yojana	21 years	~8.2%	Fully tax-free
Home Loan Principal Repayment	None	N/A	N/A
Children's Tuition Fees (full-time)	None	N/A	N/A

#### Best Picks



ELSS: shortest lock-in (3 years) with equity growth potential. PPF: fully tax-free at maturity, sovereign-backed safety. EPF contributions already qualify — check if your employer's share counts. Total: ₹1,50,000 cap across all 80C/Section 123 instruments combined.

### 4.2 Section 124 (formerly 80CCD(1B)) — Extra ₹50,000 via NPS

Over and above the ₹1,50,000 Section 123 limit, you can claim an additional ₹50,000 by investing in NPS Tier I as an employee. This is old regime only. It is a separate, dedicated window — not clubbed with Section 123.

### 4.3 Section 126 (formerly 80D) — Health Insurance Deductions ( Old Regime)

Insured Category	Deduction Limit	Additional Notes
Self, Spouse & Children (below 60)	₹25,000	Includes preventive health check-up up to ₹5,000
Self, Spouse & Children (60+ years)	₹50,000	Senior citizen category
Parents (below 60 years)	₹25,000	Claimed by you, not by parents
Parents (60+ years — Senior Citizens)	₹50,000	Best category — pay parents' premium
MAXIMUM: Self below 60 + Parents 60+	₹75,000	₹25,000 + ₹50,000 combined
MAXIMUM: Self 60+ + Parents 60+	₹1,00,000	₹50,000 + ₹50,000 combined

#### **Tax Efficiency Tip**



Paying your senior citizen parents' health insurance premium gives you ₹50,000 additional deduction at zero extra personal cost if it's already part of your family budget. In the 30% bracket, that saves ₹15,600 in tax ( $₹50,000 \times 30\% + 4\%$  cess).

## 5 HRA Exemption — Claiming It Correctly

HRA exemption is available under the old regime only. Under the Income Tax Act 2025 it falls under Section 17 (formerly Section 10(13A)). The exemption equals the MINIMUM of three calculated values:

Condition	Formula
1. Actual HRA received	Annual HRA received from employer
2. Rent paid minus 10% of Basic + DA	Annual rent paid – (10% × annual Basic + DA)
3. Metro / Non-metro percentage	50% of Basic + DA (metro) OR 40% of Basic + DA (non-metro)
EXEMPT AMOUNT	Minimum of the above three values

### METRO CITIES

*Under the Income Tax Act 2025, 8 cities qualify for the 50% HRA exemption (up from 4 under the 1961 Act): Delhi, Mumbai, Chennai, Kolkata — plus Bengaluru, Hyderabad, Ahmedabad, Pune. If you live in any of these, use 50%; all others use 40%.*

### 5.1 Example

Parameter	Value
Monthly Basic Salary	₹50,000 (Annual: ₹6,00,000)
Monthly HRA Received	₹20,000 (Annual: ₹2,40,000)
Monthly Rent Paid	₹18,000 (Annual: ₹2,16,000)
City	Bengaluru (Metro — 50%)
Condition 1 — Actual HRA	₹2,40,000
Condition 2 — Rent paid – 10% of Basic	₹2,16,000 – ₹60,000 = ₹1,56,000
Condition 3 — 50% of Basic (metro)	₹3,00,000
Exempt HRA = MINIMUM of 3 conditions	₹1,56,000
Taxable HRA (₹2,40,000 – ₹1,56,000)	₹84,000

### 5.2 Documentation Required

- ▶ Monthly rent receipts — original, signed by landlord, with landlord name and address.
- ▶ Rental agreement (registered or notarised is preferred, especially for higher rent).
- ▶ If annual rent exceeds ₹1,00,000: landlord's PAN is mandatory. Without it, HRA claim may be disallowed.
- ▶ All rent payments should be through bank transfer — cash payments above ₹2,000 attract scrutiny.



You cannot claim HRA exemption and home loan interest deduction (Section 70/24b) for the same self-occupied property. If you own a home in the same city where you pay rent, be prepared to justify the genuine rental arrangement — the IT department may question it.

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## 6 TDS on Salary — Form 130, AIS and 26AS

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Three documents form the foundation of accurate ITR filing. From Tax Year 2026-27, Form 16 is renamed Form 130 under the Income Tax Act 2025.

### 6.1 TDS on Salary

Your employer deducts TDS each month under Section 392 (new Act) based on your estimated annual liability. The amount depends on:

- ▶ The regime you declared (new or old) at the start of the year.
- ▶ Investment declarations and proofs submitted by you.
- ▶ Other income disclosed to your employer (bank interest, rental income, etc.).

### 6.2 Form 130 (formerly Form 16) — Your Annual TDS Certificate

Part	Contains	Generated By
Part A	Employer details, your PAN, quarterly TDS deducted and deposited to govt	TRACES portal (Govt)
Part B	Salary breakup, exemptions (HRA, LTA), deductions (Sec 123/80C, Sec 126/80D), net taxable income, total tax	Your employer

Your employer must issue Form 130 by 15 June after the Tax Year. Verify Part A credit amounts against Form 26AS before filing your ITR.

### 6.3 Form 26AS — Your Tax Passbook

Available at [www.incometax.gov.in](http://www.incometax.gov.in). Shows:

- ▶ All TDS deducted on your PAN — salary, bank interest, rent, freelance payments.
- ▶ Advance tax and self-assessment tax payments made by you.
- ▶ Refunds issued to you in prior years.
- ▶ High-value transactions (mutual funds, property, large deposits).

### 6.4 AIS (Annual Information Statement)

More comprehensive than 26AS. Introduced FY 2021-22 and now the primary reference document. Includes:

- ▶ All financial transactions reported by third parties: banks, brokers, mutual funds, registrars, employers.
- ▶ Dividend income, interest income, capital gains, foreign remittances — pre-populated.
- ▶ You can file feedback directly on the AIS portal if any information is incorrect or duplicated.



Filing sequence: Form 130 (Part B) → build your ITR draft → cross-verify every figure against Form 26AS and AIS → reconcile any gaps → submit. This 3-document check eliminates 90% of filing errors and notice triggers.

## 7 The Salaried Employee's Tax Diary

A tax diary is a folder — physical or digital — where you collect every tax-related document throughout the year as it arrives. This eliminates the year-end panic and ensures nothing is missed.

Category	What to Collect / Track	When
Salary & TDS	Monthly payslips; Form 130 from employer	Monthly · June
EPF / PF	Annual EPF statement, UAN passbook	April–May
Sec 123 (80C) Investments	PPF passbook, ELSS statements, LIC premium receipts	As made
Sec 126 (80D) Health	Premium receipts — self and parents; cashless claim documents	On payment
NPS	Account statement, Tier I contribution receipts	Quarterly
Home Loan	Provisional then final interest certificate (interest + principal split)	March · April
HRA / Rent	Monthly rent receipts, rental agreement, landlord PAN	Monthly
Bank Interest	FD interest certificates; savings account annual statement	Year-end
Capital Gains	Mutual fund CAS (Consolidated Account Statement); stock contract notes	On transactions
Other Income	Freelance invoices, dividend warrants, interest received on loans given	On receipt
Form 26AS / AIS	Download from IT portal — cross-check with Form 130	May–June

## 8 Year-Round Checklist for Stress-Free Filing

Follow this calendar to convert ITR filing from a crisis into a routine. Every action has a month — nothing is left for the last week of July.

When	Action
April 2026 (Start of Tax Year)	Declare old vs new regime to employer. Start fresh investment declarations. If you joined from another employer, submit Form 12B so prior TDS is accounted for.
April–June 2026	Begin ELSS SIP or PPF top-up. Pay annual health insurance premium (claim receipt). Collect rent receipts from April. First advance tax instalment (15%) due 15 June if applicable.
June 2026	Receive Form 130 from employer. Download Form 26AS and AIS. Cross-check TDS credit amounts. File belated ITR for Tax Year 2025-26 (AY 2026-27) if not already done.
July 31, 2026	LAST DATE to file ITR for Tax Year 2025-26 (under old Income Tax Act 1961). Note: this is NOT the filing deadline for Tax Year 2026-27 — that is July 2027.
July–Sept 2026 (Q2)	Collect FD interest certificates mid-year. Check AIS for any unreported third-party transactions. Advance tax 45% cumulative due 15 September.
Oct–Dec 2026 (Q3)	Mid-year review: are Section 123 investments on track? Any new deductible event (hospitalisation, new loan)? Advance tax 75% cumulative due 15 December.
January 2027	Submit final investment proofs to employer for TDS adjustment (old regime). Ensure all Sec 123, 126, HRA, home loan proofs are compiled.
February–March 2027	Finalise all investments before 31 March. PPF deposit. NPS top-up. Outstanding insurance premium. Advance tax 100% due 15 March.
31 March 2027	LAST DAY for any investment or payment to count as a deduction for Tax Year 2026-27. No exceptions — the financial year ends at midnight.
April–May 2027	Download updated 26AS and AIS. Collect final home loan interest certificate. Organise all documents from the tax diary into a single folder.
31 July 2027	FILING DEADLINE for Tax Year 2026-27 under the Income Tax Act 2025. Revised return: up to 31 March 2028 (with fee).



Goal: By 31 May each year, every document is in hand. July 31 becomes a simple 30-minute exercise, not a scramble.

## 9 Tax Diary: Old Regime vs New Regime

Your diary's complexity drops dramatically in the new regime. Here's exactly what to collect — and what you can skip — based on your chosen regime.

Document / Action	Old Regime	New Regime
Monthly payslips	Required	Required
Form 130 (formerly Form 16)	Required	Required
Form 26AS & AIS cross-check	Required	Required
Capital gains statements (MF/stocks)	Required	Required
Bank FD interest certificates	Required (Sec 140)	Required (taxable income)
Rent receipts & rental agreement	Required (HRA)	Not needed
Sec 123 / 80C investment proofs	Required	Not needed
Sec 126 / 80D premium receipts	Required	Not needed
Home loan interest certificate	Required (₹2L deduction)	Not applicable
LTA travel bills	Required	Not needed
NPS employee contribution receipts	Required (Sec 124)	Not needed
Employer NPS contribution	Required (Sec 124)	Required (Sec 124 — available in both)
Effort level	High — document-intensive	Low — minimal paperwork

### **New Regime Simplicity**



If you are in the new regime, your entire tax diary reduces to 5 items: payslips, Form 130, Form 26AS, AIS, and capital gains statements. Everything else is irrelevant. This is the biggest quality-of-life advantage of the new regime.

## 10 Reducing Tax Deduction from Salary in New Regime

The new regime has very few levers — but the ones that exist are meaningful. These are all the exemptions and deductions still available in the new regime:

Benefit	Old Section	New Section	Amount	Notes
Standard Deduction	16(ia)	Sec 17	₹75,000	Automatic — no proof needed
Employer NPS Contribution	80CCD(2)	Sec 124	10% of Basic + DA	Most powerful lever in new regime
Gratuity Exemption	10(10)	Sec 26	Up to ₹20,00,000	On receipt, not annually
Leave Encashment (on retirement)	10(10AA)	Sec 26	Up to ₹25,00,000	At separation / retirement
VRS Compensation	10(10C)	Sec 26	Up to ₹5,00,000	Voluntary retirement only
Death-cum-retirement Gratuity	10(10)	Sec 26	Up to ₹20,00,000	On death / retirement
Transport — disabled employees	10(14)	Sec 17	Specified limits	Specific category allowance



HRA, LTA, Section 123 (80C), Section 126 (80D), and standard deductions beyond ₹75,000 are NOT available in the new regime. The only annual lever you have is employer NPS contribution (Section 124). Use it — it is the single most impactful CTC restructuring move for new regime employees.

## 11 Employer NPS Contribution & Food Cards

### 11.1 Employer NPS — The Most Underused Tax Tool

Parameter	Details
Applicable Section (old Act)	80CCD(2)
Applicable Section (new Act 2025)	Section 124
Private sector limit	Up to 10% of (Basic + DA) per year
Separate from 80C / Sec 123 limit?	Yes — completely separate, no overlap
Separate from extra ₹50,000 NPS?	Yes — this is employer's contribution, not employee's
Employee's out-of-pocket cost	Nil — employer contributes from CTC pool
Available in new regime?	YES — one of the very few deductions available in new regime
How to avail	Request CTC restructuring with HR — route a portion of salary as employer NPS
NPS maturity taxation	60% corpus tax-free at 60; 40% must be used for annuity (taxable as income when received)

#### EXAMPLE

Monthly Basic: ₹60,000. Employer can contribute up to 10% = ₹6,000/month = ₹72,000/year to your NPS Tier I. This ₹72,000 is deducted from your taxable salary — with zero extra cost to you, since it comes from your existing CTC. At 30% slab, that is ₹22,464 saved annually (₹72,000 × 30% × 1.04 cess).

### 11.2 Food Cards / Meal Vouchers

Parameter	Details
Applicable under	Old Regime and New Regime only — treated as exempt perquisite
Exemption amount	₹200 per meal × 2 meals per working day × 22 working days = ₹8,800/month
Annual exemption	₹105,600 per year
New Regime treatment	Treated as fully taxable perquisite — no benefit
Form	Meal vouchers, Sodexo, Zeta cards, cafeteria credits — any meal instrument
How to get	Request HR to include meal card as a CTC component — old and New regime

## 12 Home Loans & Tax Deductions — New Regime Detail

### CRITICAL

The new regime does NOT allow deduction of home loan interest (Section 70 / old 24b) on a self-occupied property. This is the single biggest financial disadvantage of the new regime for home loan borrowers.

### 12.1 Home Loan Tax Treatment — Old vs New Regime

Component	Old Regime	New Regime
Interest — Self-Occupied Property (Sec 70 / 24b)	Up to ₹2,00,000 deduction	NOT available
Principal repayment (Sec 123 / 80C)	Up to ₹1,50,000 (within Sec 123 cap)	NOT available
Interest — Let-Out Property (Sec 70 / 24b)	Full interest, no cap	Allowed — but see below
Loss from House Property vs Salary	Set-off up to ₹2,00,000 allowed	NOT allowed
Standard deduction on rental income	30% of Net Annual Value	Allowed
Municipal taxes paid	Deductible from rental income	Deductible from rental income

### 12.2 Self-Occupied Property — Key Rules

- ▶ Old regime: deduct up to ₹2,00,000 of annual loan interest. At 30% slab = ₹62,400 annual tax saving.
- ▶ New regime: NIL deduction allowed. This ₹62,400 saving is lost.
- ▶ Under-construction property: interest during construction period can be claimed in 5 equal instalments after possession (old regime only).

### 12.3 Let-Out Property — Special Rules in New Regime

- ▶ Rental income is taxable in both regimes.
- ▶ Deductions allowed in both regimes: municipal taxes paid + 30% standard deduction on Net Annual Value.
- ▶ Home loan interest on let-out property: allowed in both regimes without the ₹2L cap.
- ▶ HOWEVER: If total deductions exceed rental income (creating a house property loss), that loss can be set off against salary income in the OLD regime (up to ₹2L). In the NEW regime, the loss can ONLY be carried forward to offset future rental income — NOT set off against salary.

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## 12.4 When Does a Home Loan Tip the Regime Decision?

Add up your total effective deductions in the old regime:

Deduction	Typical Amount
Section 123 (80C) — investments	₹1,50,000
Section 70 / 24(b) — home loan interest	₹2,00,000
Section 126 / 80D — health insurance	₹50,000–₹75,000
HRA (if renting in addition)	Varies
Additional NPS (Sec 124 / 80CCD(1B))	₹50,000
Total deductions	₹5,00,000 – ₹6,25,000+

If total old-regime deductions exceed ₹5,00,000 on a ₹20L+ salary, the old regime will almost certainly save more tax than the new regime despite the lower slab rates.

## 13 Additional Tax Saving Suggestions & Quick Reference

### 13.1 Often-Missed Deductions (Old Regime)

Deduction	Section (New / Old)	Limit / Notes
Education Loan Interest	Sec 129 / 80E	Full interest, no rupee cap, 8 assessment years from first repayment
Donations to approved charities	Sec 132 / 80G	50%–100% of donation depending on fund; some with a 10% income cap
Rent without HRA in salary	Sec 137 / 80GG	Least of: ₹5,000/mo, 25% of total income, rent paid – 10% of income
Preventive health check-up	Sec 126 / 80D	₹5,000 within the overall 80D limit — even cash payment is allowed
Specified disease treatment	Sec 128 / 80DDB	Up to ₹40,000 (₹1,00,000 for senior citizens); doctor certificate required
Disability — self	Sec 134 / 80U	₹75,000 (40%+ disability); ₹1,25,000 (80%+ severe disability)
Savings account interest	Sec 140 / 80TTA	Up to ₹10,000 per year — for non-senior citizens
Senior citizen interest income	Sec 141 / 80TTB	Up to ₹1,00,000 per year — replaces 80TTA for those 60+

### 13.2 Recommended Investment Priority Ladder (Old Regime)

- Ensure EPF is active — automatic, risk-free, qualifies under Section 123.
- Maximise employer NPS (Section 124) — works in BOTH regimes; do this first regardless.
- Contribute ₹50,000 to NPS Tier I (employee, Section 124 / old 80CCD(1B)) — dedicated window beyond Section 123.
- Fill remaining Section 123 headroom to ₹1,50,000 — ELSS for growth, PPF for safety.
- Buy adequate health insurance — Section 126 benefit plus essential financial protection.
- If you have an education loan, claim full interest under Section 129 for 8 years.

### 13.3 Tax at Different Salary Levels — New vs Old Regime (Illustrative)

Gross Salary	New Regime Tax*	Old Regime Tax (Max Deductions**)	Better Option
₹8,00,000	₹0 (zero tax)	₹0 (zero tax)	New Regime (simpler)
₹12,75,000	₹0 (zero tax)	~₹27,300	New Regime (clear winner)
₹15,00,000	~₹1,09,200	~₹57,720	Old Regime
₹20,00,000	~₹2,08,000	~₹1,40,608	Old Regime
₹25,00,000	~₹3,58,800	~₹2,75,400	Old Regime
₹30,00,000	~₹5,08,800	~₹4,11,840	Old Regime

\* New Regime after ₹75,000 standard deduction and 87A rebate where applicable. NPS, Meal Plan CTC restructuring not included.

\*\* Old Regime assumes max 80C (₹1.5L) + 80D self+parents (₹75K) + home loan interest (₹2L) + standard deduction (₹50K) = ₹4.75L total deductions. Figures include 4% health & education cess.

*Figures are estimates only.*

### 13.4 Key Dates — Tax Year 2026-27

Date	Obligation
1 April 2026	Tax Year 2026-27 begins. Income Tax Act 2025 operative. Declare regime to employer.
15 June 2026	First advance tax instalment (15% of estimated tax) if your self-assessment tax > ₹10,000.
15 June 2026	Employer must issue Form 130 (formerly Form 16) for Tax Year 2025-26 by this date.
31 July 2026	Filing deadline for AY 2026-27 (FY 2025-26 — old 1961 Act applies to this filing).
15 September 2026	Advance tax — 45% cumulative for Tax Year 2026-27.
15 December 2026	Advance tax — 75% cumulative.
15 March 2027	Advance tax — 100% cumulative.
31 March 2027	Last day for investments / expenses qualifying for Tax Year 2026-27 deductions.
31 July 2027	Original ITR filing deadline for Tax Year 2026-27 (under Income Tax Act 2025).
31 March 2028	Revised return deadline for Tax Year 2026-27 (with fee; new extended window under new Act).

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### 13.5 Top 10 Mistakes to Avoid

- Not declaring the correct regime to your employer at the start of Tax Year 2026-27.
- Not submitting investment proofs on time — employer deducts excess TDS throughout the year.
- Changing jobs mid-year and not submitting Form 12B to new employer — leads to double taxation.
- Claiming HRA and home loan interest deduction for the same self-occupied property in the same city.
- Not cross-checking Form 130 / 26AS / AIS before filing — discrepancies trigger notices.
- Missing the July 31 deadline — incurs late filing fee and disallows carrying forward certain losses.
- Not reporting capital gains from mutual funds or stocks — AIS already has this data, mismatch flags you.
- Treating FD interest as tax-exempt — it is fully taxable and banks report it to the tax department.
- Trying to claim Section 123 (80C) deductions while in the new regime — they simply do not apply.
- Not pre-validating your bank account on the IT portal — this is the only reason many refunds get delayed.