

Income Tax Rates for FY 2025–2026: Everything You Need to Know

If you're planning your finances for the upcoming year, understanding the **Income Tax Rates for FY 2025–2026 (AY 2026–2027)** is essential. The Indian government continues to offer taxpayers the choice between the **old tax regime** and the **new tax regime**, each with its own set of slabs, benefits, and conditions.

In this guide, we'll walk you through the [income tax rates](#) under both regimes, key differences, and help you decide which one might be better for you.

What Are the Income Tax Regimes in India?

SIMPLIFIED TAX REGIME (FY 2024-25)

Income tax slabs (Rs)	Tax rate	Surcharge rate	Health and education cess	Effective tax rate#
Up to 3,00,000	Nil	Nil	Nil	Nil
3,00,001-7,00,000	5%*	Nil	4%	5.20%
7,00,001-10,00,000	10%	Nil	4%	10.40%
10,00,001-12,00,000	15%	Nil	4%	15.60%
12,00,001-15,00,000	20%	Nil	4%	20.80%
15,00,001-50,00,000	30%	Nil	4%	31.20%
50,00,001-1,00,00,000	30%	10%	4%	34.32%
1,00,00,001-2,00,00,000	30%	15%	4%	35.88%
2,00,00,001-5,00,00,000	30%	25%^	4%	39.00%
5,00,00,001 and above	30%	25%^	4%	39.00%

1. *There is a tax rebate available for resident individuals whose total taxable income does not exceed Rs 7 lakh. Also, standard deduction of Rs 75,000 is available against salary and pension income. Hence, for salaried individuals, tax liability under the proposed new tax regime for incomes up to Rs 7.75 lakh is nil.
2. ^Surcharge rate is capped at 15% for long-term capital gains, short-term capital gains covered under section 111A and dividend income.
3. #Education cess of 4% and applicable surcharge rate have been considered while calculating effective tax rates.

Source: Deloitte India

India currently offers **two tax regimes**:

- **Old Tax Regime**: Allows deductions and exemptions like HRA, 80C, 80D, etc.
- **New Tax Regime**: Lower tax rates, but with fewer or no exemptions and deductions.

Taxpayers can **choose between the two** each financial year (except for individuals with business income, who can opt out only once).

Income Tax Rates for FY 2025–26 Under the New Tax Regime

The **new tax regime** is now the **default regime** as per the latest updates. However, taxpayers can opt for the old regime by informing their employer or filing the appropriate form.

Here are the latest income tax slabs under the **new regime** for individuals (below 60 years), HUFs, and NRIs:

New Tax Regime Slabs (FY 2025–26)

Annual Income	Tax Rate
Up to ₹3,00,000	Nil
₹3,00,001 – ₹6,00,000	5%
₹6,00,001 – ₹9,00,000	10%
₹9,00,001 – ₹12,00,000	15%
₹12,00,001 – ₹15,00,000	20%
Above ₹15,00,000	30%

Key Highlights of the New Tax Regime:

- **Standard deduction** of ₹50,000 is now allowed (from FY 2023–24 onwards).
- No major exemptions like HRA, LTA, 80C, or 80D are allowed.

- Applicable to all individuals, HUFs, AOPs, BOIs (except those with business income who have opted once).

Income Tax Rates for FY 2025–26 Under the Old Tax Regime

The **old regime** is ideal for individuals who claim various deductions under **Sections 80C, 80D, HRA, LTA**, and others. It follows the traditional slab structure.

Old Tax Regime Slabs (FY 2025–26)

For Individuals Below 60 Years and HUFs:

Annual Income	Tax Rate
Up to ₹2,50,000	Nil
₹2,50,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

For Senior Citizens (60–80 years):

Annual Income	Tax Rate
Up to ₹3,00,000	Nil
₹3,00,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

For Super Senior Citizens (80+ years):

Annual Income	Tax Rate
Up to ₹5,00,000	Nil

₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

Deductions Allowed Under the Old Regime:

- Section 80C (up to ₹1.5 lakh for LIC, PPF, ELSS, etc.)
- Section 80D (medical insurance)
- Section 24(b) (home loan interest)
- HRA, LTA, and many more

Rebate Under Section 87A

Both tax regimes offer a **rebate under Section 87A** for individuals with income below ₹7 lakh (new regime) and ₹5 lakh (old regime).

- **New Regime:** No tax payable if income is up to ₹7,00,000 (due to rebate).
- **Old Regime:** No tax payable if income is up to ₹5,00,000.

Surcharge and Health & Education Cess

In both regimes, the following **surcharges** apply on total income:

Total Income	Surcharge Rate
₹50 lakh – ₹1 crore	10%
₹1 crore – ₹2 crore	15%
₹2 crore – ₹5 crore	25% (old regime only)

₹5 crore and above 37% (old regime only)

Note: Under the **new regime**, surcharge is capped at 25%, even for incomes above ₹5 crore.

Additionally, a **4% Health & Education Cess** is levied on total tax (including surcharge) under both regimes.

Which Tax Regime Should You Choose?

Choosing between the old and new tax regimes depends on your income structure, investments, and expenses.

✅ Go for the New Tax Regime if:

- You don't claim many deductions.
- Your income is straightforward with limited exemptions.
- You prefer a simplified tax process.

✅ Stick with the Old Tax Regime if:

- You invest under 80C (PF, LIC, ELSS, etc.).
- You pay for health insurance and claim 80D.
- You live on rent and claim HRA.
- You have a home loan and claim interest under Section 24(b).

Using a **tax comparison calculator** can help you decide which option leads to lower tax liability.

Income Tax for Businesses and Firms (FY 2025–26)

Apart from individual taxpayers, here's a quick look at **corporate tax rates**:

Domestic Companies:

- Base rate: **22%** (under section 115BAA, no exemptions)
- For new manufacturing companies: **15%** (under section 115BAB)
- Companies not opting for special rates: **30%** or **25%** (if turnover < ₹400 crore)

Partnership Firms & LLPs:

- Flat rate: **30%**
- Plus surcharge (12% if income > ₹1 crore) and 4% cess

Final Thoughts

The **Income Tax Rates for FY 2025–2026** continue to offer flexibility for taxpayers to choose what suits their financial profile best. While the new regime is attractive for those who prefer hassle-free filing and no deductions, the old regime remains beneficial for those who invest and spend strategically to save on taxes.

👉 Make sure to calculate your potential tax liability under both regimes before filing your returns.

FAQs on FY 2025–26 Income Tax Rates

1. Is the new tax regime mandatory?

No. It is the default regime, but taxpayers can opt for the old regime if they inform their employer or file accordingly.

2. Can I switch between regimes every year?

Yes, salaried individuals can choose every year. However, those with business income can switch only once.

3. What is the basic exemption limit in FY 2025–26?

- ₹2.5 lakh (old regime – individuals below 60)
- ₹3 lakh (new regime and senior citizens)
- ₹5 lakh (super senior citizens – old regime)