

Deductions Allowed Under the New Tax Regime (2025-26)

Many believe that the New Tax Regime doesn't allow deductions—but that's NOT entirely true! While popular deductions like 80C, 80D, and HRA are not available, there are still several tax-saving options under the new regime.

Let's explore the deductions & exemptions you can claim in FY 2025-26 with examples to help you optimize your tax planning.

Standard Deduction – ₹75,000 for Salaried & Pensioners

- All salaried individuals & pensioners get a flat deduction of ₹75,000 from their taxable income.
- This is higher than the old regime's ₹50,000 deduction.

Example:

- Rohan earns ₹12,00,000 annually (salary + pension).
- After claiming ₹75,000, his taxable income reduces to ₹11,25,000, lowering his tax liability.

Employer's Contribution to NPS – Increased to 14% (Section 80CCD(2))

- Government employees can now claim a deduction of up to 14% of their salary (earlier 10%).
- Private sector employees can still claim 10% of their salary as a deduction.

Example:

- Priya, a government employee, earns ₹10,00,000 per year.
- Her employer contributes ₹1,40,000 (14% of ₹10 lakh) to NPS.
- This amount is fully deductible, reducing her taxable income to ₹8,60,000.

Deduction for Family Pension – Up to ₹25,000 (Section 57(iia))

If you receive a family pension, you can claim a deduction of ₹25,000 or 1/3rd of the pension amount (whichever is lower).

Example:

- Suresh receives a family pension of ₹60,000 per year.
- He can claim ₹20,000 (1/3rd of ₹60,000) as a deduction, reducing his taxable pension income.

Deduction for Agniveer Corpus Fund (Section 80CCH(2))

If you are an Agniveer or contribute to the Agniveer Corpus Fund, the deposited amount is fully deductible under this section.



Tax-Free Allowances for Employees

Even under the New Tax Regime, the following allowances remain exempt:

- Transport Allowance – Only for specially-abled persons
- Conveyance Allowance – For work-related travel expenses
- Tour/Transfer Allowance – For job-related transfers or official travel
- Daily Allowance – To cover expenses while traveling for work
- Perquisites for Official Use – Laptop, phone, and internet provided by the employer

Example

- Rahul's company provides him with a laptop, an internet connection, and ₹10,000 as travel allowance.
- Since these are work-related expenses, they are fully exempt from tax.

Exemptions on Retirement Benefits

Even under the New Tax Regime, you can claim exemptions on:

- Voluntary Retirement Scheme (VRS) Payout – Up to ₹5 lakh (Section 10(10C))
- Leave Encashment – Up to ₹25 lakh (Section 10(10AA))
- Gratuity – Up to ₹20 lakh (Section 10(10))

Example

- Sunita retires and receives ₹15 lakh in gratuity.
- Since the exemption limit is ₹20 lakh, her entire gratuity is tax-free!





Gifts Up to ₹50,000 Are Tax-Free!

- You can receive gifts worth up to ₹50,000 per year from non-relatives without paying tax.
- Gifts from close relatives (parents, siblings, spouse, children) are completely tax-free!

Example

- Amit receives a cash gift of ₹45,000 from a friend.
- Since it's below ₹50,000, he doesn't have to pay any tax on it.

Home Loan Interest on Let-Out Property (Section 24)

Interest paid on a home loan for a rented (let-out) property can still be claimed as a deduction under the new regime.

Example

- Sanjay has a second home and pays ₹2 lakh in interest on the loan.
- Since the property is rented out, he can deduct the full ₹2 lakh from his taxable income.

Summary: What You Can Claim Under the New Tax Regime

Deduction/Exemption

- Standard Deduction
- Employer's NPS Contribution (80CCD(2))
- Family Pension Deduction (57(iia))
- Agniveer Corpus Fund (80CCH(2))
- Transport Allowance (Specially-Abled)
- Daily/Conveyance/Tour Allowances
- Leave Encashment (10(10AA))
- Gratuity (10(10))
- Voluntary Retirement (10(10C))
- Gifts from Non-Relatives
- Home Loan Interest (Let-Out Property)

Maximum Benefit

- ₹75,000 (Salary & Pension)
- 14% for govt employees, 10% for private sector
- ₹25,000 or 1/3 of pension (whichever is lower)
- 100% Deduction
- Fully Exempt
- Fully Exempt
- Up to ₹25 Lakh
- Up to ₹20 Lakh
- Up to ₹5 Lakh
- Up to ₹50,000
- Actual Interest Paid

