



EMPLOYEE INCOME TAX GUIDE

Income Tax Awareness

Financial Year 2026–27 | Everything You Need to Know

◆ Includes Budget 2025–26 Updates

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Income Tax
& Salary Structure

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Old vs New
Tax Regime

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Choosing the
Right Regime

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Compliance
Timelines

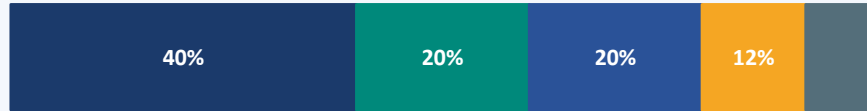
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Budget 2025–26
Key Updates

Understanding Your Salary Structure

How your CTC is composed

How CTC is Structured (Illustrative)



	Basic Salary	<i>Typically 40–50% of CTC. Taxable.</i>
	House Rent Allowance (HRA)	<i>Partly exempt if paying rent.</i>
	Special Allowance	<i>Fully taxable.</i>
	Provident Fund (PF)	<i>Employer + Employee @ 12% each.</i>
	Other Allowances / Perks	<i>LTA, phone, medical, etc.</i>

Key Taxability Concepts

Gross Salary

Basic + HRA + Allowances — your total earnings

Standard Deduction

₹75,000 flat deduction from gross (New Regime FY 2025-26)

Net Taxable Salary

Gross minus exemptions & deductions

Tax Liability

Applied on net taxable salary per chosen slab

Old Regime vs New Regime — Key Differences

Choose the one that saves you more tax

OLD REGIME

Deductions

Section 123, Section 126, HRA, LTA
Section 124, Interest, etc.

Standard Deduction

₹50,000

Tax Slabs

Higher rates with
exemptions & deductions

Rebate (87A)

Up to ₹5 lakh income:
Zero tax

Best For

Those with large
investments & HRA benefit

NEW REGIME

Not available
(except standard deduction)

₹75,000 (FY 2026-27)

Lower slab rates,
no deductions needed

Up to ₹12 lakh income:
Zero tax (FY 2026-27)

Simpler filing;
benefit for most employees

VS

New Tax Regime — Slabs FY 2026–27

Union Budget 2025 | Effective from April 2026

Income Range	Tax Rate
Up to ₹4,00,000	NIL
₹4,00,001 – ₹8,00,000	5%
₹8,00,001 – ₹12,00,000	10%
₹12,00,001 – ₹16,00,000	15%
₹16,00,001 – ₹20,00,000	20%
₹20,00,001 – ₹24,00,000	25%
Above ₹24,00,000	30%

Budget 2025 Highlights

₹4 Lakh

Basic exemption
(was ₹3 lakh)

₹12 Lakh

Zero tax with
Section 87A rebate

₹75,000

Standard deduction
(was ₹50,000)

★ Note: Standard Deduction of ₹75,000 is applied first. So effective zero-tax income = ₹12,00,000 + ₹75,000 = ₹12,75,000 gross.

Old Regime — Key Deductions Available

Maximise savings through eligible deductions

Section 123

₹1.5 Lakh

PPF, ELSS, LIC, EPF, ULIP,
Home Loan Principal, NSC, SSY...

Section 126

₹25K–₹1L

Medical insurance premium
for self, spouse, children & parents

Section HRA

Calculated

Exempt = Least of: Actual HRA
received | Rent – 10% Basic | 50/40%

Section LTA

Actual Cost

Leave Travel Allowance
for domestic travel (2 trips / 4 yrs)

Section 124(3)

₹50,000

Additional NPS contribution
over & above Section 123 limit

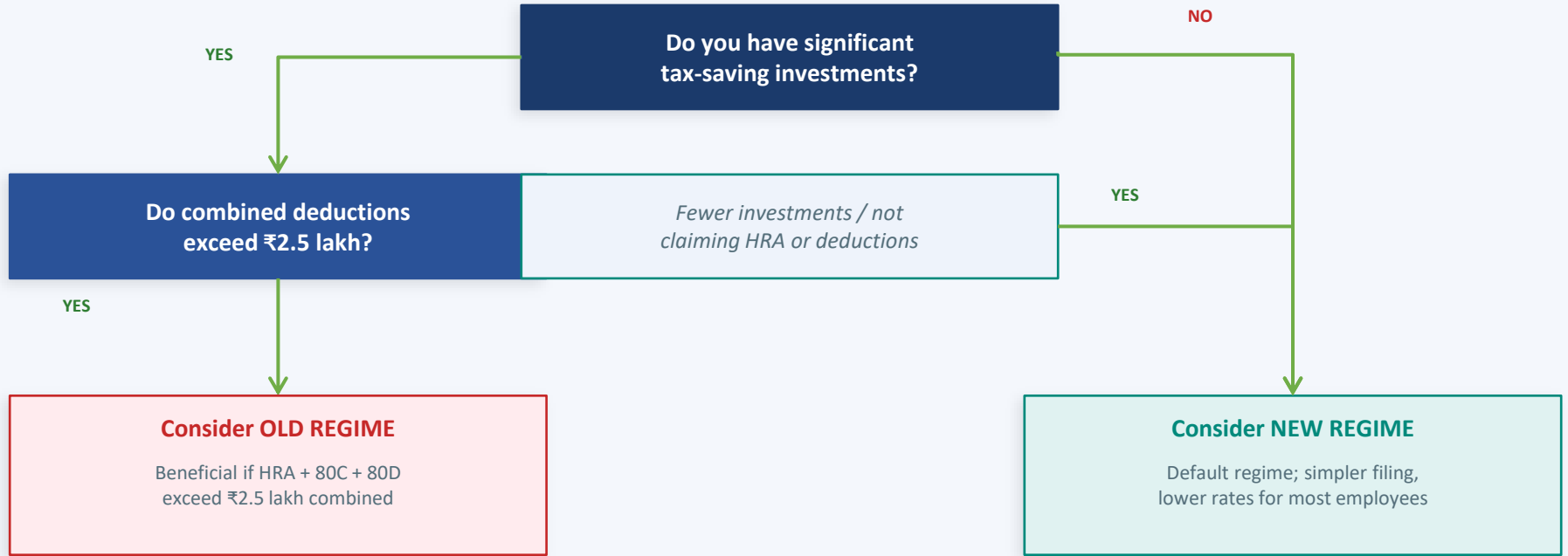
Section Sec 22

₹2 Lakh

Home loan interest on
self-occupied property

Which Regime Should You Choose?

A simple decision guide for salaried employees



Pro Tip:

Run both calculations using Workwisely before finalising. The platform calculates tax liability under both regimes — choose the one with lower liability. You can switch regimes each year during declaration.

How ₹12 Lakh Becomes Zero Tax — New Regime

Section 87A Rebate + Standard Deduction explained

₹12,75,000

Gross salary at which your
new regime tax liability = ₹0

1	Gross Salary	₹12,75,000
2	Standard Deduction (-)	₹75,000
=	Net Taxable Income	₹12,00,000
3	Tax per New Regime Slabs	₹60,000
4	Section 87A Rebate (-)	₹60,000
=	Final Tax Liability	₹ ZERO

Slab Breakdown for ₹12 Lakh

₹0 – ₹4L	Nil
₹4L – ₹8L	₹20,000 (5%)
₹8L – ₹12L	₹40,000 (10%)
Total	₹60,000
87A Rebate	-₹60,000
Net Tax	₹ 0

⚠ This rebate applies ONLY under New Regime for income ≤ ₹12 lakh. No rebate if income exceeds ₹12 lakh.

How to Declare Your Investments in Workwisely

My Finance → My Tax → Investment Declaration

▶ Workwisely | My Finance > My Tax > Investment Declaration

IT Declaration	Proof of Investment			
Investments	HRA Details	Self Occupied	Letout Property	Other Income

Section 123 Investments (Max Limit: INR 1,50,000.00) [Edit](#)

- Children Tuition Fees INR 50,000

Section 126 Exemptions (Max Limit: INR 1,00,000.00) [Edit](#)

- No Section 126 exemptions added

[Save](#)

Step-by-Step Guide

1

Login to Workwisely

Go to My Finance → My Tax → Investment Declaration

2

Choose Financial Year

Select the correct FY from the top-right dropdown

3

Select Tax Regime

Pick Old or New regime before declaring investments

4

Declare Investments

Add amounts under each applicable section

5

Save & Submit

Click Save after each section. Declaration sent to Payroll

Section 123

- ▶ LIC / Insurance: Premium receipt
- ▶ PPF: Passbook / Bank statement
- ▶ ELSS / MF: Investment statement
- ▶ EPF / VPF: Salary slip (auto-reflected)
- ▶ Home Loan Principal: Bank statement
- ▶ Tuition Fees: School/college receipts

HRA

- ▶ Rent receipts (monthly)
- ▶ Landlord PAN (rent > ₹8,333/month)
- ▶ Registered rent agreement

Section 126 (Health Insurance)

- ▶ Medclaim premium receipt
- ▶ Policy document
- ▶ Age proof (for senior citizen parents)
- ▶ Medical bills (no insurance cases)

Home Loan Interest (Section 22)

- ▶ Bank interest certificate (FY-wise)
- ▶ Possession / completion certificate



Revised Tax Slabs (New Regime)

- ✓ Basic exemption raised to ₹4 lakh (from ₹3 lakh in FY 2024-25)
- ✓ New slab: 25% on ₹20L–₹24L added
- ✓ 30% now only above ₹24 lakh

New Income Tax Act 2025

- ✓ Effective from April 2026 onwards; simplified, plain-language legislation
- ✓ Replaces the 60-year-old Income Tax Act, 1961
- ✓ No change to tax rates; only simplified compliance language

Section 87A Rebate Enhanced

- ✓ Zero tax up to ₹12 lakh net income (was ₹7 lakh in FY 2024-25)
- ✓ With standard deduction, zero tax up to ₹12.75 lakh gross salary
- ✓ Applicable ONLY under New Regime

TDS & Other Employee Updates

- ✓ TDS threshold on rent raised to ₹50,000/month (from ₹2.4L/year)
- ✓ Standard deduction for salaried: ₹75,000 (maintained for FY 25-26)
- ✓ No changes to NPS deduction limits or EPF tax treatment

Your Action Checklist

Complete these steps to stay tax-compliant for FY 2026–27

01

Login to Workwisely

Navigate to My Finance → My Tax → Investment Declaration

NOW

02

Review Your Tax Regime

Compare Old vs New Regime using Workwisely's built-in calculator and select accordingly

PRIORITY

03

Declare Your Investments

Enter Section 123 (80C), HRA, Home Loan, and other applicable investments

REQUIRED

04

Upload Proof Documents

Go to Proof of Investment tab and upload all supporting documents before the deadline

BEFORE DEADLINE

05

Verify TDS in Salary Slip

Check monthly payslip to ensure TDS deducted matches your expected tax liability

MONTHLY

Need Help?

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[Workwisely](#)

[Helpdesk](#)

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Smart Tax Planning Starts Here.

Use Workwisely to declare your investments, compare tax regimes,
and stay fully compliant — all in one place.

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