



IMPACT OF THE INCOME TAX ACT, 2025 ON INDIVIDUALS SALARIED CLASS IN INDIA: A CONCEPTUAL STUDY

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ABSTRACT

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Since the passage of the Income Tax Act, 1961, India's direct tax laws have undergone the most extensive revision with the implementation of the Income Tax Act, 2025 on April 1, 2026. This conceptual research looks at the various effects of the new Act on India's salaried class, which is the biggest and most consistently taxed group of taxpayers. The introduction of a single "Tax Year," updated tax slabs under the new system, the digitally integrated Form 130 replacing Form 16, increased House Rent Allowance (HRA) benefits, updated perquisite valuation standards, and improved allowances for children's education are just a few of the significant structural changes that the study examines. The study makes the case that the Act provides middle-class salaried workers with significant financial relief while also enforcing stricter compliance and transparency requirements, citing secondary sources, official government notifications, CBDT instructions, and scholarly discussion. For the salaried class, the dual nature of the reforms—simplifying the structure while increasing scrutiny—creates both possibilities and difficulties. The report ends with suggestions for legislation, employer payroll adaptation, and tax planning implications.

KEYWORDS: Income Tax Act 2025, Salaried Class, Tax Reform India, New Tax Regime, Form 130, TDS, HRA, Direct Tax, Tax Compliance,

1. INTRODUCTION

With the passage of the Income Tax Act, 2025, which superseded the Income Tax Act, 1961 and went into force on April 1, 2026, India's income tax system underwent a generational change. Drafted at a time of manual bureaucracy and physical ledgers, the old statute had amassed hundreds of changes, court rulings, circulars, and conflicting sections over the course of six decades, making it notoriously complicated for both practitioners and laypeople. The new Act introduces a unified, internally consistent, and digitally focused legislative framework in an effort to remedy these fundamental flaws. The introduction of this law is especially important for India's salaried class, which includes millions of public officials, private sector workers, bank employees, educators, and retirees. Because of the Tax Deducted at Source (TDS) method, which makes non-compliance fundamentally challenging, salaried persons have historically paid a disproportionate part of the direct tax burden. For this group of taxpayers, any legislative changes pertaining to the calculation, reporting, and deduction of salary income will thus have immediate and significant effects. The Income Tax Act, 2025 will go into force on April 1, 2026, according to the Finance Minister's Union Budget 2026 address. The present tax slabs will remain in place. This has led to a crucial conceptual distinction: while the Act creates a new legal framework, it does not, at least not right away, change the

basic tax obligations of the majority of salaried people. A sophisticated understanding of the Act's effects requires an understanding of this difference. This essay synthesizes legislative text, regulatory guidelines, expert discussion, and comparative research to conduct a conceptual examination of the Act's provisions as they relate to the salaried class. The legislative backdrop, structural changes, influence on tax computation, consequences for compliance, sector-specific observations, and policy conclusions are all covered in separate parts.

2. REVIEW OF RELATED LITERATURE

The intricacy of the 1961 Act has long been emphasized in conceptual and empirical research on income tax reform in India as a deterrent to voluntary compliance. The expansion of exclusions and their distorting impact on salaried taxpayers' investing behavior were observed by Rao and Rao (2005). Gulati (2010) contended that the standard deduction, which was eliminated in 2005 and then reinstated, served as a horizontal equity tool for the salaried class, who had fewer deduction options than professionals who worked for themselves. There was a lot of scholarly discussion following the New Tax Regime's implementation in 2020. According to Kapoor (2021), the system was ineffective for mid-career workers with existing 80C portfolios, but it favored younger earners with

fewer investment commitments. Using simulated tax calculations, Sharma and Bhatia (2023) showed that the crossover income at which the New Regime surpasses the Old Regime was about ₹13–14 lakh for workers without HRA and closer to ₹16–18 lakh for those with substantial HRA claims. The 2025 Act's legislative direction is mostly supported by these findings.

In anticipation of the new Act, Choudhary (2024) noted that digitizing compliance through pre-filled ITRs, AI-driven AIS, and system-generated certifications will significantly lower processing mistakes while also improving the Department's capacity to cross-verify data. The provisions of Forms 130 and 123 demonstrate the two-edged nature of digitization, which is advantageous for the honest taxpayer and dangerous for the careless one. International comparisons are enlightening. Filing requirements have been greatly decreased by the UK's PAYE (Pay As You Earn) system, which creates pre-populated tax accounts for salaried workers. Similar to this, Singapore's 2018 Income Tax Act revisions shifted toward system-generated evaluations and harmonized previously disjointed regulations. These approaches seem to have influenced India's 2025 Act, but it will take consistent administrative efforts to overcome implementation issues in a nation with a bigger, more varied workforce.

3. OBJECTIVES OF THE STUDY

The present study is guided by the following research objectives:

- To investigate the legislative intent and historical background of the Income Tax Act of 2025.
- To examine how the new Act's major structural and terminological changes especially impact salaried workers.
- To assess how updated tax slabs, deductions, and exemptions affect salaried people's net tax burden and take-home pay across income levels.
- To evaluate the effects of improved disclosure standards, digital integration, and increased documentation requirements on compliance.
- To determine the potential and difficulties that the new Act poses for various groups of paid taxpayers, such as senior retirees, professionals in the private sector, and government workers.
- To provide suggestions for managing the shift for companies, legislators, and individual taxpayers.

4. RESEARCH METHODOLOGY

A qualitative, conceptual research design is used in this study. The Income Tax Act of 2025, the Income Tax Rules of 2026, budget speeches and press releases from the Finance Ministry, CBDT circulars and FAQs, notifications from the Income Tax Department, and published commentary from respectable financial media, chartered accountancy bodies, and academic journals are just a few of the secondary data sources that form the basis of this study. The 1961 Act's and the 2025 Act's provisions are compared using a comparative analytical method, emphasizing both continuity and change. The work should be interpreted as a conceptual-analytical rather than an empirical contribution as it does not use primary data collecting.

5. LEGISLATIVE BACKGROUND AND CONTEXT

The Income Tax Act, 1961: A Historical Overview

The Income Tax Act of 1922 served as a major model for the Income Tax Act of 1961, which was passed during India's post-independence economic institution-building era. It became the cornerstone law for all direct taxes in India throughout the ensuing decades. But the obsessive need to update the legislation in reaction to changing economic conditions led to the original wording being covered in layers upon layers of provisos, clarifications, and modifications. The Act included more than 700 provisions, 23 chapters, and many schedules by 2020, many of which were either outdated or internally inconsistent. A thorough rewriting was suggested by many simplification groups, such as the Kelkar Committee (2002) and the Direct Taxes Code drafting exercises, but action was frequently postponed due to political complications and legislative inertia. The Income Tax Act, 2025 is the result of a new codification process under CBDT that was ultimately commissioned by the Narendra Modi administration.

The Income Tax Act, 2025: Legislative Intent

Three main goals guided the development of the Income Tax Act, 2025: streamlining the law language, improving digital compliance, and rationalizing deductions and exclusions. The government's declared goal was to draft a taxpayer-friendly law with straightforward language, logical order, and less litigation. The Act reorganizes how these provisions are presented, calculated, and reported, but it does not fundamentally change the taxing philosophy—income from salaries, real estate, businesses, capital gains, and other sources is still taxed. Crucially, the new Act does not apply to salaried taxpayers for the Assessment Year 2025–2026 (returns for which are due by July 31, 2026). The 1961 Act still governs the filing of those returns. Income is governed by the new Act starting with Tax Year 2026–2027.

6. KEY STRUCTURAL CHANGES AFFECTING SALARIED INDIVIDUALS

Replacement of Financial Year / Assessment Year with 'Tax Year'

The elimination of the dual Financial Year (FY) and Assessment Year (AY) framework and its replacement with a single, unified notion of the "Tax Year" is one of the most theoretically significant, but practically simple, changes in the new Act. Income earned in the "previous year" was assessed in the "assessment year" that followed under the 1961 Act, a concept that greatly confused first-time taxpayers and led to a great deal of litigation over timing difficulties. In order to connect the year in which income is made with the year in which it is evaluated and taxed, the 2025 Act defines the Tax Year as the twelve-month period that runs from 1 April to 31 March. For salaried persons, this eliminates the FY-AY duality and streamlines all tax computation, form completion, and interaction with the Income Tax Department.

New Tax Regime as the Default Framework

The New Tax Regime (NTR), which was initially introduced by Section 115BAC of the Finance Act 2020 and made the default starting in FY 2023–2024, is strengthened and codified by the new Act as the default framework for individual taxes. Salaried persons benefit from a flat standard deduction of ₹75,000, progressive tax rates of 5–30%, and a basic exemption

of ₹4 lakh under the NTR. Taxable income up to ₹12 lakh is virtually tax-free because to the rebate under Section 87A (now renumbered under the 2025 Act), which increases to ₹12.75 lakh for salaried personnel due to the standard deduction.

Revised Section Numbering and Cross-References

For salaried taxpayers and their employers, the 2025 Act's complete renumbering of sections has significant operational will have inaccurate section citations if employer payroll systems are not modified to include these revised references by April 2026.

ramifications. Employees' investment declarations to their employers for TDS purposes, which previously cited sections like 80C, 80D, 80E, and so on, must now cite the corresponding provisions under the new Act. For instance, Schedule XV read with Section 123 of the Income Tax Act, 2025 would now be used to refer to deductions under Section 80C. TDS certificates and yearly reports

Table 1: Comparative Overview of Key Changes under Income Tax Act, 2025

Aspect	Earlier Position (Act 1961)	New Position (Act 2025)
Governing Act	Income Tax Act, 1961	Income Tax Act, 2025
Effective Date	Applicable till 31 March 2026	Applicable from 1 April 2026
Terminology	Financial Year / Assessment Year	Single 'Tax Year' (April–March)
TDS Certificate	Form 16	Form 130 (digital, system-generated)
Perquisite Reporting	Loosely reported	Form 123 linked to Form 130
15G / 15H Forms	Two separate forms	Unified Form 121
TDS Challan	Multiple forms (rent, property, etc.)	Single unified challan using PAN
Standard Deduction	₹50,000 (old); ₹75,000 (new)	₹75,000 (new regime default)
Tax-Free Income	Up to ₹5 lakh (old regime)	Up to ₹12.75 lakh (salaried, new regime)
Section Reference (80C)	Section 80C	Schedule XV read with Section 123
HRA Benefit (metros)	50% in select cities	Expanded to Hyderabad, Pune, Bengaluru, Ahmedabad
Medical Loan Exemption	₹20,000	₹2,00,000 (proposed)
Scrutiny Time Limit	Varied; up to several years	3 months from end of filing FY (routine)

7. IMPACT ON TAX COMPUTATION AND NET TAKE-HOME PAY

Revised Tax Slabs under the New Regime

For individual taxpayers under 60, the New Tax Regime's tax slab structure has been greatly simplified. The New Regime

provides a more progressive structure with seven discrete bands, topping out at 30% only for income above ₹24 lakh, as contrast to the Old Regime's flat 30% rate on income beyond ₹10 lakh. For middle-class salaried professionals making between ₹10 lakh and ₹24 lakh a year, this recalibration offers significant relief.

Table 2: Income Tax Slabs under New Regime vs Old Regime (FY 2025-26 / AY 2026-27)

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

Note: Health & Education Cess of 4% is applicable on total tax and surcharge in both regimes. Marginal relief from surcharge is available for incomes slightly exceeding ₹50 lakh, ₹1 crore, ₹2 crore, and ₹5 crore thresholds.

Standard Deduction

The New Tax Regime's standard deduction of ₹75,000 is an increase of ₹25,000 above the Old Regime's ₹50,000 deduction. This deduction is applied automatically for salaried employees without requiring them to provide investment proof, making it an administratively simple benefit. The standard deduction effectively raises the practical zero-tax threshold from ₹12 lakh to ₹12.75 lakh for salaried persons choosing the New Regime.

House Rent Allowance (HRA)

For urban salaried workers, the House Rent Allowance continues to be one of the most important tax planning tools. The list of cities qualified for the larger 50% HRA exemption (measured as a percentage of salary) has been significantly expanded under the new Act. This advantage was formerly limited to Chennai, Delhi, Kolkata, and Mumbai. Due to the

sharp increase in rental prices in major centers of technology and services, the 2025 Act expands it to encompass Hyderabad, Pune, Bengaluru, and Ahmedabad. The substantial IT and professional services workforce located in Bengaluru, Hyderabad, and Pune would be most affected by this reform. The 50% calculation will significantly increase the exemption quantum for workers in these cities, who were previously only eligible for a 40% HRA exemption. In order to maximize HRA advantages for workers in these recently added locations, employers are also required to adjust compensation structures.

Perquisite Valuation and Medical Loan Exemption

The Act introduces clearer and more codified rules for the valuation of perquisites — non-cash benefits provided by employers. There is less uncertainty and potential for unequal treatment in tax assessments because to updated and more clearly defined value standards for company-provided cars,

lodging, concessional loans, travel, meals, and gifts. The planned increase of the exemption limit for employer-provided medical loans from ₹20,000 to ₹2,00,000 is a very important relief measure. Employees who use employer-facilitated healthcare funding would benefit greatly from this tenfold increase, which recognizes the sharp growth in medical expenses in India. This clause can significantly lower taxable income for salaried workers who are taking care of critical diseases in their families.

Children's Education Allowance

According to reports, the new Act improves deductions for costs associated with children, such as education allowance and dormitory expenditures, which had essentially not altered since the 1960s. Although the full details of the revised limits have not yet been announced, it is anticipated that they will turn these provisions from token concessions into meaningfully relevant tax-saving tools for middle-class salaried families, for whom education costs account for a sizable portion of household budgets.

8. COMPLIANCE IMPLICATIONS FOR SALARIED TAXPAYERS

Replacement of Form 16 with Form 130

The retirement of Form 16 and its replacement by the new Form 130 is arguably the most obvious operational change for the salaried class. Form 16 was the TDS certificate that employers provided to workers under Section 192 of the 1961 Act. It was the basis for submitting an ITR based on pay. The Income Tax Act of 2025 established Form 130, which is a structural overhaul in line with the government's digital-first ideology rather than a cosmetic rebranding. The CBDT's infrastructure generates Form 130, which has additional annexures, standardized data fields, and smooth connection with the Income Tax Department's AI-powered tax analytics tools and the Annual Information Statement (AIS). It provides a thorough and impenetrable pay tax record by recording salary income, TDS subtracted, deductions claimed, and the tax regime chosen.

Form 123: Perquisite and Fringe Benefit Reporting

The recently created Form 123, which documents perquisites and fringe benefits offered by businesses to employees, complements Form 130. Benefits including lodging, business cars, concessional loans, travel reimbursements, food vouchers, and gifts will be electronically recorded in Form 123 and connected to Form 130. Because of this integration, non-cash compensation—which was previously reported haphazardly and inconsistently—is now subject to accurate and cross-verified taxes. Workers should make sure they comprehend the elements of their overall remuneration package and expect more precise taxation of perquisites.

Unified Form 121: Replacing 15G and 15H

The combination of the current Forms 15G and 15H into a single, unified Form 121 is a welcome simplification for salaried persons who get interest income from bank deposits or post office programs, as well as for retirees who receive income from savings. The new form eliminates the administrative complexity involved in submitting separate declarations to various organizations by automatically determining if the filer is eligible as a senior citizen and applying the pertinent thresholds and regulations.

Unified TDS Challan Using PAN

The introduction of a single, unified challan-cum-statement to replace the numerous forms previously needed for TDS on various categories of transactions, such as rent, professional payments, real estate transactions, and crypto-asset transactions, is another important compliance simplification. For several categories, the previous TAN-based method has been replaced by the new unified challan, which utilizes the taxpayer's PAN (Permanent Account Number) as the primary identity. In addition to allowing for more precise tracking by the tax authorities, this is anticipated to decrease the variety of compliance documentation.

Enhanced Scrutiny and Disclosure Requirements

The Act increases reporting obligations and tightens disclosure standards while streamlining forms. More transactions will now be automatically recognized and included in the Annual Information Statement as the threshold for reporting insurance premium transactions under the Statement of Financial Transactions (SFT) has been lowered. These transactions will be more conspicuously shown in the tax profiles of salaried taxpayers who pay significant insurance premiums. The Income Tax Department will have access to more richer and more cross-referenced data due to the increased usage of PAN across financial transactions, including rental income, investment redemptions, and salary payments. Before the filing season begins, workers and retirees must make sure their PAN is accurately connected to all sources of income in order to prevent inconsistencies that can result in notifications.

Transition Period and Dual Applicability

The shift from the 1961 Act to the 2025 Act is a crucial compliance factor for companies and employees in 2025–2026. Through FAQs, the Income Tax Department has made it clear that the date of salary payment—rather than the time period for which it is earned—determines the applicable legislation. The Income Tax Act of 1961 governs salaries paid on March 31, 2026. The Income Tax Act of 2025 governs salaries for April 2026 that are paid on April 30, 2026. Employer payroll systems must be prepared to apply both laws concurrently throughout the changeover since this results in a brief but crucial overlap.

9. SECTORAL ANALYSIS: IMPACT ACROSS SALARIED CATEGORIES

Government Employees

The New Regime's enhanced zero-tax threshold of ₹12.75 lakh for government employees with moderate salaries, such as teachers, junior administrative officers, and lower-ranking civil servants, means that a sizable portion of this group will not be subject to any income tax liability at all, as long as their total income (including interest and rental income) stays within this threshold. This frequently procedure-fatigued group will also profit from the simplification of compliance forms and the elimination of procedural requirements.

Private Sector Professionals and IT Employees

The effects of the new Act are more complex for private sector workers, especially those in the information technology, financial services, and consultancy industries who make between ₹15 lakh and ₹30 lakh a year. Significant tax savings are possible under the New Regime due to the lower marginal rates compared to the Old Regime, especially in the ₹15–24 lakh bracket. Further help is provided by the extending of the

50% HRA exemption to Bengaluru and Hyderabad, two cities with high concentrations of IT workers. Those who have traditionally depended on deductions under Sections 80C (PPF, ELSS, life insurance), 80D (medical insurance), and 80E (education loan) must carefully consider whether the reduced rates under the New Regime outweigh the loss of these deductions.

Senior Citizens and Pensioners

The Act exempts elderly individuals 75 years of age and older from submitting ITRs if their only sources of income are pensions and bank interest from the same bank. Banks must deduct tax and issue Form 130 (particularly, Annexure-II of Form 130). Submitting declarations for TDS exemption on interest income is made much simpler by the single Form 121. However, older adults with complicated investment portfolios need to be on the lookout for data accuracy due to the lowering of the SFT reporting level for insurance premiums and the wider integration of financial data.

Contract and Gig Workers

The Act's modifications will also have an impact on the increasing number of gig workers, freelancers, and contract employees who are paid in salary-like systems, even if they are not legally "salaried." The unified TDS challan system and improved perquisite value standards may have an impact on how platforms and employers report payments to these employees. These rules demonstrate the government's larger goal to include more taxpayers in the official digital reporting environment.

10. OPPORTUNITIES AND CHALLENGES

Opportunities

1. For salaried taxpayers who previously needed expert assistance to decipher complicated documents, streamlined filing processes lessen the time and financial strain.
2. The lower-middle and moderate income groups of the salaried class directly benefit financially from the greater zero-tax threshold of ₹12.75 lakh.
3. Urban professionals' take-home income is significantly increased by enhanced HRA exemption in high-rent locations, especially in tech clusters.
4. Real assistance for healthcare financial planning is provided by the significant rise in the employer medical loan exemption to ₹2 lakh. Why Employer data input mistakes that previously led to mismatches and tax notifications are less likely when Form 130 is created by the system.
5. By eliminating definitional ambiguity, the "Tax Year" idea streamlines correspondence between taxpayers and the Income Tax Department. • Once updated across payroll systems, the revised investment declaration forms under the new section numbering will result in a more uniform and compatible compliance ecosystem.

Challenges

1. Employees with substantial investment and credit obligations under the previous framework who have not yet fully converted to the new regime may be disadvantaged by the loss of deductions under the new system (80C, 80D, and HRA under the previous scheme).

2. Employer payroll systems become complicated during the transition period because they have to function simultaneously under the 1961 Act and the 2025 Act in April 2026.
3. The renumbering of sections causes short-term operational friction since it requires revisions for all employer HR/payroll software, investment declaration forms, and CA software.
4. Tighter SFT levels and stricter disclosure requirements raise the likelihood of tax payer-Department mismatches, which might result in an increase in tax notifications during the first two years of implementation.
5. Previously underreported non-cash perks may be more accurately and harshly taxed as a result of the integration of perquisite data via Form 123, which would lower the effective value of non-monetary remuneration.
6. Employees in smaller businesses may experience delays in payroll compliance if their employers take their time updating training and processes.

11. TAX PLANNING IMPLICATIONS FOR SALARIED INDIVIDUALS

Individual tax planning techniques must be reevaluated in light of the Income Tax Act of 2025. For the majority of paid workers, choosing between the New Tax Regime and the Old Tax Regime is still the primary planning option. However, the New Regime is the automatic and frequently best option for those without significant deduction claims because to its default position under the new Act, as well as the greater zero-tax threshold, standard deduction, and lower marginal rates in the ₹12–24 lakh band. Before determining that the Old Regime is more advantageous, employees who have taken out house loans with sizable interest deductions under Section 24(b), have sizable Section 80C investment portfolios, or pay high health insurance premiums must perform a thorough quantitative analysis. The Old Regime could still provide superior results for high earnings over ₹30 lakh with substantial investment-linked deductions. The New Regime is probably going to be dominant for most paid people with neat, straightforward income patterns.

New structural options are created by the HRA benefit expansion for Bengaluru, Hyderabad, Pune, and Ahmedabad. As businesses recalculate packages in light of the revised exemption calculation, workers in these cities should make sure that their HR departments reorganize wage breakups to maximize the HRA component. Regarding investments, the employer's contribution to the National Pension System (NPS), which is deductible up to 14% of salary under Section 80CCD (2), is still accessible under the New Regime even if the majority of deductions are prohibited. High earners would profit from making the most of this channel as it provides long-term, tax-efficient savings without upsetting the New Regime's overall structure.

12. KEY FINDINGS

On the basis of the foregoing analysis, the following key findings emerge:

Finding 1: Structural Simplification with Heightened Disclosure

The Income Tax Act of 2025 improves disclosure requirements and reporting accuracy while achieving significant structural

simplification in vocabulary, form design, and section organization. The salaried class has stronger data integration but fewer procedural forms.

Finding 2: Substantial Financial Relief for Lower-Middle Income Salaried Earners

The ₹4 lakh basic exemption, ₹75,000 standard deduction, and ₹60,000 rebate under Section 87A combine to create an effective zero-tax bracket for salaried employees making up to ₹12.75 lakh annually. For government personnel, teachers, young bank officials, and entry-level private sector workers, this is a substantial increase in discretionary income.

Finding 3: HRA Reform Benefits High-Cost Urban Professionals

A targeted and long-overdue relief measure for urban salaried professionals is the extension of the 50% HRA exemption to Bengaluru, Hyderabad, Pune, and Ahmedabad—cities with high rental expenses and sizable workforces in the technology industry.

Finding 4: Transition Period Creates Compliance Complexity

Employer payroll systems are temporarily complicated by the dual applicability of the 1961 Act and the 2025 Act during the April 2026 transition, and employees must comprehend that the relevant legislation is determined by the payment date rather than the length of service.

Finding 5: New Regime Favourable for Simple Income Structures

The New Tax Regime is typically more favorable for salaried persons with simple income structures and few deduction obligations. For wealthy incomes with sizable investment portfolios and loan-linked deductions, the Old Regime is still relevant.

13. RECOMMENDATIONS

For Policymakers

- The government should provide comprehensive implementation recommendations for the new HRA computation for recently added cities, outlining how employees with rental agreements that span several fiscal years will be treated.
- To guarantee that middle-class relief is maintained in real terms over time, the qualifying level for the Section 87A rebate should be regularly linked to inflation.
- Businesses, especially MSMEs, should be formally informed of a grace period for payroll software compliance in order to facilitate system improvements.

For Employers

- The revised section numbering, Form 130 requirements, and Form 123 prerequisite reporting criteria must be reflected in payroll and HR systems by April 1, 2026.
- In order to maximize the HRA component for qualified employees under the increased 50% exemption, employers in Bengaluru, Hyderabad, Pune, and Ahmedabad should evaluate wage arrangements right now.
- HR departments should provide employee awareness seminars outlining the consequences of the Tax Year concept and the switch from Form 16 to Form 130.

For Individual Salaried Taxpayers

- As soon as possible, employees should perform a regime-choice analysis for Tax Year 2026–2027, taking into account their income level, current investment commitments, HRA status, and employer NPS contribution.
- To avoid inconsistencies in the Annual Information Statement, salaried persons should make sure their PAN is appropriately seeded with all financial institutions.
- Before filing an ITR, employees who get significant benefits, such as corporate housing, cars, or loans, should have a thorough analysis of Form 123 disclosures from their employers to confirm correctness.

14. CONCLUSION

An important development in India's direct tax management is the Income Tax Act, 2025. The new Act offers a varied but generally beneficial bundle of improvements for the salaried class, which is the portion of India's taxpaying population that is most regularly and openly taxed. Genuine progress toward a more egalitarian, contemporary, and taxpayer-friendly framework is represented by the structural simplicity, removal of FY/AY confusion, increased exemptions, larger standard deduction, extended HRA coverage, and improved documentation. For the salaried class, the Act does provide some difficulties. The need for payroll system changes, stricter SFT reporting criteria, and increased disclosure requirements all result in transitional expenses that may be especially onerous for smaller businesses and their workers. All kinds of salaried taxpayers would need to be more vigilant due to the crucial relevance of proper AIS data and precise PAN connection. More broadly, the Act is India's most significant step toward a data-driven, digitally linked tax administration environment. The salaried class, who are used to structured TDS and constrained planning freedom, may be in the best equipped to adjust to this ecosystem—as long as they make the effort to comprehend the new regulations rather than continuing to be passive beneficiaries of employer-driven compliance. In India's new tax era, the wise salaried taxpayer blends the ease of the New Tax Regime with a proactive approach to the digital compliance framework made possible by the Income Tax Act, 2025.

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