



Old or new tax regime: You may get a notice from the I-T dept if you don't choose correct regime now

According to the Central Board of Direct Taxes (CBDT), employees are required to notify their preferred tax regime to their employers at the start of the financial year. Failure to do so may result in employers deducting TDS on salary based on the New Tax Regime rates under Section 192. However, it should be noted that the declaration filed with the employer is not binding, as you can reconsider your decision at the time of filing the Income Tax Return (ITR).

"It should be noted that the declaration filed with the employer is not absolute, as the option is exercised only at the time of filing the income tax return. Accordingly, the taxpayer can choose to file an income tax return under the old tax regime even if no declaration was filed to the employer and taxes are deducted by the employer based on the default regime i.e., the new tax regime," said Neeraj Agarwala, Partner, Nangia Andersen India.

However, there is a possibility that the taxpayer may receive an income tax notice from the tax department if there is a discrepancy between the income reported by the employer and the income submitted by the taxpayer in their income tax return. "The taxpayer may receive an income tax notice from the tax department in case of difference in income reported by the employer and submitted by the taxpayer in their income tax return. In this case the taxpayer should submit the documents supporting the deductions such as proof of investment under Section 80C, house interest payment etc. to the income tax department," said Agarwala.

For example, say an employee does not file a declaration with their employer (and by default new tax regime is chosen) and later claims a gross deduction under 80C and HRA while filing the income tax return. In this case, the income under Form 26AS will not tally with the income tax return and the employee may receive a system-generated notice asking for information.