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New tax regime 2025: No tax up to Rs 12 lakh but what if your income exceeds this limit - Here's how much you will save

This effectively means that those with annual income of up to Rs 12.75 lakh will not have to pay any tax - if we further add a standard deduction of Rs 75,000.

However, FM Sitharaman also announced changes to the tax slabs, which means that the new tax slabs will kick in for those making more than Rs 12.75 lakh a year. It is to be noted that the finance minister has raised the tax rebate limit and not the basic exemption.

This means that if your annual income exceeds Rs 12.75 lakh, taxes will be calculated based on the new slabs in the new assessment year.

"As the individual's total taxable income is limited to Rs 12 lakh – the tax becomes NIL due to tax rebate, not exemption. If the taxable income exceeds Rs 12 lakh, the slab rates apply on full income," said Neetu Brahama, Director, Nangia Andersen India.