

From April 1, your salary may look different — but your tax outgo is the real change -FE

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From April 1, salary structures may become simpler and more direct as the new tax regime takes centre stage, shifting the real focus from how much you earn to how your income is taxed.

As companies roll out revised salary structures in line with [new labour laws](#) and [income tax changes effective April 1](#), a bigger shift is quietly underway — the new tax regime is increasingly becoming the default choice for many salaried individuals.

With fewer exemptions, simplified pay structures, and policy nudges, employees may find themselves moving away from the old tax regime, unless they actively plan otherwise.

Why salary structures are changing now

From the new financial year, employee salaries will reflect two major shifts — implementation of revised labour laws and tax changes announced in Budget 2026.

Many companies have already made required changes to employee salary components and retirement benefits, while others are expected to do it soon. The aim, however, remains largely the same – keep take-home pay broadly unchanged while aligning with the new rules.

At the core of this transition is a new definition of “wages”, which ensures that basic pay and wage-linked components form at least 50% of total compensation. This means companies may increase basic pay and reduce flexible allowances accordingly.

Simpler salaries pushing shift to new tax regime

As companies simplify pay structures, many traditional allowances may shrink or disappear over time — and this is where the tax regime choice starts to shift.

Shreya Sharma, Founder & CEO, Rest The Case, says, “Yes, the broader trend indicates that the new tax regime is likely to become the default choice over time.”

Many companies are moving towards simplified salary structures with fewer allowances to improve compliance and ease payroll management. As traditional components like HRA, LTA, and other allowances are

reduced or consolidated, the scope for claiming exemptions under the old regime also diminishes.

Additionally, policy direction supports this shift, Sharma noted, saying the new tax regime has already been made the default option for taxpayers, and unless individuals actively opt for the old regime, they are automatically placed under the new structure.

“Given these factors, the new regime is increasingly becoming the practical choice for most taxpayers. The old regime is likely to remain relevant for a smaller group of individuals who have higher incomes, structured salary components, and actively plan their taxes,” she said.

In short, even without consciously choosing it, many employees may gradually drift towards the new regime.

Old tax regime gets a boost — but only for some

That said, recent tweaks in allowances have added a fresh layer of complexity to the decision.

“For a specific segment of taxpayers, yes. The old tax regime has become relatively more attractive again, but it is not a universal outcome,” she said.

The advantage of the old regime has always depended on the ability to claim deductions and exemptions. With recent adjustments such as higher HRA limits in metro cities, improved structuring of meal voucher benefits, and revisions in education allowances, certain salaried individuals may see a meaningful reduction in taxable income.

For instance, taxpayers earning between Rs 12 lakh and Rs 20 lakh annually, particularly those living in metro cities, paying significant rent, servicing a home loan, and fully utilising deductions under Section 80C and NPS, may still benefit from the old regime. In such cases, the tax savings compared to the new regime can be substantial.

However, for a large number of salaried individuals whose compensation structures are simplified and who do not fully utilise deductions, the new regime continues to be more beneficial due to its lower rates and simplicity,” she added.

Who should still consider the old regime

The choice between the two regimes is now more profile-specific than before.

There is a fairly defined profile where the old regime remains advantageous, Sharma said.

Salaried individuals earning between Rs 10 lakh and Rs 30 lakh, residing in metro cities such as Mumbai, Delhi, Bengaluru, or Chennai, and paying higher rent tend to benefit more due to higher HRA exemptions, according to her.

“Additionally, those servicing a home loan, fully utilising deductions under Section 80C, and contributing to NPS under Section 80CCD(1B) are better positioned to take advantage of the old regime. These deductions can significantly reduce taxable income, making the old regime more tax-efficient for such individuals,” she noted.

On the other hand, employees in non-metro cities, those with lower rental expenses, or individuals without significant deductions may find the new regime more straightforward and often more beneficial, she highlighted.

“Freelancers and consultants with variable income typically find the new regime more suitable, as it reduces compliance complexity and does not rely heavily on deductions,” Sharma explained.

What changes in your salary slip

As part of the restructuring, employees may notice:

- Higher basic pay to meet the 50% wage rule
- Reduction in special or flexible allowances
- Continued relevance of HRA, especially under the old regime
- Increased scope for education and meal allowances
- Gradual phase-out of smaller reimbursements

Some companies may also introduce car lease options, which remain tax-efficient even under the new regime.

The bigger trend: Simpler pay, simpler taxes

Over time, salary structures are expected to become leaner, with fewer components and less dependence on exemptions.

This naturally aligns with the new tax regime, which focuses on lower tax rates without deductions.

Summing up...

From April 1, your salary may look different — but the bigger change is how you pay tax.

For many employees, the shift to the new tax regime may not be a conscious decision, but a natural outcome of simpler salaries and evolving tax rules.

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