

INCOME TAX GUIDE

For Central Government Salaried Employees
Assessment Year 2026–27 (Financial Year 2025–26)

Purpose: A practical guide to tax slabs, tax regimes, salary deductions, TDS, forms and return filing. It is based primarily on the Income Tax Department's official guidance for salaried individuals for AY 2026–27, with official Budget/Finance Act material where relevant.

Important: This is an awareness guide. The Income-tax Act, Rules, Finance Acts, CBDT notifications/circulars and the employee's individual facts prevail.

1. FY 2025–26 and AY 2026–27

- **Financial Year 2025–26:** 1 April 2025 to 31 March 2026 — income is earned during this period.
- **Assessment Year 2026–27:** the income of FY 2025–26 is assessed and the return is filed in this AY.

2. New Tax Regime vs Old Tax Regime

The **New Tax Regime under section 115BAC is the default regime**. A salaried individual without business/profession income can generally choose the old regime in the return each year. The new regime has lower slab rates but fewer deductions/exemptions; the old regime allows a wider range of deductions and exemptions.

Employee tip: Compare both regimes using your actual HRA, home-loan interest, eligible investments, NPS and other deductions before choosing.

3. New Tax Regime – Tax Slabs for AY 2026–27

Taxable income	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%

Section 87A rebate: For a resident individual, rebate is up to ₹60,000 where total income does not exceed ₹12,00,000, subject to statutory conditions.

4. Old Tax Regime – Tax Slabs for AY 2026–27

Age	Taxable income	Rate
Below 60	Up to ₹2,50,000	Nil
Below 60	₹2,50,001 – ₹5,00,000	5%
Below 60	₹5,00,001 – ₹10,00,000	20%
Below 60	Above ₹10,00,000	30%
60–79	Up to ₹3,00,000	Nil
60–79	₹3,00,001 – ₹5,00,000	5%
60–79	₹5,00,001 – ₹10,00,000	20%
60–79	Above ₹10,00,000	30%
80+	Up to ₹5,00,000	Nil
80+	₹5,00,001 – ₹10,00,000	20%
80+	Above ₹10,00,000	30%

Section 87A rebate: Resident individuals with total income not exceeding ₹5,00,000 can receive rebate up to ₹12,500, subject to statutory conditions.

5. Standard Deduction from Salary

- **New regime:** up to **₹75,000** (or salary, whichever is lower).
- **Old regime:** up to **₹50,000** (or salary, whichever is lower).

6. Deductions and exemptions relevant to employees

New regime

- **Employer NPS – section 80CCD(2):** AY 2026–27 Department guidance specifies a deduction limit of **14% of salary** for Central/State Government employers, subject to statutory conditions.
- **Section 24(b):** interest on borrowed capital for a let-out house property is recognised subject to the new-regime conditions and restrictions.

Old regime

- **Section 80C:** combined deduction limit of **₹1,50,000** for qualifying payments/investments.
- **Section 80CCD(1B):** additional eligible NPS contribution deduction up to **₹50,000**.
- **Section 80CCD(2):** employer NPS contribution; for Government employers, Department guidance specifies **14% of salary**.
- **Section 24(b):** qualifying home-loan interest; self-occupied qualifying purchase/construction loans may get up to **₹2,00,000**, subject to conditions.
- **HRA – section 10(13A):** available under the old regime subject to conditions; **not available under the new regime**.

Do not claim a deduction merely because a payment was made. Check the selected regime, statutory conditions, limits and required evidence.

7. Salary and other income – what an employee should check

- Basic Pay, taxable allowances and other taxable salary components.
- Taxable perquisites, where applicable.
- Salary arrears/advance; section 89 relief may be available in eligible cases.
- Bank interest, dividends, house-property income and other taxable income.
- Pension/family pension, where applicable.

8. HRA and Home Loan

HRA: exemption under section 10(13A) is an old-regime benefit subject to prescribed conditions. It is not available in the new regime.

Home loan: under the old regime, qualifying interest deductions may be available under section 24(b). For a self-occupied house, the AY 2026–27 guidance states the ₹2 lakh ceiling for qualifying purchase/construction loans, subject to conditions.

9. NPS – important for Central Government employees

- Own NPS contribution may qualify under sections 80CCD(1) and 80CCD(1B) under the old regime, subject to limits.
- Employer NPS contribution under section 80CCD(2) is available under the new regime subject to statutory conditions; Department guidance specifies 14% of salary for Government employers.
- Keep PRAN and NPS contribution records available.

10. Form 12BB and Form 16

- **Form 12BB:** employee gives the employer particulars/evidence for HRA, LTC, home-loan interest and eligible tax-saving payments/investments for TDS purposes.
- **Form 16:** employer's salary TDS certificate showing salary, relevant deductions/exemptions and TDS.
- **Form 16A:** TDS certificate for income other than salary, where applicable.

11. AIS and Form 26AS

- **Form 26AS:** tax-related information including TDS/TCS.
- **AIS:** TDS/TCS, SFT information, tax payments, demand/refund and other information available with the Department.
- Before filing, reconcile Form 16, AIS and Form 26AS with salary, bank interest, investments and other income.

12. Which ITR may apply to a salaried employee?

ITR	Broad AY 2026–27 applicability
ITR-1 (Sahaj)	Resident individual (other than RNOR), total income up to ₹50 lakh, with salary/pension, one house property, other sources, agricultural income up to ₹5,000 and qualifying LTCG u/s 112A up to ₹1.25 lakh, subject to exclusions.
ITR-2	Individual/HUF having income other than business/profession and not eligible for ITR-1.
ITR-3	Individual/HUF having income including profits/gains from business/profession and not eligible for ITR-1/2/4.
ITR-4 (Sugam)	Eligible resident individual/HUF/firm using presumptive taxation, subject to specified conditions.

ITR-1 is not available in several specified cases, including certain directors, certain capital gains, unlisted equity share holdings, specified foreign assets/income, brought-forward losses and total income above ₹50 lakh, among other exclusions.

13. Form 10E – Salary arrears/advance

Form 10E is relevant for an individual claiming relief under **section 89(1)** where salary is received in arrears or advance. Retain the arrear/advance salary statement and furnish the prescribed particulars before claiming relief in the ITR.

14. Surcharge and Health & Education Cess

Total income	New regime	Old regime
Up to ₹50 lakh	Nil	Nil
₹50 lakh – ₹1 crore	10%	10%
₹1 crore – ₹2 crore	15%	15%

Total income	New regime	Old regime
■2 crore – ■5 crore	25%	25%
Above ■5 crore	25%	37%

Health & Education Cess: 4% on income tax plus surcharge, where applicable. Special surcharge rules/exclusions apply to specified incomes.

15. Employee checklist

1. Compare New and Old Tax Regimes using your actual figures.
2. Submit correct tax-saving particulars/evidence to the employer/DDO, including Form 12BB where applicable.
3. Check Form 16 after the financial year.
4. Download and reconcile AIS and Form 26AS.
5. Report bank interest, dividends, house-property income and other taxable income.
6. Check NPS contributions and employer contribution under section 80CCD(2).
7. If using the old regime, retain evidence for 80C, 80CCD(1B), HRA, home-loan interest and other claims.
8. If salary arrears/advance are received, examine section 89 relief and Form 10E.
9. Select the correct ITR and file within the prescribed time.
10. Retain Form 16, investment proofs, rent/home-loan records, NPS statements and supporting documents.

16. Quick comparison

Item	New regime	Old regime
Default	Yes	Optional
Standard deduction	■75,000	■50,000
HRA exemption	Not available	Available subject to conditions
80C	Generally not available	Up to ■1.50 lakh, subject to conditions
80CCD(1B) additional NPS ■50,000	Not available under normal new-regime Chapter VI-A deductions	Available subject to conditions
Employer NPS u/s 80CCD(2)	Available; Government employer limit 14% of salary per Department guidance	Available; Government employer limit 14% of salary per Department guidance
Self-occupied home-loan interest	Restricted under new-regime rules	Up to ■2 lakh for qualifying purchase/construction, subject to conditions
87A rebate	Up to ■60,000; total income ≤ ■12 lakh, subject to conditions	Up to ■12,500; total income ≤ ■5 lakh, subject to conditions

17. Simple tax calculation flow

Gross salary + other taxable income → eligible salary deduction/exemptions → taxable income → slab tax → rebate (if eligible) → surcharge (if applicable) → 4% cess → less TDS/taxes already paid = balance tax payable or refund.

18. Official references

Income Tax Department – **Salaried Individuals for AY 2026–27:** ITRs, Form 12BB, Form 16, AIS/26AS, Form 10E, tax slabs, surcharge, rebate and deductions. [Official page](#)

Income Tax Department – **FAQs on New Tax vs Old Tax Regime.** [Official FAQs](#)

Union Budget 2025–26 / Finance Bill: statutory changes for AY 2026–27. [Official Budget documents](#)

Last checked: 7 September 2026 | **Reference:** FY 2025–26 / AY 2026–27