



The Study of Effectiveness of Old tax Regime VS New tax Regime

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Abstract - Taxation plays a crucial role in the economic development of a country and directly affects the disposable income of taxpayers. The government of india introduced the new tax regime to simplify tax calculations and provide taxpayers with reduced tax rates while minimizing exemptions and deductions. This study aims to analyze and compare the effectiveness of the old tax regime and the new tax regime among taxpayers. The research focuses on taxpayers' preferences, awareness level, benefits, challenges, and overall satisfaction with both tax systems. Primary data was collected through structured questionnaires from respondents, while secondary data was gathered from journals, reports, and government publications the findings indicate that taxpayers' preferences differ based on income level, deductions, and financial planning strategies.

Key Words: Keywords: Tax Regime, Old Tax Regime, New Tax Regime, Income Tax, Tax Planning, Taxpayer Preference

I. INTRODUCTION

Tax is a major source of government revenue and significantly contributes to economic growth and public welfare. The government of india introduced the new tax regime under the income tax act with the objective of simplifying taxation and reducing tax burden through lower tax rates. However, the old tax regime continues to provide benefits through exemptions and deductions such as hra, section 80c, and medical insurance deductions.

Comparison between the two regimes has become important because taxpayers need to choose the most beneficial option based on their income structure and investment behavior.

II. METHODOLOGY

Respondents

Research design:

Descriptive research design

Sources of data:

Primary data – questionnaire survey

Secondary data – research papers, journals, government reports, websites

Sampling method:

Convenience sampling

Sample size:

Data collection tools:

Google forms and structured questionnaire

III. RESULTS & DISCUSSION

The study findings indicate that respondents demonstrated a satisfactory level of awareness regarding both the old tax regime and the new tax regime. The analysis shows that taxpayer preference varies depending on income level, investment patterns, and the availability of deductions.

A considerable number of respondents preferred the old tax regime because of benefits such as deductions under section 80c, hra, and other tax-saving provisions. On the other hand, respondents with fewer investments and deductions showed a preference for the new tax regime due to its lower tax rates and simplified structure.

1. Impact on Performance

The analysis shows that taxpayers with higher investments and deductions tend to prefer the old tax regime, whereas individuals with lower deductions prefer the new tax regime due to simplified tax calculations.



2. Challenges and Hypothesis Testing

H0: there is no significant relationship between taxpayer preference and tax regime effectiveness.

H1: there is a significant relationship between taxpayer preference and tax regime effectiveness. If using chi-square

$$\chi^2 \text{ Calculated value} = 40$$

$$X^2 \text{ table value} = 7.815$$

$$40 > 7.815$$

Null hypothesis (H0) is rejected

And alternative hypothesis (h1) is accepted.

IV. CONCLUSIONS

The study on the effectiveness of the old tax regime versus the new tax regime among 108 respondents indicates that both tax systems have different benefits depending on taxpayers' income level, investment pattern, and tax-saving preferences.

Findings reveal that respondents with higher investments and deductions such as section 80c, hra, health insurance, and other tax-saving instruments showed a stronger preference toward the old tax regime due to its ability to reduce taxable income. On the other hand, respondents with fewer deductions and simpler financial structures preferred the new tax regime because of its lower tax rates and simplified tax calculation process.

The hypothesis testing using the chi-square method showed a calculated value of $\chi^2 = 40$, which is greater than the table value of $\chi^2 = 7.815$. Therefore, the null hypothesis (h0) was rejected and the alternative hypothesis (h1) was accepted, indicating that there is a significant relationship between taxpayer preference and tax regime effectiveness.

Based on the findings, it can be concluded that no single tax regime is universally beneficial for all taxpayers. The effectiveness of each regime depends on individual financial characteristics and tax-saving behavior. Taxpayers should evaluate their income structure, investments, and eligible deductions before selecting the most suitable tax regime.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to everyone who supported and guided me during the completion of this project titled "the study of effectiveness of old tax regime vs new tax regime."

I am thankful to my project guide/teacher for providing valuable guidance, encouragement, and suggestions throughout the study. Their support helped me complete this project successfully.

I would also like to thank my college/institution for giving me the opportunity and resources to work on this project. I am grateful to my friends and classmates for their cooperation and helpful discussions during the preparation of this report.

Finally, i would like to thank my parents and family members for their constant motivation and support throughout the completion of this project.

This project helped me gain better knowledge and understanding of the indian taxation system and the comparison between the old and new tax regimes.

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