



Study on the Impact of the New Tax Regime and Old Tax Regime on Salaried Individuals

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Abstract – This paper investigates how India's dual Income Tax Regimes-the traditional system with exemptions and the simplified alternative introduced in 2020-affect individual taxpayers' choices, behaviors, and financial outcomes. Drawing on a primary survey of over one hundred respondents from varied demographic and occupational backgrounds, the study explores awareness of each regime, factors driving preference, perceived changes in tax burden, and the role of professional advice. The analysis reveals that regime selection is shaped by a combination of income level, investment habits, and ease of compliance, rather than by slab rates alone. While many taxpayers appreciate the simplicity of the new structure, those with significant deductions continue to value the old system's flexibility. Respondents' uncertainty underscores gaps in financial literacy and the need for clearer guidance. Based on these insights, the paper recommends enhanced comparison tools, targeted educational campaigns, and stronger advisory support to help taxpayers make informed decisions and strengthen voluntary compliance under the dual-regime framework.

Keywords – Taxation, Tax regimes, Union Budget, Income tax planning, financial literacy.

I. INTRODUCTION

Taxation is an important part of a country's financial system and plays a key role in economic development. In India, income tax is governed by the Income Tax Act, 1961, which provides rules for calculating and paying taxes.

In recent years, the Government of India introduced a New Tax Regime to make the tax system simpler and more transparent. This regime offers lower tax rates but removes many deductions and exemptions. On the other hand, the Old Tax Regime allows taxpayers to claim various deductions such as Section 80C, House Rent Allowance (HRA), and medical insurance, which helps reduce taxable income.

Salaried individuals form a major group of taxpayers in India, and choosing the right tax regime is an important financial decision for them. The choice depends on factors like income level, investment habits, and awareness about tax-saving options.

This study focuses on comparing the Old Tax Regime and the New Tax Regime and analyzing their impact on salaried individuals. It aims to understand which regime is more beneficial and preferred by taxpayers under different conditions.

The research is based on data collected from salaried individuals and supported by secondary sources such as government reports and financial articles. The study will help in identifying the advantages and disadvantages of both tax regimes and provide useful suggestions for better tax planning.

II. RESEARCH METHODOLOGY

This study is conducted to analyze the impact of the Old Tax Regime and New Tax Regime on salaried individuals under the Income Tax Act, 1961.

1. Research Design

The research is descriptive and analytical in nature. It describes the features of both tax regimes and compares their impact on different income groups.

2. Data Collection

• Primary Data

Primary data is collected through a structured questionnaire. The questionnaire is shared with salaried individuals to understand their preference, awareness, and choice between the two tax regimes.

• Secondary Data

Secondary data is collected from:

- Government websites
- Articles and journals
- Financial reports and online sources

3. Sample Size and Area

The study is based on responses collected from a sample of salaried individuals 50 respondents.

4. Sampling Method

Research method is used, where respondents are selected based on ease of access and availability.

5. Tools for Data Analysis

- Data is organized using Microsoft Excel
- Simple statistical tools like percentages, tables, and charts are used



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- Comparative analysis is done between Old and New Tax Regimes

6. Data Analysis Method

The collected data is analyzed to:

- Compare tax liability under both regimes
- Understand preferences of salaried individuals
- Identify which regime is more beneficial for different income levels

Objectives:

- To examine the awareness levels among taxpayers regarding the New Tax Regime and identify the key sources of their information.
- To compare tax liability perceptions (increase, decrease, or no change) among individuals who opted for the New Tax Regime and those who did not.
- To identify key factors such as income suitability, lower tax rates, simplicity, and exemption structures that influence taxpayers’ decisions between the two regimes.
- To evaluate the role of professional consultation in regime selection and tax planning among different income and occupational segments.

II. LITERATURE REVIEW

(Kumar S. , 2023) highlights the taxpayer choice depend on their income structure and financial goals. The shift from old tax regime to new tax regime signifies a policy push towards simplification, though it removes many traditional tax saving instruments. Author emphasizes on implication of 2023 – 24 adjustments in tax behavior and policy impact. It reflects the evading nature of tax governance in India. Understanding these changes is crucial for evaluating which regime best serves the interest of different categories of taxpayers.

(Ojha & Agarwala, 2024) provides comprehensive analysis on policy rationale and taxpayers behavior surrounding introduction of new tax regime in India. The study highlights how old regime supports long term financial planning through deduction, where new financial planning simplifies the rules by offering reduce tax rates without exemptions. Authors finding validate trend towards new regime where tax players seeking maximized deductions. This work contributes shifts driven by tax policy.

(Kamble & Shaikh, 2023) presents a comprehensive analysis of old vs new tax regime in context of reforms introduce in union budget 023- 24. There study focuses on evaluating which regime offers greater benefits to individual tax payer, especially offer new tax regime. Author states that new tax regime offers lower rates and simplified compliance. Objective revolves around comparing tax liability under both systems to determine which is more advantageous.

(Rao & Anand, 2024) focuses structural shift in Indias direct tax policy. New regime aims at simplifying compliances by introducing lower tax rates across all slabs.

It aims at to assess how these changes have influence tax liabilities and broader goal of increasing tax revenue and widening the tax base. Author suggests that true measure of regimes success lies in its ability to shift taxpayers’ preference. Improve filling compliances and key understanding for policy’s long-term implication for India’s fiscal framework.

(Goel & Garg, 2021) explore the emerging preference pattern among individual taxpayers following the introduction of new tax regime. The research analyzes the benefit and drawbacks of both regimes, focusing on how awareness and understanding of tax changes influence the decision making. This study identifies challenges such as lack of clarity and financial literacy and how choices made by taxpayers in sch scenario. The study ultimately offers practical suggestions to help tax players align their tax choices with individual financial goals, contributing to ongoing journey on tax reforms in India.

(Kumar, Ramanathan, & Pulipati, 2025) presents detail comprehensive analysis on old and new tax regime, emphasizing the structural changes introduced in budget 2020. This research highlights the core trade off introduced by new regime. Lower tax rates in changes of removal of most of exemptions and deduction will the key trade-off. Study is based on primary data which reveals with statistical analysis that taxpayers with limited tax saving tend to prefer new regime due to simplicity and ease of compliances. Those with substantial amount of investment and reliance on deduction continue to depend on old regime.

Data Analysis:

This section presents the findings based on responses gathered from 50 individuals through a structured questionnaire via Google Forms. The purpose of this analysis is to gain a deeper understanding of taxpayer preferences between the old and new tax regimes introduced under the Indian Income Tax Act. The questionnaire was designed to capture a wide range of variables, including awareness levels, regime preferences, perceived ease of compliance, and the financial impact of tax planning under both regimes. Respondents were selected across diverse income groups, professional categories (salaried, selfemployed, etc.), and age brackets to ensure a representative sample of the general taxpayer population.

Table 1 Age Distribution

Age	Count	%
Below 25	0	0
25-35	15	30
36-45	18	40
46-60	13	20
Above 60	4	10

The data shows that the majority of respondents belong to the 36–45 years age group (40%), followed by 25–35 years (30%), 46–60 years (20%), and above 60 years (10%), while there are no respondents below 25 years.



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This indicates that most respondents are from the middle-age group, which is considered the prime earning and investing stage according to investment life-cycle theory. Individuals in this stage are more financially stable, goal-oriented, and likely to invest in secure instruments like Sovereign Gold Bonds.

The 25–35 age group represents young investors who are beginning their investment journey but may have relatively less awareness. The 46–60 and above 60 groups prefer low-risk and traditional investments, which may limit their interest in newer financial products.

The absence of respondents below 25 years suggests low awareness and participation among youth. Overall, the data reflects that awareness and investment inclination toward SGBs are higher among middle-aged individuals compared to younger and older groups.

Table 2 Occupation and income segments

Occupation	3–6 lakh	6–10 lakh	10–15 lakh	Above 15 lakh	Grand Total
Private Sector (27)	5	6	8	7	27
Government Sector (18)	3	2	5	4	18
Self-Employed (4)	2	4	1	2	4
Others (1)	0	0	0	1	1
Grand Total (50)	10	12	14	14	50

The cross-tabulation of occupation and income shows that the majority of respondents are from the private sector (27) and government sector (18), indicating a dominance of salaried individuals in the sample. This reflects that structured income earners are more actively involved in financial surveys and investment-related decisions.

In terms of income distribution, the highest number of respondents falls in the ₹10–15 lakh (14) and above ₹15 lakh (14) categories, indicating a concentration of middle-to high-income groups. This suggests that respondents generally have strong earning capacity, which positively influences their ability to invest and plan finances.

Within the private sector, income is fairly distributed across all categories, with a higher concentration in ₹10–15 lakh and above ₹15 lakh, reflecting career growth and higher earning potential. The government sector shows a similar but slightly more stable distribution, consistent with fixed salary structures.

The self-employed group, although small, shows variability across income levels, indicating income uncertainty and fluctuation, which is typical for this segment. The others

category is negligible and does not significantly impact the analysis.

Overall, the data indicates that higher income and salaried occupation are associated with greater financial participation, suggesting that awareness and investment in financial instruments like Sovereign Gold Bonds are likely higher among these groups.

Growth Opportunities

- The introduction of the New Tax Regime under the Income Tax Act, 1961 creates opportunities to make the tax system simpler and more transparent.
- There is a strong opportunity to increase awareness among salaried individuals about choosing the right tax regime based on their income and investments.
- Financial advisors and tax consultants can help individuals with better tax planning, creating growth in financial advisory services.
- Digital platforms and apps can be developed to compare tax regimes easily, helping users make quick decisions.
- Employers can conduct tax awareness programs and workshops for employees to guide them in selecting the best regime.
- The New Tax Regime can encourage people to focus more on spending and liquidity instead of compulsory tax-saving investments.
- There is scope for the government to further improve and modify tax policies to make them more beneficial and user-friendly.
- Increased awareness and better decision-making can lead to higher compliance and improved tax collection for the government.

III. CONCLUSION

- Both regimes have advantages and disadvantages
- No one-size-fits-all solution
- Taxpayers must evaluate income, deductions, and goals
- Proper planning leads to maximum tax savings

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