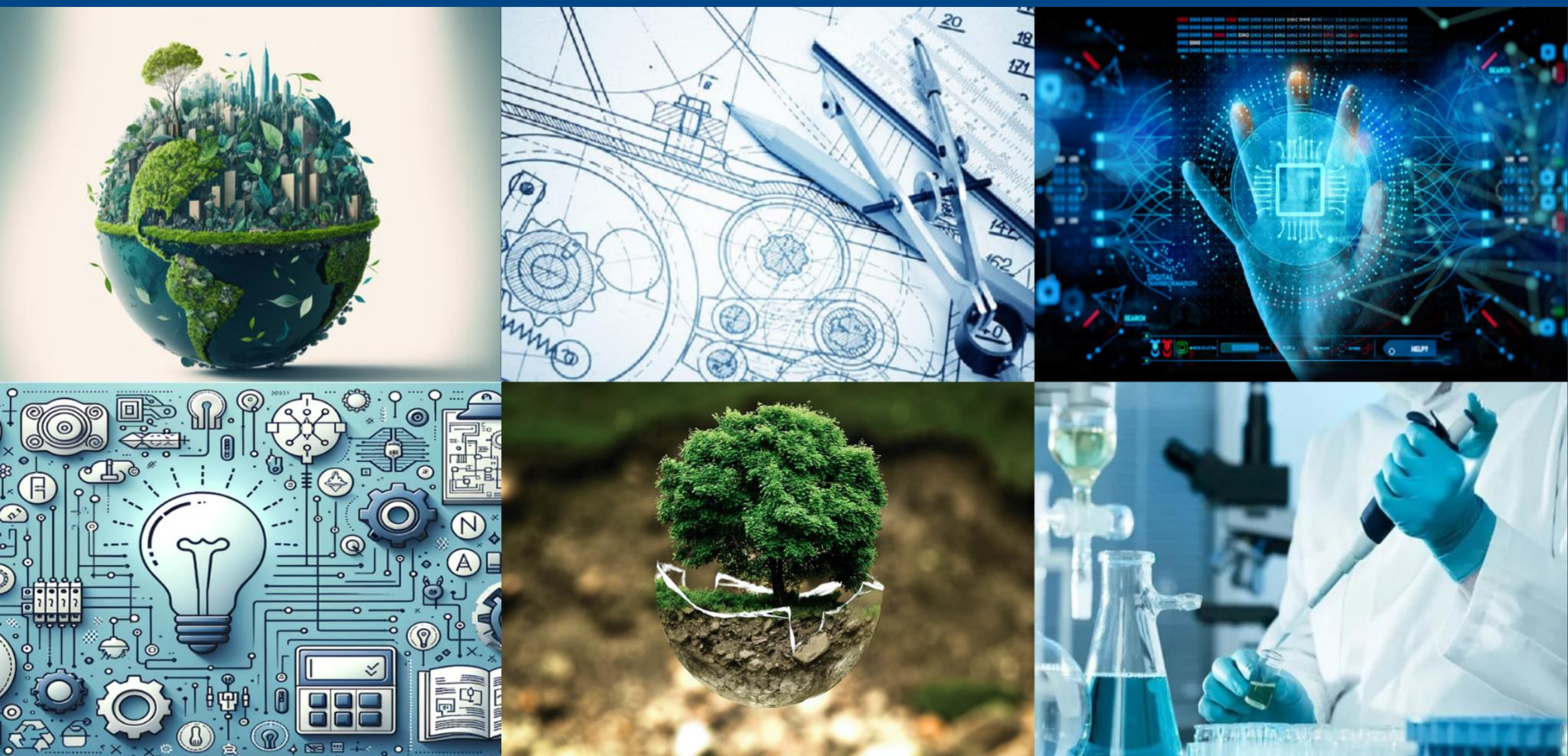
ISSN: 2582-7219

International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.206

Volume 8, Issue 4, April 2025

www.ijmrset.com ijmrset@gmail.com +91 6381 907 438 +91 63819 07438

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

A Study on the New Income Tax System in Comparison to the Old Income Tax System

Dr. Kiran Kumar M[1], Mr. Ramanathan M[2], Mr. Madappa M[3], Mr. Pulipati Seshank[4]

Assistant Professor, Department of Finance, Faculty of Management Studies, CMS Business School, Jain (Deemed to be University), Bengaluru, India[1]

MBA Finance Student, Faculty of Management Studies, CMS Business School, Jain (Deemed to be University), Bengaluru, India[2-4]

ABSTRACT: Taxation must be remained an integral feature in terms of government-wide revenues, fiscal financial investments as well as individuals' saving and investment patterns within a economic system. The key point of introduction of the new income tax regime to Union's Budget 2020 was to provide an option of the current tax system towards a unified tax system with lesser dependencies on exemptions & deductions. Under the new regime lower rates have been introduced but it removed most of the deductions as available earlier under the old regime; thus making significant dilemma either to shift or to remain with old regime, depending on the financial position of the taxpayers. This study, however, goes in detail through old tax versus new tax regime and upon the tax rates and exemptions and deductions and also checks out the total cost implications. The research is based on primary data obtained from 90 respondents with a projection sample of 130 through structured questionnaires. Descriptive and statistical analysis technique such as t-tests, chi-square test, regression analysis has been used to analyze taxpayer preference, savings behavior and compliance under both tax systems. The results show that taxpayers with less investment and deductions support the new tax regime because of its ease, whereas those with large investments in tax-saving vehicles still hold on to the old tax regime. Further, budgetary adjustments in 2024-2025 and 2025-2026 have also changed tax slabs and rebate structures, which affect the choices of taxpayers. The research points out that tax regime choice is influenced significantly by factors other than income levels, including investment behavior, long-term savings, and financial literacy.

KEYWORDS: New and Old Tax Regime, Tax Rates and Deductions, Income Tax System Comparison, Financial Planning and Taxation

I.INTRODUCTION

Being the primary source of government revenue and a determinant of financial planning, social justice, and economic behavior, taxes are a fundamental component of a nation's economic framework. India's taxation system has evolved over time due to evolving economies, shifting policy objectives, and the need for increased openness and conformity. The 2020 Union Budget contained a new income tax regime, which provided taxpayers with a choice to the old tax regime. This was one of The largest tax reforms in recent times. The reasons behind this reform were to reduce dependence on exclusions and deductions, enhance voluntary compliance, and simplify tax calculations (Government of India,2020). But choosing the new or old tax system has raised an argument among taxpayers, politicians, and finance specialists about its advantages, disadvantages, and overall effect.

Well-structured, with progressive Tax Rate regime and multiple deductions and exemptions under the Income Tax Act, 1961, the Old tax regime has survived for decades. The deductions include the House Rent Allowance (HRA), the deductions/incentives as specified under Section 80C (life insurance premiums, Provident Fund contribution, Equity-Linked Savings Plans), and the home loan interest deduction under Section 24(b). Besides stimulating economic growth through investments in real estate, insurance, and mutual funds, these provisions traditionally helped taxpayers with savings, assistance toward investments, and financial security (Income Tax Department, 2023).

The New Tax Regime, however, came forward with a simpler option; it withdrew almost all exemptions and deductions and lowered tax rates for all levels of income. Hence the goals were to reduce complexity in Tax reporting as well as

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

make sure taxpayers do not have to put themselves into certain investments for getting tax benefits. The long-term financial soundness and investment behavior would be affected by the savings disincentives of the new regime which may at present offer lower tax rates than the previous one (Reserve Bank of India, 2022).

With the implementation of this new system, taxpayers now have to make a crucial decision that requires them to balance the advantages of structured deductions against the benefits of reduced tax rates. While those who do not claim major deductions may find the new tax system more appealing due to its simplicity, high-income earners who often use a variety of deductions to lower their taxable income may find the old regime more advantageous. Numerous concerns have been voiced about this change's overall effects on people, tax compliance, and the economy.

Given these considerations, this research aims to:

1. Examine the variations in tax rates, exemptions and deductions between the two Tax regimes.

2. Evaluate the effect on individual taxpayers in various income brackets to determine how it affects their financial planning.

3. Assess the benefits and limitations of both systems from the viewpoints of the government and taxpayers.

4. Examine the ways in which the new system affects taxpayer behavior, especially with regard to compliance, investments, and savings.

In the current economic climate, when financial planning is essential to managing one's personal wealth and ensuring long-term financial stability, this study is especially pertinent. This study will offer important insights into which system advantages various taxpayer groups and how individuals can maximize their tax planning tactics by performing a thorough comparison of the Two Tax regimes. The study's conclusions will also add to the current policy debates over how well the new tax system balances the requirement for incentives that support economic stability with its intended objectives of increased compliance and simplification.

Comparative Analysis of Tax Slabs

1. Income Tax Slabs

Income (Rs)	Old Tax Regime (Before 2021)	New Tax Regime (2021)	New Tax Regime (2023-2024)	New Tax Regime (2025-2026)
Up to 2.5 lakh	Nil	Nil	Nil	Nil
2.5 lakh to 3 lakh	5%	5%	Nil	Nil
3 lakh to 5 lakh	5%	5%	5%	5%
5 lakh to 7.5 lakh	20%	10%	10%	10%
7.5 lakh to 9 lakh	20%	15%	10%	10%
9 lakh to 12 lakh	20%	15%	15%	15%
12 lakh to 15 lakh	30%	25%	20%	20%
Above 15 lakh	30%	30%	30%	30%

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

2. TAX 2024-2025 & 2025-2026

Feature	TAX 2024-2025	TAX 2025-2026
Standard Deduction	Increased to ₹75,000 from ₹50,000	Maintained at ₹75,000
Rebate Under Section 87A	Income up to ₹7 lakh tax-free	Income up to ₹12.8 lakh tax-free
Nil Tax Slab Threshold	Increased to ₹3 lakh	Retained at ₹3 lakh
Highest Tax Rate Threshold	30% tax rate applicable above ₹15 lakh	30% tax rate applicable above ₹24 lakh
Projected Revenue Loss	Approx. ₹1 trillion annually	Further losses due to widened exemptions

3. Surcharge Comparison

Income Range (Rs)	Old Surcharge Rates	New Surcharge Rates (2025-2026)
50 lakh to 1 crore	10%	10%
1 crore to 2 crore	15%	15%
2 crore to 5 crore	25%	25%
Above 5 crore	37%	25% (Reduced from 37%)

The Dilemma for Taxpayers: Choosing Between Two Regimes

The implementation of this double taxation system has posed a dilemma to taxpayers. The taxpayer's choice between the Old and New Tax system hinges on several considerations, including:

- **Level of Income:** Various income levels gain differently under both regimes. Poorer individuals might see no difference between the two, but higher-income people optimizing deductions might like the previous system.
- **Investment Behavior:** Investors who actually invest in Tax-saving instruments might prefer the Old tax Regime, while those who like to have flexibility in planning finances might prefer the new regime.
- **Fiscal Aims:** Those with long-term fiscal goals, like owning a house or ensuring retirement, will be comfortable with the older scheme, while others interested in near-term spendable income might support the new system.
- **Ease of Compliance:** People who are faced with difficulties in tax documentation and filing may tend towards the easy new tax system.

The Union Budgets for 2024-2025 and 2025-2026 have introduced significant allocations and reforms across various sectors, aiming to stimulate economic growth and enhance infrastructure.

Comparison of Budget Allocations for Key Sectors (2024-2025 vs. 2025-2026)

Sector	2024-2025 (₹ Crore)	2025-2026 (₹ Crore)	Key Initiatives
Agriculture & Rural Development	1,52,000	1,70,000	- PM Dhan-Dhaanya Krishi Yojana - ₹75,000 crore for irrigation & water conservation - ₹50,000 crore for farm mechanization & agri-tech startups
Defence & National Security	6,21,000	6,81,000	- ₹1.72 lakh crore for capital expenditure on military equipment & infrastructure - 75% of capital budget for domestic procurement - Increased funding for AMCA fighter jets & Project P75(I) submarines

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Manufacturing & Infrastructure	3,85,000	4,50,000	- ₹1.2 lakh crore for highways & expressways - Expansion of metro rail to Tier-2 & Tier-3cities - Development of 100 new airports under the UDAN scheme
Tourism	Indirect allocation	Indirect allocation	- Improved transportation & airport infrastructure to boost tourism - Enhanced connectivity through metro & road projects
State-Wise Benefits	Varies by project	Varies by project	- Bihar benefits from the Makhana Board initiative - Agricultural states benefit from irrigation & rural schemes - States with metro expansion projects gain improved connectivity

Advantages & Disadvantages of the New Tax Regime (Post Budget 25-26 Reforms)

Advantages of the New Tax Regime:

1. Income up to ₹3 lakh is tax-free, reducing the burden on lower-income groups.
2. Tax rebate limit extended to ₹12.8 lakh, benefiting middle-income earners.
3. Standard Deduction of ₹75,000 reduces taxable income for salaried individuals.
4. Simplified tax structure with fewer compliance requirements.

Disadvantages of the New Tax Regime:

1. No deductions under Section 80C, 80D, or other exemptions
2. No tax benefits for home loan interest payments.
3. No Leave Travel Allowance (LTA) exemptions.
4. The removal of traditional tax-saving incentives may discourage long-term investments.

II. REVIEW OF LITERATURE

Peter Birch Srensen, (1994), elaborated on the transition in the Nordic countries - the phenomenon of moving away from a global income tax system to a dual income tax (DIT) system. The DIT stands for progressive taxation on labor income and a much lower flat taxation on capital income. The financing reform was supposed to enhance economic efficiency, ease tax evasion, and respond to globalization pressures. Srensen observes that while redistributive considerations seem diminished in this reform, fairness is maintained by applying progressive taxation to wages. The study reflects the adaptability of tax policy to changing economic environments, giving a refreshing insight in that direction.

Jensen, A, (2022), A study on how the shift from informal to formal employment influenced the onset of modern tax systems. From a small portion of the country's population that earned wages, they became directly taxed through employer withholding. Changes in employment structure played a significant role in making feasible income tax systems. Labor market formalization is closely related to a country's tax capacity and overall economic development.

Sury, M.M.(2013) The income is by far the most relevant indicator of one's capacity to pay taxes. The widespread acceptance of income taxes around the globe supports this.The annual compensation of a variety of taxable organizations, namely individuals and businesses. Financial authorities, particularly in developing nations, must address a number of problems in order to successfully operate an income tax system and make it consistent with the socioeconomic goals of governmental policy. This essay looks at broad policy topics that are important for creating and modifying an appropriate income tax structure.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Piyush Kumar (2016) He concentrated on estimating the responsiveness of individual income tax; in this scenario, a shift in the disparity in the distribution of income among individuals increases the nation's personal income tax yield.

Bhuyan, A. K., & Nayak, R. (2011) The authors focus on the introduction of GST as a landmark step in tax reforms and sustainable economic development in India. They argue that the GST aims at unification of the complex indirect tax structure of the country, reducing cascading tax burdens, and improving efficiency in tax collections. According to the authors, GST can bring about a transparent and business-friendly environment by replacing multiple indirect taxes with a single set of rules governing indirect taxation. Therefore, according to their study, GST is one of the major steps toward ensuring economic stability and growth on a sustainable basis for India.

Alm, J., & Malézieux, A. (2020), Analyzed tax evasion experimentally over the last 40 years in a meta-analysis, reviewing a number of experiments on tax compliance to extract patterns of behavior displayed by taxpayers. Their main finding pointed towards audit probability, severity of penalties, and moral considerations as having a significant impact on the will to evade taxes. This paper therefore highlights that people act neither purely through economic incentives, since social norms and trust in government play a significant role. The research established a solid foundation for more effective tax policy designs by demonstrating that operational results are nuanced by enforcement and fairness.

Blumenthal and Slemrod (1992), revisited the discussion on compliance costs in the U.S. individual income tax system after the enactment of the 1986 Tax Reform Act. Their studies found that despite the efforts to simplify the U.S. tax code for taxpayers, most taxable individuals still incur days and dollars in the filing of returns. They noted that," for the most part, it is still a significant issue; that is, the people with a higher income usually suffer from having much more complicated deductions and forms." It could be deduced from the research that tax reforms alone would not suffice as reductions in compliance costs, indicating an urgent need for simplification and taxpayer support.

Kovski et al. (2021), explore the relationships between the state-by-state Earned Income Tax Credits (EITC) and the child abuse and neglect rates reported in the U.S. between 2004-2017. The article finds that more generous EITC policies correlate with reduced rates of child abuse and neglect. Increased EITC financial assistance is believed to decrease stress in low-income households and, therefore, to allow for an environment more conducive to nurturing outcomes for children. The research supports the argument that tax policy can have social advantages outside of the scope of tax fairness and demonstrates the effectiveness of income support on family welfare and safety for children
.

Whitmore, Schanzenbach, and Strain (2021), point out and analyze the long-term employment effects of the Earned Income Tax Credit (EITC). Their research indicates that the EITC has a strong positive impact on labor force participation, especially among single mothers. Then, the policy not only boosts work incentives over time but it also supports income growth and economic stability for low-income families. The study shows that the EITC is an effective tool for encouraging work while at the same time reducing poverty, thus enhancing its importance in the arsenal of U.S. tax and welfare policy.

Lester and Olbert (2025),conduct an exhaustive review on responses by firms to taxes, whether in real terms-the very decisions they make on investments, hiring or in financial reporting. The authors note that it is not uncommon for firms to adjust their operations, as well as profit movements or accounting changes, to evade tax liabilities. This paper therefore emphasizes how complex tax behaviors are in the corporate world and poses challenges for the policymakers regarding the design of tax systems that will keep taxpayers from avoidance while still not discouraging productive business activity. The review adds valuable insight into achieving that balance between enforcing effective taxes and keeping an inviting environment for businesses.

III. OBJECTIVES OF THE STUDY

1. To analyze age and income distribution for understanding income classification and tax regime preference.
2. To assess whether there is a significant difference in mean income between users of the old and new tax regimes
3. To examine if familiarity with the Tax system influences the choice of Tax regime.
4. To determine if mean income varies significantly across different employment types.

© 2025 IJMRSET | Volume 8, Issue 4, April 2025| DOI: 10.15680/IJMRSET.2025.0804145

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

IV. RESEARCH METHODOLOGY

1. Research Design

The research Employs a descriptive research design, whose purpose is to achieve an intimate knowledge of the topic by interpreting the gathered data both qualitatively and quantitatively. This design best suits the investigation of patterns, trends, and relationships in the data set.

2. Data Collection Method

The study is based on primary data collection. A well-structured questionnaire was formulated and sent to the target respondents in order to collect relevant insights. The survey was carried out both online and offline to provide a better response rate.

3. Sample Size and Sampling Technique

The research was meant to obtain the responses of about 130 participants, where 90 valid responses were realized. The participants were chosen by means of a non-probability convenience sampling method, thereby ensuring that the process of gathering data was efficient and representative of a wide group of people in line with the research.

4. Data Analysis Techniques

In analyzing the data gathered, descriptive and statistical methods are utilized. They include:

- Descriptive Analysis: This is applied to condense and describe the data collected using measures like mean, median, mode, standard deviation, and percentage distributions.
- Statistical Methods: Statistical tests and measures like correlation analysis, regression analysis, and hypothesis testing are used to extract useful insights and determine meaningful relationships between variables in the data.

5. Tools Used for Analysis

The examination is conducted with the help of statistical software like Microsoft Excel, SPSS, or any other appropriate analytical software. These kinds of software help in structuring, interpreting, and representing the data appropriately.
This research design guarantees a systematic data collection, analysis, and interpretation process, offering credible and meaningful results for the study.

V. DATA ANALYSIS &INTERPRETATION

1.Descriptive statistics

To analyze age and income distribution for understanding income classification and tax regime preference.

Descriptive statistics Results Interpretation

	Age	Annual income(in Lakh₹)
Count	90	90
Mean	40.9	15.03233333
Std	14.264791259	7.8114627743
Min	18	2.57
25%	28	8.7675
50%	41.5	14.375
75%	52.75	21.065
Max	65	29.18

Descriptive statistics are an example of age and income distribution by which an individual would fill a gap in the comparison of new and old income tax. The sample size to this effect is equal to 90 respondent whose mean age this year has been calculated to be 40.9 with a standard deviation of 14.26 years, indicating the age group variability. An annual income figure between ₹2.57 lakh to ₹29.18 lakh, having an average figure of ₹15.03 lakh with a standard deviation of ₹7.81 lakh, presenting a scenario of earnings much variable. The median of income lies at ₹14.37 lacks where one-fourth earns less than ₹8.77 lakh while the remaining three-fourths earn less than ₹21.07 lakh. It shows that the maximum is concentrated in the middle-income category. Hence, for the lower income group, this new tax regime with reduced tax rates but no deductions would suit while the higher income group with tax - saving investments would prefer the old system. It necessitates a comparative liability for income tax for effective tax planning process.

2. **T-Test**

To assess whether there is a significant difference in mean income between users of the old and new tax regimes

Variables for T-Test

- **Dependent Variable:** Income
- **Independent Variable:** Tax Regime(New and old tax regime)

Hypothesis

- **Null Hypothesis (H_0):** There is no significant difference in the mean income of taxpayers under the old and new tax regimes.
- **Alternative Hypothesis (H_1):** There is a significant difference in the mean income of taxpayers under the old and new tax regimes.

T-Test Results Interpretation:

Metric	Value
T-Statistic (t)	-0.7605
P-value	0.4490
F-Statistic (F)	0.5783

Income disparity analysis for users between the old and new tax regimes by t-test. When the p-value is 0.4490 and the t-statistic is -0.7605, it signifies that differences in means may be considered to be insignificant at the conventional confidence levels (95%) in the opinion of the present data with respect to the income of old vs new tax system regime assessments. The average annual income of the old tax regime was ₹14.37 lakh, which was slightly lower than ₹15.63 lakh for the new tax regime. Since there is not enough evidence to show that taxpayers using the old and new tax regimes have significantly different income levels, we accept the null hypothesis since p-values are greater than 0.05. Hence, one could say that the choice of the tax regime may not be mainly income driven. Other factors may play a role in influencing tax regime choices, such as the availability of tax-saving options, preference for the particular mode of investment, and level of financial literacy.

3.Chi-Square Test

To examine if familiarity with the tax system influences the choice of tax regime.

Hypothesis

- **Null Hypothesis:** There is no significant association between familiarity with the tax system and the choice of tax regime.
- **Alternative Hypothesis:** There is a significant association between familiarity with the tax system and the choice of tax regime.

Variables Used

- **Independent Variable**: Familiarity with the Tax System
- **Dependent Variable:** Current Tax Regime

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Observed Frequency Table

Familiarity with Tax System	New Tax Regime	Old Tax Regime
Not familiar at all	17	14
Somewhat familiar	15	15
Very familiar	15	14

Expected Frequency Table

Familiarity with Tax System	New Tax Regime	Old Tax Regime
Not familiar at all	15.88	15.12
Somewhat familiar	15.00	15.00
Very familiar	16.12	12.88

Chi-Square Test Findings

- Chi-Square Value (X^2): 0.1473
- **p-value:** 0.9290

The Chi-Square Test of Independence was run to determine if there is a relationship between familiarity with the tax system and the choice of tax regime. Their output returned a Chi-square statistic of 0.1473 (p-value=0.9290, df=2). Because the p-value is well above the level of significance of 0.05, there is no reason to reject the null hypothesis; that is, familiarity with the tax system does not have any significant effect on the choice of tax regime. Familiarity levels were seen to be rather evenly distributed among users of the old tax regime and the new regime. The flat number of responders supporting the level of "somewhat familiar" or "very familiar" was nearly matched in both tax regimes. As a result, familiarity is not an important factor in choosing a tax regime. Thus, these findings indicate that taxpayers do not really choose a tax regime based on their understanding of the tax system.

4. ANOVA (Analysis of Variance)

To determine if mean income varies significantly across different employment types.

Variables:

- **Independent Variable:** Employment Type (Categories: Salaried, Freelancer/Consultant, Retired, etc.)
- **Dependent Variable:** Income (in lakhs per annum)

Hypothesis:

- **Null Hypothesis (H_0):** There is no significant difference in mean income across different employment types.
- **Alternative Hypothesis (H_1):** There is a significant difference in mean income across different employment types.

ANOVA Results Interpretation

Metric	Value
F-statistic (F)	1.8646
P-value	0.1241

An ANOVA test was conducted to determine whether the mean income differs significantly across employment types. The F-statistic calculated was 1.8646 with a corresponding p-value of 0.1241. From this, we conclude that statistically significant differences do not exist in the mean incomes among employment groups at a common 0.05 significance level. In terms of mean income across employment types, Freelancers/Consultants (₹17.66 lakh) and Retired individuals (₹17.44 lakh) enjoy the highest average incomes, while Salaried Employees are at the bottom (₹11.28 lakh).

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

However, with a high p-value (0.1241), the implication is that these variations are most probably owing to random chance rather than a systematic difference among employment types.

VI. FINDINGS

The study analyzes taxpayers 18 to 65 years of age, with a mean age of 40.9 years; most are middle-aged professionals. The standard deviation of 14.26 years signifies a widely dispersed age distribution with insights on various age groups. Average annual income stands at ₹15.03 lakh, with a standard deviation of ₹7.81 lakh, suggesting a lot of variation in income. The income distribution is moderately right-skewed, with the median income at ₹14.37 lakh and the 75th percentile at ₹21.07 lakh. Since many earn less than ₹15 lakh, those who do not claim exemptions under the new tax regime will benefit from lower rates. However, very high earners above ₹21.07 lakh would benefit more from deductions under the old tax regime. The findings indicate that the new tax regime favors middle-income individuals who do not claim exemptions, while higher taxpayers are advantaged under the old tax regime. A meticulous comparison of tax liabilities will help in putting out a tax plan that works in their favour.

The findings indicate no significant income difference between old and new tax regime users ($t = -0.7605$, $p = 0.4490$). The mean income is ₹14.37 lakh (old) and ₹15.63 lakh (new), suggesting that income alone does not determine tax regime choice. Other factors like deductions, financial awareness, and tax planning influence decisions.
The results of the chi-square test ($\chi^2 = 0.1473$, $p = 0.9290$) show that there is no relationship between familiarity with the tax system and selection of the tax regime at any statistically significant level. The distribution across the old and the new tax regimes is equal for all levels of familiarity (not familiar, somewhat familiar, and very familiar) - indicating that familiarity is not an influencing factor for tax regime choice. This indicates that tax choice does not necessarily depend on how much a taxpayer understands a tax system since it is possible that other more critical factors-including income levels, tax-savings strategies, or financial advice-affect the decision. More research is needed to investigate behavioral, financial, and demographic factors that influence taxpayer choices.

According to the results of ANOVA ($F = 1.8646$, $p = 0.1241$), one can conclude that income does not vary significantly over different employment types. Freelancers/Consultants earn the highest mean income per year (₹17.66 lakh), and retired individuals come next (₹17.44 lakh); in contrast, salaried employees earn least at ₹11.28 lakh. Since these differences are not significant at the 5% level, it suggests that other factors apart from employment type may play a significant role in determining income, such as experience, industry, financial planning, or even tax strategies. More insights into the other parameters affecting income variations across employment types need to be researched in the future.

VII. SUGGESTION

- **Personalized Tax Planning Tools –**Taxpayers should utilize the online calculators or financial advisors for choosing the most advantageous tax regime based on his or her income level, deductions, and exemptions.

- **Enhanced Financial Literacy –** Familiarity with the tax regime system does not, however, influence tax regime selection. Hence, there is a need to undertake focused taxpayer education programs to enable taxpayers to appreciate the benefits of the various tax regimes available.

- **Encouraging Exemptions and Deductions Awareness –** It is important that taxpayers appreciate the need for information on how deduction affects their obligations to tax so as to enable them decide whether or not to adopt the new or old regime.

- **Sector-Specific Tax Benefits –**Because employment income is not very different across the types of industries, there should be an investigation into the need for additional or special tax relief for certain professions.

- **Long-Term Tax Policy Stability –**With this type of policy, individuals will be able to have better control over the finances and minimize the negative effects posed on the tax planning.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

VIII. CONCLUSION

This study compares the Old and New income tax systems, focusing on Tax Rates, Exemptions, and the impact on taxpayers in various income groups. To summarise, the new tax regime treats middle-income earners who do not claim exemptions better than the old tax system; high-income earners are in the opposite situation and may benefit more from the old regime due to various deductions. The present study shows that the knowledge of the tax laws does not greatly influence the regime selected. Therefore, it can be inferred that other factors related to financial planning and tax-saving strategies play a crucial role. The classification with relation to income distribution and occupation kinds shows further need for customisation of tax planning.

While the New Tax Regime has been implemented to provide taxpayers with greater options, only those who choose the new regime will benefit from personal tax savings in the Union Budget for 2023-2024. The new regime significantly impacts middle-class taxpayers, particularly those earning up to ₹7.5 lakhs, due to a basic deduction of ₹50,000 and a return maximum of ₹7 lakhs. Tax planning was rendered ineffective because the new tax regime provides no deductions or exemptions. Our research shows that up to ₹5 lakhs, both regimes offer benefits, however income above that level requires careful consideration of tax liability.

On a more positive note, with a solid strategy for investments and tax-saving techniques, the deductions under sections 80C, 80D, HRA, and so on may still make the existing tax regime more appealing to salaried employees. Individuals who do not make significant investments or claim applicable deductions may find the New Tax Regime simpler to execute and maybe more favourable. Higher-income taxpayers, for their part, should compare their entire tax burden against any exemptions available, such as home loan interest and insurance premiums.

The study also found that the benefits of employment type have no significant effect on income, implying that the true weight may be borne by other variables such as industry demand, job functions, and economic situations. Also, behavioural and demographic aspects such as financial knowledge, risk tolerance, and investing appetite should be investigated in order to have a better understanding of taxpayer behaviour. Policymakers' responsibilities should include raising public understanding about the ramifications of both tax regimes so that taxpayers may make informed decisions and manage their finances. A more dynamic tax structure could help taxpayers and the economy as a whole by increasing flexibility while maintaining incentives for savings and investing.

REFERENCES

1. Alm, J., & Malézieux, A. (2020). 40 years of tax evasion games: a meta-analysis. *Experimental Economics*. https://doi.org/10.1007/s10683-020-09679-3
2. Bhuyan, A. K., & Nayak, R. (2011). GST A New Tax Reforms in India- Implementing Towards Sustainable Development of the Economy. *Interscience Management Review*, 15–22. https://doi.org/10.47893/imr.2011.1074
3. BLUMENTHAL, M., & SLEMROD, J. (1992). THE COMPLIANCE COST OF THE U.S. INDIVIDUAL INCOME TAX SYSTEM: A SECOND LOOK AFTER TAX REFORM. *National Tax Journal*, *45*(2), 185–202. https://doi.org/10.1086/ntj41788959
4. Jensen, A. (2022). Employment Structure and the Rise of the Modern Tax System. *American Economic Review*, *112*(1), 213–234. https://doi.org/10.1257/aer.20191528
5. Kovski, N. L., Hill, H. D., Mooney, S. J., Rivara, F. P., Morgan, E. R., & Rowhani-Rahbar, A. (2021). Association of State-Level Earned Income Tax Credits With Rates of Reported Child Maltreatment, 2004–2017. *Child Maltreatment*, 107755952098730. https://doi.org/10.1177/1077559520987302
6. Lester, R., & Olbert, M. (2025, February). *Firms' Real and Reporting Responses to Taxation: A Review*. Ssrn.com. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4779893
7. S�rensen, P. B. (1994). From the global income tax to the dual income tax: Recent tax reforms in the Nordic countries. *International Tax and Public Finance*, *1*(1), 57–79. https://doi.org/10.1007/bf00874089
8. Whitmore Schanzenbach, D., & Strain, M. R. (2021). Employment Effects of the Earned Income Tax Credit: Taking the Long View. *Tax Policy and the Economy*, *35*, 87–129. https://doi.org/10.1086/713494

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH

IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com