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India's Tax Budget: A Mirror to Middle-Class Mindsets and Trust in the System

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ABSTRACT: This research investigates India's tax budget as an indicator of middle-class attitudes, examining the interplay between system trust, tax reforms, and fiscal behaviour. The study aims to comprehend middle-class attitudes towards the New Tax Regime (NTR), which was implemented to streamline the tax system by eliminating deductions and exemptions, and compare it with the Old Tax Regime (OTR) in shaping tax planning behaviour. The results indicate that younger taxpayers and those with less complicated financial portfolios favour the NTR because of ease of compliance, whereas old taxpayers and the more affluent groups favour the OTR for its tax-saving advantage. The study highlights the importance of increased transparency, focused awareness campaigns, and customized advisory services to enhance trust and participation in the tax system. These steps could close the gap between policy goals and public perception, making the tax system more inclusive and responsive to the aspirations of India's expanding middle class.

KEYWORDS: Middle-Class Taxpayers, Tax Reforms, Trust in the Tax System.

I. INTRODUCTION

India's budget for taxation is not only a financial blueprint but a mirror of its middle class's aspirations, hopes, and fears, providing a singular insight into the changing dynamic between citizens and the state. The middle class, traditionally the backbone of the Indian economy, pays close attention to budget pronouncements since they have a direct bearing on family finances, savings, consumption, and long-term security. Every year, when the government presents its fiscal policy, tax reforms, and welfare initiatives, the middle class considers these developments not only in financial terms but also in terms of trust and justice in the system. This sense of trust is influenced by images of transparency, fair taxations, and responsiveness of the government to their interests. Tax relief, rebates, and incentives can create a feeling of belonging and hope, while perceived imbalances or burdens can cause disillusionment and distrust. The tax budget thus becomes a story of expectations and realities, shaping the way the middle class interprets governance, economic growth, and social justice. As India walks towards economic development and inclusivity, comprehending this complex dynamic is essential to truly understanding the larger socio-economic environment and the role of the middle class in determining national discussion.

II. OBJECTIVES

- To study the extent of confidence in the tax system among middle-class Indian taxpayers.
- To examine the public satisfaction level with recent tax reforms, including the New Tax Regime (NTR).
- To examine the effect of income levels and demographics on tax planning strategies.

III. METHODOLOGY

The research uses a questionnaire-based methodology for measuring middle-class taxpayers' understanding of India's tax regime. A systematic survey collects qualitative responses regarding trust in tax policy and quantitative responses in the form of tax planning actions, income range, etc. Comparative analysis contrasts differences in awareness of taxation



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and tax-savings actions for salaried taxpayers. Graphic representations like bar graphs and pie charts facilitate the interpretation of results.

IV. LITERATURE REVIEW

Chinmay N. Koraonkar (2022) The Determinants of Tax Morale in India: In this research, the determinants of tax morale among Indian citizens are studied, with special reference to trust in government institutions. The research concludes that greater trust in government, parliament, and civil services is associated with greater tax morale.

Shevate and Pande (2023) discuss the New Tax Regime (NTR) implemented by India in the Union Budget 2020 and how it seeks to rationalize tax rates by eliminating exemptions and deductions. Their paper brings forward an interesting side of NTR—it was planned to be taxpayer-friendly and expenditure-friendly at the expense of savings but has seen limited adoption due to unawareness regarding the regime and a preference shift by rich income groups toward the Old Tax Regime (OTR).

Ojha and Agarwala (2024) considered the implementation of the new tax regime in India, along with its implications for compliance by taxpayers on ease of compliance and simplicity. Using secondary data and a public sector employee survey, they established strong economic and demographic determinants of the regime choice: investment pattern, income level, and age.

Patcha Bhujanga Rao (2024) Study on tax planning strategies among the salaried people This study probes the complex interrelation between tax planning strategies and income generation among people. Tax planning involves a range of strategies utilized in order to reduce tax burdens and maximize after-tax income. The aim of this research is to investigate the impact of effective tax planning on income generation, with reference to theoretical framework and empirical research

Ankit Chourasiya and Rupali Saini (2024) Investigating the Effect of Digitalization on Income Tax Planning in India, this research analyses the effect of digitalization on income tax planning and management in India amidst accelerated technological changes and increased emphasis on digital finance. It evaluates the effect of digitalization on income tax planning approaches, compliance procedures, and general tax management effectiveness.

Sreelakshmi Ashok and Aswathy C H (2024) Management and tax planning is the most powerful tool through which the taxpayers can lower their tax incidence under the stipulated tax legislation to become an integral part of nation building process. The achievement of the tax regime lies with the mindset of the taxpayers. The head 'Salaries' comprise the major portion of permanent income of the taxpayers among the five heads of income. The research aims to target the tax management and planning techniques followed by government school teachers having a fixed income.

Mr. Chittibabu C and Dr. Dhakshayini K N (2024) This research analysis looks into the impact of tax planning on the investment pattern of salaried employees in Bengaluru City. Tax planning, an important component of financial management, assists individuals in maximizing their tax payments while influencing their investments. The research is an attempt to comprehend how salaried professionals make use of tax-saving vehicles available under Indian taxation, including exemptions, deductions, and tax-benefit-linked investments

V. RESEARCH GAPS

- Current research fails to examine in depth how tax budgets influence middle-class trust and fairness perceptions.
- There's little research on how the new tax regime impacts middle-class savings, spending, and planning.
- The relationship between government trust, transparency, and middle-class tax compliance is not well researched.
- Middle-class ambitions and their response to tax policy are not yet well understood.



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VI. DATA ANALYSIS

It was based on primary data, as it was collected directly from respondents via surveys or questionnaires. The data highlight's public opinion of trust in the tax system as well as how satisfied they are with existing tax reforms. The analysis is comparative and descriptive, with pie charts being used to visually show the percentage of responses within each category. The size of each wedge shows the percentage of respondents in each category, making it easy to compare. This information represents public sentiment and perception and not numerical figures.

Fig 1 illustrates the levels of trust among respondents in the tax system, divided into High Trust, Moderate Trust, Little Trust, and No Trust. The distribution shows that most of them have low to moderate trust, and only a small percentage have high confidence in the system.

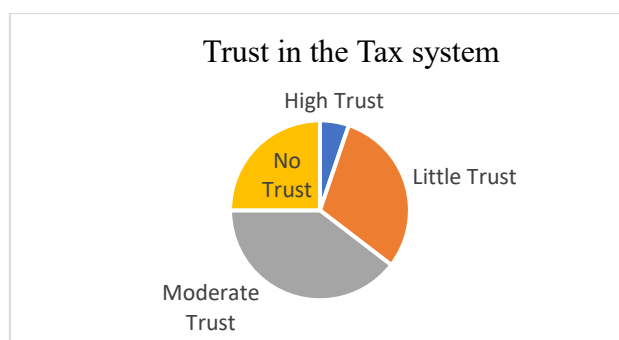


Fig 1: Trust in the Tax system

Inference:

The biggest slice shows medium trust, meaning that individuals are not completely trusting of the tax system but also not entirely distrustful. The second-largest piece is small trust, indicating that a large number of individuals are doubtful. Lack of trust is also large, supporting the notion that a large proportion has serious reservations about the system's fairness or efficacy. The least thin slice is high trust, i.e., very few individuals have high faith in the taxation system.

The pie chart illustrates levels of satisfaction among respondents with the existing tax reforms, divided into Satisfied, Not Satisfied, and Not Sure. The distribution indicates a polarized view, with most expressing dissatisfaction, while others are unsure of the effects of the reforms. This indicates a lack of clarity or mixed feelings towards the effectiveness of the reforms



Fig 2: Satisfaction with the current tax reforms



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Inference:

The largest slice is satisfied, meaning a notable portion of respondents believe the reforms are working well. The second-largest slice is discontented, pointing out an important segment that believes the reforms have not lived up to expectations. The least slice is uncertain, indicating some of the respondents do not have enough information or clear opinions regarding the changes.

Table 1 shows statistical information regarding the monthly income (in INR) of 96 respondents. Following are the most important points:

Table 1: Monthly Income

Monthly Income (in INR):	
Mean	76302.08333
Standard Error	5395.155392
Median	75000
Mode	25000
Standard Deviation	52861.51118
Sample Variance	2794339364
Kurtosis	-1.460809123
Skewness	0.44192361
Range	125000
Minimum	25000
Maximum	150000
Sum	7325000
Count	96

Inference:

The statistics reflect a large income disparity among the respondents, with incomes from ₹25,000 to ₹1,50,000. Even though the average income is ₹76,302, there is a large proportion of individuals earning ₹25,000, reflecting income variation. The median (₹75,000) and mean (₹76,302) being close suggest that most respondents earn around this range, but some high-income earners pull the average up. Generally, the income distribution is skewed slightly to higher incomes, so while most earn moderate incomes, a few make much more.

Fig 3 shows trust in the tax system across income groups. Moderate trust is most common, especially in higher-income groups. Lower-income individuals exhibit no trust, while high trust is minimal across all groups.

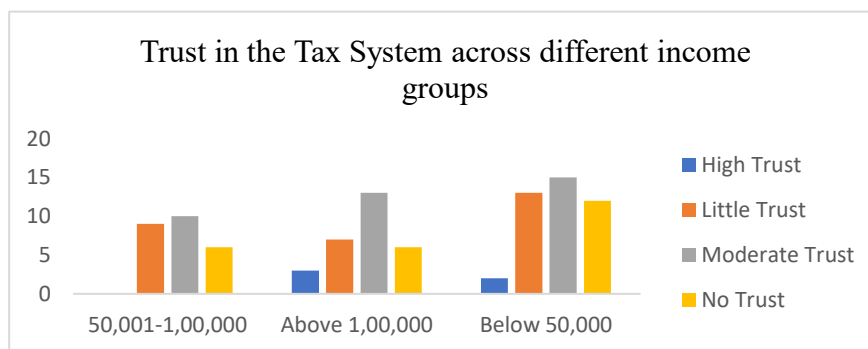


Fig 3: Trust in the Tax System across different income groups



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Inference:

The most prominent group indicates moderate trust, which means they do not fully trust the tax system but don't distrust it entirely. Little trust is the second most frequent response, indicating scepticism pervades. A significant number of people have no trust, highlighting concerns about fairness or effectiveness. Lowest trust is the least prevalent, with very few having great faith in the system. In total, most are between little to moderate trust, demonstrating a general deficiency in high levels of confidence in the tax system.

Fig 4 illustrates the level of trust in the tax system across different age groups: 18-35, 36-50, and 51 and above. The categories of trust include High Trust, Little Trust, Moderate Trust, and No Trust. Moderate Trust is the most common response in all age groups, while High Trust remains the least significant.

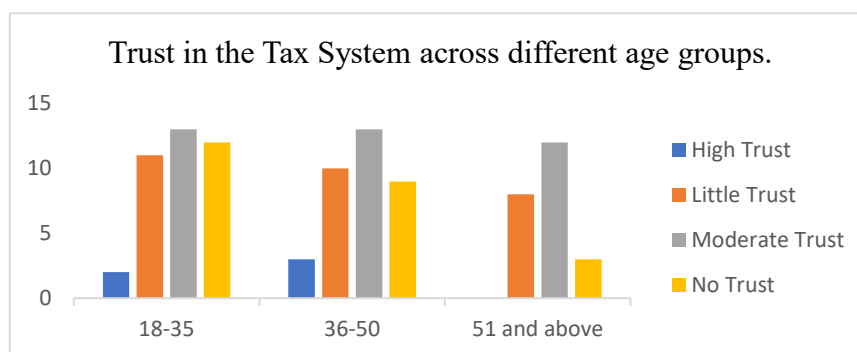


Fig 4: Trust in the Tax System across different age groups

Inference:

Moderate Trust is the biggest group among all ages, showing that most individuals are neither entirely confident nor entirely distrustful of the tax system. Little Trust is the second-largest response, indicating that skepticism is very common, particularly among younger generations. No Trust is high in the 18-35 and 36-50 segments but drops sharply for the 51 and above segment, indicating that older people might have fewer worries. High Trust continues to be lowest in all the age groups and reflects an overall lack of extreme confidence in the system.

Fig 5 showcases the impact of the New Tax Regime (NTR) on tax planning decisions across different income groups: Below 50,000, 50,001-1,00,000, and Above 1,00,000. The responses are categorized into **Negative Impact, Positive Impact, and No Impact**, with variations across income groups.

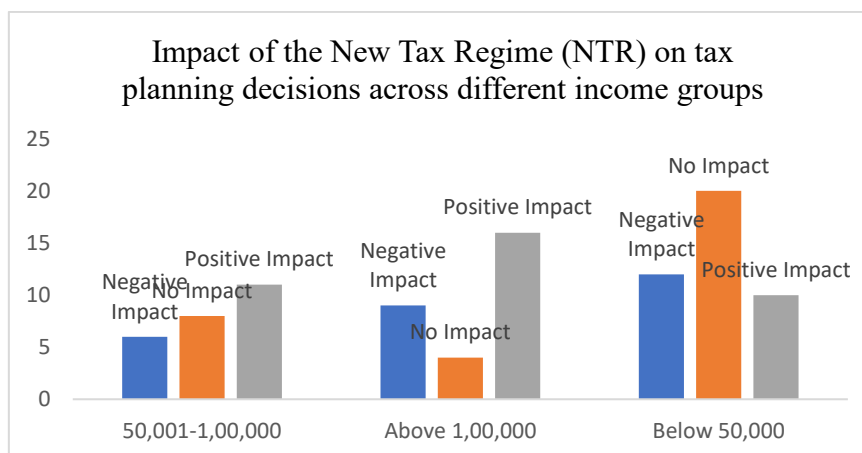


Fig 5: Impact of the New Tax Regime (NTR) on tax planning decisions across different income groups



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Inference:

No Impact is most prevalent in the Below 50,000 group, indicating that lower-income households are less impacted by the new tax system. Positive Impact is most evident in the Above 1,00,000 group, suggesting that the higher earners are likely to be gaining more from the new tax reforms. Negative Impact is large for all income groups but notably high for Below 50,000 and Above 1,00,000, indicating displeasure in low and high-income segments.

Fig 6 illustrates the impact of the New Tax Regime (NTR) on tax planning decisions across different age groups: **18-35, 36-50, and 51 and above**. The responses are divided into **Negative Impact, Positive Impact, and No Impact**, showing variations in perception among different age groups.

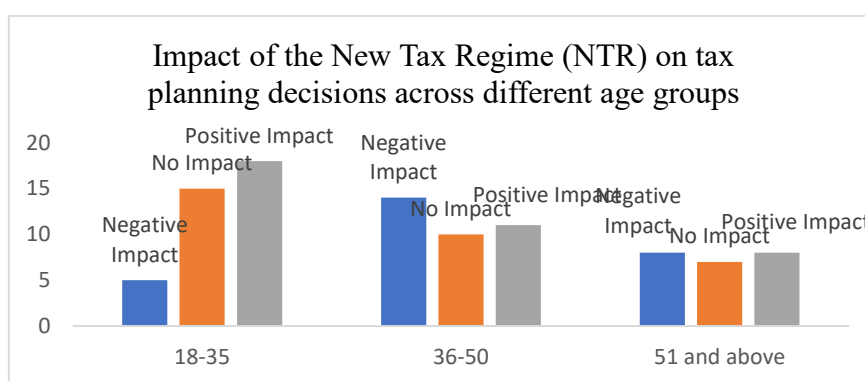


Fig 6: Impact of the New Tax Regime (NTR) on tax planning decisions across different age groups

Inference:

Highest Positive Impact is among 18-35 years, indicating that younger people are possibly gaining the most from the tax adjustments. No Impact is strongest in the 18-35 segment, suggesting that a lot of individuals in this category do not perceive a dramatic change in their tax planning. Negative Impact is strongest among the 36-50 group, signifying dissatisfaction or difficulties with the new tax system. For the 51 and above category, all three—Negative Impact, No Impact, and Positive Impact—are almost level, reflecting an even split in opinions.

VII. RESULTS AND DISCUSSIONS

The analysis of these data provides a heterogeneous picture among middle-class taxpayers about trusting the tax system and being satisfied with recent reforms. Levels of trust differed by income and age, with young taxpayers being more oriented towards the New Tax Regime (NTR) because it is simpler and has a lower compliance cost, whereas older taxpayers and high-income earners preferred the Old Tax Regime (OTR) because of its tax-saving features. The statistical examination of monthly income reported a large range, with an average income of ₹76,302 and significant income variation, indicating varying economic backgrounds. Descriptive statistics such as standard deviation and skewness reported moderate income level variance. The research further established that tax planning methods varied comprehensively by income and age, with younger taxpayers giving greater concern to ease of filing relative to deduction maximization. In addition, satisfaction with the NTR continued to be mixed, with low awareness being a factor in its slow take-up. Overall, the findings highlight the necessity for specific financial literacy programs and clearer communication on tax policy to close knowledge gaps and build confidence among middle-class taxpayers. The research advises strengthening financial literacy programs to enhance awareness of tax-saving measures and advantages of the NTR. Simplifying communication regarding tax policy will help minimize complexity and make the system more transparent, promoting increased confidence in the system. Tax advisory services designed for the individual may also enhance middle-class taxpayers' knowledge, in turn enhancing compliance and satisfaction.



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VIII. CONCLUSION

India's tax budget has a tremendous impact on the middle-class conceptions of equity, trustworthiness, and budgeting. The research captures the differential effect of tax reform across different social groups and points to a generation gap in preference for tax regimes. While lower-income and young taxpayers prefer the ease of NTR, more affluent and aged taxpayers prefer the Old Tax Regime due to its incentives in savings. Strengthening confidence in the tax system involves increasing financial literacy, enhancing policy communication, and designing reforms to suit the varied needs of middle-class taxpayers. These steps could open the door to a more transparent and inclusive tax structure, instilling a perception of fairness and long-term confidence in the system.

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