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A Study on Public Perception Towards Old and New Tax Regime

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ABSTRACT: The implementation of the new tax regime under Section 115BAC, which coexists with the traditional old regime, has brought about revolutionary changes to the Indian income tax system. Various demographic and psychological elements have influenced the diverse public attitudes to this dual-option system. This study investigates how individual taxpayers view and favour the two systems. Ninety-two participants answered a structured questionnaire. The results of statistical analysis, including the Mann-Whitney U Test, Kruskal-Wallis Test, and Chi-Square Test, showed patterns in regime contentment, awareness, and affecting variables including age and wealth. The results show a stronger preference for the previous system because of the savings from deductions, but they also show that people are becoming more interested in the simplicity of the current regime. This report offers politicians guidance on enhancing taxpayer education.

KEYWORDS: Income Tax, Old Regime, New Regime, Taxpayer Perception, Financial Awareness, Public Opinion, Tax Deductions, Section 115BAC.

I. INTRODUCTION

First implemented in India in 1860, income tax has seen substantial change since the colonial era and is now a crucial instrument for policy implementation, wealth redistribution, and economic growth. The progressive goal of the Indian tax system has been to provide assistance to the economically disadvantaged groups while levying higher taxes on those with higher earnings. The system's complexity grew over time as a result of multiple exemptions, slab structures, and revisions. In 2020, the Indian government implemented the New Tax Regime under Section 115BAC in response to calls for digital governance and simplification. The New Regime targets people who favour liquidity and easier compliance by offering lower tax rates with no deductions, in contrast to the Old Regime, which promotes savings through exemptions and deductions (such as 80C and 80D). Although this dual regime structure is flexible, it can also be confusing.

1.1 REVIEW OF LITERATURE

Gupta and Agarwal (2017) studied the level of awareness regarding GST among the general public. They discovered that understanding was especially low in rural areas and recommended educational initiatives to close the knowledge gap.

Saxena (2020) analyzed public opinion on the new income tax regime. While some taxpayers appreciated the simplified structure, others were doubtful due to the loss of tax deductions. The study highlighted the need for better government communication.

Kesari and Prasad (2021) focused on investor awareness of tax laws. Their findings showed that many individuals were confused by complicated rules, suggesting the need for simpler tax policies and improved education.

Shevate and Pande (2023) explored how salaried individuals choose between tax regimes. They found that financial condition and tax knowledge greatly influence preference, with some valuing deductions and others prioritizing easy filing.

Rao and Aanand (2024) investigated the impact of the new tax regime on taxpayer behavior. They observed improved compliance but emphasized the importance of monitoring its long- term effect on government revenue.

1.2 NEED FOR THE STUDY

Having two different tax systems has caused confusion among many taxpayers about which one is better for them. People have different levels of knowledge depending on their age, income, and background, and many depend on others' advice instead of fully understanding the options. Factors like financial knowledge, internet access, and personal goals all affect their choices. This study is needed to understand what people think about both tax regimes and to find out where they may be confused or misinformed. It also helps us see how fair and useful people think each system is. The findings can help the government and tax advisors improve how they explain tax options, build trust, and make information easier to access for everyone.

1.3 OBJECTIVE OF THE STUDY

Primary Objective:

1. To understand how people feel about the old and new tax regimes in India, and how they make their choices based on awareness, preferences, and key influencing factors.

Secondary Objectives:

2. To find out how age, income, and education level affect people's choice of tax regime.
3. To see how much financial knowledge and advice from experts shape people's decisions.

1.4 SCOPE OF THE STUDY

This study focuses on how people from different age groups, income levels, and jobs view the old and new tax systems in India. It looks into their level of awareness, satisfaction, trust, and the reasons behind their tax regime choices. The study includes both salaried and self-employed individuals, based on responses from 92 people contacted online, mostly from urban and semi- urban areas. It also examines how self-research, expert advice, and information from the government affect decisions. The results aim to help improve tax policies, create better awareness programs, and support people in making smarter tax-related choices.

1.5 RESEARCH METHODOLOGY

Research Design:

This study used a descriptive research method to understand what people think about the old and new tax regimes. It helped compare real opinions and behavior without changing any conditions.

Data Collection:

The main information was collected through an online questionnaire. Extra details were taken from official government websites, tax-related articles, and research papers.

Sample Size and Sampling Technique:

A total of 92 people took part in the study. They were selected using convenience sampling and included salaried workers, students, and self-employed individuals. The group was diverse but not randomly chosen.

1.6 LIMITATIONS OF THE STUDY

● The sample size was limited to 92 respondents, which may not fully represent the entire taxpayer population of India.
● The study used convenience sampling, which can lead to biased results due to non- random participant selection.
● Data was collected through self-reported questionnaires, which may include personal bias or misunderstanding of tax concepts.

II. DATA ANALYSIS AND INTERPRETATION

2.1 STATISTICAL TOOLS USED
2.1.1 MANN-WHITNEY U TEST

Hypotheses:

H0: No significant difference between education and decision difficulty by gender. H1: There is a significant difference.

Results:

Test Statistic	Value
Mann-Whitney U	330.000
Z	-0.201
p-value	0.840

Interpretation: The Mann-Whitney U test shows no statistically significant difference ($p = 0.840 > 0.05$) in awareness and understanding of decision difficulty between the two gender groups. This suggests gender does not influence respondents' decision-making awareness in this context.

2.1.2 KRUSKAL-WALLIS H TEST

Hypotheses:
H0: No significant difference in scheme clarity across age groups. H1: There is a significant difference.

Results:

Statistic	Value
Kruskal-Wallis H	9.445
df	4
p-value	0.051

Interpretation: The Kruskal-Wallis H test yielded a p-value of 0.051, which is slightly above the 0.05 threshold. Therefore, we fail to reject the null hypothesis, indicating no statistically significant difference in awareness and understanding across age groups—though the result suggests a marginal trend.

III. FINDINGS, SUGGESTIONS

3.1 FINDINGS
- A majority (57.6%) of the respondents prefer the old tax regime.
- About 26.2% of participants selected their regime based on potential savings through exemptions and deductions.
- Nearly 44.6% expressed willingness to switch regimes if better tax savings were offered.
- A significant portion of respondents (65.35%) agree or strongly agree that the tax system offers flexibility.
- Only 27.17% were satisfied with the level of communication from the government regarding tax reforms.
- More than half of the respondents (55.44%) found it difficult to make regime-related decisions.
- Financial benefit perception is high with 60.87% agreeing or strongly agreeing that they gain financially from their selected regime.
- The correlation analysis revealed no significant relationship between tax flexibility and tax savings.
- The Chi-square test showed no significant association between annual income and perceived financial benefit.
- The Mann-Whitney U test showed that gender does not significantly influence the difficulty in decision-making.

3.2 SUGGESTIONS
- Increase awareness campaigns to educate taxpayers on the pros and cons of both regimes.
- Develop online calculators and tools to help individuals determine the most beneficial regime.
- Improve the clarity and accessibility of tax policy communication, especially in regional languages.
- Encourage financial literacy through employer-led training sessions and public initiatives.
- Offer incentives or guidance programs to support informed decision-making among taxpayers.

IV. CONCLUSION

The findings of this study reveal that although the new tax regime provides simplified slabs and potentially lower rates, the old tax regime continues to be preferred by a majority of taxpayers. This preference largely stems from the availability of deductions and exemptions, which many consider crucial to their financial planning. Respondents expressed a moderate level of understanding but highlighted challenges in decision-making and dissatisfaction with
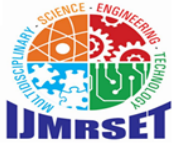
government communication. Therefore, the study recommends enhanced financial education and more transparent communication from authorities to help taxpayers make well-informed choices.

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