

A Comparative Study of New Tax Regime with Old Tax Regime

Balaswamy

Assistant Professor, Sahyadri Commerce and Management Collage, Shivamogga

Abstract

Income tax is a significant direct source of revenue for the government. The Income Tax Act of 1961's regulations have been followed in the administration of the income tax system in India. The government has made numerous revisions to these income tax act rules as needed in the interest of both administrative machinery, and tax payers. As a part such amendment, the union budget 2020 introduced a new tax regime by slashing income tax rates and rearranging the income tax slabs to lower tax liability for tax payers. From financial year 2020-21 onwards, an individual who pay taxes has been given choice to choose between new tax regime and old tax regime which is beneficial from point of view of tax liability. Any individual tax payer who chooses to use the new tax regime will have to give up certain exemptions and deductions provided by previous one. But the tax payers have confusion about tax regime which will provide benefits to them at the time of paying tax. However, it is advisable to do a comparative evaluation and analysis under both regimes and then choose the most beneficial one. The present paper is an attempt to study the comparison of new tax regime with old tax regime focused on salaried tax payers in Shivamogga District, and recent reforms undertaken at the end, there are suggestions made to the government in the interest of tax payers.

Keywords: Comparison, Tax payers, Tax regime, Exemptions, Deductions, Financial year.

Introduction

One of the direct and main sources of revenue for the government to administration, development of agriculture, industries, infrastructure, and welfare of the people and overall growth of the country is income tax. India's income tax system has been administering over six decades as per legal provisions of income tax Act 1961. The Indian government has been brought several amendments in the Act as and when needed with a view in order to satisfy the needs of the state and tax payers. The Introduction of New tax regime in the budget 2020, and subsequent changes to it in the budget 2023 and 2024 are utmost remarkable transformations in the tax structure. The Union Budget 2020 has announced new tax regime by slashing income tax rates and rearranging the income slabs to reduce total

tax liability of tax payers and withdrawn around 70 exemptions and deductions existed in the old tax regime. This indicates that the new tax regime may have been introduced for two reasons, firstly, simplifying tax structure for easy understand to a common man and secondly, include more tax slabs with lower tax rates.

An individual tax payers opting new tax regime requires to forego the exemptions and deductions allowed under existing tax system from the Assessment year 2020-21. An individual receiving only salary income can choose between old and new tax regime when filing the return, and income tax department allows a salaried tax payer to shift from existing old tax regime to new tax regime or vice-versa every year as per their convenience before filing the return. However, it is advisable to do a comparative

evaluation, and analysis of both regimes, and then choose either old or new tax regime which is the most beneficial in terms of lower tax liability.

Old Tax Regime

The concept of old tax regime came into practice from the assessment year 2020-21 due to announcement of new tax regime in the budget 2020. Under old tax regime individual tax payers can avail advantages of exemptions and deductions in respect of various allowances and investments in saving schemes, payments of certain allowed expenses. Tax payer can claim these exemptions and deductions when completing their returns which reduce total income and tax liability of individual tax payer.

Old tax regime provides different exemption ceiling of total income, income tax slabs, and tax rates for ordinary individuals, senior and super senior citizens.

New Tax Regime

As stated in the 2020 budget, the new tax regime will take effect in the assessment year 2020–21. The individual tax payers have given option to choose either new tax regime or old tax regime. Any individual tax payers choose the new tax regime will have to forego certain exemptions, and deductions allowed under old tax regime. It is a better option for higher income people without investments in saving schemes eligible for deductions. The new tax regime provides lower tax rates compared to the old tax regime. Individual tax payers who will elect for new tax regime get benefit of paying a lower upfront rate of tax. Furthermore, the process of filing return will be much easier for individual tax payers with minimum documents.

Institute of chartered accountants of India, an apex body of chartered accountants said that simplifying taxes, improving tax

payers service, providing tax certainty, and reducing litigations are the four corner stones of the tax proposals in the union budget 2024.

Old tax regime versus New tax regime

Aspect	Old tax regime	New tax regime
1. Maximum exemption limit of income	Three maximum exemption limits of income based on age of the tax payer.	One maximum exemption limit of income for all.
2. Income slabs and tax rates	Multiple income slabs with higher tax rates.	Multiple income slabs with lower tax rates.
3. Standard deduction	A standard deduction of Rs.50,000.	A standard deduction of Rs.75,000.
4. Exemptions and deductions.	Around 70 exemptions and deductions allowed.	Limited exemptions and deductions allowed.
5. Conveyance and special allowance.	Partially exempt from tax.	Exemption is not allowed.
6. Interest on home loan.	Deduction for interest on loan for a self-occupied house to the extent of maximum Rs.2 lakhs.	Deduction for interest on loan for a rented house property.
7. Leave travel allowance.	Exemption from tax.	Not exempted from tax.
8. Deduction u/s 80C (LIC//PPF/NSC/children's tuition fees etc.,)	Deductions up to Rs.1.5 lakh.	Deduction is not allowed.
9. Employee's contribution to NPS u/s CCD	Deduction is allowed up to 10% of basic salary + DA.	Deduction is not allowed.
10. Employer's contribution to NPS u/s CCD (1B)	Deduction is allowed up to 10% of basic salary + DA.	Deduction is allowed up to 14% of basic salary + DA.
11. Deduction u/s 80D Medical insurance premium	Deduction is allowed.	Deduction is not allowed.
12. Deduction u/s 80E Interest on education loan	Deduction is allowed.	Deduction is not allowed.
13. Deduction u/s 80G Donation to charitable institutions/trust/funds.	Deduction is allowed.	Deduction is not allowed.
14. Deduction u/s 80TTA 80TTB Interest on savings bank account.	Deduction is allowed. Deduction is allowed.	Deduction is not allowed. Deduction is not allowed.
15. Professional tax.	Deduction is allowed.	Deduction is not allowed.
16. Rebate u/s 87A	Rs.5,00,000	Rs.7,00,000

Review of Literature

Many studies have been conducted by scholars and tax experts on old and new tax regime, explored the implications of these two regimes for salaried individuals,

highlighted complexities and factors influencing their options.

1. **Dr. Suresh and Nikith Chowdhary (2020):** stated that despite considerable reforms, India's tax system has not yet developed into perfect tax system. Because of this, there is tax evasion, illegal earning, and existence of economic inequality in the society.

Generally, amendments in tax structure have been made frequently with a view to upgrade tax administration, simplification of tax rules and reduce tax burden to individual tax payers. The union budget 2020 has announced a new tax regime by slashing income tax rates and rearranging income tax slabs to reduce tax liability of tax payers. But the tax payers can choose for such concessional new tax regime by give up certain specified exemptions and deductions existed in the old tax regime. Old tax regime and new tax regime equally have their own sets of pros and cons, but, individual tax payers has to make right choice between old tax regime, and new tax regime to minimize tax burden.

2. **Ankit Goel and Parul Garg (2021):** pointed out that lack of awareness and understanding of tax payers towards the new tax system announced in the budget 2020 and also explored the challenges and opportunities that tax payers will face while making choice between old tax regime and new tax regime to reduce tax liability. According to their research, a large number of taxpayers choose the previous tax system since it allows for investments and savings for future gains as well as the benefit of deductions and exemptions that lower tax obligations. They came to the conclusion that holding webinars or seminars is necessary to raise

taxpayer understanding of both the old and new tax regimes.

3. **Dr. S. Mary Pearly Sumathi (2022):** remarked that majority of the assesses have confusion about making choice among new tax regime and old tax regime to minimize tax liability, because, tax payers have no clarity about new tax regime with lower tax rates and excluded certain exemptions and deductions which are available under old tax regime. It is advised to assesses to do comparative evaluation of new and old tax regime before making choice and then choose either of the tax regime which reduce tax liability.
4. **Ambadas Barhade (2022):** opinion that the new tax regime is a good option for the individual tax payers at beginning of their work with a lower income and does not have much savings. Similarity, old tax regime is a best option for most salaried employees paying rent, life insurance premium, medical insurance premium, repaying housing loan along with interest, contributing to group insurance scheme, provident fund, and National pension scheme etc. to get deductions and exemptions. Thus, old tax regime promotes the habit of savings and investments among tax payers and reduce tax liability. Hence, it appears that the old tax regime is opted by more individual tax payers in the past two years.
5. **Dr. V.J. Dwivedi and Amish Patel (2023):** state that the government has announced new tax regime in the union budget 2020 with the expectation of opt it by most of the tax payers for payment of income tax. But the government's anticipation does not realize, because new tax regime was not opted by tax payers at the expected level, subsequently, amendments made in the new tax regime

in the union budget 2023 to attract tax payers. The individual tax payers opting new tax regime has to forego benefit of certain exemptions and deductions which are available under old tax. So, selection of either old or new tax regime requires some calculations to know which tax regime will be benefited to tax payers in terms of lower tax liability.

6. **Dr.Meghali Bora (2024):** suggests that new tax regime is more appealing compared to old tax regime due to increased tax rebate limit, increased tax exemption limit, lower tax rates, slashed tax slabs and also simplification of tax structure for salaries individuals.

Research Gap

An overview of literature states that the research on updated comparative study of new tax regime with old tax regime in the country is too scanty and peripheral, the above extensive review of literature has revealed that the gap in which the study is to be undertaken for research. The foregoing studies concentrated only on comparing the new tax system, which includes amendments implemented in the 2023 budget, with the old tax regime. But there is no evidence that any of the earlier study covering amendments made in the new tax regime in the budget 2024. Therefore, in light of the disparity, the focus of the research has shifted to a comparative analysis of the new and old tax regimes.

Statement of Problem

As the consequence of announcement of new tax regime in the budget 2020, an individual tax payer has an option to choose either new tax regime or old tax regime from the assessment year 2021-22 onwards. Compared to the old tax system, the new one offers the advantages of a bigger exemption ceiling and more income tax slabs with lower

tax rates, but if the individual tax payer choose the new tax regime has to forego some exemptions and deductions which are available under old tax regime. So, the individual tax payers are under confusion to choose either the old tax regime or new tax regime with a view to reduce tax liability. In fact, majority of the individual tax payers actually lack clarity to choose either old tax regime or new tax regime. The present study is undertaken to find out salaried tax payer's choice to choose either new tax regime or old tax regime.

Significance of the Study

Many stakeholders find the current study to be very important, especially, salaried tax payers will be benefited from awareness of the implications of choosing one tax regime over the other on the tax liability, financial planning, and savings. On the other hand, the findings of study can be use by policy makers to frame integrated tax policies for sustainable development of the country. A comparative study between old and new tax regime empowers tax professionals to guide their clients an appropriate choice to choose either old or new tax regime which reduce their tax liability. Moreover, this study contributes to enhance present knowledge of salaried tax payers on tax regimes and resolve their dilemma while making choice between old and new tax regime.

Objectives of the Study

The present study is undertaken with the following objectives:

1. To understand the tax structure in India.
2. To make comparative study between the old and new tax regime with a specific focus on salaried tax payers.
3. To analyze the differences between old and new tax regime.

4. To create awareness amongst salaried tax payer's option to choose either a new tax regime or continue with the old tax regime.
5. To identify and analyze the factors that influences the choice of tax regime by salaried tax payers.

Hypothesis of the Study

1. H0: There is no association between exemptions, deductions of a tax regime and choice of a tax regime.

H1: There is an association between exemptions, deductions of a tax regime and choice of a tax regime.

2. H0: There is no association between annual income of salaried class and choice of a tax regime.

H1: There is association between annual income of salaried class and choice of a tax regime.

RESEARCH METHODOLOGY

The current research is descriptive in nature relies on both primary and secondary data. Primary data was collected from salaried tax payers through questionnaire and secondary data are collected from books, newspapers, Journals, and websites. The study analyses perspectives of the hold tax regime and new tax regime which reduces tax liability of individuals tax payers.

The primary data was collected from 100 targeted salaried tax payers using convenient sampling method. The data collected is classified, tabulated, and interpreted as under.

Data Analysis and Interpretation

Table 1: Frequency distribution of respondents based on Age

Age	Frequency	Percentage
Below 40 years	18	18
41 to 50 years	13	13
51 to 60 years	65	65
61 to 70 years	4	4
71 to 80 years	0	0
81 and above	0	0
Total	100	100

Source: Survey Data

Interpretation:

Table 1 and pie diagram states that majority of the respondents are 65% in the age group of 51 to 60 years, followed by age group of 28 to 40 years which accounts 18% and 13% respondents in the age group of 41 to 50 years. Only 4% respondents are above the age of 61 to 70 years. this implies that majority respondents are above middle age.

Table 2: Frequency distribution of respondents based on gender

Gender	Frequency	percentage
Male	86	86
Female	14	14
Total	100	100

Source: Survey Data

Interpretation:

As shown in the Table 2 and pie-chart, majority of the respondents accounts for 86% belongs to male and rest 14% are female. This implies that majority respondents are male tax payers.

Table 3: Frequency distribution of respondents based on qualification

Qualification	Frequency	Percentage
Up to PUC	03	03
Graduation	14	14
Post-Graduation	56	56
Ph.D.	27	27
Total	100	100

Source: Survey Data

Interpretation:

Table 3 and bar diagram clearly indicates that 56% of respondents are post-graduates, 27% respondents are Ph.D. holders, rest 17% respondents are having qualification up to graduation. This implies that majority respondents are highly qualified.

Table 4: Frequency distribution of respondents based on Annual income

Annual income	Frequency	Percentage
Below Rs 5,00,000	6	6
Rs 5,00,001 to Rs 10,00,000	16	16
Rs 10,00,001 to Rs 15,00,000	30	30
Above Rs 15,00,000	48	48
Total	100	100

Source: Survey Data

Interpretation:

It is observed from Table 4 and pie-diagram that around 48% respondents are having annual income above Rs.15,00,000, followed by 30% respondents are having annual income between Rs.10,00,000 to Rs.15,00,000, 16% respondents are having annual income between Rs.5,00,000 to Rs.10,00,000, and only 6% respondents are having annual income below Rs.5,00,000. This implies that majority respondents are belongs to higher income group.

Table 5: Frequency distribution of respondent's awareness about changes made in new tax regime in the budget 2024.

Awareness	Frequency	Percentage
Fully aware	36	36
Aware	44	44
Not fully aware	11	11
Not aware	9	9
Neutral	0	0
Total	100	100

Source: Survey Data

Interpretation: Table 5 and graph provides that 44% respondents are having knowledge about changes in new tax regime in the budget 2024. Around 36% respondents are having thorough knowledge about changes in new tax regime. 11% respondents are not having full knowledge about changes in new tax regime and only 9% respondents are not having knowledge about changes in new tax regime.

Table 6: Frequency distribution of respondent's comparison of tax liability under old tax regime and new tax regime.

Response	Frequency	Percentage
Yes	87	87
No	13	13
Total	100	100

Source: Survey Data

Interpretation: It finds from Table 6 and pie-diagram that 87% of respondents had compared their tax liability under old tax regime and new tax regime, only 13% respondents are not compared their tax liability under old and new tax regime. This indicates that majority respondents are conscious about their tax liability and compared tax liability under old and new tax regime.

Table 7: Frequency distribution of respondent’s option of tax regime under which return filed in the previous assessment year.

Variable	Frequency	Percentage
New tax regime	59	59
Old tax regime	41	41
Total	100	100

Source: Survey Data

Interpretation: Table 7 and Bar chart specifies that 59% respondents were filed IT return under new tax regime and 41% respondents were filed IT return under old tax regime. This implies that majority of the respondents were switched over to new tax regime.

Table 8: Frequency distribution of respondent’s consultation with tax professional before choosing between old tax regime and new tax regime.

Response	Frequency	Percentage
Yes	59	59
No	41	41
Total	100	100

Source: Survey Data

Interpretation: Table 8 and pie-chart reports that 59% respondents are consulted tax professional, remaining 41% respondents are not consulted tax professional before making choice between old tax regime and new tax regime. This indicates that a large percentage of the respondents requires information about both tax regimes.

Table 9: Frequency distribution of respondent’s option of choice for filing return in the assessment year 2025-26.

Variable	Frequency	Percentage
New tax regime	61	61
Old tax regime	27	27
Will decide latter	12	12

Source: Survey Data

Interpretation: Table 9 and pie-chart discloses that 61% respondents will opt for new tax regime, followed by 27 %

respondents will opt for old tax regime while filing IT return in the assessment year 2025-26, rest 12% respondents are not yet determined and will make decision subsequently regarding their option of choice between old and new tax regime while filing return. This pointed out that majority of the respondents are opting for new tax regime.

Table 10: Frequency distribution of respondent’s awareness on exemptions and deductions available under old tax regime.

Response	Frequency	Percentage
Yes	89	89
No	11	11
Total	100	100

Source: Survey Data

Interpretation: It is seen from table 10 and pie-chart that 89% respondents had awareness about exemptions and deductions available under old tax regime and new tax regime, only 11% respondents had no awareness about exemptions and deductions available under old tax regime and new tax regime. This demonstrates unequivocally that majority of the respondents are having knowledge about exemptions and deductions available under both the tax regimes.

Table 11: Frequency distribution of respondent’s satisfaction with the tax saving options available under new tax regime.

Response	Frequency	Percentage
Yes	45	45
No	55	55
Total	100	100

Source: Survey Data

Interpretation: Table 11 and pie diagram exhibits that 45% of respondents are happy with the tax-saving possibilities offered under the new tax regime, whereas 55% of

respondents are unsatisfied. This demonstrates unequivocally that majority of the respondents are dissatisfied about tax saving choices under new tax regime.

Table 12: Frequency distribution of respondent’s opinion on higher tax benefits of new tax regime compared to old tax regime

Response	Frequency	Percentage
Yes	59	59
No	41	41
Total	100	100

Source: Survey Data

Interpretation: Table 12 and pie chart shows that 59% respondents feel that new tax regime is better for tax payers than old tax regime, remaining 41% of respondents feel that old tax regime is not better for tax payers. This suggests that most respondents think that higher-income taxpayers will benefit more from the new tax system.

Table 13: Frequency distribution of respondent’s opinion on reduction of tax evasion under new tax regime.

Response	Frequency	Percentage
Yes	45	45
No	55	55
Total	100	100

Source: Survey Data

Interpretation: Table 13 and bar chart states that 55% respondents believed that new tax regime does not reduce tax evasion, rest 45% respondents feel that new tax regime will reduce tax evasion due to its lower tax rate. This signifies that most respondents do not feel that new tax regime will reduce tax evasion.

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Which option will you choose in the assessment year 2025-26 while filing your IT return * Are you aware of the exemptions and deductions available under Old tax regime and New tax regime	100	100.0%	0	0.0%	100	100.0%

Which option will you choose in the assessment year 2025-26 while filing your IT return * Are you aware of the exemptions and deductions available under Old tax regime and New tax regime Cross tabulation					
Count	Are you aware of the exemptions and deductions available under Old tax regime and New tax regime				Total
	New tax regime	Old tax regime	Will Decide later		
Which option will you choose in the assessment year 2025-26 while filing your IT return	Yes	55	23	8	86
	No	4	6	4	14
Total	59	29	12		100

This cross tabulation analysis examine the relationship between awareness of exemptions /deductions under the old and new tax regimes and the chosen tax regime for the assessment year 2025-26. 86% of respondents have knowledge of exemptions/deductions, while 14% are not. Tax Regime Choice: - Aware: 26.7% choose New tax regime, 63.0% choose Old tax regime, 10.3% undecided. - Not Aware: 28.6% choose New tax regime, 42.9% choose Old tax regime, 28.6% undecided. According to the above table, the majority (55%) of respondents who have knowledge of the exemptions and deductions want to select the new tax regime. A smaller group (23%) is aware and intends to select the old tax regime. There is a notable portion (8%) who are unsure and plan to decide later, mostly aware of the regimes. Among those

not aware of exemptions/deductions, the choice leans slightly towards the old tax regime. Most respondents are leaning towards the new tax regime, especially those aware of the available deductions and exemptions. This suggests a potential trend favoring the new regime, possibly due to its simplicity, despite fewer exemptions.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.358 ^a	2	.025
Likelihood Ratio	6.895	2	.032
Linear-by-Linear Association	7.279	1	.007
N of Valid Cases	100		

The chi-square tests evaluate the relationship between awareness of exemptions/deductions under the Old and New tax regimes and the chosen tax regime for the assessment year 2025-26. Here is a summary of the findings: The p-values for both the Pearson Chi-Square (0.025) and the Likelihood Ratio (0.032) are less than the common alpha level of 0.05. This implies a statistically significant correlation between knowledge of exemptions and deductions and the choice of tax regime. The Linear-by-Linear Association (0.007) is further supported by this finding, which shows a strong linear relationship between the two categorical variables. Conclusion: Given that the p-values are significant, you can reject the null hypothesis, which states that there is no association between awareness of exemptions/deductions and the choice of tax regime. This implies that the knowledge of the exemptions and deductions does influence the choice between the new and old tax regimes for the assessment year 2025-26.

Annual Income* Which option will you choose in the assessment year 2025-26 while filing your IT return Cross tabulation?					
		Which option will you choose in the assessment year 2025-26 while filing your IT return?			Total
		New tax regime	Old tax regime	Will Decide later	
Annual Income	Below 500000	6	1	0	7
	500001 to 1000000	13	4	0	17
	1000001 to 1500000	20	8	4	32
	Above 1500000	20	16	8	44
Total		59	29	12	100

This table represents a cross-tabulation analysis of the preferred income tax regime for the assessment year 2025-26, based on annual income levels. Majority preference: Old tax regime (59%). New tax regime preference increases with higher income. 14% (Below ₹5 lakh), 24% (₹5-10 lakh), 40% (₹10-15 lakh), 36% (Above ₹15 lakh) and "Will Decide Later" responses decrease as income increases. Income-wise Breakdown were as follows Below ₹5 lakh: Old tax regime (86%), New tax regime (14%), ₹5-10 lakh: Old tax regime (76%), New tax regime (24%), ₹10-15 lakh: Old tax regime (60%), New tax regime (40%) and Above ₹15 lakh: Old tax regime (64%), New tax regime (36%). The data suggests Lower-income individuals prefer the old tax regime, Higher-income individuals are more likely select the new tax regime and A significant proportion (12%) remains undecided. This analysis can help policy makers understand taxpayer preferences and refine tax policies accordingly.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.146 ^a	6	0.166
Likelihood Ratio	11.850	6	0.065
Linear-by-Linear Association	8.466	1	0.004
N of Valid Cases	100		

The chi-square tests evaluate the relationship between annual income and preference for tax regimes. Here is a summary of the findings: Pearson Chi-Square Value: 9.146, Degrees of Freedom (df): 6, Asymptotic Significance (2-sided): 0.166. The Pearson Chi-Square value indicates that there is no statistically significant correlation between annual income and tax regime preference, as the p-value (0.166) is greater than the conventional alpha level of 0.05. **Likelihood Ratio Value: 11.850, Degrees of Freedom (df): 6, Asymptotic Significance (2-sided): 0.065**, similar to the Pearson test, the likelihood ratio also suggests that there is no significant association at the 0.05 level, though it is closer to significance with a p-value of 0.065. **Linear-by-Linear Association Value: 8.466, Degrees of Freedom (df): 1, Asymptotic Significance (2-sided): 0.004**. The linear-by-linear association test indicates a statistically significant relationship ($p = 0.004$) between the income categories and the preference for tax regimes. While the overall association (Pearson and likelihood ratio) indicates no significant relationship between income and tax regime preference, the linear-by-linear association shows a significant trend.

Scope of the study

The study is restricted to comparative study of salaried tax payers' option between old tax regime and new tax regime from the point of view of reduction of tax liability in Shivamogga district.

Limitation of the study

The study covered sample size of 100 respondents who are only salaried class not large in number and not covered other tax payers. A Google Form questionnaire is used to gather data as it lacks personal inquiry of the problem. Furthermore, the perception of individual salaried tax payers differs from

one another so which may result in lacking accuracy in data.

Findings

- Most of the respondents (80%) are aware about amendments in the new tax regime in the budget 2024, indicate that they are eager to learn about these changes in the regime in every budget announcement.
- Most of the respondents (87%) have compared the tax liability under old and new tax regimes, specify that they actively participate in tax planning and interested in optimizing their tax liability.
- Majority of respondents (59%) have opted new tax regime, show
- that they are higher income salaried employees who don't want to claim exemptions, and deductions.
- A large percentage of respondents (59%) have consulted tax professional before choosing between the old and new tax regime, indicate a proactive approach towards tax planning.
- A large percentage of respondents (61%) are opting new tax regime for the next assessment year 2025-26 due to lower tax rates resulting in lower tax liability.
- A significant proportion of respondents (89%) have awareness about exemptions and deductions available under old tax regime for their tax planning.
- Majority of respondents (55%) are unhappy with the tax saving exemptions and deductions offered under new tax regime, indicate that the new tax regime is not effective in promoting savings for deductions and reduction of tax burden on salaried tax payers.

- Majority of respondents (59%) are feeling that new tax regime is more beneficial for tax payers compared to the old tax regime, indicate their preference for new tax regime.
- Majority of respondents (55%) believe that the new tax regime do not reduce tax evasion.

Suggestions

1. The old tax regime is a better option for lower and middle income (less than 15 lakh) salaried tax payers who claim exemptions and deductions. The new tax regime is a better option for higher income (more than 20 lakh) salaried tax payers who do not want to claim exemptions and deductions.
2. The new tax regime is beneficial for salaried tax payers who do not have payments and savings eligible for exemptions and deductions results in reduction of tax burden.
3. The government should make salaried tax payers aware about the exemptions and deductions available under both new and old tax regimes to make right choice while choosing between the old and new tax regime.
4. The government should not enact more than one tax regimes at a time to avoid confusion among the tax payers about choosing a particular tax regime.
5. There is need for differential exemption limit of taxable income based on age group of individual payers to do new tax system much attractive.
6. The government should enact only one integrated tax regime incorporating all the exemptions and deductions provided under income tax Act 1961 with the simple procedure for filing returns to

avoid confusion and difficulties among salaried tax payers.

Conclusion

The findings and suggestions made in this study give a broad idea to the salaried tax payers. Both the tax regimes have their own set of merits and demerits. The old tax regime has provided many exemptions and deductions which results in reduction of tax liability for salaried employees claiming exemption and deductions. Whereas, new tax regime has not provided exemptions and deductions, but it has provided lower tax rates with simple procedure of filing returns. It is preferable for salaried tax payers who do not want to avail exemption and deductions. Hence, it is advisable salaried tax payers to do comparative evaluation and analysis under both regimes and then choose the most beneficial one as it may vary from person to person.

From this study, it is clear that old tax regime is a better option for salaried tax payers who are getting lower and middle income (i.e. 8 lakh to 15 lakh p.a.) claiming exemptions and deductions for their payments and savings. The new tax regime is a better option for salaried tax payer who are getting higher income (i.e. more than 20 lakh p.a.) do not want to claim exemptions and deductions.

References

1. Dr. Suresh and Nikita Choudhary (2020), comparative study of new tax system with old tax system: International research journal of modernization in engineering technology and science volume: 02/ issue: 10/october-2020, Pp. 321-326.
2. Ankit Goel and Panel Garg (2021) "A comparative study on individual tax payers preferences between old vs new tax regime". Empirical

- economics letters, 20(Special issue), research date, November 2021, Pp.101-113.
3. Dr. S.Mary Pearly Sumathi (2022), "Comparative study on new and old tax regimes, cross res, volume 13, No 1, June 2022, Pp 67-73.
 4. Ambadas Borhade (2022), comparative study of new income tax system with old tax system, IJFANS International journal of food and nutritional sciences, Journal volume 11, issue 10,2022, Pp 1831-1834.
 5. Dr. V.J.Dwivedi and Amith Patel, "A comparative study of income regime: new vs old", (2023). A global journal of interdisciplinary studies, volume VI, issue 1, January – March 2023, Pp 80-82.
 6. Dr. Meghali Bora (2024). "A comparison between old and new tax regime of income tax Act 1961 for salaried individuals," EPRA International journal of Economics, Business and Management studies, Volume : 11/ issue:2/ February 2024, Pp 1-9.
 7. Dr. H.C.Mehrotra and Dr.S.P.Goyal (2022), income tax including tax planning and management, sahitya bhavan publications, Agra.
 8. The new Indian express, (2024) union budget 2024-24, city edition, July 2024, Shivamogga.
 9. Business line (2024) Budget.&.you, July 2024, Mangaluru.
 10. [https:// clear tax.in/s/income tax-rebate-us-87A](https://clear.tax.in/s/income-tax-rebate-us-87A)