



A Study on the Impact of the New Vs. Old Tax Regime on Individual Assessee under the Income Tax Act, 1961

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ABSTRACT

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

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**Introduction:**

Taxation is one of the most significant tools for economic regulation and revenue generation in any country. In India, the personal income tax system has undergone substantial reforms over the years to enhance compliance, widen the tax base, and provide greater flexibility to taxpayers. A major shift occurred in the Union Budget of 2020, which introduced an alternative personal income tax regime aimed at simplifying the tax structure by offering lower tax rates but removing most deductions and exemptions available under the old regime. This change gave individual taxpayers the option to choose between the old regime—which retains exemptions and deductions—and the new regime, which offers lower tax rates with limited tax-saving incentives.

With further revisions introduced in the Union Budget 2023–24, including modifications to tax slabs and rebates under the new regime, it became even more critical to evaluate which system better serves the interests of various taxpayer segments. While the new regime is now the default option, the old regime continues to be available, leaving individuals to assess which structure minimizes their tax liability and aligns with their financial planning.

This paper seeks to examine the differences between the two regimes in terms of tax liability, exemptions, and overall benefits to individual taxpayers. It also explores taxpayer preferences and behavior, helping to clarify how income levels, financial literacy, and investment habits influence their choices. By combining primary data collected through a structured survey with analytical tools, this study aims to provide insights into the practical implications of choosing between the old and new tax regimes.

Methodology:

This study adopts a primary data-based approach to assess the impact of the new tax regime in comparison to the old tax regime on individual taxpayers under the Indian Income Tax system. Data was gathered through a structured questionnaire distributed online via Google Forms. A total of 102 responses were collected from individuals representing diverse income groups, professional backgrounds, and age categories in Nashik city.

The collected responses were compiled and analyzed using Microsoft Excel. Descriptive statistics were used to summarize respondent demographics and identify overall trends, including frequency distributions and percentage analysis. To examine the relationship between variables—such as income



group and tax regime preference, or age category and perceived impact on tax liability—cross-tabulation techniques were applied. Furthermore, graphical tools such as bar charts and pie charts were used to visually represent key findings and enhance interpretability.

Objectives:

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

Literature review:

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

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

(Kamble & Shaikh, 2023) presents a comprehensive analysis of old vs new tax regime in context of reforms introduce in union budget 023- 24. There study focuses on evaluating which regime offers greater benefits to individual tax payer, especially offer new tax regime. Author states that new tax



regime offers lower rates and simplified compliance. Objective revolves around comparing tax liability under both systems to determine which is more advantageous.

(Rao & Anand, 2024) focuses structural shift in India's direct tax policy. New regime aims at simplifying compliances by introducing lower tax rates across all slabs. It aims at to assess how these changes have influence tax liabilities and broader goal of increasing tax revenue and widening the tax base. Author suggests that true measure of regimes success lies in its ability to shift taxpayers' preference. Improve filling compliances and key understanding for policy's long-term implication for India's fiscal framework.

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

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

(Bagul, 2021) provides precise overview of structural differences between the old and new income tax regimes introduced in India's union budget. The study emphasizes the optional nature of new tax regime allowing tax player to select between lower tax rates without deduction or higher tax slabs with exemptions udder old tax system. While old regime benefits individual through allowances like HRA and LTA under income tax act 1961, new tax system simply offers simplicity of cost of forgoing such benefits. Author highlights both systems retain the basic exemption limit of rupees 250,000 and tax rebates under section 87A for income up to rupees 500,000.



(Rao, et al., 2025) presents detail comparative study of old add new tax regime for 2023-224, focusing on impact across individual taxpayers, business and country's economy. The research highlights that taxpayer with significant investment benefits from deduction of section 8880C, 80d and HRA tend to prefer the old regime due to greater tax savings. In contrast, middle income earners and those with fewer deduction learn toward the new regime for its simplicity and ease of compliance. The study also explores administrative efficiency, taxpayers' behavior and macro-economic implications.

(Deshpande & Rakshe, 2025) investigates investor behavior in context of income tax planning under old and new regime using case study approach. There mixes method research involves survey and interviews across different income groups, identifies financial literacy, risk perception and familiarity with tax saving instruments as key determinant of tax saving strategies. The study finds that some investors actively pursue efficient tax planning, a significant proportion either lack awareness of following conventional method. It emphasizes the importance of improving financial education and proving advisory services to help tax payers make informed decision and better navigate the tax regime.

(Bharad & Sharma, 2024) explore both legal dimension an individual tax payer perception of old and new tax regimes under income tax act 1961, focusing on Ahmadabad city. Using structure survey with 118 respondents, study examines differences in legal frameworks, taxpayer behavior and perceived advantages and challenges in each regime. It finds that demographic factor significantly influences preferences and the limited awareness hampers informed decision making. The author points out importance of taxpayer education and regulatory simplification to enhance compliance and public understanding of tax policies.

Data Analysis:

This section presents the findings based on responses gathered from 102 individuals through a structured questionnaire via Google Forms. The purpose of this analysis is to gain a deeper understanding of taxpayer preferences between the old and new tax regimes introduced under the Indian Income Tax Act. The questionnaire was designed to capture a wide range of variables, including awareness levels, regime preferences, perceived ease of compliance, and the financial impact of tax planning under both regimes. Respondents were selected across diverse income groups, professional categories (salaried, self-employed, students, etc.), and age brackets to ensure a representative sample of the general taxpayer population.

Table 1 Age Distribution

Age	count	%
25-35	28	27.45%
36-50	24	23.53%
51-80	14	13.73%
80 & above	5	4.90%
Below 25	31	30.39%
Grand Total	102	100.00%

This age distribution reveals a diverse representation across life stages, allowing the analysis to consider how tax regime preferences vary with age. presents the age-wise distribution of the 102 individuals who participated in the survey. The data shows that the largest segment of respondents falls in the "Below 25" age category, accounting for 30.39% of the total sample. This is followed by the 25–35 age group, which constitutes 27.45%, indicating that more than half of the respondents are relatively young and likely at the early stages of their financial and tax planning journey. The 36–50 age group, representing 23.53%, forms the third-largest category. These individuals are typically mid-career professionals who may have more experience with tax planning, investments, and exemptions, and thus have more informed perspectives on choosing between tax regimes. Respondents aged 51–80 make up 13.73%, possibly representing those nearing retirement or already retired, whose tax planning strategies might differ significantly based on stable income sources like pensions or savings.

Table 2 Occupation and income segments

Occupation	10 lakhs to 20 lakhs	5 lakhs to 10 lakhs	Less than 5 Lakhs	More than 20 Lakhs	Grand Total
Agriculture	1	1			2



Business Ownership	6	6	2	4	18
Professional	4	11	1	3	19
Salaried Employee	2	10	15	3	30
Self-Employed		17	11	5	33
Grand Total	13	45	29	15	102

Table 2 presents a cross-tabulation frequency of respondents based on their occupation and annual income segments, helping to understand the socio-economic diversity within the sample. Salaried employees make up the second-largest group with 30 respondents. Interestingly, 15 of them fall under the less than ₹5 lakh bracket, indicating a significant proportion of low to moderate income earners. 10 salaried individuals earn between ₹5 and ₹10 lakhs, and 5 are in higher income brackets.

The Professional category, consisting of 19 respondents, is concentrated in the ₹5 to ₹10 lakh bracket (11 respondents) and the ₹10 to ₹20 lakh bracket (4 respondents), with a smaller presence in the lower and higher ends. Business Owners account for 18 respondents, spread fairly evenly across income ranges. Notably, 6 respondents each are in both the ₹5 to ₹10 lakh and ₹10 to ₹20 lakh brackets, while 4 report incomes above ₹20 lakhs. Business owners may exhibit varying preferences depending on how well they utilize deductions under the old regime versus the simplified slab rates of the new regime. The agriculture sector is the least represented, with just 2 respondents, each in a different income group.

Table 3 Age wise distribution of respondents

	Age	25-35	36-50	51-80	80 & above	Below 25	Grand Total
Agriculture	Count				2		2
	%	0.00%	0.00%	0.00%	1.96%	0.00%	1.96%
Business	Count	4	5	1	1	7	18



Ownership	%	3.92%	4.90%	0.98%	0.98%	6.86%	17.65%
	Count	4	7	3	1	4	19
Professional	%	3.92%	6.86%	2.94%	0.98%	3.92%	18.63%
	Count	8	5	8	1	8	30
Salaried Employee	%	7.84%	4.90%	7.84%	0.98%	7.84%	29.41%
	Count	12	7	2		12	33
Self-Employed	%	11.76%	6.86%	1.96%	0.00%	11.76%	32.35%
	Count	28	24	14	5	31	102
Total	%	27.45%	23.53%	13.73%	4.90%	30.39%	100.00%

Table 3: Age-wise Occupational Distribution of Respondents presents a cross-tabulation of 102 respondents categorized by age and occupation. The table shows how age influences the distribution of professional roles, which in turn may affect tax regime preferences.

The largest group is self-employed individuals (32.35%), primarily in the Below 25 and 25–35 age groups, reflecting a trend of younger individuals entering self-employment. Salaried employees (29.41%) are evenly spread across all age brackets, with consistent representation even among older respondents, suggesting stable employment across a wide age range.

Professionals (18.63%) are mostly aged 36–50, with representation across other age groups as well. This group is likely to have higher financial awareness, affecting their tax planning strategies. Business owners (17.65%) are mainly found in younger and middle-aged groups, highlighting entrepreneurial activity among youth.

Table 4 Area-wise Distribution of Respondents Across Income Segments

	Rural	Urban	Total



Row Labels	Count	%	Count	%	Count	%
10 lakhs to 20 lakhs	7	6.86%	6	5.88%	13	12.75%
5 lakhs to 10 lakhs	16	15.69%	29	28.43%	45	44.12%
Less than Rs. 5Lakhs	9	8.82%	20	19.61%	29	28.43%
More than 20 Lakhs	3	2.94%	12	11.76%	15	14.71%
Grand Total	35	34.31%	67	65.69%	102	100.00%

Table 4 provides insights into how income levels are spread across rural and urban respondents among the 102 individuals surveyed. The data highlights regional economic disparities and can help interpret taxpayer preferences under different income brackets.

Out of the total respondents, 67 individuals (65.69%) belong to urban areas, while 35 respondents (34.31%) are from rural regions, indicating a higher response rate from urban populations, likely due to better digital access and financial engagement.

Within the urban segment, the majority (28.43%) fall into the ₹5–10 lakh income bracket, suggesting a concentration of middle-income earners who may weigh both tax regimes depending on their deductions. This is followed by less than ₹5 lakh (19.61%) and more than ₹20 lakh (11.76%), indicating diversity in income levels in urban areas, with a notable number of higher earners who might benefit from the old regime due to extensive tax planning.

In contrast, the rural segment also shows a significant portion in the ₹5–10 lakh category (15.69%), followed by less than ₹5 lakh (8.82%). High-income respondents (above ₹10 lakh) are fewer in rural areas — only 3 respondents (2.94%) report earning above ₹20 lakh, and 7 respondents (6.86%) fall in the ₹10–20 lakh bracket, reflecting typical rural income distribution patterns.

Table 5 Awareness of new tax regime

	Count	%
No	16	15.69%
Yes	86	84.31%
Grand Total	102	100.00%

Table 5: Awareness of the New Tax Regime reveals that a significant majority of respondents—86 out of 102 (84.31%)—are aware of the new tax regime introduced under the Income Tax Act, 1961, while 16 respondents (15.69%) are not. This high awareness level is encouraging and suggests effective dissemination of tax-related information, especially in urban and higher-income segments.

When linked to Table 4 (Income Segment by Area), it becomes evident that urban respondents, who dominate the sample (67 out of 102), are likely contributing to this higher awareness rate. Urban areas typically have better access to financial education and digital tax resources, which likely enhances awareness.

Further, those in the ₹5–10 lakh income group—the largest income segment with 45 respondents—are in a transitional tax bracket where choice between old and new regimes is highly relevant. Their high representation may explain the elevated awareness levels, as these individuals have a greater incentive to stay informed.

Table 6 Source of awareness

Row Labels	Count	%
Financial Advisor	13	15.12%
Friends & Family	19	22.09%
Government Website	19	22.09%
News Paper	14	16.28%
Other	5	5.81%

Social media	16	18.60%
Grand Total	86	100.00%

The table 6 highlights the sources of awareness for the 86 respondents who are familiar with the new tax regime. The most common sources are Friends & Family and Government Websites, each accounting for 19 responses (22.09%), indicating both informal networks and official channels play a key role in spreading information. Social media also contributed significantly with 16 respondents (18.60%), reflecting its growing role in disseminating financial knowledge. Traditional media like Newspapers informed 14 individuals (16.28%), while Financial Advisors were the source for 13 respondents (15.12%), underscoring their continued importance. Only 5 respondents (5.81%) cited “Other” sources. The variety of channels shows that tax awareness is multi-sourced, with a notable balance between personal, digital, and formal sources. This underscores the need for a continued multi-pronged communication strategy to reach different taxpayer segments effectively.

Table 7 Factor which influence to choose new tax regime over old regime

Row Labels	No		No Opinion		Yes		Total	
	Count	%	Count	%	Count	%	Count	%
Better suited to my income	12	11.76%	7	6.86%	17	16.67%	36	35.29%
Lack of deductions and exemptions in the new regime	11	10.78%	1	0.98%	5	4.90%	17	16.67%
Lower tax rates	8	7.84%	2	1.96%	16	15.69%	26	25.49%
Simplicity and ease of filing returns	14	13.73%	2	1.96%	7	6.86%	23	22.55%
Grand Total	45	44.12%	12	11.76%	45	44.12%	102	100.00%

This table 7 explores the motivating factors behind respondents' inclination to opt for the new tax regime. Overall, opinions are split—44.12% support the new regime, while an equal share prefer not to



switch, and 11.76% remain undecided. The most cited positive factor is “Better suited to my income” with 17 “Yes” responses (16.67%), showing financial alignment influences decision-making. Lower tax rates also strongly encourage regime shift (15.69%), suggesting a cost-saving incentive.

Interestingly while checking Simplicity and ease of filing returns factor of the new regime, only garnered 7 positive responses (6.86%), which shows that respondent makes decision not based on simplicity to fill tax returns but on income they earn. Meanwhile, lack of deductions/exemptions emerged as a major deterrent, with 11 “No” votes (10.78%), reinforcing that taxpayers still value the benefits available under the old regime. This highlights a trade-off between simplified taxation and financial planning flexibility.

Table 8 Status of tax liability in new regime

Row Labels	No		No Opinion		Yes		Total	
	Count	%	Count	%	Count	%	Count	%
Decreased	22	21.57%	6	5.88%	18	17.65%	46	45.10%
Increased	8	7.84%	1	0.98%	11	10.78%	20	19.61%
No change	10	9.80%	3	2.94%	11	10.78%	24	23.53%
Not sure	5	4.90%	2	1.96%	5	4.90%	12	11.76%
Grand Total	45	44.12%	12	11.76%	45	44.12%	102	100.00%

Table 8 examines respondents’ perception of changes in tax liability after choosing or not choosing the new regime. A significant 45.10% of respondents believe their tax liability decreased, with a relatively even split between those who opted for the new regime (17.65%) and those who did not (21.57%). This suggests that some taxpayers acknowledge benefits even without adopting the new regime.

Conversely, 19.61% reported an increase in tax burden, particularly among new regime adopters (10.78%), reflecting that lower rates don't universally translate to lower liability—especially when deductions are lost. 23.53% saw no change in liability, implying that the financial difference between regimes is negligible for some income profiles.



The "Not sure" group (11.76%) reflects a knowledge gap. Notably, those with “No Opinion” (11.76%) overall also show the highest proportion of indecisiveness in tax liability assessment. This highlights financial illiteracy or lack of awareness, reinforcing the need for better taxpayer education and guidance tools.

Table 9 Professional consultation

Row Labels	Count	%
No	50	49.02%
Yes	52	50.98%
Grand Total	102	100.00%

Table 9 shows that nearly half (50.98%) of the respondents consulted a professional tax advisor, while the other half navigated tax planning independently. Comparing with Table 5 (Awareness: 84.31%), it's likely that professional guidance significantly influenced this awareness. The reliance on professional consultation also aligns with findings from Table 7, where preferences for simplicity and better fit indicate a need for clarity, especially when deductions are involved. Furthermore, considering Table 8, individuals unsure about their tax liability status or regime benefits may correlate with the 49.02% who did not seek expert advice, reinforcing the role of consultation in making informed tax decisions.

Conclusion

This study set out to compare the Old and New Income Tax Regimes in India through a primary survey of 103 respondents, exploring awareness, preferences, perceived impacts on tax liability, and the role of professional guidance. Our analysis revealed that while 84.31% of taxpayers are aware of the New Regime, opinion remains evenly split—44.12% prefer each regime—with 11.76% undecided. Younger and lower-income groups tend to favor the simplified New Regime, whereas higher-income and deduction-oriented taxpayers gravitate toward the Old Regime. Notably, 45.10% of respondents reported decreased liability under the New Regime, yet 19.61% saw an increase, underscoring that lower slabs do not automatically guarantee savings when deductions are forgone. Nearly half of all respondents (49.02%) did not seek professional advice, correlating with uncertainty in choosing the most beneficial regime. These findings highlight that financial literacy, occupation, income level, and age significantly



influence regime choice. Ultimately, the dual-regime framework offers flexibility but also complexity, requiring taxpayers to carefully evaluate their individual financial profiles before deciding.

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