



A COMPARATIVE STUDY OF NEW TAX REGIME VS. OLD TAX REGIME

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ABSTRACT

Income tax is the one of the main resources of government. Every person who have income more than the exempted limit will liable to pay income tax as per prevailing rates applied on him/her. Government introduced a New tax regime I the year 2020-2021 to provide more flexibility and choice to low income group people. But after implementing this new tax regime the people response after 2 years will not appreciable, because every system have own advantages as well disadvantages. Through this study we find the adoptability of new tax regime in comparison to old tax regime and conclusion is that out of the selected respondents 60 percent choose this new tax regime because they belongs to moderate income group of upto Rs.10 Lakh. It is also found that higher income group of Rs.10 lakh and above and salaried class choose the old tax regime because they are used to in this system and they opted it because they have already choose the long term savings scheme and this old tax regime suit them. On the basis of this study the suggestion is that government modify the new tax regime and add some deduction and exemption to more attractive to opt by the tax payers because this new regime is very benefit able in the interest of the country.

Keywords: Income tax, tax regime, government, income.

INTRODUCTION

Income tax is one of the main resources of revenue of government. Every individual person who earns income more than the exempted limit will liable to pay the income tax. The Indian Income tax system levies tax on individual taxpayers depending on their income level. Up to 2019-2020 a Single tax assessment system was prevailing to assess the income tax liability of individual tax payers., but in the Financial year 2020-21 the method of levying taxes changed and a new tax regime was introduced in which the tax rates were reduced quite significantly along with a huge reduction in tax saving opportunities as well. In this situation individual tax payers have two

choices i.e. Old tax regime and New tax regime. So the question arise that which is better ? Researchers and taxpayers have long been concerned in how possible changes and reforms to the personal income tax structure after the income and profit of an individual. So through this study we try to find the question raises by the taxpayers. In this study we compare the both the system on the basis of their advantages and disadvantages and tax liability, more money in hands, savings for future, easy processing and speedy return types questions and for this purpose we conducted a survey on the basis of questionnaire and ask the questions with multiple choices and analysis the results and find the conclusion.

REVIEW OF LITERATURE

Bird (2010) states that tax policy trends have been decisively influenced by tax research. It focuses that if tax scholars are interested in improving policy, they should focus on the short term political game within which policy decision are inevitably made in all countries but rather on the long-term goal of building up institutional capacity both within and outside, government to articulate relevant ideas for change to collect and analyze relevant data and to assess and criticize the effects of such changes as are made.

Jha (2013) suggests that high dependence on indirect taxes should be reduced by raising non tax revenues and direct taxes on the super-rich.

Vaneeta Rani (2014) Opinion that DTC seeks to merge and modify that law relating to all direct taxes that is income tax, wealth and DT in order to set up an economically well organized effectual and fair direct tax structure which will ease optional acceptance and assist rise the tax GDP ratio. All Direct taxes have been led under a sole code and compliance course of action unified which will in the end cover of actions process for single united taxpayer describing system. They require for DTC from discusses regarding the complex system of seven century old income tax Act, 1961 which has been modified a huge number of times making it incoherent to the average tax payer.

Jayakumar and Elavarasan (2015) this paper concerns about Impact of tax reforms among salaried Assesses in Tamilnadu. The purpose of the paper is detect whether and how the tax betterment affect the level of salaried individual. Conveyance non random sampling method was used and 100 tax payers were returned and usable in the pilot study. This study data were analyses descriptive statistics, Chi Square test and ANOVA test the formulate hypothesis and the significant relationship between assesses personal information and opinion level of tax allowances. Tax payers are asked specify the level of agreement with a given statement by of a Liker's five point scale. This study shows that overall the assessee have been negative opinion with regard to effect of Tax betterment made tax structure in India.

Piyush Kumar (2016) focused on approximating the receptivity of individual income tax in that case a change in imbalance in the dissemination of income among the individuals rises yield of personal income tax in the country.

Chakrabarty (2020) discusses the difference between old and new tax system and about the various exemptions and deductions which now onwards are not available to those who will opt for new tax system.

Sheth (2020) states that in the long term a taxpayers would needed end up

Paying higher tax amount in the new regime as compared to the old regime.

OBJECT OF THE STUDY:

1. To find the which system is chosen by the individual tax payers.
2. To find the reason and approach of choice between new and old tax regime
3. To find which system is more appropriate for the individual tax payers.

RESEARCH METHODOLOGY:

This research work is descriptive in nature. Both the primary and secondary data collection method were adopted. The primary data was collected through a questionnaire designed for the study. Secondary data was taken from published sources and websites.

The data and information collected from both the sources were classified, tabulated and analyzed as per requirement of the study and findings are presented in systematic way.

Sampling technique:

- . Targeted population : Individual tax payers
- . Sampling method : Convenience sampling
- . Sample size : 100

DIFFERENCE BETWEEN NEW AND OLD TAX REGIME

NEW TAX REGIME:

Table:1 Showing tax slabs under New Tax Regime

Income slabs (Annual Income)	Financial year 2020-2021 to 2022-2023	Proposed for financial year 2023-2024
Upto Rs.2.50 lakh	No tax(NIL)	Proposed no tax upto Rs.3 lakh
Rs.2.50to 5.00 lakh	5%	Rs.3 to 6 lakh @ 5%
Rs.5.00to 7.50 Lakh	10%	Rs.6 to 9 Lakh @ 10%
Rs.7.50 to 10.00 Lakh	15%	Rs.9 to 12 Lakh @ 15%
Rs.10.00 to 12.50 Lakh	20%	Rs.12 to 15 Lakh @ 20%
Rs.12.50 to 15 Lakh	25%	---
Rs. 15 Lakh and above	30%	Rs.15 Lakh and above 30%

It is clear from the above table that in new tax regime that the tax slabs are six in comparison to old tax regime of 3 and for financial year 2023-2024 only five tax slabs are proposed, one tax slab of 25% deleted and slabs income range increase by 50,000 in each slabs so it looks more benefit able for individual tax payers.

OLD TAX REGIME

Table 2: Showing the tax rates for individual from financial year 2020-21 onwards

Income slab (Annual Income)	Rate of tax
Up to Rs. 2.50 Lakh	No tax
Income from 2.50 to 5.00 lakh	@5%
Income from 5.00 to.10.00 Lakh	@20%
Income from 10.00 Lakh and above	@30%

It is clear from the above table that there are 3 tax slabs in the old tax regime in comparison to new tax regime of 6 or 5(proposed for F.Y.23-24).

It is clear from both the two tables the tax rates are different in the regime but which is more useful for individual tax payers. To find the answer of these questions we also studied Advantages and disadvantages of both system and after considering this we conclude which system is more useful/lower tax liability for individual tax payers.

So it is clear from the above table when an individual opt new tax regime than he scarifies for various deductions and exemption not available in this tax regime like 80© 80(d) 80(DD)80(G) 80(U) and many others and Standard Deduction ,HRA ,LTC for salaried class assessee. But the advantage of this regime is more Cash in Hand and flexible tax slabs with lower tax rates and also advantage of early processing and speedy refund of surplus tax paid or deducted at source.

In other hand Old Tax regime provides lot of deduction and exemptions along with savings of fund for older age and long tem purposes but pay more tax and less amount available in hands.

Which tax regime is more advantageous for Individual tax payers it will find from an example. Suppose A have a income of Rs. 15 Lakh and his savings under section 80© is Rs. 1.50 Lakh. Suggest which tax regime opt by him.

Table 3: Showing tax liability of Mr.A in both tax regime shows in the following

	New Tax regime	Old tax regime
Gross Total Income	Rs.1500000	Rs.1500000
(-) Deduction u/s 80C	Nil	Rs. 150000
Total/Taxable Income	Rs.1500000	Rs.1350000
Tax liability		
First 2.50 Lakh	Nil	Nil
Next 2.50to5.0 @5%	12500	12500
5.00-7.50 Lakh @10%	25000	--
5.00to 10.00 Lakh @20%	--	100000
7.50 to 10.00Lakh@15%	37500	--
10.00 to <u>12.50Lakh@20</u>	50000	--
12.50to 15.00Lakh @ 25%	62500	--
Above 10Lakh @30%(3.50Lakh)	--	105000
Gross Tax Liability	187500	217500
(without Ces)		
Cash in hand after tax	1312500	1132500

So it is clear from the above example the tax liability is less in New tax regime by Rs.(217500-187500)=30000 So Mr. A opt new tax regime because in this regime he have less tax liability are more cash in hand after tax (1312500-1132500)=Rs.180000. So in this example Mr. A more money to spent at present and lower the tax liability. So he opt new tax regime.

ANALYSIS OF PRIMARY DATA AND RESULTS:

There are 100 respondents selected from males and females on the basis of convenience sampling technique. The classification of respondents on the basis of their profession shows in table 4.

Table 4. Distribution of respondents according to their profession

Profession	No.of respondents (percentage)
1. 35(35.00)	Salaried class
2. 30(30.00)	Businessman
3. 20(20.00)	Professional
4. 15(15.00)	Others

Table 5. Distribution of respondents according to their income

Income range(annual)	No.of respondent
2.50-5.00 Lakh	20(20.00)
5.00-10.00Lakh	45
10.00-15.00Lakh	25
Above 15 Lakh	10

It is find from the table 4 that 35 respondents belongs to salaried class that is maximum and 15 respondents belong to others. In this category Small shopkeeper, service provider and jobbers are included.

From table 5 it is clear that maximum respondents 45 in the income range of 5 to 10 lakh per annum and 25 respondents had income of 10to15 lakh and 10 respondents had income of more than 15 lakh.

Table 6 Distribution of respondents on the basis of option of New/Old tax regime

New tax regime : 60 (60.00) respondents opt new tax regime
 Old tax regime : 40(40.00) respondents opt new tax regime.

On the basis of above table it is clear that 60 percent respondents opt new tax regime belongs to income group of upto 10 lakh and 40 percent respondents opt old tax regime belongs to more than 10 lakh of incomes.

Table 7 Showing distribution of respondents on the basis of advantages and disadvantages of New/Old tax regime

Reason	New Tax Regime		Old tax Regime	
	Agree	Disagree	Agree	Disagree
Choose New/old tax regime				
Because:				
(i) quite simple and Not keeping and records				It is
For future	60	00	40	00
(ii) very convenient because we opt it since long.	10	50	40	00
(iii) provides tax savings	50	10	40	00
(iv) provides various Exemptions.	60	00	40	00

(v) It provides less tax Liability	52	08	10	30	
(vi) Its provides fast Processing of return	55	05	05	35	
(vii) It provides faster refund Of surplus tax deductions	55	05	05	35	
(viii) It provides more flexibility In tax rates/slabs		60	00	15	25

It is clear from the Table 7 that 60 percent respondents opt new tax regime because it is simple and not keeping any proofs for future because in this new tax regime there is no deduction and exemptions are allowed.

But in comparison of old tax regime that is 40 percent of respondents it opted more respondents. On this basis of convenience since opted very long 50 percent respondents disagree under new tax regime and only 10 percent are agree but in old tax regime 40 percent respondents are agree.

On the basis of tax savings for future all 40 percent respondents are agree and 50 percent of respondents who opted new tax regime also agree with this and only 10 percent of new tax regimes respondents are disagree on this issue. Regarding tax exemptions like Standard deductions, HRA, LTC for salaries class respondents all 40 percent respondents are agree who was opted old tax regime and all 60 percent respondents are disagree who was opted new tax regime. On the basis of less tax liability 52 percent respondents of new tax regime are agreed that in the new tax regime tax liability is lower for income of less than Rs.10 lakh per annum and only 08 per cent are disagree who have more than 10 lakhs incomes and in old tax regime 10 percent agree and remaining 30 percent disagree on this issue. On the basis of faster processing of return and speedy refund of excess deposited 55 percent respondents who opted new tax regime are agreed and 5 percent are disagree and 35 percent of old tax regime are disagree and only 5 percent of old regime disagree on this issue. On the basis of tax rates/slabs flexibility 60 percent of the new tax regime respondents are agree and 15 percent of the old tax regime are agree and 25 percent of them are disagree on this issue. So it is clear that respondents who have lower income groups are opted new tax regime and agreed on major benefits of new tax regime and similarly respondents who have annual income of more than 15 lakh and salaried class are agreed on the issue of savings, exemption, deductions in old tax regime.

Conclusion:

On the basis of above study it is clear that from future savings point of view old tax regime opted by the respondents who are salaried person and some mandatory deductions are made in their

salaries so they opted old tax regime because it is more beneficial to them. But on the other hand lower income group respondents opted new tax regime because their tax liability is less in comparison to old regime.

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