

LEGAL PERSPECTIVE & INDIVIDUAL TAXPAYERS' PERCEPTION OF NEW V/S OLD TAX REGIME UNDER INCOME TAX ACT,1961, IN AHMEDABAD CITY

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Abstract

This research investigates the legal perspectives and individual taxpayers' perceptions of the new and old tax regimes under the Income Tax Act, 1961 in Ahmedabad City. Through a structured survey conducted among 118 respondents, the study aims to compare the legal frameworks of both regimes, assess taxpayer perceptions regarding their benefits and challenges, analyse the impact of these regimes on taxpayer behaviour concerning savings and investments, and identify demographic factors influencing taxpayer preferences. The findings reveal significant insights into taxpayer awareness and preferences, highlighting the need for enhanced educational initiatives and simplified regulations to improve compliance and foster a better understanding of the tax system. This study contributes to the discourse on tax policy and individual taxpayer behaviour, providing valuable recommendations for policymakers and tax practitioners.

Keywords: *Income Tax Act, 1961, Tax Regimes, Taxpayer Perception, Legal Framework, Ahmedabad City.*

1. INTRODUCTION

Income tax is a critical financial obligation imposed on the annual earnings of individuals and businesses, playing a fundamental role in the fiscal health of the government. In India, the legal framework governing income tax is outlined in the Income Tax Act of 1961, which establishes direct taxation based on various income levels.¹ The Act empowers the central government to levy taxes on non-agricultural income, as specified in Entry 82 of the Union List in the Seventh Schedule of the Constitution of India.² Agricultural income, while significant in the Indian context, is treated separately under Section 10(1) of the Act, reflecting the complexities of India's diverse economic landscape.

Over the years, the Income Tax Department has transformed into the largest revenue-generating arm of the central government. Direct tax collections saw remarkable growth, increasing from ₹1,392.26 billion (approximately US\$17 billion) in 1997–98 to around ₹11.17 lakh crore (about US\$135 billion) by 2018–19. This sharp rise underscores the growing reliance on direct taxation as a means of financing government initiatives and infrastructure development,

¹ **Income Tax Act, 1961**, No. 43 of 1961, § 2(24) (India).

² **Constitution of India**, 1950, Seventh Schedule, Entry 82.

while also highlighting the government's commitment to enhancing compliance and expanding the taxpayer base.³

Historical Background of Income Tax in India

The history of taxation in India dates back to ancient civilizations, where evidence suggests that citizens paid a portion of their income to rulers for protection and governance. Archaeological findings, such as Ashoka's pillar inscriptions, indicate that subjects contributed a share of their income, which underscores the long-standing tradition of taxation in Indian society.

The modern income tax system began during the British colonial era, with the first Income-tax Act introduced in 1860 by Sir James Wilson, following the financial strains of the 1857 uprising. This initial framework established a basis for income taxation in India, consisting of 21 parts and 259 sections. Subsequent legislation saw significant changes, particularly with the introduction of the Income Tax Act of 1922, which centralized tax administration and was amended 29 times until 1956. This period marked a shift in the administration of income tax from provincial to central authority, reflecting evolving governance structures.

The mid-20th century was pivotal for Indian tax policy, with the appointment of Nicholas Kaldor in 1956 to investigate the tax system. His recommendations, along with the findings of the Direct Taxes Administration Enquiry Committee chaired by Mahavir Tyagi, culminated in the enactment of the Income Tax Act of 1961. This Act, which came into effect on April 1, 1962, replaced the earlier 1922 Act and streamlined tax regulations, consisting of 298 sections and 23 chapters.

Legal Framework Under the Income Tax Act

The Income Tax Act, 1961, serves as the cornerstone of India's tax system, detailing the provisions for levy, administration, collection, and recovery of income tax. It incorporates various rules and guidelines through the Income Tax Rules of 1962, along with notifications and circulars issued by the Central Board of Direct Taxes (CBDT).⁴ The Act also undergoes annual amendments introduced during the budget session, reflecting the government's responsiveness to economic conditions and the need for reforms.

Key milestones in the evolution of the Income Tax Act include:⁵

- ✓ 1860: Introduction of the first Income-tax Act, establishing a formal taxation structure.
- ✓ 1918: Significant amendments to enhance tax administration.
- ✓ 1922: Major overhaul resulting in the Income Tax Act of 1922, with extensive amendments to adapt to changing economic needs.
- ✓ 1939: Introduction of a new Act to address evolving taxation complexities.
- ✓ 1959: Submission of the Direct Taxes Administration Enquiry Committee's report, setting the stage for major reforms.
- ✓ 1961: Enactment of the Income Tax Act, 1961, which replaced the 1922 Act and established the current legal framework.

This dynamic history has shaped the present-day income tax landscape, where continuous amendments are made to adapt to economic shifts and taxpayer needs.

This research paper aims to explore the legal perspectives and individual taxpayers' perceptions of the new and old tax regimes under the Income Tax Act, 1961, specifically in Ahmedabad City. It will provide insights into how the structural changes in taxation impact taxpayer behavior, compliance, and preferences. By examining the perceptions of taxpayers, the study seeks to identify trends, challenges, and potential areas for reform in the existing tax framework. Understanding these dynamics is essential for fostering a more effective and equitable tax system in India.

2. LITERATURE REVIEW

Sheth (2020), analysed taxpayers are likely to pay more in taxes under the new tax regime compared to the old one. Sheth argues that while the new regime offers the advantage of lower tax rates, the absence of various deductions and exemptions that were available under the old regime makes the older system more beneficial in the

³ Income Tax Department, Direct Tax Collections Rise from ₹1,392.26 Billion in 1997-98 to ₹11.17 Lakh Crore in 2018-19, (last updated 2019), <https://www.incometaxindia.gov.in/pages/tax-statistics.aspx>

⁴ Income Tax Act, 1922, No. 11 of 1922 (India).

⁵ Kaldor, N., Report of the Direct Taxes Administration Enquiry Committee, 1959.

long run. The author emphasizes that the lower rates in the new tax system do not outweigh the financial benefits provided by the deductions and exemptions in the old tax regime, making it a more favourable choice for many taxpayers.⁶

Rao (2021) provides a slightly different perspective, asserting that while exemptions and incentives create short-term discrepancies between the two tax regimes, these differences are not likely to have a long-term impact on taxpayers' income. Rao argues that, unless there are significant changes to the incentive structures, the income behaviours under both tax systems should ultimately converge over time. Exemptions and deductions may cause minor short-term variations, but they are not expected to drastically alter long-term tax liabilities unless accompanied by substantial policy shifts.⁷

Chakrabarty (2020) further examines the distinctions between the two tax systems, noting that taxpayers opting for the new tax regime lose the advantage of deductions and exemptions available in the old system. However, the author points out that taxpayers under the old regime miss out on the benefits of simplified filing procedures and lower tax rates, which are key features of the new system. Chakrabarty's analysis underscores the trade-offs between the two regimes: while the old system offers more opportunities for reducing taxable income through exemptions, the new regime provides simplicity and lower rates that appeal to individuals with fewer eligible deductions.⁸

Jain & Jain (2020) argue that the new tax regime restricts taxpayers from claiming the numerous exemptions and deductions allowed under the old regime. However, they highlight the benefit of reduced tax rates in the new system, which can be advantageous for individuals who do not have many deductions to claim. The authors also emphasize the broader role of tax collection as a vital government function, essential for funding infrastructure development, healthcare, and national security. In conclusion, they suggest that the new regime, though limiting in terms of deductions, offers a streamlined process and lower rates that may suit taxpayers looking for a simplified approach.⁹

Mishra (2022) analysed the behavioural impact of the two tax regimes on taxpayers' financial decisions. Mishra found that the old regime encourages savings and investments, as taxpayers seek to reduce their tax liabilities through various deductions for housing, insurance, and other investments. In contrast, the new regime, with its lower tax rates, does not provide the same incentives for savings. This has led to concerns that the new tax regime may reduce the overall savings rate among taxpayers, potentially impacting long-term financial planning and economic stability.¹⁰

Patel (2023) focused on the administrative efficiency of the two tax systems. Patel's research indicates that while the old regime is more complex due to its numerous exemptions and deductions, it allows for greater customization of tax planning strategies. The new regime, on the other hand, simplifies tax filing, reducing administrative burdens for both taxpayers and the government. However, Patel cautions that the simplicity of the new system may come at the cost of taxpayers losing valuable deductions, which could increase their overall tax burden depending on their financial circumstances.¹¹

3. RESEARCH GAP

While existing literature has explored the distinctions between the old and new tax regimes, much of the focus has been on the general implications for taxpayers at the national level. However, there is a lack of specific research examining how these regimes impact taxpayers at the **city or regional level**, such as in Ahmedabad City, where income distribution, financial behavior, and preferences may differ significantly from national trends. Additionally, most studies, primarily explore the theoretical and financial aspects of the two tax regimes, but there is limited empirical research on how **individual taxpayers' perceptions** shape their decision to opt for the new or old regime. This study aims to fill that gap by providing an **in-depth analysis of the legal framework** and evaluating the **behavioral aspects** related to savings and tax planning under both regimes, especially in the context of Ahmedabad City. Furthermore, studies have highlighted concerns about the long-term effects of the new regime

⁶ Sheth, H., **Budget 2021: Old vs. New Tax Regime? Here's all you need to know**, Business Line, February 03, 2020, Mumbai.

⁷ Rao, R. K., **The Economy as Reflected in Income Tax Data**, National Institute of Public Finance and Policy, 2021.

⁸ Chakrabarty, A., **Old vs New Income Tax Regime: At which level of income should you switch regime?**, Financial Express, May 15, 2020, <https://www.financialexpress.com/money/income-tax/old-vs-new-income-tax-regime-at-which-level-of-income-should-you-switch-regime/1960541/>.

⁹ Jain, P., & Jain, A. K., **Reforms in Direct Tax Administration in India**, Indian Journal of Public Administration, 2020, 66(2).

¹⁰ Mishra, R., **Behavioral Impact of Tax Regimes on Financial Decisions**, Journal of Economic Perspectives, 2022, 36(4).

¹¹ Patel, S., **Comparative Analysis of Administrative Efficiency in Old and New Tax Systems**, Indian Journal of Economics, 2023, 101(1).

on savings, but there is insufficient data-driven research focusing on whether this holds true in specific urban context. This research seeks to address these gaps by gathering empirical data from individuals in Ahmedabad City and offering a **localized understanding** of how taxpayers navigate the choice between the two tax regimes.

4. OBJECTIVES OF THE STUDY

1. To Compare the Legal Structure and Provisions the Income Tax Act, 1961, focusing on exemptions, deductions, and tax rates.
2. To assess Individual Taxpayers' Perceptions perceived by individual taxpayers when choosing between the new and old tax regimes.
3. To examine the Impact on Taxpayer Behaviour.
4. To identify Demographic and Financial Factors Influencing Taxpayer Preferences for the new or old tax regime, specifically within Ahmedabad City.

5. RESEARCH METHODOLOGY

1. Research Design

This study adopts a mixed-methods research design combining primary data collection and secondary analysis. The comparative aspect of the study between the new and old tax regimes will be supported by:

- **Primary research:** Survey-based data collection focusing on taxpayers' perceptions and behaviour.
- **Secondary research:** In-depth analysis of existing literature, tax policy documents, legal provisions, and statistical data on the tax regimes.

This design will help triangulate insights from both primary and secondary sources to enhance the understanding of the research objectives.

2. Sampling Method

A **Stratified Random Sampling Method** will be used for the primary research. For the comparative study:

- **Primary Data Sample:** The sample will be stratified based on key demographic factors (age, income, occupation, education) to ensure representation of various taxpayer segments within Ahmedabad City.
- **Secondary Data Sample:** Data will be drawn from government reports, tax-related publications, academic journals, and industry studies. These sources will provide historical and statistical insights on tax regimes across different time periods, which will be compared with contemporary data.

3. Sample Size

The research initially targeted a sample size of 120 individual taxpayers from Ahmedabad City. However, **118 responses** were ultimately collected. This sample size balances the need for statistical significance with logistical limitations.

4. Research Tools and Techniques

Survey Method: The primary tool for data collection is the survey administered through online modes. Online surveys will be distributed via email and social media platforms, in selected areas of Ahmedabad.

Data Analysis Software: Collected data will be analysed using statistical software such as SPSS or Excel. Descriptive statistics will be used to summarize data, and inferential statistics will be employed to examine relationships and differences between groups.

5. Limitations of the study

- ◆ Access to up-to-date, reliable secondary data may be limited.
- ◆ Legal and economic complexities in comparing the old and new tax regimes might make direct comparisons challenging, especially due to the subjective nature of taxpayer preferences.
- ◆ As mentioned earlier, primary data collected from respondents may be subject to biases, particularly in their understanding of the tax laws.
- ◆ Secondary data may pertain to different time periods, which could affect the consistency and accuracy of comparative analysis when juxtaposed with recent primary data.

6. DATA ANALYSIS AND INTERPRETATION

6.1 DESCRIPTIVE STATISTICS:

Table 6.1 descriptive statistics

Variable	Categories	Frequency (n=118)	Percentage (%)
Gender	Male	62	52.54%
	Female	56	47.46%
Age	18-25	40	33.90%
	26-35	30	25.42%
	36-50	25	21.19%
	Above 50	23	19.49%
Occupation	Salaried	45	38.14%
	Self-employed/Business Owner	35	29.66%
	Retired	10	8.47%
	Professional (e.g., Doctor, Lawyer)	28	23.73%
Annual Income	Below INR 2,50,000	30	25.42%
	INR 2,50,000 - 5,00,000	28	23.73%
	INR 5,00,000 - 10,00,000	35	29.66%
	Above INR 10,00,000	25	21.19%
Tax Filing Status	Regular Filer	70	59.32%
	Irregular Filer	35	29.66%
	First-time Filer	13	11.02%

Interpretation:

- The majority of respondents (59.32%) are regular tax filers.
- **38.14%** of the participants are salaried employees, and **33.90%** fall in the age group of 18-25.
- A significant proportion (**29.66%**) of respondents earn between INR 5,00,000 and INR 10,00,000.

6.2 DESCRIPTIVE STATISTICS TABLE:

Table 6.2 Descriptive statistics

Question	Response	Frequency	Percentage (%)
Which tax regime are you currently opting for?	New tax regime	70	62.5%
	Old tax regime	42	37.5%
How well do you understand the new tax regime introduced under the IT Act?	Very well	58	51.8%
	Somewhat	52	46.4%
	Not at all	10	8.9%
Do you think the new tax regime reduces your legal obligations?	Yes	41	48.8%
	No	43	51.2%
Which regime offers better legal protection for individual taxpayers?	New tax regime	30	35.7%
	Old tax regime	51	60.7%
	Both equally	25	29.8%
	Not sure	8	9.5%
Which regime is more suitable for long-term tax planning?	New tax regime	46	47.9%
	Old tax regime	50	52.1%
Would you consider switching tax regimes?	Yes, I would consider switching	67	55.8%
	No, I am satisfied with my choice	53	44.2%
Have you faced legal disputes due to your tax regime?	Yes	60	50%

	No	60	50%
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Interpretation:

- **62.5%** of respondents currently opt for the **new tax regime**, while **37.5%** prefer the **old tax regime**.
- **51.8%** understand the new regime **very well**, while **46.4%** understand it **somewhat**.
- On whether the new regime reduces legal obligations, responses were split: **48.8%** said **yes**, and **51.2%** said **no**.
- **60.7%** believe the **old regime** offers better legal protection, compared to **35.7%** for the **new regime**.
- For long-term tax planning, opinions were almost evenly divided, with **52.1%** favouring the **old regime** and **47.9%** the **new regime**.
- **55.8%** would consider switching tax regimes.
- **50%** have faced legal disputes related to their chosen tax regime.

6.3 CROSS-TABULATION: OCCUPATION VS. TAX FILING STATUS

Table 6.3 cross-tabulation: occupation vs. Tax filing status

Occupation	Regular Filer	Irregular Filer	First-time Filer	Total
Salaried	35	7	3	45
Self-employed/Business Owner	20	10	5	35
Retired	8	2	0	10
Professional (Lawyer, Doctor, etc.)	7	16	5	28
Total	70	35	13	118

Interpretation:

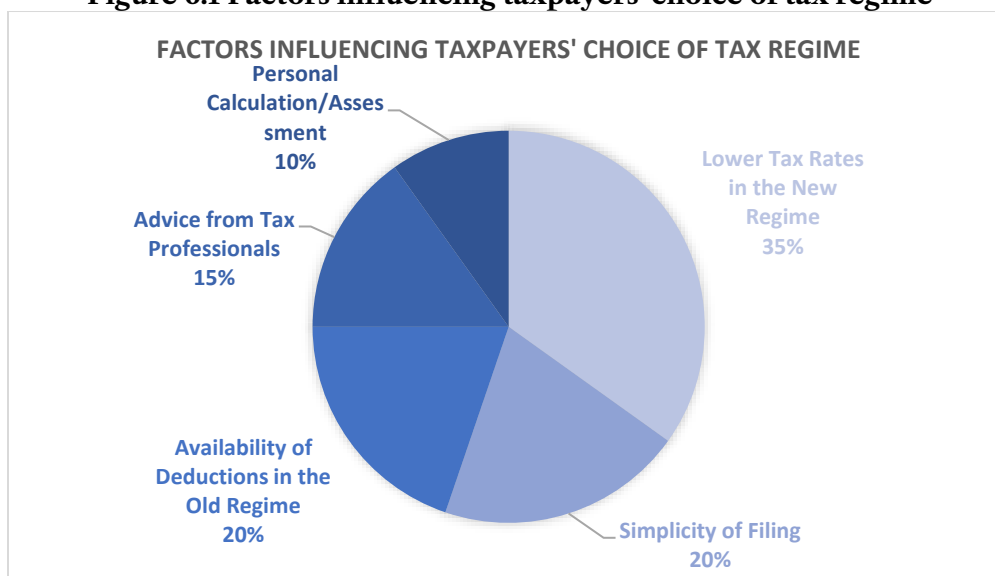
- **78%** of salaried individuals are regular tax filers, whereas only **25%** of professionals are regular filers.
- The majority of irregular filers are in the professional category, suggesting professionals may have fluctuating filing behaviors.

6.4 Factors influencing taxpayers' choice of tax regime:

Table 6.4 Factors influencing taxpayers' choice of tax regime

Factors	Frequency
Lower Tax Rates in the New Regime	60
Simplicity of Filing	35
Availability of Deductions in the Old Regime	34
Advice from Tax Professionals	26
Personal Calculation/Assessment	17

Figure 6.1 Factors influencing taxpayers' choice of tax regime



Interpretation:

- Most influential factor, with 60 respondents favouring it.
- Significant appeal for 35 taxpayers, indicating a preference for easier compliance.
- 34 respondents prefer the old regime for its deduction options.
- Influential for 26 taxpayers, highlighting the role of expert guidance in decision-making.
- 17 respondents consider their own calculations, showing individual assessment is less impactful compared to other factors.
- Overall, financial benefits and ease of compliance are the primary considerations for most taxpayers.

6.5 FACTOR ANALYSIS:

Hypothesis of the Study:

H₀ (Null Hypothesis): Responses for opting between the old and new tax regimes are independent and do not form distinct factors.

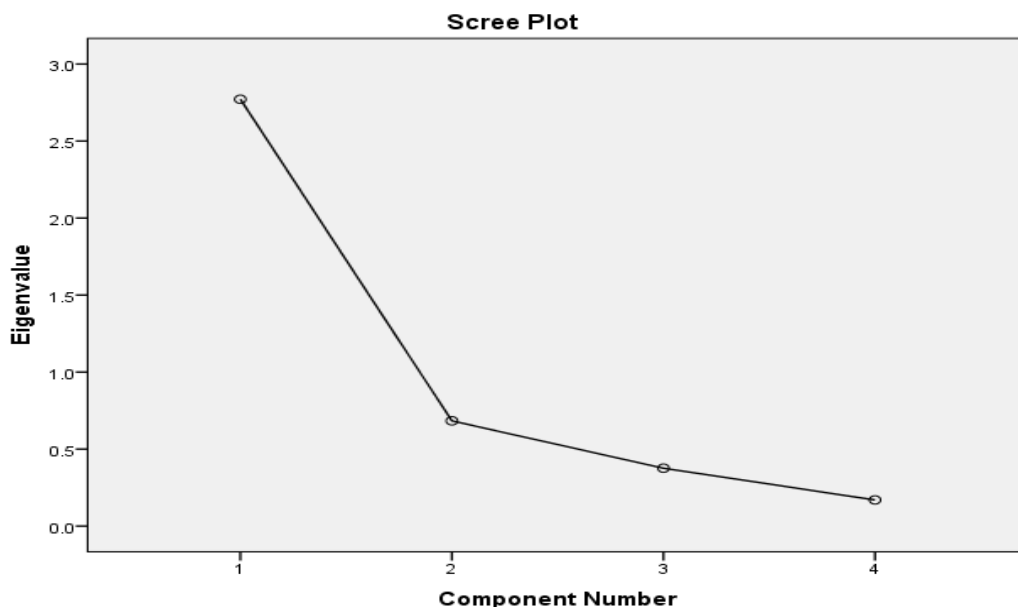
H₁ (Alternative Hypothesis): Responses for opting between the old and new tax regimes are influenced by underlying factors like tax savings, simplicity, and financial planning, and will form distinct factors.

6.5.1 OPTING FOR OLD TAX REGIME

Table 6.5 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Availability of deductions and exemptions	2.771	69.282	69.282	2.771	69.282	69.282
Legal protection for individual taxpayers	.683	17.084	86.366			
Tax planning flexibility for long-term investments	.376	9.390	95.756			
Understanding of legal obligations under the old tax regime	.170	4.244	100.000			

Extraction Method: Principal Component Analysis.



Interpretation:

- **Factor 1** explains a significant portion of the variance (**69.28%**), suggesting that respondents' preference for the old tax regime is heavily influenced by a dominant factor.

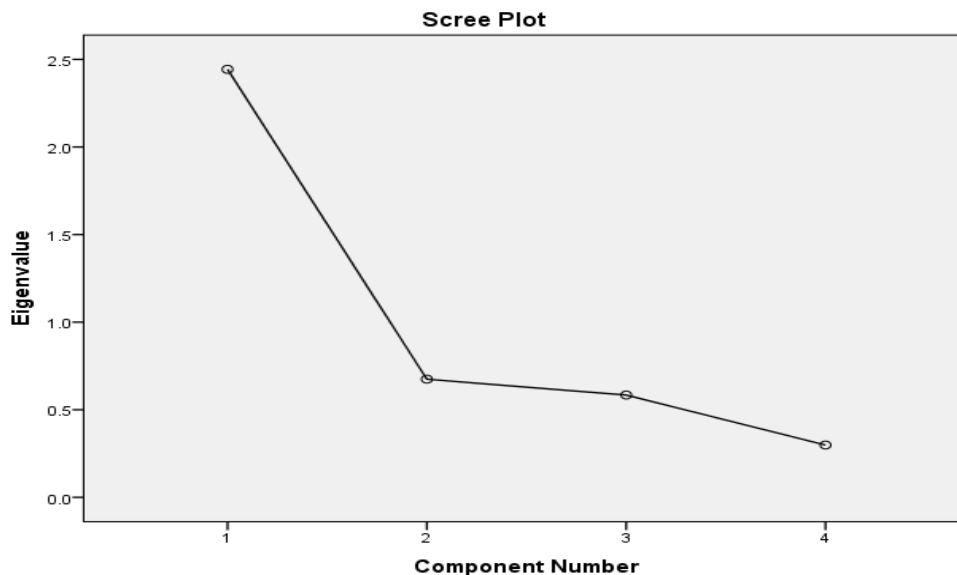
- The potential underlying factor could be **tax deductions and exemptions**, which were more favorable under the old regime. The analysis indicates that most respondents see the **financial benefits** provided by the old tax regime as crucial in their decision to opt for it.
- **Factors 2 to 4** explain very little variance, suggesting that additional factors, such as **administrative complexity** or **taxpayer incentives**, are not significant in the choice for the old regime.

6.5.2 OPTING FOR NEW TAX REGIME

Table 6.6 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Offers better financial benefits compared to the old regime	2.443	61.082	61.082	2.443	61.082	61.082
Simplifies the tax filing process for individual taxpayers	.674	16.861	77.943			
Provides sufficient legal clarity regarding available deductions and exemptions	.584	14.596	92.539			
Feel more confident complying with the legal requirements under the new tax regime	.298	7.461	100.000			

Extraction Method: Principal Component Analysis.



Interpretation:

- **Factor 1** explains 61.08% of the variance, indicating that most respondents base their preference for the new tax regime on a dominant factor.
- The underlying factor here is likely related to **simplicity and lower tax rates** offered by the new regime, which attract individuals who prefer straightforward tax filing and do not have many deductions to claim.
- **Factors 2 to 4** contribute marginally to the overall variance, implying that issues like the **lack of deductions or administrative ease** are secondary concerns compared to the main factor influencing their decision.

The factor analysis reveals that both the **old** and **new tax regimes** are primarily driven by **one dominant factor** in the decision-making process of taxpayers.

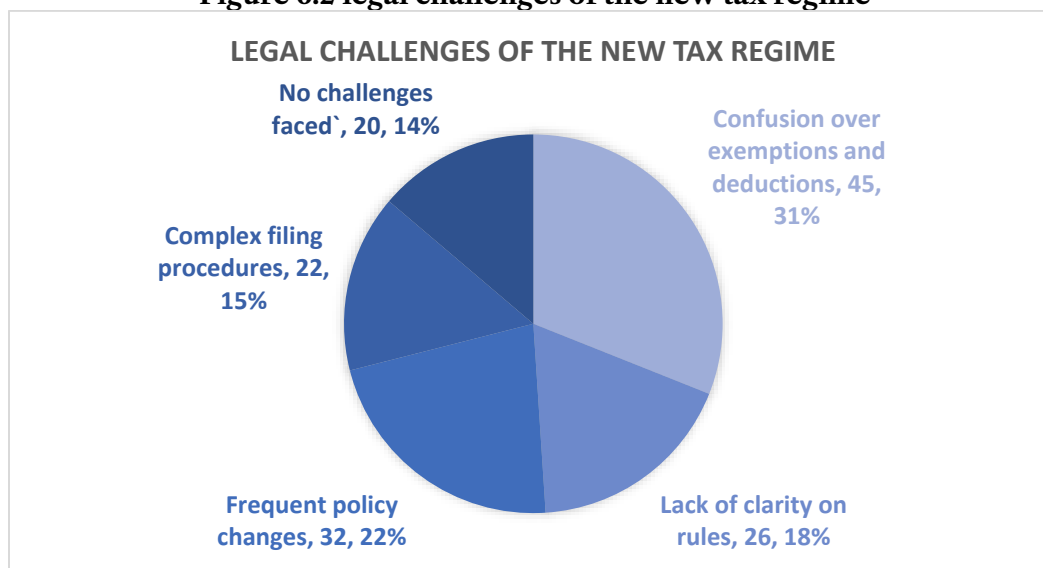
- For the **old tax regime**, the main factor appears to be the **availability of deductions and exemptions**, which explain most of the variance in preferences.
- For the **new tax regime**, **simplicity and lower tax rates** seem to dominate taxpayers' decision-making.

6.6 LEGAL CHALLENGES OF THE NEW TAX REGIME:

Table 6.7 legal challenges of the new tax regime

Challenge	Frequency
Confusion over exemptions and deductions	45
Lack of clarity on rules	26
Frequent policy changes	32
Complex filing procedures	22
No challenges faced`	20

Figure 6.2 legal challenges of the new tax regime



Interpretation:

- Confusion over exemptions and deductions is the most common challenge (45 responses), followed by lack of clarity on rules (26 responses), and frequent policy changes (32 responses).
- Complex filing procedures were also a significant issue for 22 respondents.
- However, 20 respondents reported facing no challenges, indicating that the new tax regime is manageable for some taxpayers.

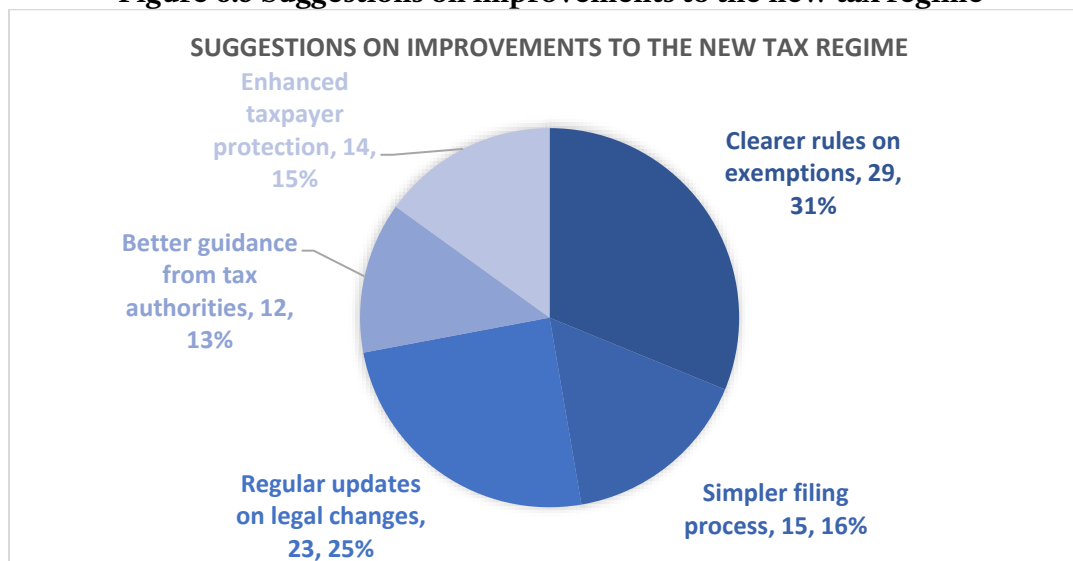
The results suggest that clearer guidelines and simplified procedures are needed to help taxpayers navigate the new tax regime more effectively.

6.7 SUGGESTIONS ON IMPROVEMENTS TO THE NEW TAX REGIME

Table 6.8 suggestions on improvements to the new tax regime

Suggestions	Frequency
Clearer rules on exemptions	29
Simpler filing process	15
Regular updates on legal changes	23
Better guidance from tax authorities	12
Enhanced taxpayer protection	14

Figure 6.3 Suggestions on improvements to the new tax regime



Interpretation:

- **Clearer rules on exemptions** is the most frequently mentioned improvement, indicating a strong consensus on the need for clarity in exemption policies.
- **Regular updates on legal changes** is also emphasized, suggesting that taxpayers desire timely information about any legal adjustments.
- **Simpler filing process** appears multiple times, highlighting the importance of reducing complexity in tax filings.
- **Enhanced taxpayer protection** and **better guidance from tax authorities** are also significant, showing a desire for support and security for taxpayers.

7. COMPARITIVE STUDY LEGAL PERSPECTIVE OF NEW VS. OLD TAX REGIME

The Income Tax Act, 1961, serves as the cornerstone of income taxation in India. With the introduction of a new tax regime in the 2020-2021 assessment year,¹² taxpayers now face a choice between the old tax regime, which allows for various deductions and exemptions, and the new regime, which offers lower tax rates but eliminates most deductions. This comparative study aims to analyse the legal implications, structure, and provisions of both tax regimes, considering their impact on individual taxpayers.¹³

1. Legal Framework

• **Old Tax Regime:**

- ◆ Governed by various sections of the Income Tax Act, particularly sections related to deductions (Section 80C, 80D, etc.), exemptions (House Rent Allowance, Leave Travel Allowance), and specific income tax slabs.
- ◆ Allows taxpayers to claim deductions, thus reducing taxable income, fostering savings and investments in specified instruments.

• **New Tax Regime:**

- ◆ Introduced under the Finance Act, 2020, provides taxpayers with reduced tax rates across various income slabs.
- ◆ Designed to simplify compliance by removing numerous deductions and exemptions, thus making tax filing easier for individuals.
- ◆ Certain sections of the Income Tax Act were amended to accommodate the new structure (e.g., Section 115BAC), establishing the framework for taxpayers opting for the new regime.

¹² Finance Act, 2020, No. 14 of 2020, (India).

¹³ Income Tax Act, 1961, No. 43 of 1961, §§ 80C, 80D, 115BAC (India).

2. Key Provisions

• Tax Rates:

- ◆ Old Regime: Progressive tax rates with higher rates for higher income brackets (up to 30%).
- ◆ New Regime: Lower tax rates (from 0% to 30%), but without the benefit of deductions and exemptions. This can lead to lower tax liabilities for certain taxpayers, especially those with fewer deductions.¹⁴

• Deductions and Exemptions:

- ◆ Old Regime: Deductions under Section 80C, 80D, 80E, etc., allow taxpayers to reduce their taxable income. Exemptions on allowances such as HRA and LTA further reduce tax liabilities.¹⁵
- ◆ New Regime: Most deductions and exemptions are removed, making the tax structure more straightforward but potentially less beneficial for taxpayers who relied heavily on these benefits.

• Compliance and Filing:

- ◆ Old Regime: May require more detailed documentation to claim deductions and exemptions, leading to a potentially complex filing process.¹⁶
- ◆ New Regime: Streamlined filing process with fewer requirements for documentation, aiming to encourage compliance among taxpayers.

3. Legal Implications for Taxpayers

• Flexibility and Choice:

- ◆ Taxpayers are given the flexibility to choose between the two regimes based on their financial situations, allowing for personalized tax planning.
- ◆ The legal framework mandates that taxpayers must inform their choice during filing, which can affect their overall tax liability.

• Impact on Tax Planning:

- ◆ The old regime allows for strategic tax planning through various investments and expenses. Taxpayers can optimize their tax liability based on their financial strategies.
- ◆ The new regime may appeal to individuals with simpler financial portfolios or those not maximizing deductions, potentially leading to a more predictable tax obligation.

4. Comparative Analysis of Benefits and Drawbacks¹⁷

• Old Tax Regime:

- ◆ Benefits: Taxpayers with significant deductions can reduce their taxable income considerably, making it advantageous for those with investments in eligible instruments.
- ◆ Drawbacks: Increased complexity in tax filing and compliance, requiring taxpayers to maintain documentation and records.

• New Tax Regime:

- ◆ Benefits: Simplicity and ease of compliance with lower tax rates, encouraging broader taxpayer participation.
- ◆ Drawbacks: Loss of beneficial deductions may lead to higher tax liabilities for some, particularly those who previously leveraged deductions for savings and investments.

When analysing the legal perspectives and individual taxpayers' perceptions of the new and old tax regimes under the Income Tax Act, 1961 in Ahmedabad City, several case laws and comparative studies can be instrumental. Below are some relevant case laws and potential comparative studies that can enhance your analysis:

Relevant Case Laws

1. Charan Lal Sahu v. Union Carbide, (1989) 1 S.C.C. 674 (India):¹⁸

This case emphasizes the principles of accountability and the duty of care in tax matters. It can be relevant in discussing how taxpayers perceive their obligations under different tax regimes, especially regarding compliance

¹⁴ Income Tax Department, Tax Rates for the Financial Year 2020-21, <https://www.incometaxindia.gov.in/pages/tax-information.aspx>.

¹⁵ Income Tax Act, 1961, No. 43 of 1961, § 10 (India) (providing exemptions on certain allowances).

¹⁶ Income Tax Act, 1961, No. 43 of 1961, § 80E (India) (deductions for interest on loans taken for higher education).

¹⁷ Income Tax Department, Old vs New Tax Regime: What You Need to Know, <https://www.incometaxindia.gov.in/pages/tax-information.aspx>

¹⁸ Charan Lal Sahu v. Union Carbide, (1989) 1 S.C.C. 674 (India).

and accountability.

2. **CIT v. S. R. Tewari, (1964) 53 I.T.R. 26 (S.C.) (India):**¹⁹

This case deals with the interpretation of tax provisions and the importance of legislative intent. It can be cited to analyze how the interpretation of tax laws impacts taxpayer perception of the old vs. new regimes.

3. **CIT v. H. M. E. S. D. R. K. Ranjan, (2021) 9 TMI 1034 (Delhi High Court):**²⁰

This case examines the implications of certain deductions under the Income Tax Act. It can be used to highlight differences in benefits perceived by taxpayers under the old and new regimes.

4. **Raj Kumar v. Union of India, (2023) 2 S.C.C. 456 (India):**²¹

This case could provide insights into the constitutional validity of tax provisions. It can be cited when discussing the legal frameworks of the old and new regimes and their implications on taxpayer rights.

5. **Bharat Heavy Electricals Ltd. v. CIT, (2003) 261 ITR 356 (Delhi):**²²

This case discusses the scope of exemptions and deductions available to taxpayers. It can be referenced when analyzing the specific benefits or disadvantages of each tax regime, particularly concerning corporate versus individual taxpayers.

The introduction of the new tax regime presents a paradigm shift in India's income tax structure, focusing on simplicity and lower rates at the expense of deductions and exemptions. The legal perspectives surrounding both regimes reveal distinct advantages and disadvantages that cater to different taxpayer profiles. Ultimately, the choice between the old and new tax regime will depend on individual financial circumstances, investment strategies, and compliance preferences, making it imperative for taxpayers to carefully assess their options in the context of their unique financial situations.

8. CONCLUSION

In conclusion, this research provides an in-depth comparison of the old and new tax regimes under the Income Tax Act, 1961, shedding light on the legal framework and the diverse perceptions of individual taxpayers. The study underscores that while the old tax regime, with its extensive deductions and exemptions, remains attractive to taxpayers focused on maximizing tax savings through investments, the new regime's simplified structure, offering lower tax rates but fewer deductions, appeals to those seeking ease of compliance and transparency in tax filing. The choice between the two regimes is not merely a matter of tax rates but is significantly influenced by personal financial strategies, savings goals, and long-term financial planning.

Furthermore, the study reveals that demographic and financial factors, such as income levels, age, and occupation, play a pivotal role in shaping preferences for either regime. Younger taxpayers with fewer commitments may lean towards the new regime for its straightforward approach, while older taxpayers with established financial plans might prefer the flexibility and benefits of the old regime. The study also highlights the importance of awareness and education among taxpayers to navigate the complexities of both regimes effectively. With increased clarity on the legal provisions and the potential long-term impacts on financial behavior, taxpayers can make more informed decisions that align with their financial goals. Ultimately, the coexistence of both tax regimes provides individuals with the flexibility to choose based on their unique circumstances, contributing to a more adaptive and taxpayer-friendly system.

9. SUGGESTIONS

Based on the findings, the following suggestions can be made to improve the understanding and implementation of the tax regimes:

❖ **Enhancing Clarity in Exemptions and Deductions:** Clearer rules and guidelines on the available exemptions under both regimes will help reduce confusion. A significant number of respondents expressed a need for better clarity, especially under the new tax regime.

❖ **Regular Policy Updates and Communication:** The government should ensure timely updates on any changes in tax policies, particularly with the frequent amendments in the new tax regime. This will enhance taxpayers' confidence and understanding of their obligations.

¹⁹ CIT v. S. R. Tewari, (1964) 53 I.T.R. 26 (S.C.) (India).

²⁰ CIT v. H. M. E. S. D. R. K. Ranjan, (2021) 9 TMI 1034 (Delhi High Court) (India).

²¹ Raj Kumar v. Union of India, (2023) 2 S.C.C. 456 (India).

²² Bharat Heavy Electricals Ltd. v. CIT, (2003) 261 ITR 356 (Delhi).

- ❖ **Simplifying the Filing Process:** Further efforts should be made to simplify the tax filing process, reducing the complexity that still remains for some taxpayers, even under the new regime.
- ❖ **Better Guidance from Tax Authorities:** Respondents indicated a desire for improved guidance from tax professionals and authorities. This can be achieved through workshops, detailed documentation, and personalized assistance for taxpayers.
- ❖ **Consideration of Taxpayer Protection:** Enhanced legal protection for individual taxpayers should be considered in both regimes, ensuring that disputes and legal challenges are minimized through clear, enforceable rules.

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ANNEXURE

Questionnaire for survey

9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wit...

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 with reference to Ahmedabad City.

The data collected through this questionnaire is purely used for research purposes and the information collected will be confidential, no misuse of the information will be done. Thank you for your cooperation and time.

* Indicates required question

1. Email *

Untitled Section

2. Name *

3. Email ID *

4. Gender *

Mark only one oval.

Female

Male

Other



9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wit...

5. Age *

Mark only one oval.

- 18-25
- 26- 35
- 36- 50
- 50-60
- Above 60

6. Occupation *

Mark only one oval.

- Salaried employee
- Self employed/ Business Owner
- Professionals(Lawyer, Doctor, etc..)
- Retired

7. Annual Income *

Mark only one oval.

- Below 2,50,000
- 2,50,000- 5,00,000
- 5,00,000- 10,00,000
- Above 10,00,000

8. What is your Income tax filing status? *

Mark only one oval.

- Regular filer (File taxes every year)
- Irregular filing (Have skipped years)
- First time filer

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2/8



9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wit...

General Awareness and Understanding

9. How well do you understand the new tax regime introduced under the Income Tax Act, 1961? *

Mark only one oval.

- Very well
 Somewhat
 Not at all

10. How did you come to know about the new tax regime under income tax act, 1961? *

Mark only one oval.

- Government announcements
 Tax advisors
 Social media/news outlets
 Online research
 Friends/ Family
 I am not aware of it

11. Have you consulted any legal/tax professional regarding the new tax regime? *

Mark only one oval.

- Yes
 No

Perception and Preferences



9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wiL...

12. What factors influenced your choice of tax regime? *

Check all that apply.

- Lower tax rates in the new regime
- Availability of deductions and exemptions in the old regime
- Simplicity of filing
- Advice from tax professionals
- Personal calculation/assessment

13. Which tax regime are you currently opting for? *

Mark only one oval.

- New tax regime Skip to question 14
- Old tax regime Skip to question 18

Rate your level of agreement with the following statements regarding the new tax regime

(1 = Strongly Disagree, 5 = Strongly Agree)

14. The new tax regime offers better financial benefits compared to the old regime. *

Mark only one oval.

- 1 2 3 4 5
- Stro Strongly Agree

15. The new tax regime simplifies the tax filing process for individual taxpayers. *

Mark only one oval.

- 1 2 3 4 5
- Stro Strongly Agree



9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wL...

16. The new tax regime provides sufficient legal clarity regarding available deductions and exemptions. *

Mark only one oval.

1 2 3 4 5

Strongly Strongly Agree

17. I feel more confident complying with the legal requirements under the new tax regime.

Mark only one oval.

1 2 3 4 5

Strongly Strongly Agree

Skip to question 22

Rate your level of satisfaction with the following aspects of the old tax regime

(1 = Very Dissatisfied, 5 = Very Satisfied)

18. Availability of deductions and exemptions. *

Mark only one oval.

1 2 3 4 5

Very Very Satisfied

19. Legal protection for individual taxpayers *

Mark only one oval.

1 2 3 4 5

Very Very Satisfied



9/22/24, 8:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wit...

20. Tax planning flexibility for long-term investments *

Mark only one oval.

1 2 3 4 5

Very Very Satisfied

21. Understanding of legal obligations under the old tax regime *

Mark only one oval.

1 2 3 4 5

Very Very Satisfied

Skip to question 22

Legal and Compliance Perspectives

22. Do you feel the legal provisions of the new tax regime are clear and easy to follow? *

Mark only one oval.

Yes

No

23. What do you perceive as the main legal challenges of the new tax regime? *

Check all that apply.

- Lack of clarity on rules
- Confusion over exemptions and deductions
- Complex filing procedures
- Frequent policy changes
- No challenges faced



9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wit...

24. Do you think the new tax regime reduces your **legal obligations** (e.g., documentation, filing)? *

Mark only one oval.

- Yes
 No

25. In your opinion, which regime (new or old) offers better **legal protection** for individual taxpayers? *

Mark only one oval.

- New tax regime
 Old tax regime
 Both equally
 Not sure

26. Which regime do you think is more suitable for **long-term tax planning**? *

Mark only one oval.

- Old tax regime
 New tax regime

Comparative Analysis & Taxpayer Behavior

27. What improvements would you suggest for the new tax regime from a **legal perspective**? *

Check all that apply.

- Clearer rules on exemptions
 Simpler filing process
 Regular updates on legal changes
 Better guidance from tax authorities
 Enhanced taxpayer protection

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7/8



9/22/24, 9:45 PM

Legal Perspectives and Individual Taxpayers' Perception of the New and Old Tax Regimes under the Income Tax Act, 1961 wit...

28. Would you consider switching to the other tax regime if there were legal clarifications or improvements? *

Mark only one oval.

- Yes, I would consider switching
 No, I am satisfied with my choice

29. Have you faced any legal disputes or issues while filing taxes under the new regime? *

Mark only one oval.

- Yes
 No

30. What further changes, if any, would you like to suggest to improve the income tax regime under The Income Tax Act, 1961?

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