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A Research Paper on "A Comparative Study of New Tax Regime Vs Old Tax Regime in India"

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Abstract: The Indian income tax system underwent a major transformation with the introduction of the New Tax Regime, aimed at simplifying the tax structure by offering reduced tax rates while eliminating most exemptions and deductions available under the Old Tax Regime. This reform was intended to provide taxpayers with greater flexibility and ease of compliance; however, it has also created confusion among individuals regarding which regime is more financially beneficial. This study undertakes a comparative analysis of the Old and New Tax Regimes in India to examine their structural differences and assess their implications on tax liability across various income levels.

The primary objective of this research is to identify which categories of taxpayers gain the most benefit under each tax regime by evaluating tax burdens at different income slabs. The study compares tax liabilities under both regimes by considering multiple scenarios, including taxpayers who actively claim deductions and those with minimal or no deductions. By analyzing these variations, the research identifies income groups for whom the New Tax Regime offers a greater financial advantage due to lower tax rates, as well as those who benefit more from the Old Tax Regime through exemptions such as standard deduction, house rent allowance, and investments under Section 80C. The findings of this study provide valuable insights into the suitability of each tax regime based on income level and deduction utilization, thereby aiding taxpayers, policymakers, and financial planners in understanding the practical impact of India's dual tax system.

Keywords: Old Tax Regime, New Tax Regime, Income Tax Structure, Income Slabs, Tax Liability, Deductions and Exemptions, Financial Advantage

INTRODUCTION

A nation's economic growth is greatly influenced by taxes. One of the primary ways that the Indian government makes money is by collecting income tax. It supports the government in providing public services like welfare services, infrastructure, healthcare, education, and defence. Also, the income tax system serves as a tool for promoting economic stability and reducing the gap in income. Over the years, the Indian income tax system has undergone a number of changes to improve its efficiency, transparency, and ease for taxpayers. The introduction of the New Tax Regime along to the Old Tax Regime is one of the most significant recent changes. Based on their income level and preferences to tax planning, individual taxpayers can now select between two separate tax regimes because of the dual tax system. House Rent Allowance (HRA), Travel Allowance, Car and driver allowance, Education and hostel allowance of children, basic deduction, and deductions under sections 80C, 80D, and 80E are only a few of the exemptions and deductions available to taxpayers under the Old Tax Regime.

This system encourages investments and savings, but it requires smart tax planning and necessary paperwork. On the other hand, the New Tax Regime, which was introduced in order to improve the tax system, offers lower tax rates but eliminates the majority of deductions and exemptions. The newly introduced tax system aims for making tax filing transparent, simple, and easy for individuals to comply with rules. While having two different tax systems offers flexibility, it has also caused confusion among taxpayers, especially those who are salaried. Deciding which tax regime is most beneficial to them is a challenge for many people. A number of factors including income level, the availability of deductions, savings habits and financial goals, influence the decision between the old and new tax regimes. Making the incorrect decision might lead to higher tax liabilities and lesser your salary.

The government has introduced new tax slabs, increased rebate limits, and promoted the New Tax Regime as the default tax system in recent Union Budgets. These modifications have made it even more crucial for understanding the differences between the two tax systems. It is therefore crucial for taxpayers to assess the financial impact of both regimes across various income levels as tax laws continue change over time. A crucial component of managing one's own finances is tax preparation. In order to minimize tax liabilities while following to tax laws, it involves evaluating income, investments, and deductions. While the New Tax Regime emphasizes simplicity and lower compliance, the Old Tax Regime uses deductions and exemptions to facilitate traditional tax planning. Making wise tax planning decisions requires an understanding of the effects of both regimes. The Old Tax Regime and the New Tax Regime in India are compared in this research paper. In order to determine which tax regime offers taxpayers a greater financial benefit, the study evaluates both tax regimes across a range of income levels. This paper attempts to analyse tax obligation under both regimes and determine which alternative is best for individual taxpayers by using income-based scenarios. Additionally, the study aims at understanding how recent changes in tax law affect taxpayer behaviour and tax planning choices.

REVIEW OF LITERATURE:

1. A Comparative Analysis of India's New and Old Tax Regimes: Implications for Taxpayers and Economic Equity

This study offers a comprehensive comparison of India's old and new tax regimes, examining their structural differences, slab rates, and exemption frameworks. The article highlights how the old tax regime supports equity through deductions and exemptions that encourage savings and investments, while the new tax regime emphasizes simplicity and reduced compliance. The study concludes that although the new tax regime simplifies tax administration, it may widen inequity among income groups due to the removal of targeted deductions, particularly affecting middle-income taxpayers. (M., 2025)

2. This research analyzes the impact of both tax regimes on individual assessees under the Income Tax Act, 1961.

The study focuses on tax liability outcomes, taxpayer decision-making, and financial behavior. It finds that taxpayers with higher investments in tax-saving instruments benefit more from the old tax regime. In contrast, the new tax regime is preferred by individuals seeking ease of filing and lower compliance requirements. (Prasad K Patil, JUNE 2025).

3. Comparison of Taxation as Per Old Tax and New Tax Regime.

This article presents a detailed comparative analysis of taxation under the old and new tax regimes, focusing on slab rates, deductions, and exemptions. Using numerical illustrations, the study demonstrates how tax liability differs across income levels under both regimes. The findings reveal that the old tax regime remains advantageous for taxpayers claiming deductions such as Section 80C, HRA, and home loan interest, whereas the new tax regime is beneficial for individuals with minimal exemptions and straightforward income structures. (Pal1, 2025)

4. A Comparative Study of New Tax Regime with Old Tax Regime.

The author conducted an empirical study among salaried taxpayers in Shivamogga to assess the effectiveness of the new tax regime in comparison with the old regime. The study reveals that while the new tax regime offers lower tax rates and simplified filing, most salaried employees continue to prefer the old tax regime due to higher tax savings through deductions. (Balaswamy, 2024)

5. A Critical Analysis of Old Tax Regime and New Tax Regime in India.

This article critically examines the structural and policy-oriented differences between the old and new tax regimes in India. The study argues that the old tax regime promotes social welfare and financial discipline by encouraging savings, insurance, and investments, while the new tax regime aligns with the government's objective of tax simplification and reduced paperwork. (Dr. Ghazala Abidin, 2025)

6. A Comparative Study between Old and New Tax Regime for the F.Y. 2023–2024

This study evaluates the suitability of the old and new tax regimes for the financial year 2023– 2024 in light of recent budgetary amendments. The research compares tax payable under both regimes using different income scenarios and finds that the new tax regime is becoming increasingly attractive due to revised slab rates and standard deductions. However, the study emphasizes that taxpayers with housing loans and investment-linked deductions continue to benefit more from the old tax regime. (Balaji Gurunath Kamble, 2023)

7. A Brief Insight into the Introduction of a New Tax Regime in India.

This article provides an overview of the introduction and objectives of the new tax regime in India. It discusses the rationale behind reducing exemptions to simplify tax compliance and improve transparency. The study highlights that while the new tax regime reduces complexity and administrative burden, it may discourage long-term savings and investments. The authors conclude that successful adoption of the new tax regime depends on increased taxpayer awareness and balanced policy reforms. (Ojha, 2024)

8. Legal perspective & individual taxpayers' perception of new v/s old tax regime.

This study explores the *legal frameworks and taxpayer perceptions* of the old and new tax regimes under the Income Tax Act, 1961, based on a structured survey of 118 taxpayers in Ahmedabad. It compares how taxpayers view benefits, challenges, compliance ease, and behavioural changes associated with each regime. The research concludes that awareness levels and preferences vary significantly across demographic groups, indicating a need for enhanced taxpayer education to improve understanding and decision-making. (Bharad, 2024)

9. Comparative study on old regime v/s new regime tax with reference to salaried person.

This paper examines tax liabilities, savings, and practical benefits for salaried individuals when choosing between the old and new tax regimes. It highlights key differences in deductions, ease of filing, and post-budget changes, with an emphasis on how tax planning and savings behaviour influence the choice of regime. The study finds that the new regime may offer simplicity, but the old regime continues to be beneficial for those with significant deductions and tax-saving investments. (Joshi, 2024)

10. A comparison between old and new tax regime of income tax act 1961, for salaried individuals.

This article analyses the impact of deductions and exemptions on salaried taxpayers under both regimes. It discusses how exemptions like Section 80C, HRA, standard deductions, and other allowances affect overall tax liabilities. The study emphasizes that while the new regime simplifies compliance by removing most exemptions, taxpayers with structured investments benefit more from the old tax regime. (A comparison between old and new tax regime of Income Tax Act, 1961 for salaried individuals., 2024)

11. A Brief Insight into the Introduction of a New Tax Regime in India.

This article provides an overview of the rationale, structure, and objectives behind India's new tax regime. It outlines how tax compliance is simplified by reducing exemptions and highlights taxpayer responses to this structural change. The authors discuss implications for saving behaviour and transparency, concluding that increased awareness is essential for optimal taxpayer participation. (Ojha, A Brief Insight into the Introduction of a New Tax Regime in India, 2024)

12. A comparative analysis of tax payable by individual under old tax regime and new tax regime (ay 2025-26).

This research evaluates tax payable under both regimes for Assessment Year 2025-26, considering recent changes in tax slabs and standard deductions. Using secondary data, the study finds that the new tax regime is more beneficial for individuals without significant tax- saving investments, while the old regime yields greater savings for taxpayers with deductions. The study concludes that regime choice should depend on income structure and investment profile. (Premchandani, 2024)

13. Perception of Taxpayers on Old and New Tax Regime.

This empirical study investigates taxpayer perception of both tax regimes using survey responses from 200 individuals across Karnataka. It finds that younger taxpayers and those with fewer tax deductions prefer the new regime due to simplicity and liquidity benefits. In contrast, older and salaried individuals with long-term financial commitments favour the old regime because of greater scope for tax planning and savings. The study underscores the need for policymakers to improve communication around tax options. (Preetham, 2024)

14. Impact of Old and New Tax Regimes on Indian Taxpayers.

This research by Amitesh Priya examines how the introduction of the New Tax Regime has influenced tax compliance, government revenue, and taxpayer behaviour in India. Using secondary data from official sources such as the Ministry of Finance, the Income Tax Department, and Comptroller & Auditor General (CAG) reports, the study compares revenue trends and the adoption rates of both regimes. It finds that although the new regime simplifies tax filing and may broaden the tax base, its uptake remains moderate due to persistent taxpayer preference for exemptions under the old regime. The study also highlights that taxpayer awareness, income levels, and behavioural factors significantly affect regime choice and overall revenue stability. (Priya, 2025)

15. Tax Efficiency of Mutual Fund Investments in India: Old vs. New Regime.

This paper evaluates how India's old and new tax regimes affect mutual fund investment behaviour and post-tax returns. The study specifically focuses on tax deductions available under the old regime (e.g., Section 80C benefits for Equity-Linked Savings Schemes) versus the simplified slab rates of the new regime, and how these differences influence investors' decisions. The authors conclude that while the new tax regime offers simplicity, the old regime's tax incentives still play a key role in encouraging tax-efficient long-term investment through mutual funds. (Prasad Bhat, 2024)

OBJECTIVES OF STUDY:

- to compare the old tax regime with new tax regime in India
- evaluate both tax regimes across different income level

-identify which tax regime provides greater financial advantage for tax payers

RESEARCH METHODOLOGY

Research Design

The present study adopts a descriptive, analytical, and comparative research design to
examine the Old Tax Regime and the New Tax Regime in India. The design is suitable since the study aims to compare tax structures, analyse current data, and assess financial results for taxpayers at various income levels without changing any variables.

Nature of Data

No primary data has been gathered; the study is entirely based on secondary data. The study is based on data that has already been gathered, examined, and published by academics, governmental organizations, and financial institutions.

Sources of Secondary Data

Peer-reviewed journals, research papers, published MBA dissertations, government
announcements, provisions of the Income Tax Act, budget documents, and official websites like the Ministry of Finance and the Income Tax Department have all been used to gather

secondary data. Under both tax regimes, these sources offer trustworthy information about tax slabs, deductions, exemptions, taxpayer behaviour, and policy goals.

Method of Data Collection

A systematic review of the literature was used to gather data, and studies that were specific to the study's goals were found, evaluated, and chosen. Recent studies were emphasized in order to capture the effects of the most recent budgetary and amendment changes.

Tools and Techniques of Analysis

The main analytical tools used in the study are comparative evaluation and qualitative analysis. The results of several studies are compared across various investment profiles, deduction structures, and income categories. To determine which tax regime offers the biggest financial benefit, numerical examples and conclusions from the body of existing literature are combined.

Period of Study

In order to reflect recent policy changes and assessment years, the study mainly focuses on research done between 2023 and 2025.

Scope of the Study

The study's scope is restricted to Indian individual taxpayers, especially salaried individuals; corporate taxation is not included.

Limitations of the Study

The study's conclusions rely on the precision and breadth of the body of existing literature because it is entirely dependent on secondary data. Beyond the recorded evidence, individual taxpayer preferences may differ.

RESULT AND DATA ANALYSIS SECONDARY DATA

In this research, the descriptive and comparative research design model has been adapted to examine the impact of the Old Tax Regime and the New Tax Regime in India on the taxpayers. Secondary data has been used, gathering research through 15 peer-reviewed journals in order to complete our research objectives.

1. Features and Provisions of Old and New Tax Regimes

A review of the available literature indicates that the Old Tax Regime is saddled with several exemptions, deductions, and allowances so as to incentivize savings, investments, insurance, housing, and retirement planning. Various works, including Abidin (2025) and Pal (2025), illustrate how such a regime ensures financial discipline and social welfare orientation.

On the other hand, the New Tax Regime was initiated to simplify compliance with lower slab rates by abolishing most deductions and exemptions. According to research studies conducted by Ojha (2024) and Priya (2025), it was found that this regime reduces paperwork, the complexity of calculation, and reliance on tax-saving instruments.

The available literature indicates that while the old regime adheres to an incentive-based taxation approach, simplicity and transparency lie at the core of the new regime.

2. Differences in Tax Slabs and Rates

Various comparative studies throughout confirm that the new tax regime, with more slabs and lower marginal rates, is

an attractive option for taxpayers with simple income structures.
Kamble (2023) and Premchandani (2024) noted that revised slabs under the new regime reduce the tax burden for individuals who do not claim major deductions.

However, studies by Patil (2025) and Joshi (2024) suggest that under the old regime, the effective tax liability of a taxpayer availing of exemptions, such as Section 80C, HRA, standard deduction, and interest on a housing loan, will be low.

Thus, the advantages of slab rates under the new regime are conditional and depend upon whether the taxpayer is able to avail of deductions under the old regime.

3. Exemptions and Deductions

A common theme throughout the literature is the striking disparity in exemption rates. Under the old tax system, there are numerous deductions allowed, which include:

- Section 80C investments
- HRA
- Standard deduction
- Home loan interest
- Insurance premiums and ELSS investments

Research carried out by Pal (2025), Bhat (2024), and Preetham (2024) has verified that these sections play a major role in decreasing taxable income and promoting long-term savings.

Conversely, the present taxation regime has swept away almost all the exemptions, retaining only the minimum notion of reduced taxation through the standard deduction allowed, with modifications in the recent budgets. It has been opined that, although it enhances cash flows, it does not promote savings or financial planning (Ojha, 2024; Abidin, 2025).

4. Advantages and Limitations of Both Regimes

Advantages of the Old Tax Regime identified in the literature include:

- Higher tax savings through deductions
- Encouragement of investments and insurance
- Suitable for salaried and middle-income groups However, its limitations include:
- Complex calculations
- Higher compliance burden
- Dependence on tax planning

Advantages of the New Tax Regime include:

- Simplified tax filing
- Lower compliance cost
- Greater take-home salary

Limitations highlighted by multiple studies include:

- Loss of tax-saving incentives
- Lower benefits for taxpayers with investments
- Possible inequity among income groups

Most authors conclude that neither regime is universally superior; effectiveness varies across income profiles.

5. Suitable Tax Regime (Based on Comparative Analysis)

The analysis of all 15 studies clearly indicates that tax regime suitability depends on income composition, investment behaviour, and financial goals.

- Taxpayers with high deductions, housing loans, insurance, and long-term investments benefit more from the Old Tax Regime.
- Individuals with low deductions, young professionals, freelancers, and first-time earners prefer the New Tax Regime due to simplicity and liquidity benefits.

Empirical studies (Balaswamy, 2024; Preetham, 2024) also reveal that awareness and financial literacy play a crucial role in regime selection.

SUMMARISED DATA ANALYSIS TABLE

	Parameter	Old Tax Regime	New Tax Regime
1.	Nature of Regime	Incentive-based	Simplification-based
2.	Tax Slabs	Higher rates	Lower and more slabs
3.	Exemptions & Deductions	Extensive (80C, HRA, home loan, etc.)	Mostly removed
4.	Tax Planning Scope	High	Minimal
5.	Compliance Complexity	High	Low
6.	Encouragement of Savings	Strong	Weak
7.	Take-home Income	Lower initially	Higher initially
8.	Suitability	Salaried, middle-income, investors	Young earners, low deductions
9.	Equity Impact	Promotes financial discipline	May widen inequality
10.	Overall Preference (Literature)	Still dominant among salaried class	Growing adoption

CONCLUSION

In a bid to conduct a conclusive and comparative analysis on the old and new tax regimes in the Indian taxation system, this research paper has made a sincere and deliberate effort to compare and distinguish both regimes on the basis of their characteristics, tax slabs, exemptions, and advantages and disadvantages of both regimes in relation to different taxpayer groups and their suitability. Through this paper, it can be deduced and established that none of these regimes is universally superior.

Results indicate that the Old Tax Regime would still benefit those taxpayers who are actively involved in Tax Planning after utilizing deductions like 80C investments, HRA, Interest on Home Loans, Insurance Premium, etc. This particular taxation system helps the taxpayer in either saving money or promotes discipline in finance, which makes it suitable. However, the old taxation system has complex calculations, complicated compliance, and documentation.

On the other hand, benefits of the New Tax Regime include simplified tax administration and easier processing of taxes with lower slab rates and less paperwork and hassle for taxpayers. This is very beneficial for young professionals, new taxpayers, freelancers, and taxpayers with very few or no deductions, as it maximizes their take-home pay and liquidity. However, despite its benefits, the new tax system allows very few tax-saving possibilities and can act as a deterrent for long-term saving and investments, which can have far-reaching consequences for financial and equity-related matters.

Further, the importance of income level as not being the only deciding factor in the selected taxation treatment is emphasized in this study. The major factor on which the treatment depends is basically the taxpayer's investment activity, eligibility, and awareness about the provisions related to taxation. Recent changes in taxation policies and the government's emphasis on the New Tax Regime being the default treatment have led to its wider acceptance, but most of the taxpayers in any organization choose the Old Tax Regime as it provides clear benefits in terms of savings.

In conclusion, it is apparent that both taxes have different applications—the Old Tax Regime is designed for savings and investment-based growth, and the New Tax Regime is known for its simplicity and transparency. Thus, it is necessary for taxpayers to assess their source of income and financial needs carefully before opting for a tax system. In a policy perspective, it is important for taxpayers to be knowledgeable and financially literate to make informed decisions and for a smooth operation of the dual-taxation system in India.

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