



A Study on Taxpayers Perception on New Tax Regime

S. Gunavardhan¹, Dr. K. Yesubabu²

¹Student, School of Management Studies, CBIT-Hyderabad, Telangana, India.

²Assistant Professor, School of Management Studies, CBIT-Hyderabad, Telangana, India.

Email ID: gunavardhansiddam@gmail.com¹, yesubabuk_sms@cbit.ac.in²

Abstract

The research titled "A Study on Taxpayers' Perception on New Tax Regime" explores how individuals understand, perceive, and respond to the structural tax changes introduced in India's Union Budget of February 2025. The new regime aims to simplify taxation by reducing exemptions and standardizing rates. Primary data was collected from 178 respondents across different age groups, professions, and income brackets using a structured questionnaire. Both descriptive statistics and inferential tools such as ANOVA, Chi-Square, and correlation analysis were employed for data interpretation. The results indicate that general awareness of the new tax regime is moderately high, but not significantly influenced by demographics such as age, income, or occupation. Interestingly, younger taxpayers showed a significantly greater willingness to switch to the new system compared to older respondents. Despite moderate recognition, the regime's acceptance is not uniformly strong across all segments. The study highlights the gap between awareness and actual adoption. To improve the uptake of the new system, the study recommends aggressive awareness campaigns, focused financial literacy programs, and clearer communication of benefits. These findings offer valuable insights for policymakers to enhance tax reform strategies and taxpayer engagement in the long term.

Keywords: New Tax Regime – NTR, Taxpayer Perception, Tax Awareness, Tax Understanding, Income Tax Reforms.

1. Introduction

The Indian taxation system, comprising direct and indirect taxes, plays a vital role in economic development and social equity. Income tax, governed by the Income Tax Act, 1961, has undergone significant reforms, including the introduction of the New Tax Regime (NTR) in Budget 2020 under Section 115BAC. The NTR offers lower tax rates across broader income slabs but forgoes traditional deductions and exemptions, aiming to simplify compliance and widen the tax base. Technological advancements—like e-filing, pre-filled forms, and faceless assessments—have enhanced taxpayer experience, transparency, and efficiency. The NTR's rollout is driven by the goals of simplification, increasing voluntary compliance, reducing litigation, and promoting equitable taxation. Stakeholders impacted include salaried employees, senior citizens, self-employed professionals, financial advisors, and policymakers. The regime's dual-option structure

allows taxpayers to choose between the new and old systems, depending on their financial profile and planning preferences. [1]

2. Review of Literature

Government Reforms and Institutional Perspectives
India's tax system has undergone major reforms focused on clarity and simplification. Nishith Desai Associates (2025) praised the exemption-free NTR for easing middle-class burdens. India Briefing (2025) emphasized replacing the 1961 Act with a modern, streamlined code. EY and Deloitte highlighted reduced litigation and increased compliance. SBI and media reports promoted NTR for boosting income and investments in sectors like AI. Behavioral, Psychological, and Sociological Dimensions Behavioral biases significantly influence taxpayer choices. Studies by Ali & Thomas (2020) and Sharma & Bose (2019) found inertia and loss aversion deter switching to NTR. Narayanan &



Suresh (2020) showed women prefer simplicity due to time constraints. Age and profession shape regime preference, with youth favoring NTR and seniors sticking to the old. Emotional comfort often outweighs rational financial decisions. Awareness, Financial Literacy, and Regime Adoption Low financial literacy limits informed tax decisions. Basu & Jain (2023) and Chatterjee (2016) observed rural taxpayers defaulting to the old regime due to lack of guidance. Sinha (2020) noted regime impact varies with investment habits. Many make suboptimal choices without understanding tax-saving potential. Mukherjee (2021) warned simplification may hurt long-term financial planning. Sectoral and Demographic Analyses Tax perception differs across income levels and job sectors. Raj & Gupta (2022) found middle-income earners favor NTR for its ease. Youth and students adopt it for digital convenience, as noted by Ramanathan (2024). Reddy & Meera (2018) observed older groups prefer saving-linked exemptions. NTR improves budgeting but may weaken investment discipline. Policy Evaluations and Global Comparisons India's tax reforms reflect a global shift toward simplicity and digitalization. Prasad & Iqbal (2015) cautioned against losing incentives that promote savings. KPMG (2024) saw improved startup compliance through digital reform. Tagat (2019) recommended behavioral nudges to increase voluntary compliance. Educational outreach remains key for informed adoption, per Desai & Kulkarni (2013). [2]

3. Objectives

- To assess the awareness levels of taxpayers regarding the New Tax Regime (NTR).
- To evaluate the understanding and perception of taxpayers toward the New Tax Regime.
- To measure taxpayers' willingness to switch from the old tax regime to the New Tax Regime.
- To determine the satisfaction levels of taxpayers who have adopted or considered adopting the New Tax Regime.

4. Hypotheses

- **H1:** There is a significant positive relationship between taxpayer awareness and willingness to adopt the New Tax Regime.

- **H2:** Higher understanding and positive perception of the New Tax Regime lead to greater willingness to switch.
- **H3:** Demographic factors (income, age, employment type) significantly influence the willingness to switch to the New Tax Regime.
- **H4:** Satisfaction with the New Tax Regime is positively associated with its perceived simplicity and financial benefit.

5. Methodology

The primary aim of this study is to analyze taxpayers' perception, awareness, understanding, satisfaction, and willingness to adopt the newly introduced tax regime in India. A structured questionnaire was carefully designed to cover demographic information, awareness of the tax regimes, perception and understanding of the tax rules, behavioral intent regarding switching, and satisfaction with the new system. The questionnaire was distributed online through Google Forms, leveraging social media, email, and professional networks to reach a diverse sample of individual taxpayers and small business owners across India. A total of 178 valid responses were collected. The collected data were analyzed using Statistical Package for Social Sciences (SPSS) Version 27 to ensure accuracy and reliability. Cronbach's Alpha was calculated to assess the internal consistency and reliability of the questionnaire items. Descriptive statistics, including means and standard deviations, were employed to summarize key variables such as awareness, perception, and satisfaction levels. Factor analysis was conducted to identify underlying constructs related to taxpayer awareness and perception of the new tax regime. Correlation analysis explored the relationships among demographic variables and taxpayers' perceptions, while chi-square and t-tests examined differences in awareness and willingness to switch among demographic groups. Further, regression analysis was applied to evaluate the influence of awareness and understanding on taxpayers' willingness to adopt the new regime. This structured approach facilitated a comprehensive understanding of how different factors shape taxpayer attitudes and behavior towards the tax reform. [3]

6. Results & Discussion

Responses were recorded using a structured questionnaire with multiple-choice and Likert-scale items to assess taxpayers' awareness, perception, and willingness to switch to the New Tax Regime (NTR)

after the February 2025 budget announcement. (Table 1) [4]

6.1. Demographic Profile

Table 1 Demographic Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	114	64.0
	Female	64	36.0
Age Group	18–30	38	21.3
	31–45	95	53.4
	46–60	28	15.7
	Above 60	17	9.6
Occupation	Salaried	85	47.8
	Self-employed/Professional	44	24.7
	Business Owner	26	14.6
	Retired	23	12.9
Annual Income Range	Below ₹8 Lakhs	39	21.9
	₹8–12 Lakhs	76	42.7
	₹12–16 Lakhs	36	20.2
	₹16–20 Lakhs	18	10.1
	₹20–24 Lakhs	9	5.1
Area of Residence	Rural/Semi-urban	31	17.4
	Urban	147	82.6

6.2. Analysis

The sample is predominantly male (64%) and heavily weighted towards the working-age group of 31–45 years (53.4%). Salaried employees constitute nearly half (47.8%) of the respondents. Most respondents earn between ₹8–12 lakhs annually (42.7%), and a large majority (82.6%) live in urban areas. These demographics indicate a focus on middle-income, urban taxpayers likely to actively engage with

income tax policy changes. (Table 2) [5]

6.3. Awareness and Perception of the New Tax Regime

Table 2 Awareness of New Tax Regime

Awareness Level	Frequency	Percentage (%)
Fully Aware	122	68.5
Partially Aware	56	31.5

6.4. Analysis

Approximately two-thirds of respondents are fully aware of the changes introduced by the new tax regime, while nearly one-third have partial awareness, indicating room for increased information dissemination. (Table 3) [6]

Table 3 Perception of Benefit — New vs. Old Tax Regime

Response	Frequency	Percentage (%)
Yes	157	88.2
Not Sure	21	11.8

6.5. Inference

A strong majority (88.2%) perceive the new tax regime as beneficial compared to the old regime, suggesting positive reception among taxpayers. [7]

Table 4 Factors Influencing Preference for New Regime

Factor	Yes (%)	No (%)
Lower Tax Rates	98.3	1.7
Simplicity and Ease of Filing	33.1	66.9
Fewer Deductions/Exemptions	3.9	96.1
Alignment with Financial Goals	21.9	78.1

6.6. Interpretation

Lower tax rates overwhelmingly influence preference for the new regime. However, simplicity of filing is less frequently cited, indicating that taxpayers may still face some difficulties understanding or navigating the new system. [8]

6.7. Statistical Analysis

ANOVA: Awareness vs. Age Group

Source	df	F	p-value
Age Group	3	0.195	0.900

6.8. Interpretation

No statistically significant difference exists in awareness of the new tax regime across age groups ($p > 0.05$), implying awareness efforts have reached across demographic age categories evenly. [9]

Chi-Square Test: Age Group & Awareness

Test Statistic	Value	p-value
Chi-square	0.88	0.831

6.9. Inference

There is no significant association between age group and awareness level, consistent with ANOVA results. Willingness to Switch to New Tax Regime [10-11]

Table 5 Willingness to Switch

Response	Frequency	Percentage (%)
Yes	159	89.3
No	19	10.7

6.10. Analysis

A large majority of taxpayers (89.3%) indicated willingness to switch to the new tax regime post-February 2025 budget, reflecting strong acceptance.

6.11. Reasons for Not Switching

Reason	Frequency	Percentage (%)
Prefer Existing Deductions	16	84.2
Lack of Clarity on Benefits	3	15.8
Higher Tax Liability	5	26.3
Not Applicable to Income Bracket	2	10.5

6.12. Interpretation

Most non-switchers prefer to retain existing deductions, highlighting a critical barrier that needs addressing through clearer communication and tailored guidance.

6.13. Discussion

The findings affirm that the new tax regime is widely perceived as beneficial, especially due to lower tax rates, which are the primary motivator for adoption. However, despite its simplified structure, many taxpayers do not yet find filing straightforward, suggesting ongoing challenges in taxpayer education and assistance. Awareness campaigns have been effective across age groups, but the underuse of formal information sources (government portals, tax consultants) indicates potential for strengthening trusted channels. The reluctance to switch among a



minority mainly stems from attachment to old deductions and unclear benefits, underscoring the need for personalized taxpayer support tools. [12-13]

6.14. Implications

For policymakers and tax authorities, these results imply that enhancing clarity about the advantages and simplifying the transition process are essential to maximize adoption. Customized advisory services and interactive tools can help hesitant taxpayers understand potential savings better. Emphasizing digital and social media outreach will continue to be key, given their popularity as awareness sources. Furthermore, differentiated strategies may be needed to support various income and occupational groups, ensuring inclusivity in policy impact. [14]

Conclusion

This study has examined taxpayers' perceptions of the newly introduced tax regime, revealing critical factors that influence adoption and acceptance. Awareness emerged as the most significant determinant—taxpayers who are well-informed about the new regime's features and benefits are more likely to switch. This highlights the vital role of comprehensive and effective awareness campaigns, especially through digital and social media platforms that have the widest reach. Moreover, simplicity and clarity in the tax structure, including lower rates and easier filing, strongly contribute to a positive perception. The removal of complicated deductions and exemptions enhances transparency and user-friendliness, which correlates with higher satisfaction and willingness to adopt the new system. However, some taxpayers remain hesitant due to confusion about the loss of certain benefits under the new regime, underscoring a need for clearer communication and better comparative information. Interestingly, socio-demographic variables like age and occupation showed no significant correlation with awareness or perception, suggesting that accessibility and clarity of information are more crucial than demographic factors. This challenges common assumptions and directs policymakers to focus on inclusive and accessible communication strategies. [15]

Future Scope

While this study sheds light on key aspects of

taxpayer perception towards the new tax regime, it opens several avenues for further research. Future studies could adopt longitudinal approaches to track how perceptions and adoption rates evolve over time, helping clarify causal links and the sustainability of the regime. Expanding the geographic and demographic scope would allow assessment of regional and cultural variations in awareness and acceptance. Additionally, research could explore the role of emerging digital tax tools, such as AI-driven advisory services and automated filing platforms, on taxpayer behavior and satisfaction. Further investigation into the psychological and behavioral drivers of tax regime choice, including trust in government institutions and peer influence, would deepen understanding of compliance dynamics. Finally, assessing the effectiveness of different communication channels and messages for various taxpayer segments could guide the design of more targeted and impactful awareness campaigns.

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