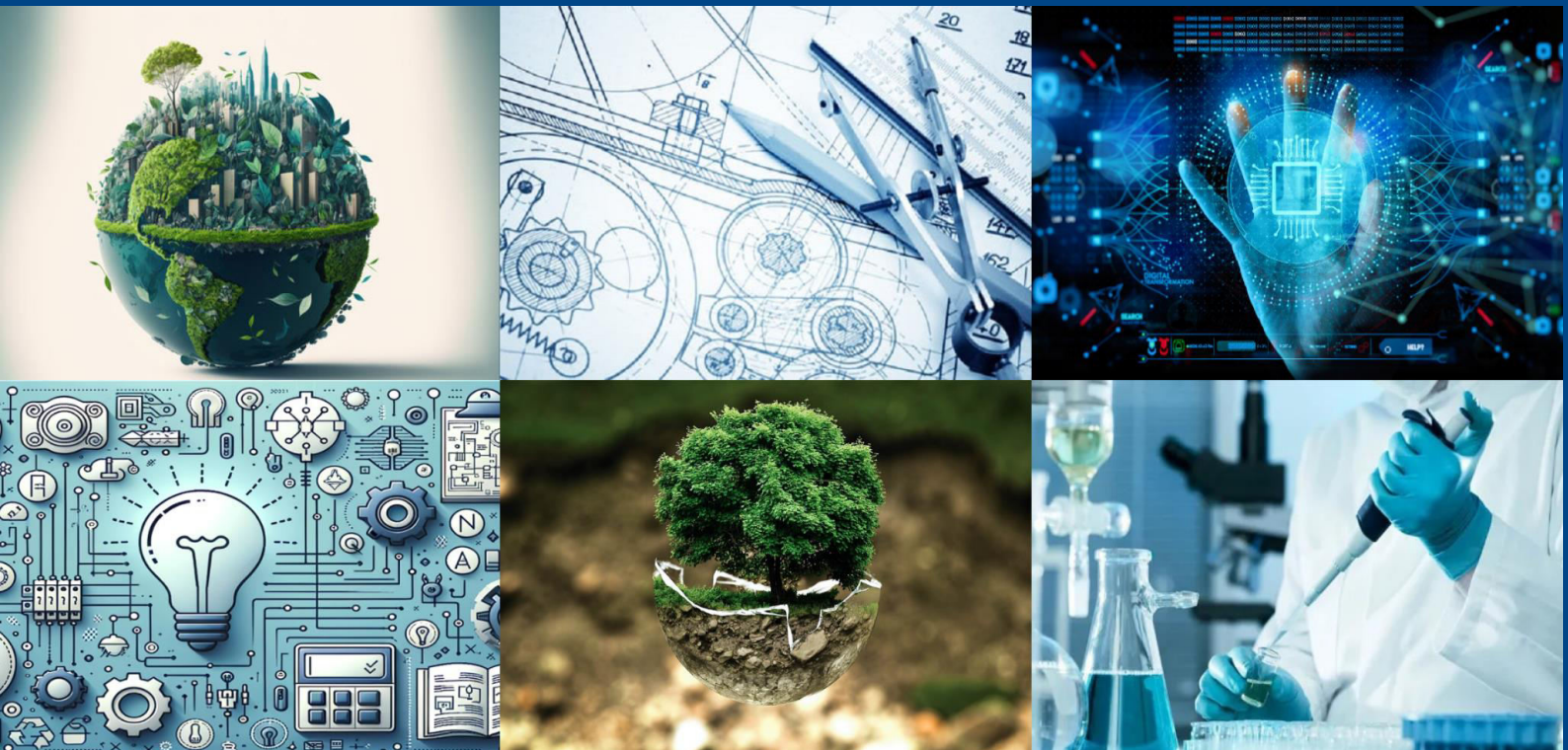




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A Study on Income Tax Amendments and the Impact of the New Tax Regime in India

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ABSTRACT: The Income Tax Act, 1961, is one of India's most critical fiscal legislations governing the collection of direct taxes. Over the years, it has undergone numerous amendments to align with economic reforms, simplify compliance, and promote transparency. The introduction of the new tax regime under Section 115BAC in the Union Budget 2020 marked a significant shift in India's tax policy offering taxpayers a choice between the old regime (with exemptions and deductions) and the new regime (with lower tax rates but minimal exemptions). This research paper aims to analyze the key amendments introduced in the Income Tax Act, the structure of the new tax regime, its comparative advantages and disadvantages, and its implications for individual taxpayers and the overall economy. The paper uses secondary data from government reports, CBDT circulars, finance bills, and scholarly literature to assess the regime's impact on compliance behavior, revenue generation, and tax equity.

KEYWORDS: Income Tax Act, Amendments, New Tax Regime, Old Tax Regime, Direct Taxes, Fiscal Policy, Section 115BAC, Indian Economy.

I. INTRODUCTION

India's taxation system plays a pivotal role in financing development, promoting social welfare, and achieving fiscal stability. The Income Tax Act, 1961, provides the legal framework for levying taxes on the income of individuals, firms, and corporations. Over the years, the government has introduced several amendments to rationalize tax rates, broaden the tax base, and make compliance easier through digital reforms such as e-filing, e-assessment, and faceless appeals.

A major reform came with the Union Budget 2020–21, which introduced a new optional tax regime under Section 115BAC. This regime aimed to simplify taxation by reducing rates while removing most exemptions and deductions. The intent was to make the tax system simpler, transparent, and equitable.

However, the introduction of the new regime raised several debates regarding its effectiveness, taxpayer response, and long-term fiscal implications. This research paper explores these aspects in detail.

Meaning and Concept of Income Tax Amendment

An Income Tax Amendment refers to any change or modification made to the existing provisions of the Income Tax Act, 1961, through the Finance Act passed annually by Parliament. These amendments may relate to:

- Tax rates or slabs
- Exemptions and deductions
- Procedural rules and compliance
- Penalties and prosecution
- Administrative reforms (e.g., digital filing, faceless assessment)

Amendments are introduced to align taxation policy with changing economic conditions, fiscal needs, and government priorities.



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II. OVERVIEW OF THE OLD AND NEW TAX REGIMES

Particulars	Old Tax Regime	New Tax Regime (Section 115BAC)
Introduction Year	Existing since the Income Tax Act, 1961	Introduced in Finance Act, 2020 (Effective from FY 2020–21)
Tax Slabs (for FY 2023–24)	- Up to ₹2.5 lakh: Nil - ₹2.5–₹5 lakh: 5% - ₹5–₹10 lakh: 20% - Above ₹10 lakh: 30%	- Up to ₹3 lakh: Nil - ₹3–₹6 lakh: 5% - ₹6–₹9 lakh: 10% - ₹9–₹12 lakh: 15% - ₹12–₹15 lakh: 20% - Above ₹15 lakh: 30%
Basic Exemption Limit	₹2.5 lakh (₹3 lakh for Senior Citizens, ₹5 lakh for Super Senior Citizens)	₹3 lakh for all individuals (no special benefit for seniors)
Availability of Deductions & Exemptions	Multiple exemptions & deductions allowed (e.g., 80C, 80D, HRA, LTA, home loan interest, etc.)	Most deductions and exemptions not allowed (only limited ones like NPS employer contribution, EPF, and Agniveer Corpus Fund)
Standard Deduction	₹50,000 for salaried employees	₹50,000 allowed (from FY 2023–24 onwards)
Rebate u/s 87A	Up to ₹12,500 for income up to ₹5 lakh	Up to ₹25,000 for income up to ₹7 lakh
Ease of Compliance	Complex, due to multiple calculations and proofs for exemptions	Simple and transparent, fewer documents needed
Tax Planning Scope	High — encourages investments, savings, and insurance	Limited — fewer incentives for tax-saving investments
Target Group	Suitable for individuals with high investments and deductions	Suitable for individuals with low or no investments
Impact on Savings	Promotes long-term savings via 80C, 80D, etc.	May discourage saving habits due to removal of deductions
Effect on Disposable Income	Lower take-home pay (due to investments in tax-saving schemes)	Higher take-home pay (no compulsory investment requirements)
Government Objective	To encourage saving and investment	To simplify tax structure and increase compliance
Default Regime (from FY 2023–24)	Optional (not default)	Becomes default regime unless taxpayer opts out
Beneficial For	Individuals with large deductions (e.g., home loan, insurance, ELSS)	Salaried or self-employed individuals with few or no deductions
Long-term Goal	Promote investment-led growth and savings culture	Simplify taxation, reduce exemptions, and enhance transparency

OBJECTIVES OF THE STUDY

1. To study the key amendments introduced in the Income Tax Act regarding the new tax regime.
2. To compare the old and new regimes in terms of tax burden and benefits.
3. To analyze the impact of the new regime on taxpayer behavior and compliance.
4. To evaluate the policy implications of tax regime changes for the Indian economy.



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HYPOTHESE

H₀ (Null Hypothesis): There is no significant difference in the effective tax liability between the old and new tax regimes.

H₁ (Alternative Hypothesis): There is a significant difference in the effective tax liability between the old and new tax regimes.

Scope of the Study

The study covers individual taxpayers under the purview of the Income Tax Act, 1961, focusing primarily on the Union Budgets from 2019–20 to 2024–25. It also examines CBDT circulars, press releases, and government data. Corporate tax amendments are not covered in this paper.

III. RESEARCH METHODOLOGY

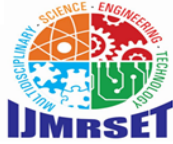
Type of Research: Descriptive and analytical

Data Source: Secondary data (Finance Acts, CBDT notifications, government reports, research journals, newspapers, and official websites)

Data Analysis Tools: Comparative tax computation, tabular presentation, graphical analysis

MAJOR AMENDMENTS RELATED TO TAX REGIME

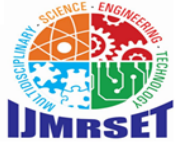
Finance Act / Year	Relevant Section / Provision	Nature of Amendment	Detailed Description	Impact on Taxpayers / Economy
Finance Act, 2020	Section 115BAC	Introduction of New Tax Regime	Optional new tax regime for individuals and HUFs with lower tax rates but without most deductions/exemptions.	Simplifies taxation; benefits taxpayers with fewer deductions; start of dual-regime system.
Finance Act, 2020	Sections 10(5), 10(13A), 80C to 80U	Exemptions & Deductions Withdrawn (if opting for new regime)	Around 70 exemptions like HRA, LTA, standard deduction, 80C, 80D not available under new regime.	Reduces tax planning options but simplifies compliance.
Finance Act, 2020	Section 115BAD	New tax regime for Co-operative Societies	Lower tax rate of 22% (without exemptions) introduced for co-operative societies.	Encourages voluntary compliance among co-operatives.
Finance Act, 2020	Section 87A	Rebate continued	Rebate of ₹12,500 available for income up to ₹5 lakh (both regimes).	Provides relief to low-income earners.
Finance Act, 2021	Section 245MA	Faceless Proceedings	Launch of Faceless Dispute Resolution Committee for small taxpayers.	Enhances transparency and reduces corruption.



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Finance Act, 2021	Section 234F	Late Filing Fee Amendment	Late fee rationalized to ₹1,000 (for income below ₹5 lakh).	Relief to small taxpayers.
Finance Act, 2021	Section 139(1)	Return Filing Due Dates	Changes in due dates for filing returns and audit reports.	Encourages timely compliance and digital submissions.
Finance Act, 2021	Section 115BAC (clarification)	Regime Option Flexibility	Taxpayers can choose regime every financial year (for individuals); for businesses—once opted, binding.	Flexibility for individuals; clarity in compliance.
Finance Act, 2022	Section 80CCD(2)	NPS Contribution	Deduction for employer's NPS contribution up to 14% of salary for Central Govt. employees extended to State Govt. employees.	Promotes long-term retirement savings.
Finance Act, 2022	Section 139(8A)	Updated Return Concept	New provision allowing taxpayers to file "Updated Return" within 2 years of relevant AY.	Improves voluntary compliance and tax correction.
Finance Act, 2022	Section 10(10D)	Taxation on High-Premium ULIPs	ULIPs with premium > ₹2.5 lakh per annum made taxable.	Promotes tax equity, discourages high-value insurance misuse.
Finance Act, 2022	Section 194R	TDS on Business Perquisites	10% TDS on benefits or perquisites given to businesses/professionals.	Ensures reporting of non-cash income; broadens tax base.
Finance Act, 2023	Section 115BAC(1A)	New Tax Regime Made Default	New regime made default for individuals/HUFs from FY 2023–24 onwards; old regime available only if opted out.	Major shift in tax policy; simplifies choice for new taxpayers.
Finance Act, 2023	Section 87A (Revised)	Enhanced Rebate under New Regime	Rebate limit increased from ₹5 lakh to ₹7 lakh under new regime.	Encourages shift to new regime; benefits middle class.
Finance Act, 2023	Section 115BAC(2)	Revised Tax Slabs	Tax slabs rationalized under new regime (5%, 10%, 15%, 20%, 30%).	Reduces tax burden; simplifies slab structure.
Finance Act, 2023	Section 16(ia)	Standard Deduction Restored	Standard deduction of ₹50,000 allowed under new regime (from AY 2024–25).	Attracts salaried individuals to adopt new regime.
Finance Act, 2023	Surcharge (Finance Act)	Surcharge Rate Reduced	Maximum surcharge rate reduced from 37% to 25% for income above ₹5 crore (under new regime).	Encourages high earners to adopt new regime; reduces effective tax rate.



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Finance Act, 2023	Section 115BAE	New Manufacturing Co. Regime	New manufacturing co-operative societies eligible for 15% concessional tax rate.	Promotes Make-in-India initiative.
Finance Act, 2023	Section 194BA	TDS on Online Gaming	Introduced TDS on net winnings from online games.	Addresses emerging digital economy income sources.
Finance Act, 2024	Section 10(10CC)	Clarification on Perquisites	Value of perquisites paid by employer now clearly taxable in employee's hands.	Ensures transparency and reduces litigation.
Finance Act, 2024	Section 206C (1G)	TCS on Foreign Remittance / Tour Packages	TCS rate on overseas remittance (under LRS) increased to 20% for non-educational/tour payments above ₹7 lakh.	Encourages tracking of high-value foreign transactions.
Finance Act, 2024	Section 80C to 80U (continued)	Rationalization of Deductions	No new deductions added under old regime; government promoting new regime simplification.	Indicates gradual phasing out of old regime.
Finance Act, 2024	Section 194N / 194Q	Widening TDS Scope	Strengthened TDS compliance for cash withdrawals and business purchases.	Enhances traceability of transactions and digital payments.

IV. DATA ANALYSIS AND FINDINGS

Comparative Tax Liability Analysis

Table 1: Income Tax Comparison under Old and New Regimes (FY 2023–24)

Annual Income (₹)	Deductions (Old Regime)	Taxable Income (Old)	Tax Payable (Old Regime)	Tax Payable (New Regime)	Difference (₹)	Beneficial Regime
5,00,000	2,00,000	3,00,000	Nil (after rebate u/s 87A)	Nil (after rebate u/s 87A)	0	Equal
7,00,000	2,00,000	5,00,000	12,500	Nil (rebate up to ₹7 lakh)	12,500	New Regime
8,00,000	2,00,000	6,00,000	32,500	31,200	1,300	New Regime
10,00,000	2,00,000	8,00,000	75,400	62,400	13,000	New Regime
12,00,000	2,00,000	10,00,000	1,17,000	93,600	23,400	New Regime
15,00,000	2,00,000	13,00,000	2,10,600	1,56,000	54,600	New Regime
18,00,000	2,00,000	16,00,000	2,79,600	2,16,000	63,600	New Regime



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20,00,000	2,00,000	18,00,000	3,51,000	2,76,000	75,000	New Regime
25,00,000	2,00,000	23,00,000	5,46,600	4,56,000	90,600	New Regime
30,00,000	2,00,000	28,00,000	7,41,600	6,36,000	1,05,600	New Regime

Analysis:

- Up to ₹7,00,000 income → Both regimes equal due to rebate under Section 87A.
- Between ₹8–15 lakh → New regime more beneficial due to lower slab rates.
- Above ₹15 lakh → The benefit gap widens further under the new regime.
- For taxpayers claiming high deductions (above ₹3 lakh), the old regime can still be advantageous.

Impact of Amendments on Taxpayer Groups

Table 2: Behavioral Impact of New Tax Regime

Aspect	Old Regime	New Regime	Observed Impact
Tax Complexity	High (many exemptions)	Low (few deductions)	Simplified filing process
Savings/Investments	Encouraged (through 80C, 80D, etc.)	Not encouraged	Decline in long-term savings habits
Tax Planning	Required annually	Minimal	Reduced dependency on tax consultants
Compliance Burden	Higher documentation	Minimal paperwork	Easier for salaried taxpayers
Awareness Level	High (used for years)	Moderate (still growing)	Need for awareness drives
Revenue Stability	Stable	Gradually increasing	Broader base, more voluntary compliance

Revenue Trends after Amendment

Table 3: Direct Tax Collection Trends (₹ Crores)

Financial Year	Total Direct Tax Collection	YoY Growth (%)	Remarks / Context
2019–20	10,50,000	—	Pre-new regime baseline
2020–21	9,45,000	-10%	COVID-19 impact year
2021–22	12,00,000	27%	Recovery & compliance boost
2022–23	16,61,000	38%	Strong growth; better digital enforcement
2023–24 (RE)	19,50,000	17%	New regime acceptance; robust revenue performance

Finding: After the introduction of the new regime and digital reforms (faceless assessments, TDS/TCS widening), direct tax collection has shown consistent growth, indicating higher transparency and compliance.¹¹ Impact of the New Tax Regime



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Taxpayer Adoption Trends

Table 4: Regime Adoption Ratio (Based on CBDT Data & Estimates)

Year	Old Regime Taxpayers (%)	New Regime Taxpayers (%)	Key Observation
2020–21	90%	10%	Initial hesitation; awareness low
2021–22	75%	25%	Gradual acceptance
2022–23	62%	38%	Mid-income group shifting
2023–24	50%	50%	Equal adoption after rebate increase
2024–25 (Projected)	40%	60%	New regime becoming default norm

Interpretation:

The trend clearly shows that taxpayers are gradually moving toward the new regime, especially after FY 2023–24, when it became the default and offered a higher rebate (₹7 lakh).

HYPOTHESIS TESTING

Calculated value of $t = 3.81$

Degrees of Freedom : $df = n - 1 = 9$

Critical Value (at $\alpha = 0.05$, two-tailed)

- If $|t_{\text{calculated}}| > t_{\text{critical}} \rightarrow \text{Reject } H_0$
- If $|t_{\text{calculated}}| \leq t_{\text{critical}} \rightarrow \text{Fail to reject } H_0$

Here,

$3.81 > 2.262$

Therefore, **Reject H_0** .

KEY FINDINGS

Finding No.	Key Insight	Implication
1	New tax regime provides tangible savings for income up to ₹20 lakh (if deductions $\leq$ ₹2 lakh).	Beneficial for salaried taxpayers with limited investments.
2	Old regime remains advantageous for individuals claiming high deductions under 80C/80D.	Investors and homeowners prefer old regime.
3	Simplification and transparency have increased compliance and voluntary filing.	Reduced litigation and faster processing.
4	Long-term savings rate may decline due to loss of investment-linked deductions.	Possible future challenge for financial stability.
5	Government's tax revenue has steadily increased post-reform.	Positive fiscal impact; supports economic growth.
6	Adoption rate of new regime has grown year-on-year.	Acceptance improving through awareness and digital ease.
7	Dual regime system still creates confusion among small taxpayers.	Need for unified system in future for better clarity.



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Advantages of the New Regime

1. Simplified structure and reduced documentation.
2. Freedom from investment-linked deductions.
3. Lower tax rates for middle-income earners.
4. Transparent and stable policy framework.
5. Enhanced compliance due to reduced complexities.

Disadvantages of the New Regime

1. Loss of major deductions (80C, 80D, HRA, etc.).
2. Reduced incentive for savings and insurance.
3. Confusion due to dual regime system.
4. Benefits only for those with limited deductions.
5. Limited awareness among taxpayers.

SUGGESTIONS

1. Conduct nationwide taxpayer awareness programs.
2. Introduce a simplified calculator for regime comparison.
3. Gradually phase out the old regime after transition period.
4. Retain some basic exemptions to encourage savings.
5. Ensure stability in tax policies to build trust.

V. CONCLUSION

The Indian income tax system has undergone continuous reforms to make it simpler, transparent, and more taxpayer-friendly. The introduction of the New Tax Regime (NTR) under Section 115BAC in 2020 marked a major shift by providing taxpayers with a dual option — the Old Regime (with exemptions) and the New Regime (with lower rates and no exemptions).

The study found that the new regime simplifies tax compliance and benefits middle-income earners with fewer investments. It reduces complexity and enhances transparency. However, it also removes several deductions like Section 80C, 80D, HRA, and LTA, which may discourage savings and investments in the long run.

Tax comparisons show that those with limited deductions gain under the new regime, while high investors still prefer the old one. The reform has improved tax compliance, revenue collection, and digital governance through measures like faceless assessments and e-filing.

With the new regime becoming the default from FY 2023–24, India is moving toward a global-style, simple tax structure. Yet, taxpayer confusion and reduced investment incentives remain challenges. Policymakers must balance simplicity with savings promotion to maintain financial discipline and long-term growth.

In essence, the new tax regime represents a progressive reform that promotes transparency, voluntary compliance, and ease of doing business. Its long-term success will depend on how effectively it maintains simplicity while encouraging financial security and inclusive economic development.

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