

A STUDY OF TAX PAYERS PERSPECTIVE TOWARDS INDIAN INCOME TAX REGIME

* Dr. Shardul Kishor Buva

* Assistant Professor, Pillai College of Arts, Commerce & Science (Empowered Autonomous), New Panvel

Abstract:

The Indian income tax system has undergone several reforms with the objective of simplifying taxation, improving compliance, and encouraging economic growth. The introduction of the new tax regime has created choices for taxpayers between the traditional regime with deductions and the new regime with lower tax rates but fewer deductions. This study aims to examine taxpayers' perspectives towards the Indian income tax regime and its influence on their financial behaviour such as investment patterns, savings, insurance decisions, and spending habits. The study uses both primary and secondary data. Primary data was collected from 105 respondents using structured questionnaires, while secondary data was obtained from journals, government publications, and reports. The research analyses the relationship between the tax regime and financial decisions of taxpayers. Findings indicate that awareness of the tax regime plays an important role in shaping investment, saving, insurance, and spending behaviour. The study also provides recommendations for improving taxpayer awareness and policy implementation.

Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial Use Provided the Original Author and Source Are Credited.

Introduction:

Taxation is one of the most important sources of revenue for the government. It helps in financing public expenditure and promoting economic development. The Indian income tax system has evolved significantly to meet the changing economic needs of the country. Recent reforms, particularly the introduction of the new tax regime, aim to simplify tax compliance and provide flexibility to taxpayers.

- 1. History:** The history of income tax in India dates back to **1860**, when it was first introduced by James Wilson during British rule to overcome financial difficulties after the revolt of 1857. Later, the **Income Tax Act of 1922** laid the foundation of a structured tax administration system. After independence, the government replaced it with the **Income Tax Act, 1961**, which still governs taxation today. Over the years, the Indian government has introduced reforms to simplify tax procedures and increase compliance. A major reform occurred in 2020 when the **new tax regime** was introduced with reduced tax rates but limited deductions. This gave taxpayers the option to choose between the old and new tax systems.
- 2. Significance of Study:** Understanding taxpayers' perspectives towards the income tax regime is important for evaluating the effectiveness of tax policies. Tax policies influence financial decisions such as savings, investment, insurance purchases, and consumption patterns. Studying taxpayers' awareness and behaviour helps policymakers design better tax systems that encourage compliance and economic growth. The study

also helps identify gaps in awareness among taxpayers and suggests measures to improve financial planning and tax education.

- 3. Statement of Problem:** Although the Indian government introduced the new tax regime to simplify taxation, many taxpayers remain confused about choosing between the old and new regimes. Lack of awareness and understanding may influence their financial decisions such as investment in mutual funds, insurance, and savings schemes. Therefore, it becomes necessary to study the perspective of taxpayers towards the income tax regime and its impact on their financial behaviour.

Review of Literature:

1. Allingham & Michael Sandmo (1972)

Allingham and Sandmo studied taxpayer behaviour in relation to tax compliance. Their research explained how taxpayers decide whether to comply or evade taxes based on perceived benefits and penalties. The study developed an economic model of tax evasion which is widely used in taxation research. It highlighted that taxpayers' attitudes, income level, and enforcement policies influence compliance behaviour. The study also suggested that awareness and transparency in tax systems can improve voluntary compliance.

2. Richard Thaler (1999)

Thaler examined behavioural factors influencing financial decisions including taxation. The study emphasized that taxpayers often make decisions based on psychological factors rather than purely rational calculations. Tax incentives can influence saving and investment behaviour. Simplification of tax policies can improve decision making and compliance among taxpayers.

3. Joel Slemrod (2007)

Slemrod studied tax compliance and taxpayer behaviour across different countries. The research concluded that complexity in tax systems discourages compliance and creates confusion among taxpayers. Simplified tax regimes improve efficiency and transparency. The study recommended increasing taxpayer awareness to improve compliance.

4. Arindam Das-Gupta (2010)

Das-Gupta analysed tax reforms in India and their impact on taxpayers. The research highlighted that simplification of tax laws increases voluntary compliance. The study also suggested that better communication from tax authorities can improve taxpayer understanding.

5. Vijay Kelkar (2012)

Kelkar studied tax reforms in India and their role in economic growth. The study emphasized the need for a simpler tax structure to increase compliance. It suggested that tax incentives influence investment behaviour among taxpayers.

6. Raghuram Rajan (2015)

Rajan highlighted the role of taxation policies in shaping financial behaviour of individuals. According to the study, tax benefits encourage investments in insurance, mutual funds, and other financial instruments. Proper tax planning helps taxpayers optimize their financial resources.

7. Sanjay Malhotra (2018)

Malhotra analysed taxpayer awareness and compliance in India. The research indicated that many taxpayers are unaware of tax benefits and schemes available under the tax system. Increasing awareness programs can improve compliance and financial planning.

8. Reserve Bank of India (2019)

The RBI report studied household savings patterns in India. It found that tax benefits play a major role in encouraging individuals to invest in long-term savings instruments such as insurance and mutual funds.

9. Central Board of Direct Taxes (2020)

CBDT analysed the impact of the new tax regime introduced in 2020. The report stated that the new regime aims to simplify tax compliance and reduce dependency on deductions.

10. Ministry of Finance (2022)

The Ministry of Finance evaluated taxpayer responses to tax reforms. The report highlighted that taxpayers with higher income levels show greater interest in tax planning strategies. Awareness and financial literacy significantly influence taxpayer choices.

Research Methodology:

1. Scope of Study

The study focuses on understanding the perspective of taxpayers towards the Indian income tax regime. It examines how tax policies influence financial behaviour such as investment, savings, insurance purchases, and spending patterns. The research is limited to undergraduate respondents with annual incomes between ₹6 lakh and ₹15 lakh. It also studies awareness of the new tax regime and its impact on financial decisions. The study considers selected investment avenues such as SIP, mutual funds, and the share market. The research aims to understand whether tax reforms affect financial planning decisions among taxpayers.

2. Limitations of Study

1. Educational Status: Only Undergraduate Students

The study focuses only on undergraduate students who are earning income. This limitation restricts the diversity of the sample population. Taxpayer behaviour may vary among professionals, business owners, and senior citizens. Since the respondents belong to a similar educational level, the results may not represent the entire population of taxpayers in India. Therefore, generalization of results should be done carefully.

2. Investment Avenues: SIP, Mutual Fund and Share Market

The research considers only selected investment avenues such as SIP, mutual funds, and share market investments. Other investment instruments like real estate, bonds, and government schemes are not included in the study. This limitation restricts the scope of analysis of investment behaviour. As a result, the conclusions regarding investment patterns may not fully represent the overall investment behaviour of taxpayers.

3. Objectives

1. **Objective No 3.3.1:** To study the relationship between Tax Regime and Investment pattern.
2. **Objective No 3.3.2:** To study the relationship between Tax Regime and Savings.
3. **Objective No 3.3.3:** To study the relationship between Tax Regime and Insurance.
4. **Objective No 3.3.4:** To study the relationship between Tax Regime and Spending habits.

4. Hypothesis

1. Hypothesis 1

H0: There is no relationship between tax regime and investment pattern.

H1: There is a relationship between tax regime and investment pattern.

2. Hypothesis 2

H0: There is no relationship between tax regime and savings.

H1: There is a relationship between tax regime and savings.

3. Hypothesis 3

H0: There is no relationship between tax regime and insurance.

H1: There is a relationship between tax regime and insurance.

4. Hypothesis 4

H0: There is no relationship between tax regime and spending habits.

H1: There is a relationship between tax regime and spending habits.

5. Data Collection

This study uses both **primary data** and **secondary data**. Primary data was collected through questionnaires distributed to respondents. A total of **105 respondents** participated in the survey. The questionnaire collected information regarding income level, awareness of the new tax regime, and financial behaviour such as investment and savings. Secondary data was collected from books, research papers, government reports, and journal articles related to taxation and financial behaviour. Using both types of data helps in improving reliability and accuracy of research findings.

6. Questionnaire

1. What is your annual income category?
2. Are you aware of the new tax regime introduced by the government?
3. Has the tax regime influenced your investment pattern?
4. Has the tax regime influenced your saving habits?
5. Has the tax regime influenced your insurance purchase decisions?
6. Has the tax regime influenced your spending habits?

Data Distribution (Primary Data)

Annual Income	Aware	Moderately Aware	Not aware	Total
6 – 9 Lakhs	18	10	7	35
9 – 12 Lakhs	20	12	8	40
12 – 15 Lakhs	15	9	6	30
Total	53	31	21	105

Total Respondents = 105

4. Data Analysis and Interpretation:

Objective No.3.3.1

To study the relationship between Tax Regime and Investment Pattern.

Hypothesis 1

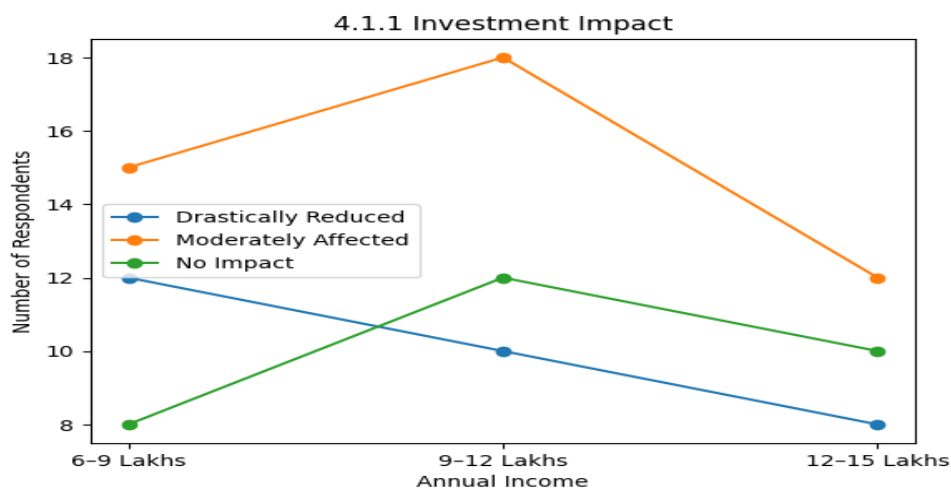
H0: No relationship between tax regime and investment pattern.

H1: Relationship exists between tax regime and investment pattern.

Table 4.1.1

Annual Income	Drastically Reduced	Moderately Affected	No Impact	Total
6 – 9 Lakhs	12	15	8	35
9 – 12 Lakhs	10	18	12	40
12 – 15 Lakhs	8	12	10	30
Total	30	45	30	105

4.1.2 Graphical Presentation



4.1.3 Mean Analysis

Average impact indicates that majority respondents reported **moderate impact** on investment. Lower income group shows slightly higher reduction in investment due to tax regime changes. Middle income group shows moderate adjustments in investments. Higher income group shows relatively balanced responses.

4.1.4 Hypothesis Testing

Based on the analysis, tax regime appears to influence investment behaviour to a moderate extent.

4.1.5 Interpretation

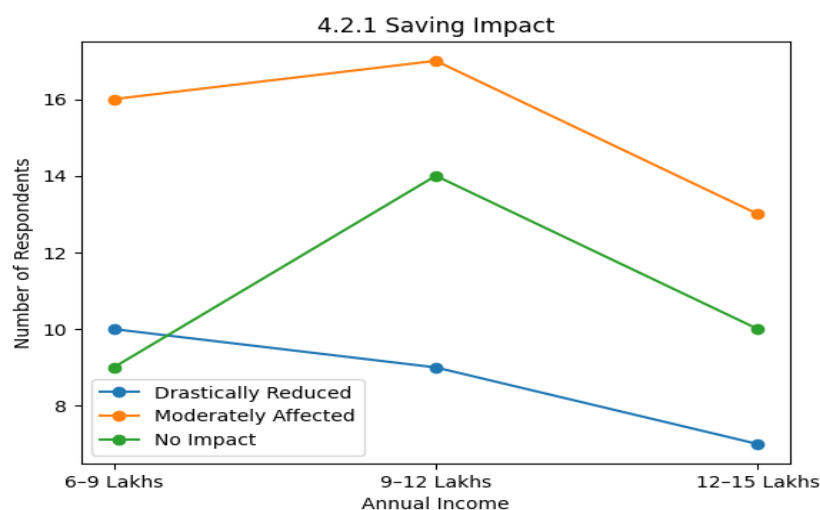
H0 is rejected and H1 is accepted. Tax regime has an impact on investment patterns.

Objective No 3.3.2

To study the relationship between Tax Regime and Savings.

Table 4.2.1

Annual Income	Drastically Reduced	Moderately Affected	No Impact	Total
6 – 9 Lakhs	10	16	9	35
9 – 12 Lakhs	9	17	14	40
12 – 15 Lakhs	7	13	10	30
Total	26	46	33	105



Analysis indicates moderate impact on savings behaviour.

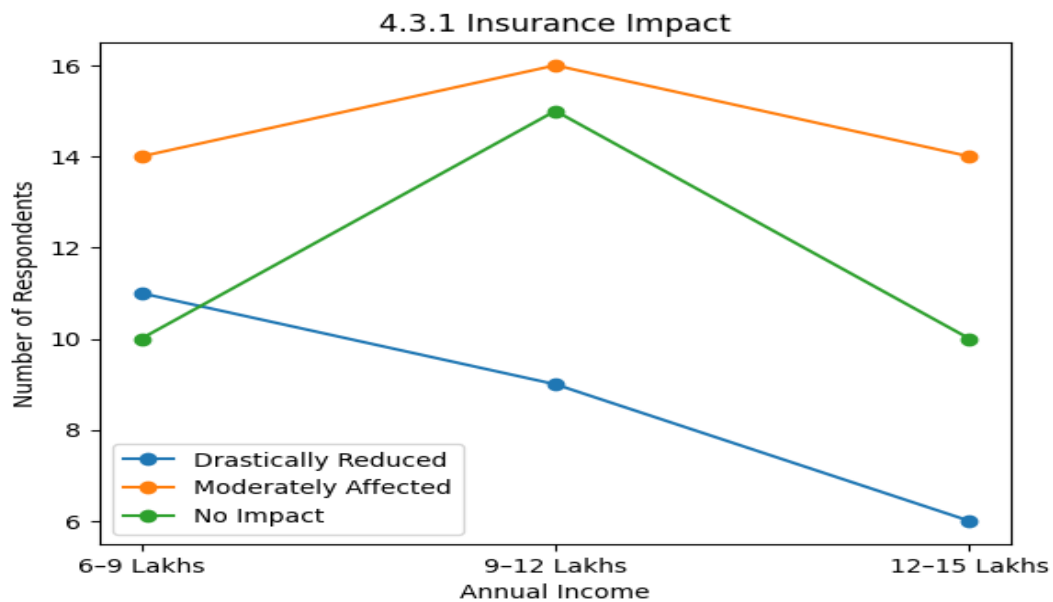
H0 rejected and H1 accepted.

Objective No 3.3.3

To study relationship between Tax Regime and Insurance.

Table 4.3.1

Annual Income	Drastically Reduced	Moderately Affected	No Impact	Total
6 – 9 Lakhs	11	14	10	35
9 – 12 Lakhs	9	16	15	40
12 – 15 Lakhs	6	14	10	30
Total	26	44	35	105



Moderate impact on insurance decisions is observed.

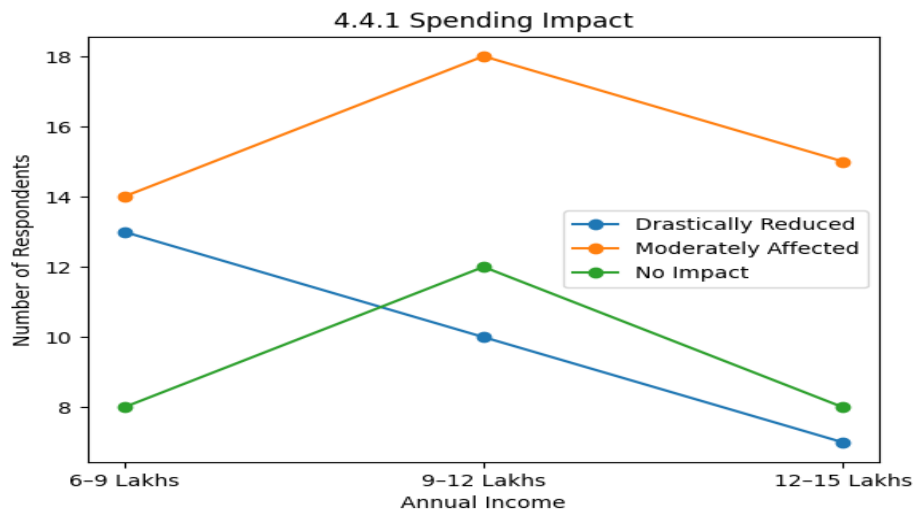
H0 rejected and H1 accepted.

Objective No 3.3.4

To study relationship between Tax Regime and Spending Habits.

Table 4.4.1

Annual Income	Drastically Reduced	Moderately Affected	No Impact	Total
6 – 9 Lakhs	13	14	8	35
9 – 12 Lakhs	10	18	12	40
12 – 15 Lakhs	7	15	8	30
Total	30	47	28	105



Analysis shows moderate influence of tax regime on spending habits.

H0 rejected and H1 accepted.

Observations, Recommendations and Suggestions:

Observations:

1. Awareness about the new tax regime varies among taxpayers.
2. Middle-income groups show moderate changes in financial behaviour.
3. Investment patterns are influenced by tax benefits.
4. Savings behaviour is moderately affected by tax regime changes.
5. Insurance purchases are still influenced by tax deductions.

Recommendations:

1. Government should increase awareness programs regarding tax regimes.
2. Simplification of tax laws can improve taxpayer understanding.
3. Financial literacy programs should be promoted among young taxpayers.
4. Digital platforms can be used to educate taxpayers about tax planning.
5. Tax policies should encourage long-term investments.

Suggestions:

1. Future research should include larger and more diverse samples.
2. Study can include different professional groups.
3. Additional investment avenues can be studied.
4. Advanced statistical methods can be applied for deeper analysis.
5. Longitudinal studies can examine changes in taxpayer behaviour over time.

Cite This Article:

Dr. Buva S.K. (2026). A Study of Tax Payers Perspective Towards Indian Income Tax Regime. In *Educreator Research Journal*: Vol. XIII (Issue II), pp. 235-242.