

Old Tax Regime vs New Tax Regime in India: A Comparative Analysis of Financial Impact and Policy Implications

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ABSTRACT

The introduction of the new tax regime in India's Union Budget 2020 marked a pivotal change in the nation's personal income taxation. While the old regime offers numerous exemptions and deductions, the new regime simplifies tax filing by reducing tax rates and removing most benefits. This paper evaluates the two regimes through case studies, taxpayer surveys, and policy analysis. It aims to identify which regime offers greater financial advantages across different income groups and to assess the broader implications on taxpayer behavior and compliance.

Keywords: old tax regime, new tax regime

I. INTRODUCTION

India's tax policy has historically encouraged savings and investments through exemptions under Sections 80C, 80D, and others. The new regime (2020) introduced a parallel structure with reduced rates and no deductions, prompting taxpayers to choose the optimal path. This paper addresses the need to evaluate the suitability of both regimes under varying financial conditions.

- Primary: Survey of 100+ taxpayers across income brackets
- Secondary: Government budget documents, Income Tax portal, and RBI reports
- Analysis Tools: Scenario modeling, graphical comparison, hypothesis testing.

Data Analysis & Interpretation

II. LITERATURE REVIEW

Existing research has primarily explored theoretical aspects and macroeconomic effects. However, limited case-based evaluations exist. Past studies indicate that high earners with investments benefit more from the old regime, while those with minimal deductions prefer the simplicity of the new one. This research fills the gap by offering detailed comparative case studies.

<i>Income (₹)</i>	<i>Old Regime (Deductions Applied)</i>	<i>New Regime (No Deductions)</i>
8,00,000	₹26,000	₹36,400
12,00,000	₹2,30,000	₹1,90,000
30,00,000	₹6,50,000	₹7,20,000

- Case 1: A salaried employee with ₹1.75 lakh deductions benefits more under the old regime.
- Case 2: A self-employed individual with no deductions saves under the new regime.
- Case 3: A high-net-worth individual with ₹5 lakh in deductions saves substantially in the old regime.

III. RESEARCH METHODOLOGY

- Design: Descriptive, comparative study
- Data Sources:

IV. FINDINGS

The study confirms that credible, specific, and emotionally resonant sustainability claims positively influence consumer behavior. However, the green attitude-behavior gap remains a challenge. Green-washing reduces the credibility of claims and affects even well-intention consumers. Third-party certifications, emotional storytelling, and consumer education are essential to bridge this gap. Cultural relevance and demographic targeting further improve messaging effectiveness.

V. RECOMMENDATIONS

- Ensure Transparency: Use third-party certifications to enhance trust.
- Educate Consumers: Clearly explain claims using simple terms and visuals.
- Combine Emotional and Rational Appeals: Pair data with compelling narratives.
- Address Price Barriers: Offer incentives or reduce premiums for pre-production.
- Target Specific Demographics: Use platforms like Instagram and YouTube for younger consumers.
- Combat Green-Washing: Regulators and brands must ensure verifiable claims.

VI. CONCLUSION

Sustainability claims significantly influence consumer purchase intentions when they are clear, credible, and aligned with consumer values. Younger, educated, and environmentally conscious consumers are most responsive. However, the gap between intention and behavior persists. Brands that invest in real sustainability and communicate authentically will not only influence consumer choices but contribute to broader environmental goals.

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