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Choosing between Tradition and Transition: A Study on Taxpayer Preferences for Old vs New Tax Regime

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Abstract: This study investigates the evolving preferences of Indian taxpayers in choosing between the old and new income tax regimes, with a particular focus on how income level, occupation, tax awareness, and investment behavior influence decision-making. Adopting a mixed-methods approach, the study draws on primary data collected from 231 respondents across diverse economic segments. Advanced statistical techniques, including chi-square tests, correlation analysis, and binary logistic regression, were employed to uncover significant behavioral patterns. The results indicate a noticeable preference for the new tax structure among specific income groups. Conversely, higher-income earners (above ₹10 lakhs) and self-employed professionals tend to prefer the old regime, leveraging its broader range of exemptions and deductions. Awareness levels were identified as a key influencing factor in regime selection. Similarly, those engaged in active tax-saving investments demonstrated a strong preference for the traditional regime. While the new tax regime offers streamlined compliance, it may inadvertently discourage long-term savings behavior. The study provides valuable insights for policymakers, financial advisors, and individual taxpayers, underscoring the need for enhanced tax literacy and personalized financial planning to optimize tax efficiency in India's dual-regime landscape.

Keywords: Income Tax Regime, Taxpayer Preferences, Tax Planning, Old vs New Tax System, Tax Awareness

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