



IMPACT OF NEW TAX REGIME OVER TAX PAYERS BELONGING TO SALARIED EMPLOYEES IN CHENNAI

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INTRODUCTION

The new tax regime an optional tax assessment system under Income Tax was introduced in Budget 2020 which led to many changes in tax slabs and taxpayers were offered concessional tax rates based on different income. However, the tax payers opting this system cannot claim any exemptions and deductions, such as HRA, LTA, 80C, 80D , and others which are only applicable under the Old tax system.

Main Features of New Tax Regime

- It is optional system for Tax payers
- It has concessional rate of taxes compared to the old taxation system
- The tax payer cannot claim any type of deductions, exemptions under this system
- This system benefits the tax payers who donot have any form of exemption and deductions
- Salaried employees can select this system before the due date of filing their tax returns
- Comparison between New Tax Regime and Old Tax System
- Old Taxation system has higher rates of taxes than new tax regime
- Tax payers under Old tax system can take benefit of exemptions and deductions which is not provided under New Tax regime

- Tax burden is more under old tax system for tax payers than new tax regime
- Salaried employees only gets the standard deduction as allowable deduction under New tax regime

Benefits of New Tax Regime

- 1) Lower rates of taxes and lower tax slabs
- 2) Tax payers not having deductions enjoys benefits under this system
- 3) Tax payers enjoy low tax rates for higher level of Income
- 4) Tax payers can opt for this system and exit this system according to their wish
- 5) It is not compulsory for the tax payers

Disadvantages of New Tax Regime

- 1) No exemption and deduction allowed from Gross Total Income
- 2) It is not suitable for tax payers having many deductions such as medical expenditures, housing loan etc
- 3) It is only advantageous for selected tax payers who does not have form of deductions under any sections of deduction under Income Tax

Scope of the Study

This study cover the tax payers belonging to salary class in Chennai city those who have selected New tax regime for paying their Income tax for income under salary

Objectives of the Study

- 1) To under the benefits of New Tax Regime for Tax payers
- 2) To analyse the factors for selecting the New Tax Regime by Tax payers
- 3) To examine the impact of New Tax Regime upon salaried employees

Sample Size

150 employees from Chennai city were selected who file their Income Tax Returns under New Tax Regime employed or working in different sectors.

Statistical Tools

The researcher have applied different research tools such as Tabulation, Percentage analysis, Charts, Anova and Chi-Square test to complete the study in a systematic way

Nature and Sources of Data

Primary data was collected directly from the men and women employees of taxpayers of new regime. Primary data was collected by means of questionnaires. Secondary data was also collected from employees belonging to different sectors in Chennai city, manuals, websites and various journals which provided lot of information. Data were collected through direct interview with the employees following New Tax Regime

Limitation of the Study

The research study was conducted within a period of 1 month. This study was confined to Chennai based salaried employees employed in various sectors. Therefore, the findings are applicable only to the employees of various sectors of Chennai city. The Study was only limited to 150 samples.

DATA ANALYSIS AND INTERPRETATION

Table No.1
GENDER OF THE EMPLOYEES

GENDER	NO. OF THE EMPLOYEES	PERCENTAGE
MALE	84	57.3
FEMALE	66	42.7
TOTAL	150	100

DATA INFERENCE:

It is very clear from the above table 57.3% of the employees were Male and 42.7% of the employees were Female. The majority of the employees found that they belong to Male gender. This is depicted in the Chart

Chart – 1

GENDER OF THE EMPLOYEES

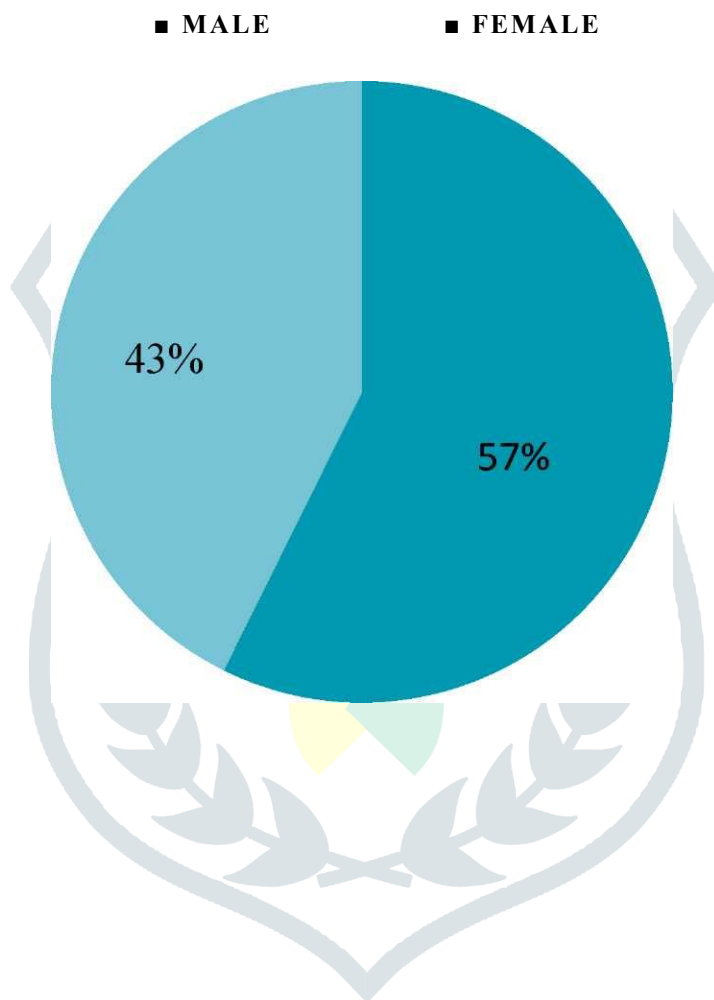


Table No.2

INCOME GROUP OF EMPLOYEES

AGE	NO. OF THE EMPLOYEES	PERCENTAGE
< Rs.5,00,000	34	23.3
5,00,001 and 10,00,000	59	39.3
10,00,001 to 15,00,000	32	20.7
Above 15,00,000	25	16.7
TOTAL	150	100

Source: Questionnaire

INFERENCE:

It is very clear from the above table that 23.3% of the employees belong to the income group of less than Rs.5,00,000. 39.3% of the employees belong to the income group 5,00,001 and 10,00,000, 29-34 years. 20.7% of the employees belong to 10,00,001 to 15,00,000 income group. 16.7% of the employees belong to the income group of above 15,00,000. Majority of the employees belong to the income group 5,00,001 to 10,00,000 . The above analysis can be explained below with the help of Pie- chart

Chart No.2

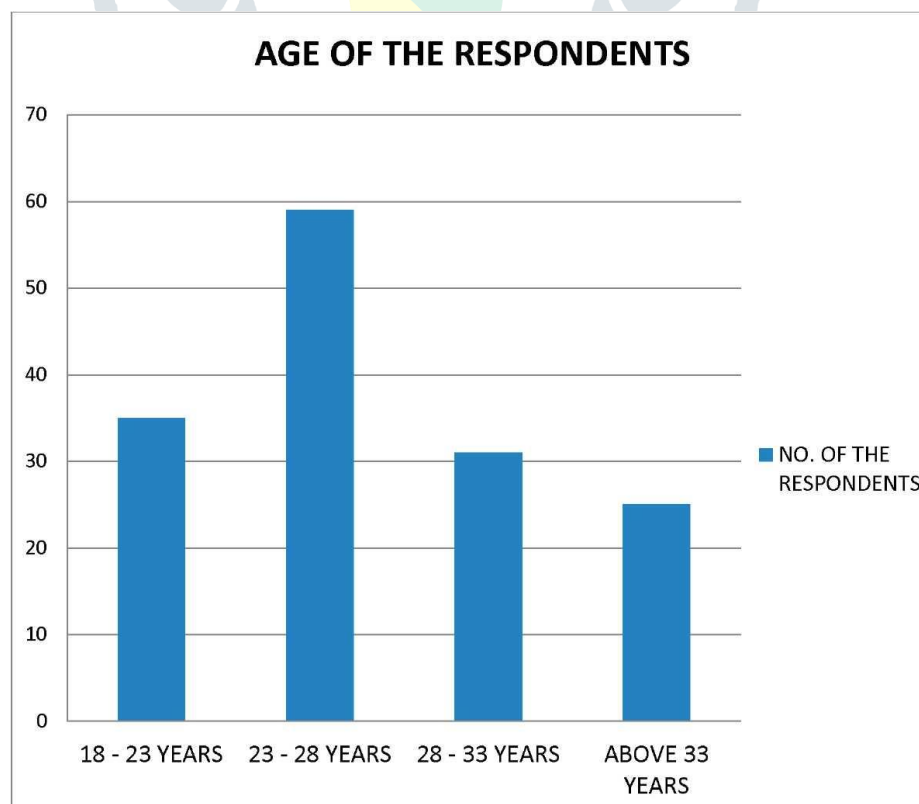
INCOME GROUP THE EMPLOYEES

Table No.3

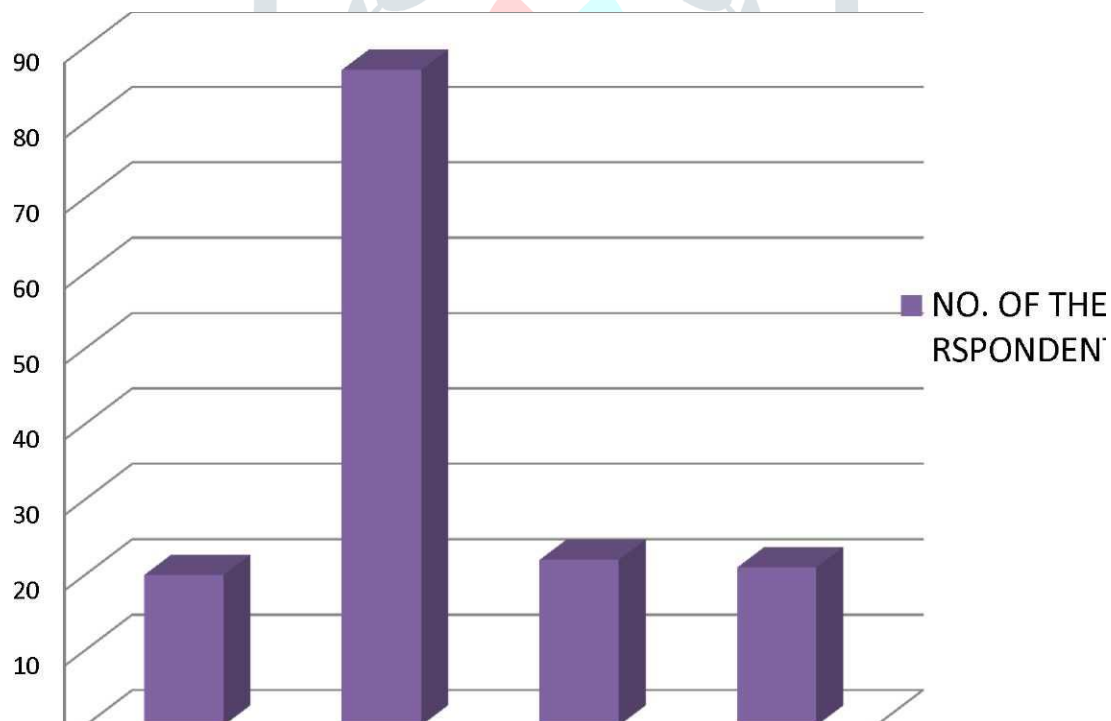
NATURE OF EMPLOYEES

DESIGNATION	NO. OF THE EMPLOYEES	PERCENTAGE
GOVT. SERVANTS	41	27.0
PRIVATE	87	58.0
SEMI GOVT.	22	15.0
TOTAL	150	100.0

Source: Questionnaire

DATA.INFERENCE:

It is very clear from the above table that 27% employees are Government servants. 58% of the employees are private employees. 22% employees were working in Semi Government. It is found that majority of the employees were private employees under new tax regime, the above analysis is explained with the help of Pie-chart

**Testing of Hypothesis**

To test whether there is any relationship between education and New tax regime, the hypothesis being Ho: Educational Qualification has no significant relationship with the selection of New tax regime. The following table 2 shows the responses from the respondents.

Table No.4**Qualification of the Respondents**

S.No	Qualification	No. of Respondents	Percentage
1.	Graduates	97	73
2.	Post Graduates	32	16
3.	Professionals	21	11
	Total	150	100

Source: Primary Data

Inference

The calculated value of chi square is 0.755 is smaller than the table value 5.991 at 2df and 5% level of significance and thus the null hypothesis is accepted. Hence, Educational Qualification has no significant relationship with selection of new tax regime

To test whether there is any relationship between various factors and New tax regime, the hypothesis being H_0 : various factors have close significant relationship with the selection of New tax regime. The following table 2 shows the responses from the respondents.

Table No.5**Factors forced the Respondents**

S.No	Qualification	No. of Respondents	Percentage
1.	Tax Rate	127	73
2.	No Deduction	12	16
3.	Income level	11	11
	Total	150	100

Source: Primary Data

Inference

The calculated value of chi square is 0.755 is smaller than the table value 5.991 at 2df and 5% level of significance and thus the null hypothesis is accepted. Hence, factors have forced the respondents for the selection of new tax regime

To test whether there is any relationship between various impact and New tax regime, the hypothesis being H_0 : various impact have close significant relationship with the selection of New tax regime. The following table 5 shows the responses from the respondents.

Table No.5

Factors forced the Respondents

S.No	Qualification	No. of Respondents	Percentage
1.	Low Tax	74	49
2.	Tax Refund	35	23
3.	Quick processing	41	28
	Total	150	100

Source: Primary Data

Inference

The calculated value of chi square is 0.755 is smaller than the table value 5.991 at 2df and 5% level of significance and thus the null hypothesis is accepted. Hence impact has significant relationship with the selection of New Tax Regime.

FINDINGS

The research was conducted among 150 employees selected New Tax Regime for paying their tax liability. The following are the important findings of the research

- 1) Most of the employees of private sector have selected the New Tax Regime for paying their tax liability
- 2) Concessional Tax Rates attracted most of the employees for selecting New Tax Regime
- 3) Graduates with educational background has selected New Tax Regime

- 4) Most the high income level employees have opted this New Tax Regime

SUGGESTIONS

- 1) New Tax Regime could be future tax regime for most of the private employees
- 2) Government can give some important deductions under this system to attract more tax payers
- 3) Government can reduce the tax rate further to attract more tax payers towards this scheme

CONCLUSION

Thus this research was conducted to study about the New Tax Regime and its impact over the tax payers. This study examines the various impact and benefit to the tax payers through this new regime of direct taxes. Thus most of the salaried employees choose New Tax Regime.

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