

## **“IMPACT OF NEW TAX REGIME ON COMMON PEOPLE”**

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## Introduction

The Indian taxation system has undergone transformative changes with the introduction of the new tax regime under Section 115BAC of the Income Tax Act, 1961. Launched in FY 2020–21, this alternative system offers lower tax rates but removes most exemptions and deductions that were available under the old regime. This shift intends to simplify tax compliance, promote transparency, and broaden the tax base. However, the impact on individual taxpayers—particularly those with varying income levels, occupations, and investment behaviors—remains an area of active inquiry.

In a rapidly digitizing economy like India, fintech platforms such as ClearTax have also revolutionized tax filing, influencing how individuals interact with the tax system. With a growing middle class, particularly in urban centers like Bengaluru, assessing the awareness, compliance, and financial decisions of individuals under the new regime becomes imperative. This study thus evaluates the effects of the new tax policy on taxpayers' liabilities, behavior, and overall financial planning, offering insights into its effectiveness and public perception.

## Literature Review

(Bora, 2024) has compared the old & new tax regimes of for salaried individuals. In this comparison, they identified that old tax regime has multiple slabs with higher rates & new tax regime has multiple slabs with lower rates. In old tax regime extensive deductions & exemptions like HRA, special allowances & deductions u/s sec 80c to 80u are available but in new tax regime there are very limited deductions & exemptions. The results also shows that if total deductions is less than or equal to 1.5 lakhs, opting for new tax regime would be advantageous. If total deductions is more than 3.75 lakhs the old regime would be beneficial. If total deduction is in between 1.5 lakhs to 3.75 lakhs individual assesses can choose any regime.

(Puttaswamy, 2018) has examined the tax reforms based on the perception of income tax assesses & authorities. This study has resulted that, reforms in tax has influenced in tax rates. The study also shows that direct taxes did not yield much collection prior to tax reforms. Analysis in perception of assesses & authorities reveals that tax system is unsuccessful in achieving horizontal equity & socio-economic justice.

(G. K. K, 2017) this study aims to investigate how salaried taxpayers view income taxes. This study aims to examine income tax knowledge as well as the investment patterns and factors that influence salaried tax payers' decisions about investments. The primary reason for investing, according to their findings, is to take advantage of tax benefits. Additionally, 60.2% of salaried taxpayers have little knowledge of the income tax system fairness in the economy.

(Thakur, 2012) here they examined the investment pattern of individual assesses. The main objective of this study to understand the various investment avenues, to study the portfolio allocation & to evaluate the impact of income tax exemptions on investment options. They found that portfolio was allocated based on age, income, occupation & gender. Above 60 years of age has less investment in life insurance compared to lower & middle age group. The female respondents has allocated more in bank deposits & life insurance in comparison to male respondents.

(Kunchanur, 2005) here study has been undertaken to understand motives of savings & investment of individuals. They found that majority of the investors are male who are in between 26 years to 35 years

are married. It is also found that the average investment is 34% of their income it includes all the savings & investment on movable & immovable assets.

(Arif, n.d.) The analysis of direct taxes in India reveals significant trends and perceptions over the period from 2000-01 to 2014-15. The study's objectives include exploring the historical context, examining trends, understanding individual perceptions, and suggesting improvements for the direct tax system. The findings indicate substantial growth in GDP, total tax revenue, and direct tax revenue, with a notable shift in the proportion of direct to indirect taxes over the years. The perception study highlights moderate satisfaction with current tax rates, a preference for a progressive tax system, and the importance of effective enforcement and policy measures to enhance tax collection. High tax evasion and corruption are identified as major issues, with suggestions for improvement focusing on education, awareness, and the use of information technology.

(Panditrao, 2014) The critical study of income tax planning and management among employees of Swami Ramanand Teerth Marathwada University, Nanded, highlights the income distribution and differences between teaching and non-teaching staff. The data reveals that a significant proportion of employees fall within the annual income brackets of ₹2.5 to 5 lakhs and ₹5 to 10 lakhs, with teaching staff generally earning more than non-teaching staff. Statistical tests such as Eta and Chi-square confirm significant differences in income levels between these groups, rejecting the null hypothesis of similar income and accepting the alternative hypothesis of differing incomes. This underscores the need for tailored tax planning and management strategies for different employee categories within the university.

(Madi et al., 2010) This paper assesses tax literacy among employees in Sabah and Sarawak in light of the 2004 Self-Assessment System (SAS) implementation, which requires taxpayers to accurately compute their own tax liabilities. The study uses random sampling from selected towns and employs statistical tests such as t-tests and chi-square to compare tax literacy scores between states and workplaces. Results indicate that taxpayers in Sarawak exhibit higher tax literacy compared to those in Sabah, yet both groups are inadequately prepared for SAS. The study recommends more aggressive educational efforts to enhance tax literacy across both states, ensuring better compliance with the self-assessment requirements.

(Putro & Tjen, 2020) This study explores tax education and knowledge among university students in Indonesia using both qualitative and quantitative approaches. Qualitative interviews with the Directorate General of Taxation (DGT) reveal that public tax knowledge is inadequate and tax education remains unstructured. To address these issues, DGT has launched a long-term tax inclusion program. Quantitative research, through a student survey, assesses differences in tax knowledge and perceptions of tax education between students with and without tax education. The findings show a significant difference in tax knowledge levels and perceptions of the need for tax education, indicating that students who have received tax education possess better knowledge and view tax education as more important.

(Rakshit, n.d.) The study of the Income Tax Act for individual assesseees from A.Y. 1987-88 to 1997-98 found inconsistent and outdated provisions. Government employees received better tax incentives than non-government employees, and many exemptions, such as for children's education, remained static. Housing loan repayment limits and minor income exemptions were also outdated. Tax benefits fluctuated, and several helpful recommendations were not adopted. Agricultural income remained largely untaxed despite its significant contribution to national income. Changes in long-term capital gains computation favored the government, and new tax sections increased government revenue. High

tax rates impacted household savings, and basic exemption limits were not tied to inflation. The study suggests a more equitable, updated tax system.

(K. K, 2016) In this study they found that savings and investment related factors highly influence the tax planning of tax payers.

(Rekhi & Saxena, 2023) The literature on taxpayer perceptions of new income tax structures highlights the impact of tax system complexity on compliance, awareness, and evasion. Simplified systems tend to enhance compliance and awareness, while complex ones lead to evasion. Studies show that understanding tax laws improves compliance and fair tax rates reduce evasion. India's new tax regime, with multiple slabs and lower rates, aims to benefit lower-income groups but may affect savings and investment behavior. Comparative analyses suggest the new system is better for low-income earners, while high-income earners may prefer the old regime due to deductions. Overall, continuous assessment of tax policies is essential for balancing simplicity, compliance, and revenue.

**Adebisi & Gbegi, 2013** Tax avoidance and evasion remain persistent challenges in Nigeria's tax administration, dating back to colonial times. These issues are attributed to deficiencies in tax administration and taxpayer compliance, exacerbated by high tax rates that can incentivize individuals to minimize their tax liabilities. To address these challenges, enhancing taxpayer education, ensuring transparent use of tax revenue, and providing continuous training for tax officials are crucial. There is also a recommendation to reconsider tax rates, particularly for lower-income groups, to strike a balance between revenue generation and taxpayer compliance while fostering economic growth.

**Https, n.d.** Direct taxation in India plays an important role in funding extensive public expenditures necessary for national development. Historically, taxes have been categorized into direct taxes impacting and borne by the same entity, and indirect taxes affecting one party but borne by another. Despite its importance, only 2.77% of India's population pays income tax, significantly lower than in developed countries. Consequently, the government strives to expand the tax base continually. This paper explores the evolution of India's taxation systems, alongside recent trends and patterns in direct taxation.

**Puneet Bhushan (2013)** Research on tax literacy among salaried individuals reveals a generally low understanding of personal taxation, with significant disparities based on demographic and socio-economic factors. Males typically have higher tax literacy than females, and this literacy increases with age, education, and income. Urban employees are more tax literate than rural ones, and non-government workers surpass government employees in tax knowledge. However, geographic region, beyond the urban-rural distinction, has a negligible effect on tax literacy levels.

**Sharma & Singh, 2015** A study on the determinants of tax revenue in India highlights the complex interplay of economic and developmental factors that influence tax generation. Studies have identified key factors such as economic growth, inflation, and population dynamics as critical to tax revenue performance. Core developmental indicators, growth boosters like GDP and export growth, and sustainable development indicators are particularly influential. Research consistently suggests that managing inflation, controlling population growth, and curbing non-developmental expenditures are essential for enhancing tax revenue, alongside fostering economic growth through improved GDP and export performance.

**Sabitha & Priya, 2024** The study on Goods and Services Tax (GST) in India, though emerging, is rapidly expanding as researchers seek to understand taxpayer perceptions of this relatively new tax

regime. Studies reveal that awareness and tax knowledge are pivotal in shaping positive perceptions of GST. However, existing research lacks consistency, with varying conclusions on the factors influencing taxpayer attitudes. The Theory of Planned Behavior (TPB) and various conceptual models have been commonly employed to examine these perceptions, predominantly through quantitative methods. A systematic review of 38 key studies highlights the need for improved policy frameworks and educational programs to enhance public understanding and acceptance of GST. These findings are crucial for policymakers aiming to refine GST implementation and ensure its success.

**Kaur, 2016** The study on tax compliance highlights the critical role of the self-assessment system in enhancing tax revenue by empowering taxpayers to calculate and pay their own taxes. Research indicates that this system, when combined with effective tax control mechanisms, significantly influences tax payments, as it encourages compliance and reduces tax evasion. Studies emphasize the importance of tax control as a moderating factor, reinforcing the impact of self-assessment on tax payments. The use of structural equation modeling (SEM) in recent research has provided robust evidence that tax control not only directly affects tax payments but also strengthens the relationship between the self-assessment system and tax compliance. These findings underscore the need for robust tax control measures to maximize the effectiveness of self-assessment systems, ultimately improving tax compliance and revenue generation.

**(Markonah & Manrejo, 2022)** The Study on tax compliance increasingly emphasizes the role of taxpayers' planned behavior in influencing their intention to pay taxes, particularly within self-assessment systems. The Theory of Planned Behavior (TPB) has been widely utilized to understand the psychological factors that drive tax compliance, suggesting that while planned behavior may not directly influence compliance, it plays a crucial mediating role by shaping taxpayers' intention to pay. Research combining quantitative and qualitative approaches has reinforced these findings, showing that fostering a strong intention to pay taxes is key to enhancing compliance. This can be achieved through targeted government interventions, including socialization, education, and consistent law enforcement, which help build trust and a sense of fairness among taxpayers. These insights are vital for policymakers aiming to strengthen tax compliance by leveraging behavioral models to guide strategic policy development.

**Jalan & Vaidyanathan, 2017** The study on tax havens reveals their role in facilitating corporate tax avoidance through base erosion and profit shifting (BEPS). Tax havens attract multinational corporations with low taxes and financial secrecy, enabling them to minimize tax liabilities. Research shows that tax havens are integral to corporate strategies and operations, influencing decisions across investments, operations, and financing. Global initiatives to combat BEPS emphasize the need for coordinated policy actions to address the adverse effects of tax havens on tax revenues. This body of work highlights the ongoing challenges and the importance of effective policy measures to curb tax avoidance.

**Singh, n.d** the literature on tax revenue in India highlights the challenges and trends within the country's federal tax system. Since the major tax reforms initiated post-1991, aimed at liberalizing the economy, India's tax structure has evolved but has faced issues of stagnation in tax revenue growth. Comparative studies underscore the importance of benchmarking India's tax administration against global best practices, using both quantitative and qualitative approaches. Research by institutions like the OECD and ADB provides valuable insights for improving tax efficiency and administration. The paper reviews historical tax reforms, analyzes trends in tax collections and tax- GDP ratios, and assesses the impact of policy changes. It concludes by exploring further reform directions to enhance tax performance based on global standards.

(Mahajan, 2022) The study on tax literacy in Punjab emphasizes its role in financial literacy and tax compliance. Tax literacy encompasses the basic understanding and numerical ability required for effective tax management. The research highlights that low tax literacy contributes to issues of non-compliance and underpayment in India. The findings indicate that Punjab exhibits a low level of tax literacy, which hinders compliance. Improving tax literacy through better education and information is crucial for enhancing compliance rates and fostering economic progress in the region.

## 1.1 Industry Profile.

The fintech industry, short for financial technology, is a rapidly evolving sector that merges finance and technology to create innovative solutions aimed at improving and automating the delivery and use of financial services. This industry encompasses a wide range of applications, from digital payment systems and online banking to investment management and tax preparation services. The rise of fintech has revolutionized the way individuals and businesses manage their finances, providing more efficient, user-friendly, and accessible financial solutions.

One of the most transformative aspects of fintech is the digital payment ecosystem. Unified Payments Interface (UPI), introduced in India, exemplifies this transformation with the use of UPI, users may connect several bank accounts to a single mobile application in real-time, making payments and money transfers easier. Its convenience and security have made it immensely popular, significantly boosting digital transactions and financial inclusion.

### Indian Fintech market well placed to achieve \$190 Bn in revenues by 2030

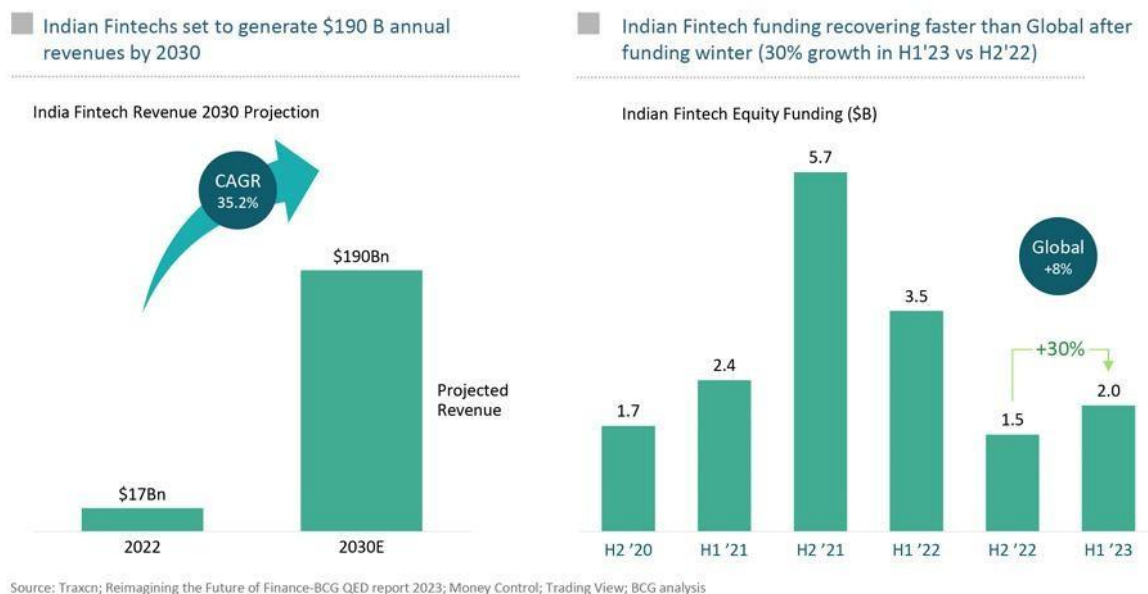


Fig 1.1 Showing Fintech Market growth

India's Fintech industry has received money, making over 14% of global funding. India comes in second for deal volume. By 2030, the Fintech Market Opportunity is projected to reach \$2.1 trillion. In 2022, fintech startups in India received the second-highest amount of funding. In 2022, fintech startups in India raised \$5.65 billion. Between 2021 and 2022, the overall number of unique



institutional investors in Indian fintech increased from 535 to 1019, nearly doubling.

Another area where fintech has made great progress is tax preparation. Though it used to be difficult and time-consuming, filing taxes may now be done quickly and easily thanks to fintech platforms. These platforms assist users in navigating the complexities of tax rules and regulations by providing step-by-step advice and intuitive interfaces. Their automation of data entry and calculations reduces error risk and guarantees tax compliance. To further streamline the tax filing process, they frequently interface with other financial tools, enabling users to upload financial data straight from their investment portfolios or bank accounts.

## 1.2 Company Profile.



*Fig 1.2 Showing Company Logo*

### Background details of the company

**Table 1.1 Showing Company Details**

Start-up Name	Clear (ClearTax)
Parent Organization	Defmacro Software Pvt. Ltd.
Industry	Fintech
Establishment	2011
Founders	Ankit Solanki, Archit Gupta, Srivatsan Chari
Headquarter	Bengaluru,

ClearTax is based on the massive digitization process that India is implementing for its tax systems. It is a financial technology platform with headquarters in Bangalore that offers services for investing in mutual funds, submitting income taxes, and GST. With its investing and tax platform, ClearTax seeks to make Indians' financial life easier.

The ClearTax journey started out by helping individual consumers, CAs, and businesses to prepare & file their tax returns by easy and effective means. For individual users, the process at ClearTax India is

super simple and easy to understand. The user simply has to upload the Form 16 pdf to begin tax filing. The customer gets fully prepared tax returns in just a matter of seconds. This software reads all of it and fills out the tax returns instantly via an automatic process. Thus, ClearTax company eliminates any human factor intervention in computing and filing tax returns.

### 1.3 Vision & Mission

ClearTax mission is to simplify finances, save money and time for millions of Indian business people.

### 1.4 Quality Policy

- Put customers first:

ClearTax always look forward to build the products that customers love. Their team also obsess about the customers right from the start and keep iterating on the basis of feedback.

- Earn Trust

Their customer's trust is the keystone to our business and they strive to earn it each day. It is their trust that motivates us to push the envelope and do better.

- Think big

Our mission is bold, so our dreams need to be big too. Even when we tackle small tasks, we do it because they unlock bigger things.

- Own the problem

They believe in extreme ownership demonstrated by committing to the problem, wearing multiple hats, fixing what is broken and sometimes doing the untold.

- Raise the bar every day

After each problem you solve, raise the ambition for the next one. Practice extraordinary commitment to the problem and raise the bar for others.

### 1.5 Key products and services Products

- Complete GST Software: - G1-G9 filing, ASP/GSP solution.

Clear E-Invoicing: e-invoicing and e-way bill MIS. Used by Taj, Aditya Birla group, swiggy, puma, make my trip, etc.

- Clear Tax cloud:

From ITR 1 to ITR 6, for individuals and businesses and auto populate details from Form 16 and 26As. Clear

- Invoice Discounting:

It helps on maximizing EBITDA by paying the vendors early by using the supply chain finance platform.

- Clear TDS:

Helps in filing TDS returns and generating form16s. Managed services: - Outsource tax filing and compliance end to end with core and custom services on indirect and direct taxation.

- CFO dashboard:

Get a compliance overview with sales, purchases, tax outflow, credits, and vendor risk summarized for the CFO office



## Services

- Salaried- Income Tax Return Filing:

Salaried people get Form 16 which gives information on salary earned and advance taxes paid. Besides the basic salary, there are other components being benefits that are wholly or partially taxable. Further, there are tax-saving options like eligible investments under SEC 80C, donations made, etc.

- Individual Tax Filing Plan (Income from Capital Gains or Tax Relief under Section 89)

This plan if you have incurred a profit or a loss from the sale of stocks or mutual funds or house property in addition to salary income. This plan is not for intra-day or derivative traders.

- Presumptive Income Tax Filing

The plan is designed to help businesses and professionals opting for presumptive taxation schemes or small taxpayers earning casual income like tuition income, interest income, etc. ClearTax experts shall help you assess your tax liability and file your income return with Expert-Assistance.

- Private Limited Company (PLC) Registration

Get your private limited company incorporated at the lowest price with compliance to regulatory requirements of the Ministry of Corporate Affairs.

- Trademark Registration (Individual)

Avoid getting entangled in the legal mess of copyright issues. Protect your brand identity! opt for this plan and get your logo and brand name registered successfully.

- Run Your Business (Lite)

Launch your startup with ClearTax and get post-incorporation compliances, legal agreements, startup advisory services, GST registration in the same package.

- Tax Filing for Securities Traders

The trader package is designed to ensure maximum Tax Savings for people having trading income. Along with this, it also includes hassle-free filling by an expert who knows the nuances of intraday and F&O trading. Mis-filing or non-filing can lead to the unnecessary hassle of having to answer IT notices.

- Business Tax Returns

Reporting business income during return filing is critical to avoid any tax noncompliance. At end of year businesses struggle to get their accounts in order. This premium ITR filing plan is designed to provide you with professional help in preparing financial statements and filing business ITRs.

### 1.6 Infrastructure facility

- Office Facilities:

ClearTax operates from modern office spaces equipped with the necessary amenities to support a productive work environment. These offices are designed to foster collaboration and innovation among employees.

- IT Infrastructure:

Servers and Networking: ClearTax utilizes high-performance servers and networking equipment to ensure

reliable and fast access to their services. This includes both on-premises and cloud-based servers.

- **Hardware and Software:**

Employees have access to the most recent hardware and software required for their jobs. Workstations, laptops, and specialised software for testing, development, and customer support are included in this.

- **Data Centers:**

ClearTax relies on state-of-the-art data centers, which are critical for storing and processing large volumes of data. These centers are maintained with advanced cooling, power backup, and security systems to ensure uninterrupted service.

- **Cloud Infrastructure:**

The company leverages cloud computing services from major providers like Amazon (AWS), Google Cloud Platform (GCP), or Microsoft. This allows for scalable and flexible resource management, crucial for handling peak loads during tax season.

- **Development and Testing Environment:**

ClearTax maintains dedicated environments for development, testing, and production. This guarantees that updates and new features are fully tested.

Continuous integration and continuous deployment (CI/CD) pipelines automate the build, test, and deployment processes, enabling faster delivery of features and fixes.

- **Backup and Disaster Recovery:**

The company has robust backup plans in place to ensure business continuity. Regular backups are taken, and data recovery procedures are tested periodically to minimize downtime in case of any disruptions.

- **Customer Support Infrastructure:**

ClearTax has a comprehensive customer support infrastructure, including a call center, email support, and live chat. This ensures that users can get timely assistance with any issues or queries they may have.

Support teams are equipped with CRM systems to manage interactions and provide personalized support.

- **Training and Development Facilities:**

The company invests in the continuous training and development of its employees. This includes access to online courses, workshops, and seminars to keep skills up to date with the latest industry trends and technologies.

## 1.7 Competitors

- **Tax2win:**

Tax2win is an online platform dedicated to simplifying the income tax filing process for individuals and businesses in India. They provide both do-it-yourself (DIY) tax filing and CA-assisted tax filing services. In addition to tax filing, they offer financial planning and advisory services to help users manage their finances more effectively.

- **Khatabook:**

Khatabook focuses on accounting and bookkeeping solutions for small businesses. Their platform helps users manage business finances, track inventory, and handle payments efficiently. By simplifying these tasks, Khatabook enables small business owners to focus more on growing their businesses.

- **myITreturn:**

myITreturn is an online platform that simplifies the process of filing income tax returns in India. They cater to salaried individuals, freelancers, and businesses, providing easy-to-use tools for managing tax documents and filing returns. Their services include automated tax calculations and personalized support to ensure accurate and timely filings.

- **Tally Solutions:**

Tally Solutions provides enterprise resource planning (ERP) software with strong accounting capabilities. Their software includes features for GST compliance, payroll management, and financial reporting. Tally is widely used by businesses in India for its reliability and comprehensive suite of financial management tools.

- **MakeMyReturns:**

MakeMyReturns focuses on providing tax filing and advisory services. They assist both individuals and businesses with preparing and filing their tax returns, offering personalized support to ensure accuracy and compliance. Their platform aims to simplify the tax filing process and provide expert guidance on tax-related matters.

## 1.8 SWOT Analysis



Fig 1.3 Showing SWOT Analysis

## STRENGTHS

- **Comprehensive Service Offering:**

ClearTax provides a wide range of financial services, including tax filing, GST compliance, accounting, and investment management, making it a one-stop solution for users.

- **User-Friendly Platform:**

The platform is known for its intuitive and user-friendly interface, which simplifies complex financial processes for individuals and businesses.

- **Strong Brand Reputation:**

ClearTax has established a strong brand reputation in the Indian fintech market due to its reliable services and customer-centric approach.

- **Technological Innovation:**

The company leverages modern technologies such as cloud computing, machine learning, and AI to enhance its service offerings and improve user experience.

- **Expert Support:**

ClearTax offers personalized support from tax experts and CAs, providing users with valuable assistance and ensuring compliance with tax regulations.

## WEAKNESSES

- **Dependence on Indian Market:**

ClearTax primarily operates in India, which limits its market reach. Dependence on a single market can be risky due to economic or regulatory changes.

- **Complexity for First-Time Users:**

Despite having a user-friendly interface, the complexity of financial and tax matters might still be challenging for first-time users without prior knowledge.

- **Security Concerns:**

Handling sensitive financial and personal data poses significant security risks. Any data breach or security lapse can damage the company's reputation and trust.

## OPPORTUNITIES

- **Expansion to Other Markets:**

ClearTax can explore opportunities to expand its services to other countries, leveraging its technological expertise and successful business model.

- **Increasing Adoption of Digital Financial Services:**

With the growing trend towards digitalization, more individuals and businesses are adopting online financial services, providing ClearTax with a larger potential market.

- **Regulatory Changes:**

Changes in tax laws and regulations often create opportunities for tax advisory services. ClearTax can capitalize on these changes to offer new and updated services.

## THREATS

- Regulatory Risks:

Frequent changes in tax laws and financial regulations can pose challenges for ClearTax to keep its services compliant and updated.

- Cybersecurity Threats:

The increasing prevalence of cyber-attacks and data breaches in the financial sector is a significant threat. Ensuring robust cybersecurity measures is critical.

- Economic Downturns:

Economic instability or downturns can affect the financial behavior of individuals and businesses, potentially leading to a reduced demand for ClearTax's services.

### 1.9 Future Growth and Prospects

#### Market Expansion

**International Markets:** ClearTax has the potential to expand its services to other countries, leveraging its successful business model and technological expertise. Entering new markets will open up new revenue streams and reduce dependency on the Indian market. As of now Cleartax operates in India, Dubai and Malaysia.

#### Technological Advancements

Artificial Intelligence and Machine Learning:

- Automated Compliance and Reporting:** Developing advanced algorithms to automate compliance with evolving tax laws and regulations to make ClearTax's services more efficient and reliable.

### 1.10 Financial Statements

#### Income Statement

**Table 1.2 Showing Income Statement**

(₹ in Crores)

Particulars	2021-22	2022-23
Revenue	₹190.35	₹219.00
Cost of Goods Sold (COGS)	₹76.14	₹87.60
Gross Profit	₹114.21	₹131.40
Operating Expenses	₹57.11	₹65.70
EBITDA	₹57.10	₹65.70
Depreciation	₹9.52	₹10.95

EBIT	₹47.58	₹54.75
Interest Expense	₹3.81	₹4.38
Pre-tax Income	₹43.77	₹50.37
Tax	₹10.94	₹12.59
Net Income	₹32.83	₹37.78



## Balance Sheet

**Table 4.3 Showing Balance Sheet**

(₹ in Crores)

Particulars	2021-22	2022-23
<b>Assets</b>		
Current Assets	₹47.59	₹54.75
Fixed Assets	₹76.14	₹87.60
<b>Total Assets</b>	₹123.73	₹142.35
<b>Liabilities and Equity</b>		
Current Liabilities	₹38.07	₹43.80
Long-term Debt	₹47.59	₹54.75
Total Liabilities	₹85.66	₹98.55
Equity	₹38.07	₹43.80
<b>Total Liabilities and Equity</b>	₹123.73	₹142.35

## Financial Ratios

**Table 4.4 Showing Financial Ratios**

Ratio	2021-22	2022-23
Gross Profit Margin	60.0%	60.0%
EBITDA Margin	30.0%	30.0%
Net Profit Margin	17.2%	17.3%
Asset Turnover Ratio	1.54	1.54
Current Ratio	1.25	1.25
Quick Ratio	1.25	1.25
Debt-to-Equity Ratio	2.25	2.25
Interest Coverage Ratio	12.5	12.5

## Interpretation

In the fiscal years 2021-22 and 2022-23, ClearTax demonstrates robust financial performance and growth. Revenue increased from ₹190.35 crores to ₹219.00 crores, reflecting a successful scaling of operations and market presence. This revenue growth is accompanied by an increase in gross profit, which rose from ₹114.21 crores to ₹131.40 crores, indicating effective management of cost of goods sold. Operating expenses also grew but remained proportionate to revenue, suggesting efficient expense management. The net income improved significantly, from ₹32.83 crores in 2021- 22 to ₹37.78 crores in 2022-23, underscoring enhanced profitability and operational efficiency.

The balance sheet reveals a corresponding growth in total assets, from ₹123.73 crores to ₹142.35 crores, driven by increases in both current and fixed assets. Current liabilities and long-term debt increased in line with revenue growth, ensuring that the company maintained a balanced approach to financing its expansion. Equity rose from ₹38.07 crores to ₹43.80 crores, reflecting the retained earnings and overall increase in shareholder value. This upward trend in assets, liabilities, and equity indicates that ClearTax is effectively managing its growth and strengthening its financial position, providing a solid foundation for future expansion.

The financial ratios for ClearTax from 2021-22 to 2022-23 reveal stable and strong performance. The gross profit margin remained steady at 60.0%, showing consistent cost management. EBITDA and net profit margins also held firm at 30.0% and 17.3%, respectively, indicating sustained profitability. The asset turnover ratio of 1.54 and liquidity ratios (current and quick) of 1.25 suggest efficient asset use and solid short-term financial health. The unchanged debt-to-equity ratio of 2.25 highlights consistent leverage, while an interest coverage ratio of 12.5 indicates a strong ability to cover interest expenses. Overall, these ratios reflect ClearTax's stable financial position and operational efficiency.

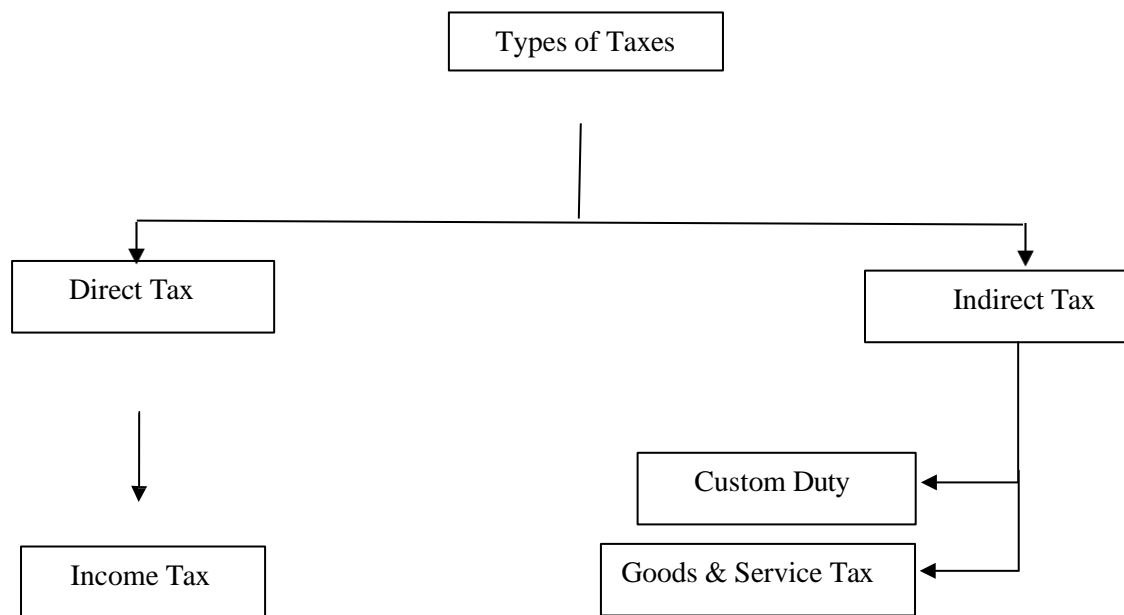
ClearTax's financials for 2021-22 and 2022-23 show solid performance and stability. Revenue grew from ₹190.35 crores to ₹219.00 crores, with steady gross and EBITDA margins at 60.0% and 30.0%, respectively. Net income increased from ₹32.83 crores to ₹37.78 crores. The balance sheet reflects asset growth to ₹142.35 crores, with adequate liquidity (current and quick ratios of 1.25) and consistent leverage (debt-to-equity ratio of 2.25). An interest coverage ratio of 12.5 underscores strong debt management. Overall, ClearTax demonstrates effective growth, stable profitability, and sound financial health.

## 2.1 THEORETICAL BACKGROUND OF THE STUDY

### Introduction

#### Income Tax:

As the main source of funding for the government, income tax is an essential part of the country's fiscal structure. It is a legitimate direct tax imposed by the Central Government of India on the income of individuals and enterprises. Income tax revenue is essential to the financing of many government initiatives and services, including social welfare, education, healthcare, infrastructure development, and defence. The Income Tax Act of 1961 governs the imposition of income tax in India. It is applied to five income categories.



*Chart 2.1 Showing Types of Taxes*

#### 1. Direct Tax:

The tax imposed by the government on a person who can't shift the responsibility to some other person is called Direct Tax.

Tax is levied directly on the income & wealth of a person, is known as Direct Tax

Example: Income tax, Wealth Tax

#### 2. Indirect Tax:

The tax imposed by the Government on one person knowing that the responsibility will be shifted on to some other person is called Indirect Tax.

Tax is levied on the price of Goods & Services, is known as Indirect Tax. Example:

GST

### Heads of Income:

- Income from Salary
- Income from house property
- Income from business or profession
- Income from capital gain
- Income from other sources

Moreover, governments often provide incentives and concessions to encourage certain behaviors or activities deemed beneficial for the economy or society. These incentives may include tax deductions, exemptions, credits, and rebates for specific investments, savings, expenses, or donations.

### Types of tax regimes:

In India, there are two tax regimes applicable to individual taxpayers. These two tax regimes offer individuals in choosing the tax regime that best suits their financial goals, investment strategies, and tax planning needs.

#### ➤ Regular Tax Regime (Old):

In the previous tax system, taxpayers could claim deductions and exemptions from the Income Tax Act, including Section 80C (for investments in instruments like Public PPF, Equity Linked Savings Schemes, etc.), Section 80D (for health insurance premiums), Section 24 (for home loan interest), and many more. By taking advantage of these deductions and exemptions, taxpayers could minimise their tax liability and ultimately pay less in taxes overall.

**Table 2.1 Showing Tax Rates Under Old Regime**

Income (in ₹)			Tax rates
Age < 60 years	Age 60 > < 80 years	Age 80 years >	
0 - 2,50,000	0 – 3,00,000	0 – 5,00,000	Nil
2,50,001 - 5,00,000	3,00,001 – 5,00,000	–	5%
5,00,001 - 10,00,000	5,00,001 – 10,00,000	5,00,001 – 10,00,000	20%
10,00,001 & above	10,00,001 & above	10,00,001 & above	30%

### Alternative tax regime [ Sec. 115BAC] (New):

The new tax regime, introduced in the Finance Act 2020, offers reduced tax rates but eliminates most tax deductions and exemptions available under the old regime. The new tax regime aims to simplify tax compliance and make the tax system more transparent by providing lower tax rates without the complexity of various deductions and exemptions. However, taxpayers opting for the new regime may not be able to avail themselves of tax benefits

The tax rates applicable for individuals are as follows:

**Table 2.2 Showing Tax Rates Under New Regime**

Sec 115BAC (1) – For A.Y 2022-22 to 2023-24		Sec. 115BAC(1A) – From the A.Y 2024-25	
Total Income (in ₹)	Tax rates	Total Income (in ₹)	Tax rates
0 – 2,50,000	Nil	0 – 3,00,000	Nil
2,50,001 – 5,00,000	5%	3,00,001 – 6,00,000	5%
5,00,001 – 7,50,000	10%	6,00,001 – 9,00,000	10%
7,50,001 – 10,00,000	15%	9,00,001 – 12,00,000	15%
10,00,001 – 12,50,000	20%	12,00,001 – 15,00,000	20%
12,50,001 – 15,00,000	25%	15,00,001 & above	30%
15,00,001 & above	30%		

Similarly, senior citizens and super senior citizens would follow the respective tax slabs applicable to their age groups. Additionally, Rebate is applicable for below ₹5,00,000 & ₹7,00,000 income or Surcharge is applicable for above ₹50,00,000 income i.e., tax on tax and a 4% health and education cess is applicable on the tax calculated for all taxpayers.

This study aims to analyze the impact of the new tax regime on individual taxpayers in Bengaluru. Bengaluru, often referred to as the Silicon Valley of India, is home to a diverse population of professionals, entrepreneurs, and a burgeoning middle class. The study seeks to understand how the new tax regime affects different segments of taxpayers in Bengaluru,

## **2.2 RESEARCH GAP:**

Existing research provides insights into the complexities of income tax regimes, highlighting contrasting structures and implications for salaried individuals. Comparison of old and new tax regimes under the Income Tax Act 1961 sheds light on the implications for salaried individuals. The study continues towards tax reforms, investment pattern of salaried individuals. This study “A Study on Impact of New Tax Regime on Individual Tax Payers in Bengaluru” helps to study, how the new tax regime affects the individual tax payers, considering some factors like investment behaviour, income sources etc.

## **3. RESEARCH DESIGN**

### **3.1 STATEMENT OF PROBLEM:**

The introduction of the new tax regime has altered the tax structure, including changes in tax rates. While the intent behind these changes is to simplify the tax system and potentially benefit taxpayers, there is a lack of understanding about how these modifications actually affect individual taxpayers.

This study seeks to address the following critical issues:

- Whether the new tax regime leads to a higher or lower tax burden for individual taxpayers compared to the previous system.
- How taxpayers are adjusting their financial behaviours, investment decisions, and overall economic planning in response to the new regime.
- The degree to which taxpayers comprehend the new tax rules and how this understanding affects their compliance and tax filing accuracy.
- How taxpayers perceive the fairness and effectiveness of the new tax system compared to the old one.

### **3.2 NEED FOR THE STUDY**

The need for a study on the impact of the new tax regime on individual taxpayers is essential due to several factors. Firstly, significant changes in tax rates, deductions, and exemptions under the new regime necessitate an understanding of how these alterations affect taxpayers' financial situations and decision-making. This will help individuals adapt their financial planning and tax strategies accordingly. Additionally, the economic impact of changes in disposable income and spending patterns needs assessment to gauge broader economic effects. It is also crucial to evaluate whether the new tax regime is equitable across different income groups and demographics, ensuring fairness in the distribution of tax burdens. Furthermore, can reveal the level of taxpayer awareness and compliance, identifying gaps in understanding and communication.

### **3.3 RESEARCH OBJECTIVES:**

- Evaluate the level of awareness and understanding of the new tax regime among individual taxpayers in Bengaluru.
- Assess how the new tax regime impacts the tax liability of individual taxpayers
- Determine if higher or lower income groups benefit more from the new tax policies. And to determine if the new regime simplifies or complicates the tax filing process.



### **3.4 SCOPE OF THE STUDY**

This study focuses on evaluating the impact of Bengaluru's new tax regime on individual taxpayers, considering variables such as investments, income levels, and their awareness etc. It aims to assess changes in tax liabilities, savings behaviour, investment patterns, and financial planning strategies among taxpayers. The study also seeks to provide insights into the effectiveness and fairness of the new tax policies for different segments of the population in Bengaluru.

### **3.5 RESEARCH METHODOLOGY**

#### **a. RESEARCH DESIGN**

The study will adopt a combining qualitative and quantitative methods to comprehensively investigate the impact of the new tax regime on individuals' investment choices.

#### **b. SAMPLE DESIGN:**

Population – Not Available

Sample unit – Direct tax payers who works in IT company as an employee  
technique – Stratified sampling.

#### **c. DATA SOURCES**

- Data is collected from Individual assesses by questionnaire and interviews
- Information obtained from external guide & internal guide
- Information available income tax website, Cleartax website
- Literature review in the form of theoretical framework from journals, magazines & articles

#### **d. DATA ANALYSIS AND INSTRUMENTS**

Date analysis has been performed using SPSS software. This software will help in validating collected data and in identifying significant patterns and relationships

- Descriptive Statistics
- One Way Anova

#### **e. EXPECTED RESEARCH OUTCOMES**

Research on the impact of the new tax regime on individual taxpayers in Bengaluru is expected to reveal changes in compliance behavior, taxpayer satisfaction levels, and economic behaviors like savings and investments under the revised system. The study aims to assess the effectiveness of the new regime in achieving fairness, efficiency, and ease of compliance.

### **3.6 RESEARCH HYPOTHESES**

#### **Hypotheses 1**

H0: There is no significant relationship between Demographic factors Such as (Age, Occupation) and other factors like Income, Investment Behaviour, Tax liability and Awareness of taxation.

H1: There is a significant relationship between Demographic factors Such as (Age, Occupation) and other factors like Income, Investment Behaviour, Tax liability and Awareness of taxation.

### Hypotheses 2

H0: There is no significant relationship between Annual Income and other factors like Income, Investment Behaviour, Tax liability and Awareness of taxation.

H1: There is a significant relationship between Annual Income and other factors like Income, Investment Behaviour, Tax liability and Awareness of taxation.

### 3.7 LIMITATIONS OF THE STUDY:

- The study might inadvertently focus on a specific demographic or income bracket within Bengaluru, thereby not representing the entire population's diversity accurately.
- Findings from Bengaluru may not be applicable to other cities or regions due to unique economic, social, and cultural factors.

## 4 ANALYSIS AND INTERPRETATION

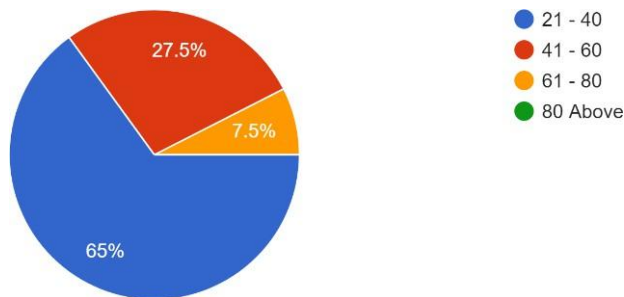
### 4.1 DEMOGRAPHIC PROFILE:

**Table 4.1 Showing Demographic Profile**

Gender		Frequency	Percentage	Cumulative Percentage
	Male	81	67.5	67.5
	Female	39	32.5	100
Age	21 – 40	78	65	65
	41 – 60	33	27.5	92.5
	61 – 80	9	7.5	100
	Above 80		0	
Occupation	Government Employee	12	10.3	10.3
	IT Employee	62	51.3	61.6
	Self Employed	25	20.5	82.1
	Professionals	15	12.8	94.9

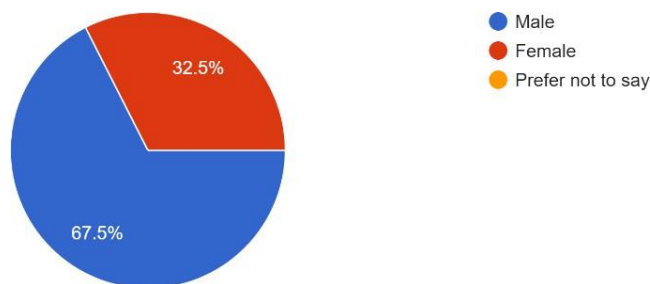
	Retired Person	6	5.1	100
Annual Income	5 – 10 Lakhs	55	46.2	46.2
	10 – 20 Lakhs	43	35.9	82.1
	20 – 50 Lakhs	12	10.2	92.3
	50 – 1 Crore	6	5.1	97.4
	Above 1 Crore	3	2.6	100

## 1. Age



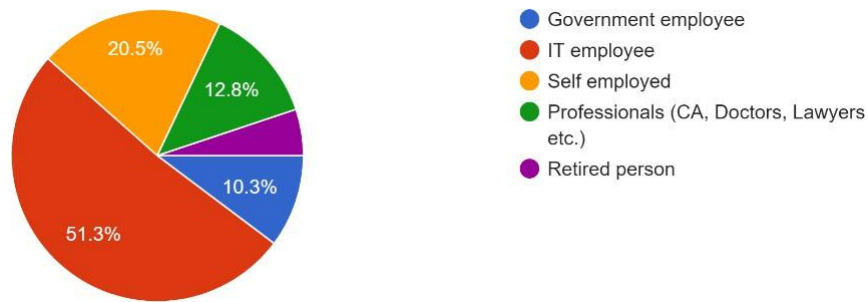
4.1 Graph Showing Age Distribution

## 2. Gender



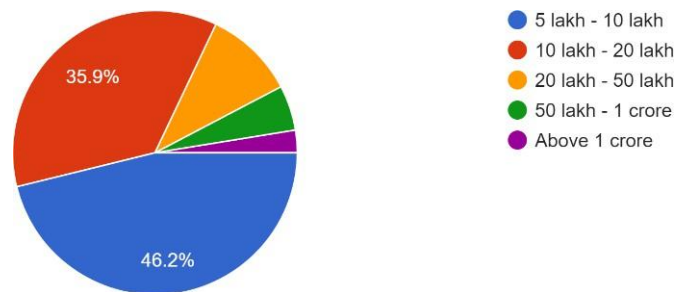
4.2 Graph Showing Gender Distribution

### 3. Occupation



*4.3 Graph Showing Distribution of Occupation*

### 4. Annual Income



*4.4 Graph Showing Income Distribution*

## 4.2 RELIABILITY STATISTICS

**Table 4.2 Cronbach's Alpha Coefficient**

Variables	Cronbach's Alpha	Number of Items
Tax Liability	.910	3
Investments	.816	4
Income	.838	4
Awareness	.796	5

Cronbach's Alpha is a measure of internal consistency or reliability of a set of items in a scale. It ranges from 0 to 1, with higher values indicating better reliability. Here's how to interpret the given values:

1. **Tax Liability** Cronbach's Alpha of 0.910 suggests that the scale for Tax Liability has high internal consistency. This means, three items measuring tax liability are highly correlated with each other and reliably measure the same construct.
2. **Investments** Cronbach's Alpha of 0.816 shows better internal consistency for the Investment scale. The four items used to measure investments are reasonably consistent and reliable, although not as high as Tax Liability.
3. **Income** With a Cronbach's Alpha of 0.838, the Income scale shows good internal consistency. The four items designed to measure income work well together to assess the concept reliably.
4. **Awareness** Cronbach's Alpha of 0.796 indicates acceptable internal consistency for the Awareness scale. The five items used are reasonably reliable in measuring the awareness construct.

**General Insight:** All the scales show good to excellent internal consistency, with Tax Liability having the highest reliability among the measures. The number of items in each scale influences Cronbach's Alpha, and while more items can increase reliability, each scale here appears to have a sufficient number of items to measure their respective constructs reliably.

### 4.3 DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
							Statistic	Std. Error
TL 1	120	1	5	2.97	1.198	1.436	-0.13	0.221
TL 2	120	1	4	3.2	0.958	0.918	-1.113	0.221
TL 3	120	1	5	3.25	1.047	1.097	-0.787	0.221
IB 1	118	1	4	2.72	0.905	0.819	-0.048	0.223
IB 2	118	1	5	3.12	0.997	0.994	0.074	0.223
IB 3	118	1	5	3.07	1.1	1.209	-0.372	0.223
IB 4	118	1	5	3.46	1.107	1.225	-0.757	0.223
TI 1	120	1	5	3.18	1.142	1.305	-0.351	0.221
TI 2	120	1	5	3.05	0.924	0.855	-0.295	0.221
TI 3	120	1	5	3.43	1.12	1.255	-0.794	0.221
TI 4	120	1	5	3.13	1.034	1.068	-0.394	0.221
AT 1	117	1	5	3.36	1.004	1.008	-0.618	0.224
AT 2	117	2	5	3.36	0.866	0.749	-0.041	0.224
AT 3	115	1	5	3.53	0.994	0.988	-1.231	0.226
AT 4	117	1	5	3.28	1.016	1.032	-0.292	0.224
AT 5	114	1	5	3.45	1.098	1.205	-1.089	0.226
Valid N (listwise)	110							

#### Interpretation:

This provide an overview of the distribution, central tendency, and variability for each of the variables related to

- Tax Liability (TL),
- Investment Behavior (IB),
- Total Income (TI), and
- Awareness of Taxation (AT).

#### Central Tendency and Variability

- The means for all variables range from 2.72 to 3.53, indicating that the average responses across the factors are generally around the middle of the scale (close to 3), suggesting a moderate level of tax liability, investment behaviour, total income, and awareness of taxation.



- The standard deviations indicate the level of variability in responses. Most variables show moderate variability, with standard deviations ranging from approximately 0.87 to 1.20, meaning there is some spread in responses but not extreme.

### **Skewness**

- Skewness values close to 0 indicate a relatively symmetrical distribution of responses. Most variables have skewness between -1.231 and 0.074, suggesting slight asymmetry.
- Negative skewness for most variables (e.g., **TL 2**, **TL 3**, **IB 4**, **TI 3**, **AT 3**, **AT 5**) indicates that the distribution is slightly left-skewed, meaning a higher frequency of responses towards the higher end of the scale. For instance, participants tended to rate higher on **TL 3**, **IB 4**, and **AT 3**, showing that more respondents reported higher tax liability, investment behavior, and awareness.
- Positive skewness, like in **IB 2**, indicates that responses are more concentrated towards the lower end, but this is minimal and indicates a fairly balanced distribution.

### **Range**

The range for each variable is consistent, with responses spanning from 1 to 5, showing that participants used the entire scale to express their views.

### **Variance**

Variance values support the standard deviation findings, further highlighting the moderate dispersion of responses.

### **Overall Interpretation**

The data suggest that participants generally have moderate levels of tax liability, investment behaviour, total income, and awareness of taxation. The slight left-skewness in many variables indicates a tendency for higher responses, meaning respondents leaned towards more affirmative or positive assessments on these scales. The moderate variability across the responses indicates some diversity in participants' opinions and behaviour, though not extreme.

#### 4.4 ANALYSIS OF VARIANCE (ANOVA)

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
TL 1	Between Groups	11.495	2	5.747	4.218	0.017
	Within Groups	159.43	117	1.363		
	Total	170.925	119			
TL 2	Between Groups	3.448	2	1.724	1.908	0.153
	Within Groups	105.752	117	0.904		
	Total	109.2	119			
TL 3	Between Groups	11.993	2	5.997	5.92	0.004
	Within Groups	118.507	117	1.013		
	Total	130.5	119			
IB 1	Between Groups	4.704	2	2.352	2.97	0.055
	Within Groups	91.067	115	0.792		
	Total	95.771	117			
IB 2	Between Groups	2.191	2	1.095	1.104	0.335
	Within Groups	114.148	115	0.993		
	Total	116.339	117			
IB 3	Between Groups	3.309	2	1.655	1.377	0.256
	Within Groups	138.148	115	1.201		
	Total	141.458	117			
IB 4	Between Groups	7.494	2	3.747	3.173	0.046
	Within Groups	135.794	115	1.181		
	Total	143.288	117			
TI 1	Between Groups	0.626	2	0.313	0.237	0.79
	Within Groups	154.699	117	1.322		
	Total	155.325	119			

TI 2	Between Groups	11.616	2	5.808	7.543	0.001
	Within Groups	90.084	117	0.77		
	Total	101.7	119			
TI 3	Between Groups	3.227	2	1.614	1.292	0.279
	Within Groups	146.098	117	1.249		
	Total	149.325	119			
TI 4	Between Groups	2.618	2	1.309	1.23	0.296
	Within Groups	124.507	117	1.064		
	Total	127.125	119			
AT 1	Between Groups	1.621	2	0.811	0.801	0.451
	Within Groups	115.302	114	1.011		
	Total	116.923	116			
AT 2	Between Groups	4.167	2	2.083	2.87	0.061
	Within Groups	82.756	114	0.726		
	Total	86.923	116			
AT 3	Between Groups	3.104	2	1.552	1.587	0.209
	Within Groups	109.54	112	0.978		
	Total	112.643	114			
AT 4	Between Groups	1.685	2	0.843	0.814	0.446
	Within Groups	118.007	114	1.035		
	Total	119.692	116			
AT 5	Between Groups	0.684	2	0.342	0.28	0.756
	Within Groups	135.5	111	1.221		
	Total	136.184	113			

## Interpretation

The ANOVA results indicate that age group significantly affects certain factors, with the null hypothesis being rejected for **TL 1**, **TL 3**, **IB 4**, and **TI 2**, showing significant differences across these areas. However, for **TL 2**, the other aspects of investment behavior (**IB 1**, **IB 2**, **IB 3**), total income (**TI 1**, **TI 3**, **TI 4**), and awareness of taxation (**AT 1** through **AT 5**), the null hypothesis was accepted, indicating no significant differences across age groups in these areas.

## 4.5 ANALYSIS OF VARIANCE (ANOVA)

Table 4.5 Showing Analysis of Variance

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
TL 1	Between Groups	30.744	4	7.686	6.305	0.000
	Within Groups	140.181	115	1.219		
	Total	170.925	119			
TL 2	Between Groups	12.799	4	3.200	3.817	0.006
	Within Groups	96.401	115	0.838		
	Total	109.200	119			
TL 3	Between Groups	29.393	4	7.348	8.358	0.000
	Within Groups	101.107	115	0.879		
	Total	130.500	119			
IB 1	Between Groups	5.513	4	1.378	1.726	0.149
	Within Groups	90.258	113	0.799		
	Total	95.771	117			
IB 2	Between Groups	9.997	4	2.499	2.656	0.037
	Within Groups	106.342	113	0.941		
	Total	116.339	117			
IB 3	Between Groups	14.092	4	3.523	3.126	0.018
	Within Groups	127.366	113	1.127		
	Total	141.458	117			
IB 4	Between Groups	31.606	4	7.902	7.995	0.000
	Within Groups	111.682	113	0.988		
	Total	143.288	117			
TI 1	Between Groups	24.463	4	6.116	5.375	0.001
	Within Groups	130.862	115	1.138		
	Total	155.325	119			
TI 2	Between Groups	2.674	4	0.668	0.776	0.543
	Within Groups	99.026	115	0.861		
	Total	101.700	119			
TI 3	Between Groups	24.024	4	6.006	5.512	0.000
	Within Groups	125.301	115	1.090		

	Total	149.325	119			
TI 4	Between Groups	7.846	4	1.962	1.891	0.117
	Within Groups	119.279	115	1.037		
	Total	127.125	119			
AT 1	Between Groups	10.144	4	2.536	2.660	0.036
	Within Groups	106.779	112	0.953		
	Total	116.923	116			
AT 2	Between Groups	8.753	4	2.188	3.135	0.017
	Within Groups	78.170	112	0.698		
	Total	86.923	116			
AT 3	Between Groups	8.714	4	2.179	2.306	0.063
	Within Groups	103.929	110	0.945		
	Total	112.643	114			
AT 4	Between Groups	13.078	4	3.269	3.435	0.011
	Within Groups	106.615	112	0.952		
	Total	119.692	116			
At 5	Between Groups	7.118	4	1.779	1.503	0.206
	Within Groups	129.066	109	1.184		
	Total	136.184	113			

## Interpretation

The ANOVA results show significant differences across groups for several factors related to tax liability, investment behavior, total income, and awareness of taxation. Specifically, the null hypothesis is rejected for **TL 1, TL 2, TL 3, IB 2, IB 3, IB 4, TI 1, TI 3, AT 1, AT 2, and AT 4**, indicating that there are meaningful variations in these areas across the groups. However, the null hypothesis is accepted for **IB 1, TI 2, TI 4, AT 3, and AT 5**, suggesting that these factors do not differ significantly across the groups. These results highlight that certain aspects of tax-related behavior and awareness are more influenced by group differences than others.

## 4.6 ANALYSIS OF VARIANCE (ANOVA)

Table 4.5 Showing Analysis of Variance

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
TL 1	Between Groups	19.557	4	4.889	3.706	0.007
	Within Groups	150.409	114	1.319		
	Total	169.966	118			
TL 2	Between Groups	25.023	4	6.256	8.476	0.000
	Within Groups	84.136	114	0.738		
	Total	109.160	118			
TL 3	Between Groups	24.467	4	6.117	6.580	0.000
	Within Groups	105.970	114	0.930		
	Total	130.437	118			
IB 1	Between Groups	4.797	4	1.199	1.485	0.212
	Within Groups	90.451	112	0.808		
	Total	95.248	116			
IB 2	Between Groups	4.927	4	1.232	1.252	0.293
	Within Groups	110.150	112	0.983		
	Total	115.077	116			
IB 3	Between Groups	20.062	4	5.015	4.661	0.002
	Within Groups	120.519	112	1.076		
	Total	140.581	116			
IB 4	Between Groups	29.836	4	7.459	7.383	0.000
	Within Groups	113.156	112	1.010		
	Total	142.991	116			
TL 1	Between Groups	24.919	4	6.230	5.475	0.000
	Within Groups	129.720	114	1.138		
	Total	154.639	118			
TL 2	Between Groups	20.766	4	5.191	7.313	0.000
	Within Groups	80.932	114	0.710		
	Total	101.697	118			
TL 3	Between Groups	32.999	4	8.250	8.108	0.000
	Within Groups	115.992	114	1.017		



	Total	148.992	118			
TL 4	Between Groups	19.890	4	4.972	5.287	0.001
	Within Groups	107.220	114	0.941		
	Total	127.109	118			
AT 1	Between Groups	7.948	4	1.987	2.032	0.095
	Within Groups	108.561	111	0.978		
	Total	116.509	115			
AT 2	Between Groups	11.948	4	2.987	4.447	0.002
	Within Groups	74.561	111	0.672		
	Total	86.509	115			
AT 3	Between Groups	24.300	4	6.075	7.520	0.000
	Within Groups	88.060	109	0.808		
	Total	112.360	113			
AT 4	Between Groups	28.286	4	7.072	8.636	0.000
	Within Groups	90.886	111	0.819		
	Total	119.172	115			
AT 5	Between Groups	26.250	4	6.562	6.459	0.000
	Within Groups	109.733	108	1.016		
	Total	135.982	112			

### Interpretation

The ANOVA analysis indicates significant differences among groups for several factors. Specifically, for **TL 1**, **TL 2**, **TL 3**, **TL 4**, **IB 3**, **IB 4**, **AT 2**, **AT 3**, **AT 4**, and **AT 5**, the p-values are below 0.05, leading to the rejection of the null hypothesis, suggesting that these variables differ significantly across the groups analyzed. In contrast, **IB 1**, **IB 2**, and **AT 1** do not show significant differences, as indicated by p-values greater than 0.05. These results imply that the levels of tax literacy, investment behavior, and awareness of taxation vary significantly among different groups, except for the aforementioned variables where no significant group differences were observed.

### 4.7 FACTOR ANALYSIS

Table 4.6 Showing Factor Analysis

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.734
Bartlett's Test of Sphericity	Approx. Chi-Square	1473.825
	df	120
	Sig.	<.001

Component	Initial Eigenvalues			Extraction Sums of Squared		
	Total	% of Variance	Cumulative %	Loadings		
				Total	% of Variance	Cumulative %
1	6.531	40.821	40.821	6.531	40.821	40.821
2	2.562	16.011	56.833	2.562	16.011	56.833
3	1.944	12.150	68.983	1.944	12.150	68.983
4	1.352	8.452	77.435	1.352	8.452	77.435
5	.730	4.565	81.999			
6	.566	3.540	85.539			
7	.534	3.340	88.879			
8	.424	2.648	91.527			
9	.333	2.083	93.610			
10	.263	1.644	95.254			
11	.225	1.409	96.663			
12	.198	1.235	97.897			
13	.130	.815	98.712			
14	.091	.571	99.283			
15	.071	.442	99.724			
16	.044	.276	100.000			

## Interpretation

The results of the KMO and Bartlett's Test indicate that the data is suitable for factor analysis. The KMO Measure of Sampling Adequacy is 0.734, which is above the acceptable threshold of 0.6, suggesting that the sample is adequate for factor analysis. Bartlett's Test of Sphericity is significant, indicating that the variables are correlated enough to justify the application of factor analysis.

The Total Variance Explained table shows that four components have eigenvalues greater than 1, collectively explaining 77.435% of the total variance. The first component alone explains 40.821% of the variance, while the second, third, and fourth components explain 16.011%, 12.150%, and 8.452% of the variance, respectively. This suggests that these four components are the most significant underlying factors in the dataset, capturing the majority of the variability in the data.

## 5. FINDINGS, SUGGESTIONS AND CONCLUSION

### 5.1 FINDINGS

#### 1. Descriptive Statistics:

**Age:** The data shows a younger demographic with a right-skewed distribution, indicating most respondents are relatively young.

**Gender:** All respondents appear to belong to the same gender category, suggesting a uniform sample in this regard.

**Occupation:** There is a diverse range of occupations, with a slight skew towards lower occupational categories.

**Annual Income:** The income distribution is right-skewed, with a higher concentration in lower income brackets.

#### 2. Reliability Statistics:

**Tax Liability:** High internal consistency (Cronbach's Alpha = 0.910), indicating reliable measurement of tax liability.

**Investments:** Good internal consistency (Cronbach's Alpha = 0.816), suggesting reliable measurement of investment patterns.

**Income:** Good internal consistency (Cronbach's Alpha = 0.838), showing reliable assessment of income.

**Awareness:** Acceptable internal consistency (Cronbach's Alpha = 0.796), indicating reasonable reliability in measuring awareness.

#### 3. ANOVA on Tax Liability:

Significant differences were found in perceptions of tax liability, understanding of tax liability, and perceived favourability of tax rates across different income groups. This indicates varying impacts of the new tax regime on different income levels.

#### 4. ANOVA on Investment Patterns:

Most aspects of investment patterns (increased investments, diversification, and preference for tax-saving instruments) did not show significant differences across age groups. However, the impact of tax deductions on investment choices did show a significant difference, suggesting varied responses to tax deduction changes among different age groups.

## 5. ANOVA on Awareness and Understanding:

Significant differences were observed in awareness of changes, ease of understanding, sufficiency of information, and reliance on professional advice across education levels. This shows that individuals with different educational backgrounds perceive and respond to tax changes differently.

### 5.2 SUGGESTIONS

#### 1. For the Government:

**Segmented Awareness Campaigns:** Launch awareness campaigns segmented by demographic factors like age, income, and education. Tailoring messages to specific groups can enhance understanding and compliance with the new tax regime.

**Policy Adjustment:** Consider revising tax policies based on feedback and observed impact, especially for segments most affected by the new regime. Regular policy reviews and adjustments can help mitigate any unintended negative consequences.

**Expanded Accessibility:** Ensure that resources and assistance are accessible to all taxpayers, including those with limited digital access. This can involve community outreach programs and physical information centers.

**Training for Tax Professionals:** Provide specialized training for tax professionals to ensure they are well-versed in the new tax regime and can effectively assist taxpayers in navigating changes.

#### 2. For Taxpayers:

**Engage with Tax Resources:** Actively use available resources, such as government websites and financial advisory services, to stay informed about how the new tax regime affects you.

**Financial Adjustment:** Review and adjust personal financial plans to align with the new tax rules. This might include revising investment strategies and reassessing financial goals.

**Attend Financial Workshops:** Participate in workshops and seminars that explain the new tax regime. These can provide valuable insights and practical advice on how to manage taxes effectively.

**Seek Personalized Advice:** Obtain personalized advice from financial advisors to understand the specific impact of the new tax regime on your individual situation. This can help in making informed decisions and optimizing tax benefits.

**Stay Engaged:** Keep engaged with ongoing discussions about tax policy changes and participate in public consultations or forums where possible. Your input can contribute to more effective and responsive tax policies.

### 5.3 CONCLUSION

The study reveals significant insights into how different demographics perceive and react to the changes. The study indicates that younger individuals and those with lower incomes are more prevalent in the sample, suggesting that the new tax policies may disproportionately affect these groups. The high internal consistency of the scales used particularly for tax liability assures that the findings are reliable.

ANOVA results demonstrate that income levels significantly influence perceptions of tax liability, with notable differences in how various income groups experience changes in their tax obligations. Investment patterns show less variation across age groups, except in how tax deductions impact investment decisions, highlighting a specific area of concern. Additionally, education levels significantly affect awareness and understanding of the new tax regime, with more educated individuals generally finding the tax policies easier to understand and less reliant on professional advice.

Overall, the study underscores the need for targeted government communication and tailored support to address the diverse needs of taxpayers. Enhanced informational resources and clear guidance are crucial to help individuals navigate the new tax regime effectively. For taxpayers, proactive engagement with available resources and seeking personalized advice can mitigate the complexities of the new policies. By addressing these needs, both government and taxpayers can better manage the impact of the new tax regime, ensuring a more equitable and effective implementation of tax policies.

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