

## A STUDY OF THE IMPACT OF NEW TAX REGIME ON TAX-SAVING INVESTMENT OF SALARIED PERSON IN AMRAVATI CITY

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### ABSTRACT

The Union Budget 2020-21 witnessed a revolutionary change in the income tax system in India which became effective from 1st April 2020. This regime offers lower tax rates and, unlike the earlier system, most deductions and exemptions are not available hereunder. Such a transformation could lead to wide changes in the lives of salaried individuals as far as the investment decision for tax saving becomes the essential core of financial planning strategies. This research study is among salaried persons in the city of Amravati and investigates the areas of awareness, preferences, and investment behavior concerning the new tax regime. It also studies whether such salaried persons make rational choices, comparing the old and new tax regimes, while also studying the effect of the change on their behavior concerning savings and investments. The finding of this study will give an insight into how salaried persons are adapting the tax reforms whether tax-saving investments are continued in the old traditional manner and how it overall may change financial planning. The study would then be useful for policymaking in identifying the extent to which the new tax regime succeeds in the simplification of taxation while being counter-balanced by economic growth and the security of individual financial aspects.

**Keyword** - New tax regime, old tax regime ,tax saving investment , investment behavior, financial planning, tax reforms

### 1. INTRODUCTION

Investment is the employment of funds to achieve additional income or growth in value. The essential quality of an investment is that it involves 'waiting' for a reward. It consists of the commitment of resources that have been saved or put away from current consumption in the hope that some benefits will accrue. If the amount so saved is being invested, to earn a good return, then the saving becomes an investment and the saver becomes an investor an individual has a choice of various investment avenues where a person's savings could be invested. T (Siddhaarth Dhongde, 2020) If you received news that you would have to pay less taxes starting tomorrow for the same income you received, one would be elated. A new tax regime facades as beneficial, especially for high taxpayers – the prospect of paying less taxes is one that deems individual household income more promising; however, the drawbacks of the new tax slab do not appear immediately apparent If you received news that you would have to pay less taxes starting tomorrow for the same income you received, one would be elated. A new tax regime facades as beneficial, especially for high taxpayers – the prospect of paying less taxes is one that deems individual household income more promising; however, the drawbacks of the new tax slab do not appear immediately apparent The new income tax regime presents a streamlined structure with revised tax slabs, eliminating many familiar exemptions and deductions, such as HRA, Section 80C for investments, and Section 80D for medical insurance, unlike the old regime, which encouraged savings and investments through tax exemptions, the new regime offers lower tax rates in exchange for simplicity, appealing to those who prefer a straightforward approach without the traditional tax-saving provisions The new income tax regime presents a streamlined structure with revised tax slabs, eliminating many familiar exemptions and deductions, such as HRA, Section 80C for investments, and Section 80D for medical insurance, unlike the old regime, which encouraged savings and investments through tax exemptions, the new regime offers lower tax rates in exchange for simplicity, appealing to those who prefer a straightforward approach without the traditional tax-saving provisions Planning is nothing but thinking before the action takes place. It helps us to take a peep into the encounter in the future rational decision making. India's commitment to planned economic development is a reflection of our society's determination to improve the economic conditions of our people and an affirmation of the role of the government in bringing about growth performance through a variety of social, economic, (JINDAL, 2023)

### 2. REVIEW OF LITERATURE-

- Siri Adusumilli (2024) is a research article titled "Impact of New Tax Regime on Salaried Employees". The new income tax regime has simpler tax slabs with lower rates which are beneficial to salaried employees having lower income or to those who do not make extensive use of deductions. Higher-income earners will need to restructure their financial strategies, as will those dependent on deductions. The employees should evaluate their financial plans, consider tax-efficient investments, and budget differently. Staying abreast with future policy changes would

be vital as the government may also alter the regime based on feedback and economic conditions. (Adusumili, 2024)

- Tax Saving Investment Strategies Among Salaried People in Aurangabad City 2] Siddharth Dhongde, Vilas Epper (2020) "Tax Saving Investment Strategies Among Salaried Individuals in Aurangabad City". This research analyzes investment behavior and factors leading to investment decisions of salaried individuals. It shows that individuals differ greatly in how they rank these unique factors. Tax benefits became the most critical factor in creating investment decisions that tend to be financially planned according to the advice of experts and previous experiences. Popular investment options included LIC, PPF, NPS, bank deposits, and precious metals. It shows that investment decisions are made according to individual goals and objectives and that tax-saving strategies are a key takeaway. Hence, effective tax planning requires a multidimensional approach as it has an impact on personal finances directly and hence understanding tax rules will help in successful planning. (Adusumili, 2024)
- Hetal Bhinde, Ajay H. Shukla (2023) - A study on Financial Planning and Approaches of Tax Saving intended for salaried employees post-covid - Tax planning is part of financial planning which involves a strategic application, especially after COVID; it reduces tax burden, enhances mental wellbeing, and optimizes earnings for salaried employees. Good planning is goal setting along with systematic savings, early investment, diversification, tax-shield investing, and investment monitoring. Thus, financial planning, if devoted to considering adequate knowledge and effort, leads to financial well-being in the long run. (Bhinde, 2023)

### 3. RESEARCH PROBLEM

The introduction of the new tax regime in India has significantly altered the tax landscape, particularly for salaried individuals. Under the new tax regime, individuals are offered lower tax rates, but in return, they lose the ability to claim various exemptions and deductions available under the old tax regime. This shift has raised concerns about how salaried persons approach their tax-saving investments, as the incentives to invest in tax-saving instruments such as Public Provident Fund (PPF), National Pension System (NPS), and Employee Provident Fund (EPF) are diminished. In Amravati city, a rapidly developing region in Maharashtra, salaried individuals might face challenges in deciding between the two tax regimes, especially given the relatively lower levels of financial literacy compared to larger metropolitan areas. The problem lies in understanding the extent to which the new tax regime influences the investment behavior of salaried individuals, and whether it leads to a decline in traditional tax-saving investments, changes in investment preferences, or an increase in the adoption of financial instruments that do not offer tax benefits. This study seeks to investigate how the new tax regime impacts tax-saving investments among salaried individuals in Amravati city and to identify the key factors influencing their investment decisions.

#### Objective

- To study awareness about the new income tax regime.
- To analyze the tendency of salaried persons to maintain their current savings plans and express interest in investing in similar plans in the future.
- To assess the impact of the new income tax regime on tax-saving investments in Amravati city.

### 4. RESEARCH METHODOLOGY

#### Research Design:

Descriptive research. To describe the future impact of the new tax regime on tax-saving investments. Salaried individuals in Amravati city.

#### Sampling Design:

- **Target Population:** Salaried individuals in Amravati city.
- **Data Collection Method:** Questionnaire-based survey.
- **Sampling Technique:** Convenience sampling.
- **Universe:** Limited to Amravati city.
- **Population:** Salaried individuals in Amravati city
- **Sampling Unit:** 100 male and female salaried individuals from the targeted area.
- **Sample Frame:** Salaried individuals from different geographic areas of Amravati city.
- **Sample Size:** 100 respondents.

#### Data Collection:

**Primary Data** – Survey Questionnaire.

**Secondary Data** – Secondary data was collected from various papers and reports on Internet newspapers.

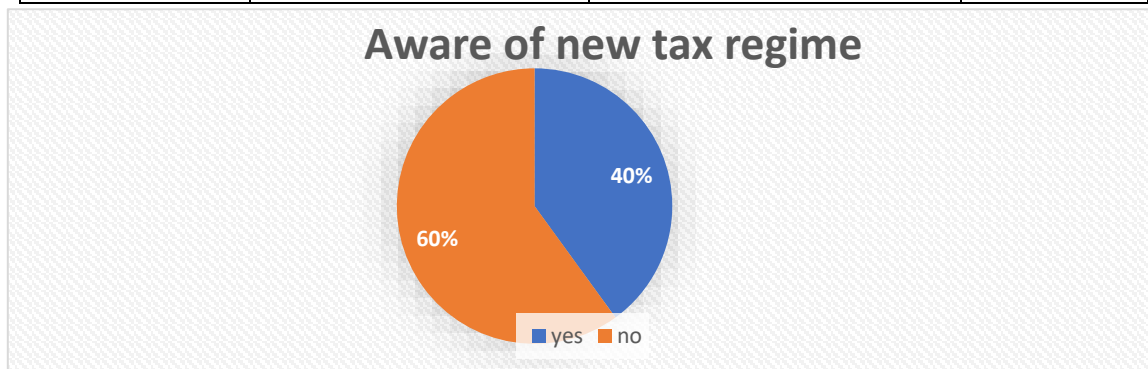
#### Data Analysis Method –

After the collection of primary and secondary data, it was secured and analyzed with the help of statistical inference. The secondary data were found through intellectual exercise for the draw data. Use specific computer used forward processing and graphical presentation medium and mean.

### 5. DATA INTERPRETATION

**Table 1:** Aware of the new income tax regime

Sq.no	Awareness	Frequency	%
1	Yes	80	80
2	No	20	20

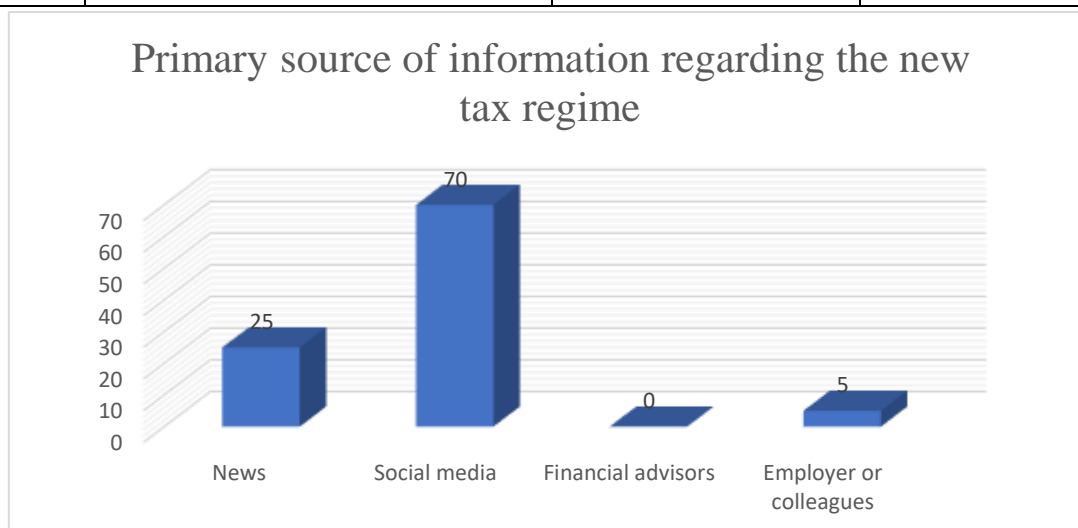


**Graph No-1**

This indicates that a majority of the respondents are informed about the new income tax regime, suggesting effective dissemination of information or interest in tax-related matters among the population surveyed. However, the 20% unaware reflects a need for further awareness and educational initiatives to ensure that everyone understands the available tax options and benefits.

**Table 2 - Primary source of information regarding the new tax regime**

Sq.no	source	Frequency	%
1	News	25	25
2	Social media	70	70
3	Financial advisors	0	0
4	Employer or colleagues	5	5

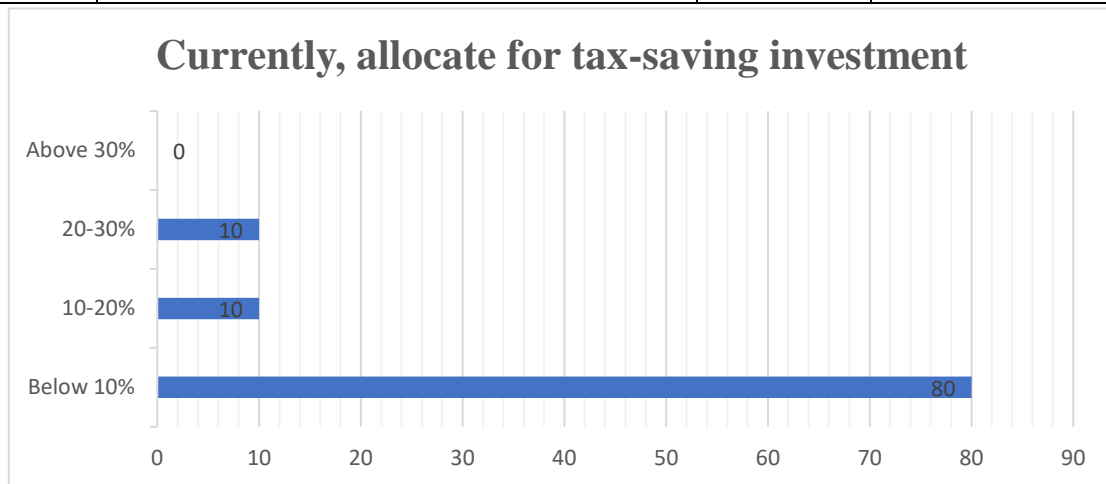


**Graph No-2**

The majority of respondents (70%) rely on social media for financial information, followed by news sources (25%). Very few (5%) seek information from employers or colleagues, and none consult financial advisors. This indicates a strong preference for informal and digital sources over professional financial guidance.

**Table 3 -** What percentage of your income do you currently allocate for tax-saving investment?

Sq.no	currently, allocated for tax-saving investment	Frequency	%
1	Below 10%	80	80
2	10-20%	10	10
3	20-30%	10	10
4	Above 30%	0	0

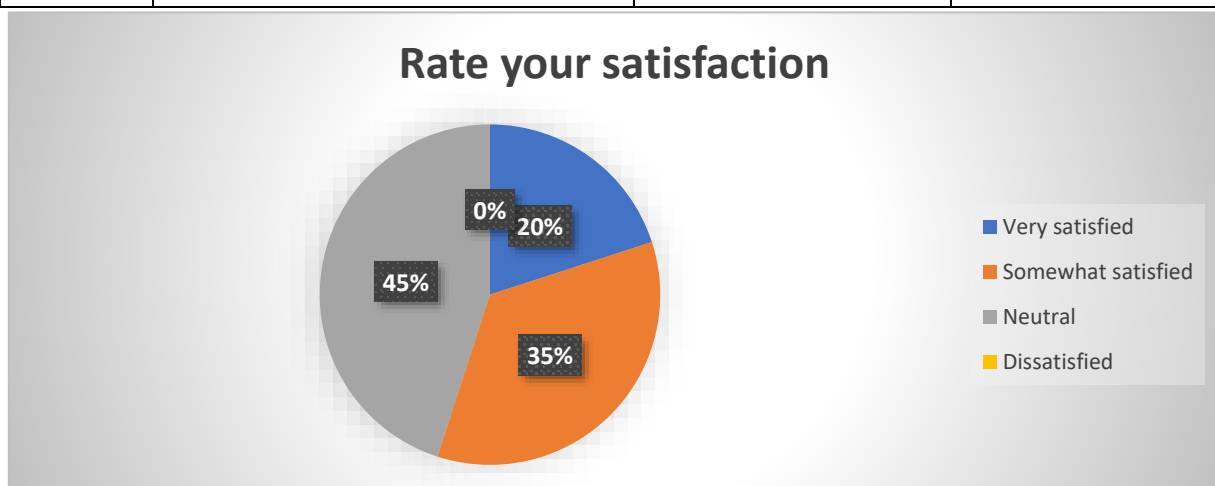


**Graph No-3**

The data reveals the current tax-saving investment behavior of individuals. A significant majority, 80%, allocate below 10% of their income toward tax-saving investments. This indicates a low inclination or awareness towards tax-saving opportunities among most respondents. Meanwhile, 10% of respondents invest between 10–20%, and another 10% allocate between 20–30%. Notably, no respondents invest more than 30% of their income for tax-saving purposes.

**Table 4- How would you rate your satisfaction with the new tax regime?**

Sq.no	rate your satisfaction	Frequency	%
1	Very satisfied	20	20
2	Somewhat satisfied	35	35
3	Neutral	45	45
4	Dissatisfied	0	0

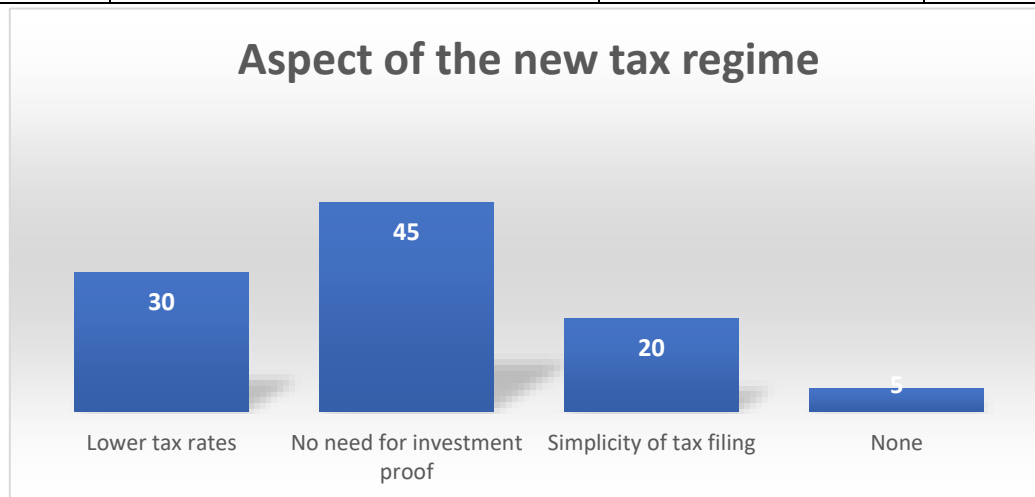


**Graph No-4**

The data shows that the majority of respondents (45%) feel neutral about their satisfaction level. A significant portion (35%) are somewhat satisfied, while only 20% are very satisfied. none of the respondents reported being dissatisfied. This suggests a generally moderate to positive satisfaction level among participants, with room for improvement to shift more respondents from neutral to satisfied categories.

**Table 5** What aspect of the new tax regime do you find most appealing?

Sq.no	Aspect of the new tax regime	Frequency	%
1	Lower tax rates	30	30
2	No need for investment proof	45	45
3	Simplicity of tax filing	20	20
4	None	5	5

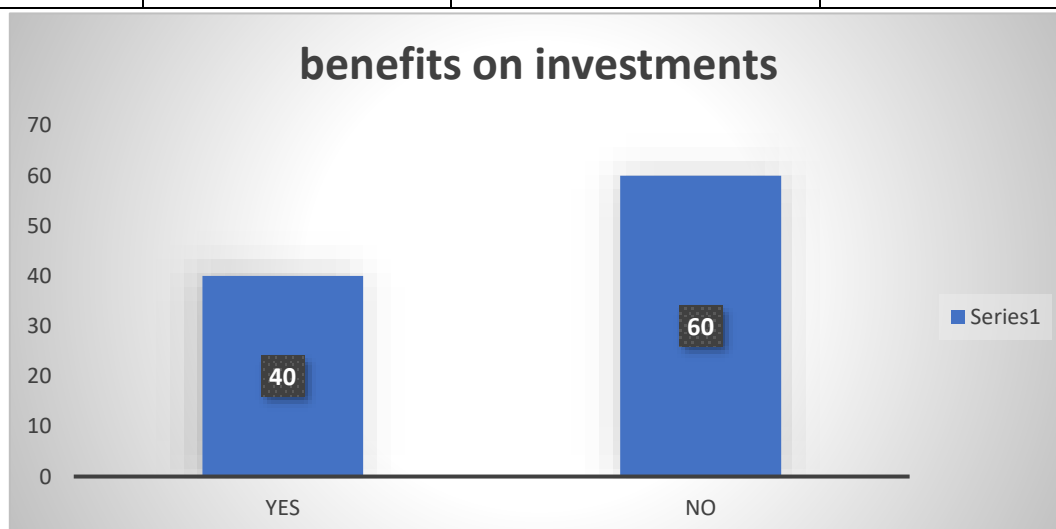


**Graph No-5**

The survey reveals that the majority of respondents (45%) prefer the new tax regime due to the elimination of the need for investment proof, indicating a preference for ease and flexibility. 30% favor the lower tax rates, showing that tax savings are also a significant factor. 20% appreciate the simplicity of tax filing, suggesting that a streamlined process is valued. Only 5% of respondents did not find any specific aspect favorable, indicating that the new tax regime is generally well-received.

**Table -6** Would you support government initiatives to provide tax benefits on investments under the new income tax regime?

Sq.no	benefits on investments	Frequency	%
1	Yes	40	40
2	No	60	60



**Graph no- 6**

The data shows that 60% of respondents do not perceive benefits on investments, while 40% believe they do. This indicates a general lack of confidence or awareness among the majority regarding investment benefits, suggesting a need for better financial education or clearer communication on investment returns

## 6. FINDING

- A significant portion of respondents are still unaware or confused about the benefits and drawbacks of the new income tax regime.
- Taxpayers with higher investments in deductions and exemptions tend to prefer the old regime due to the better tax-saving opportunities.
- Salaried individuals with limited deductions are more inclined to opt for the new regime for its simplicity and lower tax rates.
- There is a lack of proper awareness and guidance among taxpayers, which often results in suboptimal regime selection.
- Many respondents indicated a need for better clarity and comparative tools to help make informed tax decisions.

## 7. CONCLUSION

The new income tax regime introduced by the Government of India aims to simplify the tax system by offering lower tax rates with no exemptions. However, the research indicates mixed reactions from taxpayers, primarily due to a lack of awareness and the perceived benefit of deductions under the old regime. The study concludes that while the new regime may benefit certain categories of taxpayers—especially those with fewer investments and deductions—the old regime remains favorable for individuals who strategically plan their investments. For effective implementation, greater awareness and education about both regimes are essential to help taxpayers make informed choices aligned with their financial goals.

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