



A STUDY ON OPTIONAL TAX REGIME AND ITS RELEVENCE IN THE PRESENT SCENARIO.

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ABSTRACT:

Taxation policies revised every year to provide simplified version of tax structure for every Indian tax payer. In union budget it was decided to give new optional tax system to individual assesses. This paper covers new optional tax system, comparison with old tax structure, relevance of optional tax in the present situation. Objective of this paper includes understanding tax payer's mindset while approaching optional tax, creating awareness among tax payer about new regime, shortcomings of optional tax and its impact in coming financial year. For this purpose data is collected primarily with the help of questionnaire and various research paper and journals are reviewed to give better analysis. Findings of this paper includes respondents believe that people will follow old tax structure since in new tax regime there is no deductions to avail. However most of respondents agreed that new scheme is better compared to old as it is entirely depends on the level of income and level of investment of respective individual. Overall one can say that if you sideline the few limitations of new tax scheme it is the right step forward of becoming key tax reform in the recent history.

Keywords: Optional tax regime, Indian tax payer, Old tax structure, Relevance.

INTRODUCTION:

Tax regime is always a questionable aspect in the eyes of many. In India we have two types of taxes. Direct and indirect tax. The purpose of our tax system is to generate revenues and to bring one organized structure which eliminates illegal dealings. The union budget recently gave Indian tax payer an optional tax regime under that one can choose between new and old tax regime. New tax structure simplifies the tax calculations as tax slabs are reduced as compared to old system and fixed rate of tax is assigned to each slabs. New scheme is beneficial for all those tax payers who do not have any investments because seventy deductions are removed from it from section 80C to 80 U. New tax regime is introduced for individuals and HUF. Government may suffer huge amount of loss because of new structure of tax but it can always recover from some other source. When GST was introduced in 2017 there was a panic among the people as various items are categorized into different categories. Slowly but surely it proves to be the right measure taken by the government to avoid tax on taxes. Same goes with the optional tax regime, it depends on individual tax payer to make a decision which system to adopt. If he wants to claim as many deductions as possible then the old system is most suited, however there is high tax rates and rebate under section 87A will continue under both the scheme. Tax planning is essential but new simplified version tax gives very less scope for it. Tax payers are very keen on reducing taxes so they may not opt new system. One of the benefits of new tax structure is you need not require assistance from external

person to calculate tax liability. Government introduced this optional system on trail basis starting from upcoming financial year. If it is found successful, they may make it compulsory. New tax regime assures simplification of tax but in reality it makes complicated tax system even more complicated. However it is right step forward seeing lot of changes taking place in the economy, we need to wait for some more years to get clear cut conclusion.

LITERATURE REVIEW:

S.M Alagappan(2019) stated taxation is an instrumental tool to procure resources for the government to enable it to formulate policy schemes for the overall development of the economy.

Artan nimani(2015) discovered that taxes have fundamental role in the construction of the business reforms and strategy and as such is essential to the overall climate for doing the business.

Monika sehrawat(2015) believes that comprehensive tax system is the one that will subsume all indirect taxes of the state and central government and unified economy into a seamless national market. She also states GST is expected to iron out wrinkles from the indirect tax system and plays a vital role in growth of India.

Mukesh kumar (2014) argues that with the Advancement of technology and use of internet in the financial and fiscal affairs globally has necessitated the e- filling of income tax and also discussed the role of intermediaries with the government to overcome the problems relating to e- filling of tax.

Yan chengliang(2009) stated structure of taxation and government expenditures could effect on households labor-leisure choice, saving consumption choice and proportion of government expenditure to GDP.

Lokesh gautham(2013) says tax planning is essential because it is an important aspect of financial planning. It is done by legitimately taking advantage of all tax exemptions, deductions, rebates and allowances while ensuring that your investments are in line with long-term goal.

William G. Gale(2016) stated changes to the individual income tax affect long-term economic growth and structure and financing of a tax change are critical for achieving economic growth since tax rate cuts may encourage the individual to work, save and invest more.

LITERATURE SUMMARY RESEARCH GAP:

From the review of literature it was found that there were many researches done on taxation systems such as direct tax, indirect tax, GST, tax reforms, tax payer's perspectives and future prospects in tax etc. So far researcher has reviewed many research articles on the proposed topic. However there is very seldom research is on the topic "A study on optional tax regime and its relevance in the present scenario". Therefore researcher found research gap in this field. Therefore it could be stated that proposed field of study is under-researched area.

OBJECTIVE OF THE STUDY:

1. To make comparison between old and new tax regime
2. To understand the Indian tax payers mindset while selecting the tax regime
3. To study the influence of optional tax regime in coming financial year
4. To create awareness among tax payer about the newly introduced optional tax regime.
5. To evaluate the shortcoming of optional tax system.

SCOPE OF THE STUDY

Impact of changes in taxation policies cannot be ignored. New optional tax system will enable the Indian tax payer to choose between two that is new and old system and to minimize his tax liabilities. In coming years we may see further advancement in tax slabs which are at present simplified for individual assessment. Taxation is wider in aspect and always subject to addition of new clauses and removal of the existing ones.

RESEARCH METHODOLOGY

This research paper gives you an idea about optional tax system and for this purpose data is collected from both primary and secondary sources. Questionnaire was given to the respondents to get their response. Secondary data is taken from various websites, magazines and newspaper. Many research papers have been analyzed on this topic for better presentation of study. Study is purely based on self analysis and it gives clear picture of optional tax regime and its relevance in the present scenario.

SAMPLE SIZE AND SAMPLING METHOD:

Sample size taken for the study is 36 and convenience sampling method was used.

DATA ANALYSIS:

Analysis and interpretation are central steps in the research process. It involves breaking down existing complex factors into simple parts and the parts together in new arrangements for the purpose of interpretation. Thus, the goal of analysis is to summarize the collected data in such a way that they provide answer to the questions that triggered the research.

Table No- 1: Gender wise distribution of respondents:

Gender	No of respondent	Percentage
Male	18	50
Female	18	50
Total	36	100

Interpretation: Above analysis indicate respondents were equally distributed.

Table No-2: Age wise distribution of respondents:

Age group	No of respondents	Percentage
Less than 18	0	0
18 to 29	29	80.6
30 and above	7	19.4
Total	36	100

Interpretation: Above analysis clearly indicate majority of the population belong to the age group 18 to 29 years.

Table No -3: Educational Qualification:

Educational qualification	Respondents	Percentage
Up to PUC	0	0
Graduate	8	22.2
Post graduate	28	77.8
Other	0	0
Total	36	100

Interpretation: All the respondents are highly qualified

Table No -4: Occupation:

Occupation	Respondents	Percentage
Salaried	16	44.4
Professional	5	13.9
Student	15	41.7
Total	36	100

Interpretation: Above analysis clearly indicate majority of the respondents were salaried employees.

Table No – 5: Level of Income

Income level	Respondents	Percentage
Below 250000	24	66.7
250000-500000	10	27.8
500000-1000000	0	0
1000000-1500000	2	5.5
More than 1500000	0	0
Total	36	100

Interpretation: Above analysis clearly states majority of the respondents belong to the lower and middle income group.

Table No – 6: Necessity of tax planning before paying tax.

Tax planning	Respondents	Percentage
Yes	34	94.4
No	0	0
Not sure	2	5.6
Total	36	100

Interpretation: From the above analysis we can conclude that tax planning is essential before paying the tax.

Table No - 7: Exclusion of deductions from new scheme will put compulsion to follow old scheme.

Perception	Respondents	Percentage
Strongly agree	7	19.4
Agree	18	50
Neutral	9	25
Disagree	1	2.8
Strongly Disagree	1	2.8
Total	36	100

Interpretation: from the above table it is clear that 19.4% of the respondents strongly believe that old system of tax will be followed as a result of exclusion of exemption from new tax system where as 50% agrees to it, 25% of respondents were not sure and 2 respondents disagree with the statement.

Table No: 8: Tax slabs are shortened in order to simplify tax system.

Perception	Respondents	Percentage
Yes	26	72.2
No	3	8.3
Not sure	7	19.4
Total	36	100

Interpretation: above table clearly indicates majority of the respondent's agrees with the fact tax slabs are shortened to simplify the tax system.

Table No- 9: Tax evasion is common in India as there are no rules and regulations.

Perception	Respondents	Percentage
Strongly agree	8	22.2
Agree	16	44.4
Neutral	6	16.7
Disagree	3	8.3
Strongly Disagree	3	8.3
Total	36	100

Interpretation: Above table indicates majority of the respondents agrees that tax evasion is common in India while 16.7% of them are not sure about it.

Table No -10: Rebate under section 87A often leads to mis- statement of tax slab up to 5 lakh as nil instead of 2.5 lakh to 5lakh as 5%

Perception	Respondents	Percentage
True	24	66.7
False	12	33.3
Total	36	100

Interpretation: It is clear from the above table Rebate under Section 87A leads to mis- statement of tax slab up to 5 lakh as nil since 66.7% of respondents agree with it.

Table no -11: Do you disclose your income as it is or you show less to reduce tax.

View point	Respondents	Percentage
Always as it is	18	50
Always less	2	5.6
Some times as it is Sometimes less	8	22.2
Can't say	8	22.2
Total	36	100

Interpretation: Above table indicates 50% of the respondents disclose the income as it is 22.2% of the respondents were not ready to disclose the facts, 5.6% always manipulates accounts and rest were of the two mindset.

Table No – 12: Better tax regime

Tax Regime	Respondents	Percentage
Old tax regime	12	33.3
New optional tax Regime	24	66.7
Total	36	100

Interpretation: Above table clearly indicates new tax system is better compared to old tax system.

Table No- 13: Reasons for changes in tax slabs

Reasons	Respondents	Percentage
Revenue generation	15	41.7
Reduce corrupt activities	19	52.8
Influence from other country's tax system	6	16.7
It is the need of an hour	8	22.2

Interpretation: From the above table it is clear that most of the respondents believe revenue generation and to reduce corruption is the main reason behind changes in the tax slabs.

Table No- 14: Complication in tax calculation is a never ending process, so optional tax regime makes calculation more complicated than before.

Perception	Respondents	Percentage
Strongly agree	4	11.1
Agree	18	50
Neutral	12	33.33
Disagree	1	2.8
Strongly disagree	1	2.8
Total	36	100

Interpretation: more than half of the respondents believe that new optional tax regime makes the tax calculation even more difficult.

Table No 15: Filing of Income tax returns

Mode	Respondents	Percentage
individually through self assessment	20	55.6
taking external help from CA and other financial consultant	16	44.4
Total	36	100

Interpretation: Above table indicates 55.6% of the respondents prefer self assessment while paying income tax returns.

Table No – 16: Payment of taxes within a prescribed due date.

View point	Respondents	Percentage
Always	29	80.6
Sometimes	7	19.4
Total	36	100

Interpretation: Majority of the respondent pay taxes within a prescribed due date.

Table No – 17: Cost of the items increased since the introduction of GST, if Inflation impact is ignored

Perceptions	Respondents	Percentage
Strongly agree	7	19.4
Agree	11	30.6
Neutral	13	36.1
Disagree	4	11.1
Strongly disagree	1	2.8
Total	36	100

Interpretation: From the above table it is clear that 36.1% of respondents were not sure that GST leads to increasing price where as 30.6% believes GST is one of the reasons for price hike and 19.4% strongly agrees with the statement.

Table No – 18: In coming year's government will remove optional tax system and makes it compulsory with fixed slab rates and no deductions to avail.

View point	Respondents	Percentage
Definitely	9	25
Never	4	11.1
Not sure	23	63.9
Total	36	100

Interpretation: It is clear from the above table that majority of the respondents were not sure that government will remove optional tax system in coming years.

Table no – 19: Awareness program among the masses are required for any tax policy to succeed

Perception	Respondents	Percentage
Yes	30	83.33
No	0	0
May be	6	16.67
Total	36	100

Interpretation: Most of the respondent believes that awareness program is required for tax policy to succeed.

Table No – 20: Most effective method of filling returns

Method	Respondent	Percentage
Manual	4	11.1
E filling	32	88.9
Total	36	100

Interpretation: It is clear from the above table that majority of the respondents prefer E- filling over Manual Filling of income tax.

Table No – 21: Penalty for nonpayment of tax is too liberal in India

Perception	Respondents	Percentage
Strongly agree	11	30.6
Agree	14	38.9
Neutral	9	25
Disagree	1	2.8
Strongly disagree	1	2.8
Total	36	100

Interpretation: Nearly 70% of the respondents believe that there is a lack of strict rules for Nonpayment of tax.

Table No- 22: Most of the tax payers complain that their money is not used by the government for right purposes.

Perception	Respondents	Percentage
Strongly agree	11	30.6
Agree	13	36.1
Neutral	9	25
Disagree	3	8.3
Strongly disagree	0	0
Total	36	100

Interpretation: Majority of the respondents believe that revenue generated from tax is not properly utilized by the government for right purpose.

Table No – 23: Who suffer most as per the new optional tax regime

Group	Respondent	Percentage
Middle income group	16	44.4
High income Group	13	36.2
Everyone who pays tax	7	19.4
Total	36	100

Interpretation: It is clear from the above table middle income group suffers most because of optional tax system.

FINDINGS:

1. Respondents were equally distributed.
2. Majority of the population belong to the age group 18 to 29 years.
3. All the respondents are highly qualified.
4. Majority of the respondents were salaried employees.
5. Majority of the respondents belong to the lower and middle income group.
6. Tax planning is essential before paying the tax.
7. Respondents strongly believe that old system of tax will be followed as a result of exclusion of exemption from new tax system.
8. Majority of the respondent's agrees with the fact tax slabs are shortened to simplify the tax system.
9. Majority of the respondents agrees that tax evasion is common in India.
10. Rebate under Section 87A leads to mis- statement of tax slab up to 5 lakh as nil since majority of the respondent agrees to it.
11. Majority of the respondent disclose the income as it is at the time of payment of tax.
12. New tax system is better compared to old tax system.
13. Most of the respondents believe revenue generation and to reduce corruption is the main reason behind changes in the tax slabs.
14. More than half of the respondents believe that new optional tax regime makes the tax calculation even more difficult.
15. Respondents prefer self assessment while paying income tax returns.
16. Majority of the respondent pay taxes within a prescribed due date.

17. Respondents were not sure that GST leads to increasing price.
18. Majority of the respondents were not sure that government will remove optional tax system in coming years.
19. Most of the respondent believes that awareness program is required for tax policy to succeed.
20. Majority of the respondents prefer E- filling over Manual Filling of income tax.
21. Respondents believe that there is a lack of strict rules for nonpayment of tax.
22. Majority of the respondents believe that revenue generated from tax is not properly utilized by the government for right purpose.
23. Middle income group suffers most because of optional tax system.

SUGESSTIONS:

1. Government must create awareness programs before bringing changes in the tax slabs.
2. Funds raised by the government must be used for productive purposes then more people will pay taxes on time.
3. Tax reforms are subject to changes however it is better to not alter tax slabs every year.
4. Instead of giving choice to the Indian taxpayer to choose between the systems it is better to create one stable tax system for payment of taxes.

LIMITATIONS:

1. Data is collected with the help of questionnaire as it lacks detailed insight of the problems.
2. Sample size taken for the study is 36 respondents which basically not large in numbers
3. The perception of individual differs from one another so which may result in lacking accuracy in data.
4. Conclusions and suggestions are given strictly based on responses and self analysis.

CONCLUSION:

New optional tax system comes up with simplified tax slabs and no deductions to get the benefits under the scheme. Changes that have taken place in the tax slabs are appreciable considering how middle income groups suffered in the recent years. Government makes it optional so that even higher income group also can get the benefit. However it entirely depends on individual which system he is going to adopt subject to his level of investment, level of income etc. Government is expected to suffer huge amount of losses that it can always recover through some other means. It will be interesting to see whether Indian tax payer will move in the new direction or else stick with the same old structure.

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