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SECTION 115BAC OF INCOME TAX AND ITS RELEVANCE IN THE CURRENT SCENARIO

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ABSTRACT:

Every year, tax laws are updated to create a more straightforward tax system for every Indian taxpayer. It was determined to provide new voluntary taxation to individual assesses in the union budget under section 115BAC of income tax act 1961. This essay discusses the new optional tax system, a comparison to the previous tax system, and the applicability of optional tax in the current context. Understanding tax payers' attitudes towards optional tax and educating them about the new regime, the drawbacks of optional tax, and its implications for the upcoming fiscal year are among the objectives of this research. Data is generally gathered through questionnaires for this purpose, and various research papers and journals are read to provide better analysis. According to survey results, individuals will continue to use the old tax system because there are no deductions available under the new tax law. However, the majority of respondents concurred that the new plan is superior to the previous one since it is completely dependent on the degree of income and investment of the individual. Overall, it can be said that, if you set aside a few of the new tax scheme's flaws, it is the correct step towards becoming a significant tax reform in recent memory.

Keywords: Section 115 BAC Optional tax regime, Old tax structure, Relevance.

1. INTRODUCTION:

Many people constantly view the tax system as being suspect. There are two different tax categories in India. taxes, both direct and indirect. Our tax system's goals are to raise funds and provide an organised framework that discourages illicit activity. Indian taxpayers now have a choice between the new and the old tax regimes according to the 2017 Union budget. The new tax structure makes tax computations easier since the number of tax slabs is smaller than under the previous system and each slab is allocated a set rate of tax. The new plan is advantageous for all taxpayers who do not have any assets since it moves 70 deductions from section 80C to 80U. There is a new tax system in place for both individuals as well as HUF. The new tax system may lead the government to lose a significant amount of money, but it will always be able to make up for it. People trembled when GST was implemented in 2017 because different things are divided into different categories. It gradually becomes clear that the government's approach of avoiding tax on tax is the best one. The same is true of the optional tax regime; the choice of which system to use is up to each individual tax payer. The old system is best suited if he wants to claim as many deductions as possible, but both schemes will continue to provide the high tax rates and section 87A refund. Tax planning is crucial, but the new, more streamlined tax law offers very little room for it. Taxpayers are eager to lower taxes, therefore they might not choose a new system. One advantage of the new tax system is that you don't need outside help. The old system is best suited if he wants to take advantage of as many deductions as possible; nonetheless, both schemes will continue to provide the section 87A refund and high tax rates. Although tax preparation is important, the new, more streamlined tax system offers very little room for it. Taxpayers may not choose a new system since they are so eager to reduce taxes. One advantage of the new tax system is that you don't need an outside source to help you figure out your tax obligations. Beginning with the forthcoming fiscal year, the government trialled this optional arrangement. They could make it mandatory if it proves to be successful. The introduction of a new tax regime promises tax simplicity, but in practise it just complicates an already complex tax

structure. Despite the fact that it is a good step forward given the numerous economic developments now underway, we must still wait a few more years before drawing any firm conclusions.

2. REVIEW OF LITERATURE

- The amount of money collected from various taxes during a four-year period was identified by *Nishant Gauge and Katdare (2015)* in their work "Indian Tax Structure - An Analytical Perspective." According to his research, indirect tax revenue is almost twice as large as direct tax revenue. According to his research, the government need to prioritise structural rather than policy improvements.

- *Sherline T.I (2016)* In the study paper "Indian Tax Structure and Relevance of GST," the fundamental tax system in India and the application of GST were investigated. This study demonstrated that the effects of cascading tax revenues on businesses in the economy vary, with a disproportionately high cost falling on those who do not get full offsets.

- **Pramod Kumar Pandey (2017)** undertook a research to assess the effects of both direct and indirect taxes on India's economic growth, titled "The Impact of Indian Taxation System on its Economic Growth." The analysis shows that the Central Board of Direct Taxes and the Central Board of Excise and Customs are not coordinated, and it is thus imperative that these two agencies be combined into one.

3. RESEARCH GAP:

The examination of the literature revealed that several studies on taxation systems, including direct tax, indirect tax, GST, tax reforms, the views of taxpayers, and potential developments in the field of taxes, had been conducted. The researcher has currently read a large number of research publications on the suggested topic. However, research on the subject of "A study on optional tax regime and its relevance in the current scenario" is extremely rare. As a result, the researcher discovered a research deficit in this area. As a result, it may be said that the proposed topic of study is an area that needs more investigation.

4. RESEARCH DESIGN:

1. OBJECTIVE OF THE STUDY:

- To compare the previous and new tax regimes.
- To comprehend how Indian taxpayers choose their tax system.
- To research how the optional tax system may affect the upcoming fiscal year.
- To inform taxpaying citizens about the recently implemented voluntary tax regime.
- To assess the shortcomings of the system of optional taxes.

5. RESEARCH METHODOLOGY:

- **Primary Data:** The primary data of this research has been collected through a well-structured questionnaire, from the salaried individuals of Mumbai region

- **Sampling Method:** Convenience Sampling

- **Sample Size:** 50

- **Statistical Tool:** Percentage, Descriptive Analysis by Using SPSS Software

- **Data Collection Tool:** Questionnaire

- **Secondary Data:** the data is referred from available books, magazine, journals and internet

6. COMPARISON OF THE NEW AND OPTIONAL TAX REGIME VIS-À-VIS THE EXISTING TAX REGIME

Table 4.1: A Comparative Summary of Income Tax Slab Rates Under The New And Existing

Income Range	Rates as per Old Regime	Rates as per New Regime (up to AY 2023-24)
Up to INR 2,50,000	Nil	Nil
INR 2,50,001 – 5,00,000	5%	5%
INR 5,00,001 – 7,50,000	20%	10%
INR 7,50,001 – 10,00,000	20%	15%
INR 10,00,001 – 12,50,000	30%	20%
INR 12,50,001 – 15,00,000	30%	25%
Above INR 15,00,000	30%	30%

Income Tax Regime

According to Table 4.1, the new tax regime offers a distinct set of income tax slab rates. However, both tax systems have the same basic exemption cap of Rs. 2,50,000 and tax rate of 5% for the income bracket of Rs. 2,50,001 to Rs. 5,00,000. In contrast to the old tax structure's four income slabs, the new tax system contains seven income levels with various tax rates. The top income bracket under the current tax system is 10 lacs and above, however it is 15 lacs under the new tax system. Additionally, both situations have a maximum tax rate of 30%. In both situations, the tax system is progressive.

7. DATA ANALYSIS:

Table 5.1 : Demographics

		Frequency	Percent	Cumulative Percent
Age	18-29	8	16.0	16.0
	30 and above	42	84.0	100.0
	Total	50	100.0	
Gender	Male	22	44.0	44.0
	Female	28	56.0	100.0
	Total	50	100.0	
Education Qualification	HSC	2	4.0	4.0
	Graduate	14	28.0	32.0
	PG	34	68.0	100.0
	Total	50	100.0	
Occupation	Salaried	44	88.0	88.0
	Professional	6	12.0	100.0
	Total	50	100.0	

Inference: The sample was divided into two gender categories, i.e., male and female. In the gender category, the results show that the majority of respondents are Female (56%), followed by male (44%). As per the age of the respondents, they were categorised into two categories: 18–29 years and 30 years and older. The majority of taxpayers were between the ages of 30 and 64 (84%). Education qualifications among respondents fall into mainly three categories, such as HSC (4%) followed by graduate education (28%), and most of the respondents fall under the PG category (68%). Occupation-wise, respondents were divided into two types: salaried (88%), and professionals (12%).

Table 5.2. Do you think there is Necessity of tax planning before paying tax

		Do you think there is Necessity of tax planning before paying tax			Total
		Yes	No	Maybe	
Occupation	Salaried	36	4	4	44
	Professional	6	0	0	6
Total		42	4	4	50

Inference: According to the above frequency analysis, the majority of respondents are salaried, and they believe that proper planning is essential before paying taxes.

Table 5.3. Do you think Exclusion of deductions from new scheme will put compulsion to follow old scheme.

		Do you think Exclusion of deductions from new scheme will put compulsion to follow old scheme.				Total
		Disagree	Neutral	Agree	Strongly Agree	
Occupation	Salaried	2	16	16	10	44
	Professional	0	2	2	2	6
Total		2	18	18	12	50

Inference: According to the above frequency analysis, 10 salaried respondents out of 44 salaried respondents firmly think that the old tax system will be followed as a result of the elimination of exemption from the new tax system, while 16 salaried respondents agree, 16 salaried respondents are unsure, and 2 disagree with the statement.

Table 5.4 : Tax evasion is common in India as there are no rules and regulations.

		Tax evasion is common in India as there are no rules and regulations.				Total
		Disagree	Neutral	Agree	Strongly Agree	
Occupation	Salaried	8	12	14	10	44
	Professional	2	0	4	0	6
Total		10	12	18	10	50

Inference: According to the above frequency analysis, 10 salaried respondents out of 44 salaried respondents firmly think that tax evasion is common in India, while 14 salaried respondents agree, 12 salaried respondents are unsure, and 8 disagree with the statement.

Table 5.5:- Do you disclose your income as it is or you show less to reduce tax.

		Do you disclose your income as it is or you show less to reduce tax.				Total
		Always	Always Less	Sometimes	Can't Say	
Occupation	Salaried	24	8	8	4	44
	Professional	4	2	0	0	6
Total		28	10	8	4	50

Inference: According to the above frequency analysis, 24 salaried respondents out of 44 salaried respondents always disclose the income as it is 8 respondent out of the 44 respondents were not ready to disclose the facts, rest were of the two mindsets.

Table 5.6:- As per your opinion which is the Better tax regime

		As per your opinion which is the Better tax regime		Total
		Old tax	New Tax	
Occupation	Salaried	20	24	44
	Professional	2	4	6
Total		22	28	50

Inference: According to the above frequency analysis, 24 salaried respondents out of 44 salaried respondents finds New Tax regime is better than Old tax regime.

Table 5.7 :- Complication in tax calculation is a never ending process, so optional tax regime makes calculation more complicated than before.

		Complication in tax calculation is a never-ending process, so optional tax regime makes calculation more complicated than before.				Total
		Disagree	Neutral	Agree	Strongly Agree	
Occupation	Salaried	2	12	20	10	44
	Professional	2	2	2	0	6
Total		4	14	22	10	50

Inference: According to the above frequency analysis, 10 salaried respondents out of 44 salaried respondents finds that more than half respondents believe that new optional tax regime makes the tax calculation even more difficult.

Table 5.8:- Do you think Cost of the items increased since the introduction of GST, if Inflation impact is ignored

		Do you think Cost of the items increased since the introduction of GST, if Inflation impact is ignored				Total
		Disagree	Neutral	Agree	Strongly Agree	
Occupation	Salaried	4	6	22	12	44
	Professional	2	2	0	2	6
Total		6	8	22	14	50

Inference: According to the above frequency analysis, 12 salaried respondents out of 44 salaried respondents firmly believes that GST is one of the reasons for price hike and 22 agrees with the statement. 6 salaried respondents are unsure, and 4 disagree with the statement.

Table 5.9 :- In coming year's government will remove optional tax system and makes it compulsory with fixed slab rates and no deductions to avail

		In coming year's government will remove optional tax system and makes it compulsory with fixed slab rates and no deductions to avail			Total
		Definitely	Never	Not Sure	
Occupation	Salaried	16	6	22	44
	Professional	2	0	4	6
Total		18	6	26	50

Inference: According to the above frequency analysis, 22 salaried respondents out of 44 salaried respondents and 4 Professional respondent out of 6 were not sure that government will remove optional tax system in coming years.

Table 5.10 :- As per your opinion Penalty for non-payment of tax is too liberal in India

		As per your opinion Penalty for non-payment of tax is too liberal in India				Total
		Strongly Disagree	Neutral	Agree	Strongly Agree	
Occupation	Salaried	2	8	22	12	44
	Professional	0	0	6	0	6
Total		2	8	28	12	50

Inference: According to the above frequency analysis, nearly 54% of the respondents believe that there is a lack of strict rules for Non-payment of tax.

Table 5.11:- Most of the tax payers complain that their money is not used by the government for right purposes.

		Most of the tax payers complain that their money is not used by the government for right purposes.				Total
		Disagree	Neutral	Agree	Strongly Agree	
Occupation	Salaried	2	14	16	12	44
	Professional	2	0	2	2	6
Total		4	14	18	14	50

Inference: According to the above frequency analysis, Majority of the respondents believe that revenue generated from tax is not properly utilized by the government for right purpose.

Table 5.12: - According to you Who suffer the most as per the new optional tax regime

		According to you Who suffer the most as per the new optional tax regime		Total
		Middle	Everyone	
Occupation	Salaried	34	10	44
	Professional	4	2	6
Total		38	12	50

Inference: According to the above frequency analysis, middle income group suffers most because of optional tax system.

8. FINDINGS:

- The demographic information gathered demonstrates that the respondents are highly competent, with the bulk of them being salaried workers in the 30+ age group earning incomes that fall into the lower and middle income ranges.
- Due to the removal of exemption from the new tax system, respondents firmly think that the previous tax system would be continued.
- The majority of respondents concur that the new tax system is preferable to the old tax system since the tax system has been made simpler by shortening tax slabs.
- A majority of respondents (more than half) think that the new optional tax framework makes calculating taxes even more challenging.
- A large percentage of respondents weren't certain whether the government will abolish the optional tax system in the upcoming years.
- The majority of respondents think that a successful awareness campaign is essential for effective tax policy.
- The majority of respondents favour electronic filing of income taxes over manual filing.
- The respondents think that there aren't many strong laws against failing to pay taxes.

- The majority of respondents think that the government doesn't use tax money in the correct way or for the right purposes.
- Middle-income groups are the most harmed by the optional tax system

9. SUGGESTION:

- Before changing the tax slabs, the government must develop awareness campaigns.
- The government's tax revenue must be put to good use so that more individuals will pay their taxes on time.
- Tax reforms can vary, but it's best to avoid changing tax slabs on an annual basis.
- It is preferable to construct a reliable tax system for the collection of taxes rather than offering the Indian taxpayer the option to pick between several systems.

10. LIMITATIONS:

- Because it doesn't provide a thorough understanding of the issues, data are gathered through questionnaires.
- The study's sample size was 50 responders, which is rather small.
- Because people perceive things differently from one another, data may not be as accurate as they should be.

11. CONCLUSION:

With reduced tax slabs and no deductions required to get programme benefits, a new voluntary tax system has been introduced. The tax slabs have undergone some welcome changes, especially in light of the recent hardships experienced by middle income groups. The government has made it voluntary so that even groups with higher incomes can benefit. The strategy a person chooses to use, however, will totally depend on his degree of investment, level of income, and other factors. The government is anticipated to suffer enormous losses, which it can always make up for in other ways. It would be fascinating to watch if Indian tax payers adopt the new strategy or remain with the current one.

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