

**IMPACT OF THE NEW INCOME TAX REGIME ON FIRST-TIME TAXPAYERS IN NAVI MUMBAI AREA****Sanjay Kalicharan Gupta and Seema Sharad Chaudhary**

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**ABSTRACT**

*This paper analyses the impact of the New Income Tax Regime (Section 115BAC and subsequent Budget/Finance Act revisions) on first-time taxpayers in the Navi Mumbai area, using only secondary data. The study examines statutory changes and rules under the new regime, recent policy updates (including the Government of India's decision to make the new regime the default option), developments in e-filing and rebates and their implications for financial planning, saving habits, and working patterns of first-time taxpayers.*

*The study compares the new and old tax regimes in terms of tax rates, exemptions and deductions, rebate thresholds, and compliance requirements. It also reviews government rules and digital compliance reforms, including enhancements to the Income Tax e-filing portal and faceless assessment mechanisms. Secondary evidence indicates that the new tax regime simplifies compliance, increases disposable income for many first-time salaried taxpayers, and aligns well with digitally enabled filing behavior—thereby encouraging voluntary e-return filing and reducing compliance costs—while limiting the use of traditional tax-saving instruments. To achieve long-term financial benefits, the paper argues that first-time taxpayers should complement immediate tax savings with structured financial planning, and that policymakers should combine tax simplification with targeted financial literacy initiatives.*

**Keywords:** *New Income Tax Regime, First-Time Taxpayers, Navi Mumbai, Section 115BAC, E-Filing, Financial Planning, Tax Reform*

**1. INTRODUCTION**

Income tax policy significantly influences disposable income, saving and investment behavior, and compliance attitudes, particularly among first-time taxpayers entering the formal tax system. Filing an Income Tax Return (ITR) for the first time often involves challenges such as lack of awareness, procedural complexity, and fear of non-compliance. To address these issues, the Government of India introduced the New Income Tax Regime (NTR) under Section 115BAC, aiming to simplify tax computation by offering lower tax rates with minimal exemptions and deductions.

Recent Finance Act and Budget revisions have enhanced the attractiveness of the new regime, and the government has made it the default tax regime, subject to an opt-out option. This policy shift has a direct impact on first-time taxpayers' compliance behavior and decision-making. Navi Mumbai, being a rapidly growing urban area with a large number of newly employed professionals, entrepreneurs, and gig workers, provides a suitable context to examine the effects of the new tax regime on first-time taxpayers.

**2. REVIEW OF LITERATURE**

1. Several studies, government reports, and policy analyses have examined the impact of income tax reforms, simplification of tax structures, and digitalization of tax administration in India. However, limited literature specifically focuses on first-time taxpayers, particularly at a local or regional level such as Navi Mumbai. The existing literature relevant to the present study is reviewed below.
2. Government publications by the Income Tax Department of India highlight that the introduction of the New Income Tax Regime under Section 115BAC was aimed at simplifying tax compliance by offering lower tax rates with fewer exemptions and deductions. Official reports emphasize that making the new regime the default option reduces decision complexity and encourages voluntary tax compliance, especially among new entrants to the tax system. These publications also underline the role of enhanced rebates and standard deductions in increasing disposable income for salaried taxpayers.
3. Studies published on reputed tax advisory platforms such as Clear tax and Policy bazaar analyses the comparative advantages of the old and new tax regimes. These studies conclude that taxpayers with limited investments in tax-saving instruments often benefit more from the new regime due to its lower slab rates and

simplified structure. The literature also notes that while the old regime encourages tax-driven savings, the new regime promotes cash-flow-based financial planning, which is more suitable for first-time taxpayers in the early stages of their careers.

4. Research articles and policy notes discussed in financial journals indicate that tax simplification positively influences taxpayer behavior. Scholars argue that complexity in tax laws discourages compliance among first-time filers, whereas a simplified tax structure improves return filing rates and reduces dependency on tax professionals. This observation is particularly relevant for digitally literate taxpayers in urban regions.
5. Several studies related to digitalization of tax administration highlight the importance of the Income Tax e-filing portal and faceless assessment system. Reports by the Income Tax Department and analyses published on platforms such as Tax Guru suggest that pre-filled returns, online comparison tools, and faceless proceedings have significantly reduced compliance costs and increased transparency. These digital initiatives are found to be especially beneficial for first-time taxpayers who lack prior experience with income tax procedures.
6. Literature on financial behavior, including reports by the Reserve Bank of India and academic studies published in journals such as IJSRET, indicates that first-time earners and young professionals generally prioritize liquidity, loan repayments, and short-term financial goals over long-term tax-saving investments. These findings support the argument that the new tax regime aligns better with the financial behavior of first-time taxpayers compared to the old regime.

### **3. RESEARCH GAP**

The review of existing literature reveals that while numerous studies examine income tax reforms, digital tax administration, and taxpayer behavior, most of them focus on general taxpayers or salaried individuals at a national level. There is a lack of area-specific studies analyzing the impact of the New Income Tax Regime on first-time taxpayers, particularly in urban regions like Navi Mumbai. Moreover, limited research integrates tax policy analysis with financial planning and saving behavior of first-time taxpayers.

Therefore, the present study seeks to fill this gap by analysing the impact of the New Income Tax Regime on first-time taxpayers in the Navi Mumbai area using secondary data, with a special focus on compliance behavior, financial planning, and digital tax administration.

### **4. OBJECTIVES OF THE STUDY**

1. To analyse the rules and recent updates of the New Income Tax Regime applicable to first-time taxpayers.
2. To compare the New Income Tax Regime with the Old Tax Regime from the perspective of first-time taxpayers.
3. To examine the impact of the new regime on financial planning, saving habits, and working patterns of first-time taxpayers.
4. To assess the role of the Income Tax e-filing portal and faceless administration in easing tax compliance for first-time taxpayers in the Navi Mumbai area.

### **5. METHODOLOGY**

The study is based entirely on secondary data. Data sources include Income Tax Department publications, official government notifications, Finance Act and Budget documents, reputable tax advisory platforms, academic journals, and credible news agencies. No primary data collection has been undertaken. The study draws inferences for the Navi Mumbai area using national-level data and policy analyses relevant to first-time taxpayers.

### **6. OVERVIEW OF THE NEW INCOME TAX REGIME: RULES AND RECENT UPDATES**

#### **6.1 Core Structure and Statutory Changes**

The New Income Tax Regime under Section 115BAC provides lower slab rates in exchange for the removal of most exemptions and deductions. Recent Budget and Finance Act amendments have revised slab thresholds, introduced standard deduction benefits for salaried individuals, enhanced rebates under Section 87A, and made

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the new regime the default option. These measures significantly influence the automatic adoption of the new regime by first-time taxpayers.

## 6.2 Key Provisions Affecting First-Time Taxpayers

**Tax Slabs and Rebate:** Revised slabs and enhanced rebates have increased the tax-free income threshold, benefiting low- and middle-income first-time taxpayers.

**Deductions and Exemptions:** Most traditional deductions such as those under Section 80C and HRA are not available, shifting financial planning away from tax-saving instruments to direct cash-flow management.

## 6.3 Administrative and Digital Updates

Modernization of the Income Tax e-filing portal and expansion of faceless assessment, penalty, and appellate schemes have improved transparency and reduced compliance burdens. These digital features are especially beneficial for first-time taxpayers who prefer guided and online self-service mechanisms.

## 6.4 Recent Policy Developments

Government initiatives to simplify income tax law and reduce litigation indicate a continued focus on ease of compliance, which is particularly advantageous for first-time taxpayers unfamiliar with complex tax provisions.

## 7. COMPARISON OF OLD AND NEW TAX REGIMES: IMPLICATIONS FOR FIRST-TIME TAXPAYERS

### 5.1 Tax Computation and Complexity

**Old Regime:** Higher tax rates with multiple exemptions and deductions, requiring documentation and proof.

**New Regime:** Lower tax rates, minimal deductions, simpler computation, and reduced documentation.

For first-time taxpayers with limited investments, the new regime generally results in lower tax liability and easier compliance.

### 7.2 Rebate and Basic Exemption

Enhanced rebate provisions under Section 87A have expanded the number of first-time taxpayers with minimal or zero tax liability under the new regime.

### 7.3 Savings Incentives

While the old regime promotes tax-driven savings, the new regime requires first-time taxpayers to adopt voluntary, goal-oriented financial planning rather than relying on statutory tax incentives.

## 8. FINANCIAL PLANNING, SAVING AND WORKING HABITS OF FIRST-TIME TAXPAYERS

Secondary evidence suggests that first-time taxpayers prioritize liquidity, loan repayments, and short-term financial goals over long-term tax-saving investments. The simplified structure of the new regime supports these preferences. Additionally, the growth of gig work and contractual employment makes simplified tax computation and digital filing particularly useful for individuals with variable income streams.

## 9. ROLE OF THE INCOME TAX E-FILING PORTAL AND FACELESS ADMINISTRATION

The enhanced e-filing portal offers pre-filled returns, regime comparison tools, faster refunds, and faceless processing. These features reduce anxiety and dependency on tax professionals, encouraging voluntary compliance among first-time taxpayers in Navi Mumbai.

## 10. CHALLENGES AND RISKS

- Reduced tax incentives for long-term savings
- Risk of inadequate retirement planning
- Need for guidance for taxpayers with multiple income sources

## 11. POLICY RECOMMENDATIONS

- Targeted tax literacy programs for first-time taxpayers
- Enhanced decision-support tools on the e-filing portal

- Promotion of non-tax-driven savings instruments

## 12. CONCLUSION

The study concludes that the New Income Tax Regime has a largely positive impact on first-time taxpayers in the Navi Mumbai area. By simplifying tax computation, improving digital compliance, and increasing disposable income, the regime encourages voluntary participation in the tax system. However, to ensure long-term financial stability, first-time taxpayers must adopt disciplined financial planning, and policymakers should integrate simplification with financial literacy initiatives.

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