



A Study on the Impact of the Union Budget on the Indian Middle Class: Tax Relief or Burden?

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ABSTRACT :

This study examines the impact of the Indian Union Budget on the middle-class segment, specifically evaluating the effectiveness of income tax reliefs, exemptions, and other fiscal provisions. The research aims to determine whether recent budgetary changes have offered meaningful financial relief or contributed to an increased burden for this socio-economic group. Primary data was collected from 30 middle-class individuals, including salaried professionals and self-employed taxpayers, using a structured questionnaire. Key focus areas include changes in disposable income, tax planning behavior, and overall satisfaction with tax-related provisions. Statistical tools such as the percentage method and Chi-square tests were employed to analyze the association between annual income, perception of tax relief, and financial well-being. The findings show that although there are tax relief programs in place, most respondents said their financial situation had changed little or not at all, suggesting that their perceived impact is low. There was also no statistically significant correlation between tax exemptions and financial well-being or between income level and impression of tax benefits, according to hypothesis testing. The report emphasizes how ineffective the current tax laws are at resolving middle-class economic issues and the necessity of improvements, including higher exemption limits, more extensive deductions, and lower indirect taxes. Additionally, it highlights the significance of raising public awareness and streamlining tax laws in order to improve middle-class taxpayers' overall happiness and financial planning.

Keywords: Union Budget, Middle-Class Taxation, Income Tax Relief, Tax Planning, Financial Well-being.

Introduction

Union Budget is one of the most significant occasion in India , which is the government's most anticipated for laying the outlays for the upcoming fiscal year. It has a direct impact on the people , companies , and the economy. The middle class is one of the most important socio-economic segments in the nation as economic contributors and as recipients of various government initiatives. Their financial well-being may be significantly impacted by modifications to tax laws, exemptions, and reliefs that are announced in the Union Budget.

In recent years, the middle class has been very vocal about their preferences for the Union Budget particularly with regard to tax rebates , simplified tax regulations, and measures that promote savings and investments. While several budgets have included beneficial changes, others have sparked debate about whether taxes have gone up. Understanding these changes for the middle class is crucial for evaluating the effectiveness of fiscal measures and understanding future budgetary decisions.

The aim of this study is to know the effects of the Union Budget on India's middle class with a focus on how tax related provisions could impact their income, financial planning, and overall happiness. Additionally, it seeks to understand if the average middle class taxpayer sees these changes as a burden or a relief.

Review of Literature

1. **(Kumar, A. 2022)** This paper analyses the Union Budget 2021, which focused on privatization and economic growth. While post-independence policies, including reservations, helped uplift segments of Scheduled Castes and Other Backward Classes into elite and skilled sectors, similar progress has not been seen among Scheduled Tribes. As a result, India's inclusive development goals remain only partially achieved.
2. **(Usha 2024)** This study examines the impact of GST implementation on MSMEs, focusing on aspects such as registration, compliance, and procedural challenges. Using random sampling, data was collected from 78 MSME owners in Udupi District, Karnataka. Both primary and secondary sources were utilized for a comprehensive analysis. Findings suggest that GST has had both positive and negative effects on MSMEs, influenced by various factors.
3. **(Gulzar, M. F. and Azam, K. 2024)** This paper explores the structure and rationale behind the GST system, analyzing its quarterly revenue performance using data from the Ministry of Finance. It also discusses the design and implementation of GST in India, along with insights

from international experiences. The study concludes that, with proper and efficient execution at reasonable rates, GST holds the potential to significantly transform the Indian economy.

4. **(Sahoo, B. P. 2022).** Tax policies alone can't fix income inequality. A mix of progressive taxation and targeted public spending is key. Studies back this: Aaron (2015) highlights the need for higher taxes on the wealthy with more public spending in the U.S.; Immervoll et al. (2006) show Brazil's tax-benefit system supports fairness; Heisz and Murphy (2016) find Canada's tax-transfers reduce inequality. India could benefit from similar strategies.
5. **(Datt, G., Ray, R., & Teh, C. 2021)** This study analyzes the progressivity and redistributive impact of India's income tax system (2011–2018) using Lorenz and tax concentration curves. Although the system is theoretically progressive, its real-world impact is limited by a narrow tax base and wide income gaps. The results point to the need for reforms to improve tax equity and effectiveness.
6. **(Thakur, A. 2025)** The article highlights the significant role of progressive taxation in improving income equality in India over the past two decades. It argues that higher taxes on top income brackets can generate greater revenue for social programs benefiting lower- and middle-income groups. However, the authors emphasize that the success of progressive taxation depends on effectively channeling the revenue into targeted poverty and inequality reduction initiatives.
7. **(Gaikwad, R. 2025)** This study evaluates the fairness of India's progressive tax system using the dual-cut-off method to assess poverty. It finds that middle-class taxpayers bear a heavier burden, while high earners benefit from exemptions (Baistrucchi, 2023). It questions the adequacy of recent tax reliefs amid rising costs and calls for reforms to broaden the tax base and limit high-income exemptions for a more equitable system.
8. **(Chittibabu, C., & Dhakshayini, K. N. 2024)** This study explores how tax planning affects investment behavior among salaried individuals in Bengaluru. It finds that while basic tax-saving tools like Section 80C are commonly used, awareness of advanced strategies is low. The study recommends improving financial literacy and offering advisory services to support smarter, tax-efficient investments.
9. **(Anandhi, E.D., & Velmurugan, G. 2024)** This study examines how tax planning mediates the relationship between financial planning and financial well-being among 274 salaried employees in Chennai. Using PLS-SEM analysis, it finds that effective financial planning enhances well-being, with tax planning playing a key positive role. The findings highlight the importance of tax literacy and strategic planning in achieving financial stability.
10. **(KS Vaishnavi & K Maran 2024)** The study analyzes tax planning and financial practices among salaried employees at Quasar Consultancy Pvt. Ltd. Using surveys and statistical tools, it identifies gaps in awareness and usage of financial tools. It recommends improving tax education, encouraging regular tool use, and offering tailored support to enhance employee confidence and organizational efficiency.
11. **(Sah, S.K. 2023)** This study compares the old and new tax regimes from the Union Budget 2023–24, focusing on their impact on middle-class tax savings. It highlights how the new regime's simplicity suits some taxpayers, while the old regime benefits those using exemptions. The research offers key insights into effective tax planning across income groups.
12. **(Wiesel, I. eta 2021)** This study looks at the relationship between income inequality and growing housing costs in Australia between 1993 and 2018. Using data from a national survey, it concludes that while top incomes profited more from rising housing costs, lower-income households received very modest income improvements. The study emphasizes how geography, tenure, and generation all contribute to the widening of post-housing income disparity.
13. **(Fernandes, L. 2023)** By demonstrating how political myths of unity contrast with profound internal differences determined by wealth, caste, and area, this study sheds insight on the complex and precarious structure of India's middle class. In Indian politics today, these inconsistencies are crucial.
14. **(Sridharan, E. 2020)** This chapter examines the expansion of the middle class in India from the 1980s and how it relates to the economic liberalization that followed 1991. It draws attention to their multisectoral responsibilities and the ways in which state businesses were utilized at the time for political and patronage purposes.
15. **(Munshi, T. eta 2022)** This study uses Hyderabad as a case study to investigate the factors impacting the adoption of electric vehicles (EVs) in India. Using choice modeling and interviews, it was discovered that although middle-class buyers were initially interested in EVs, many changed their minds after learning about the features and prices. The study emphasizes how crucial knowledge is in boosting EV demand and establishing successful market and policy solutions, in addition to financial and legislative incentives.

Objectives

1. To find out what middle-class people think about the tax breaks and exemptions included in the Union Budget.
2. To investigate the effects of tax policy changes on middle-class income, savings, and financial planning.
3. To determine if tax-related modifications have an impact on middle-class taxpayers' overall satisfaction with the Union Budget and their tax planning practices.

Research Methodology

Primary data for this study was collected through a structured questionnaire with 15 questions, targeting salaried professionals, self-employed individuals, and middle-class earners. The survey examined perceptions of tax relief, its impact on disposable income, tax planning behavior, and overall satisfaction with the Union Budget. Statistical tools such as the percentage method were used to analyze response distribution and trends. Additionally, the Chi-square test was applied to assess the relationship between annual income and tax relief perception, as well as tax exemptions and financial well-being, ensuring a rigorous evaluation of the hypotheses.

Research Gap

The study has certain limitations. The sample size is limited and may not fully capture the diversity of the Indian middle class across regions and income groups, leading to potential regional bias. Since the data is self-reported, responses may reflect personal bias or inaccuracies due to varying levels of understanding of tax provisions. Additionally, the study focuses primarily on income tax policies, excluding indirect taxes and subsidies that also influence middle-class finances. Its findings are time-specific, reflecting perceptions of a particular year's budget rather than long-term trends. Moreover, the research is quantitative, lacking qualitative insights that could provide a deeper understanding of financial behavior.

Hypothesis of the Study

H₀: There is no association between annual income and perception of tax relief.

H₁: There is an association between annual income and perception of tax relief.

H₀: Tax exemptions do not significantly improve the financial well-being of middle-class individuals.

H₁: Tax exemptions significantly improve the financial well-being of middle-class individuals.

Findings and Recommendations

Survey responses suggest that the middle class finds the income tax relief in the Union Budget only moderately beneficial. While some acknowledge minor gains in disposable income, most feel the relief is limited and falls short of expectations for higher deductions and exemptions. A few even view the changes as unfavorable due to unmet sector-specific needs or offsetting indirect taxes. Overall, the tax provisions provide some relief but lack the depth to significantly improve middle-class financial well-being. Future budgets should aim for greater exemptions, broader deductions, and a simplified tax structure to deliver more meaningful impact.

Middle-class respondents generally view the tax exemptions in the Union Budget positively, with many considering them adequate. However, a significant minority feels the measures fall short of addressing the broader financial challenges faced by the middle class. This indicates a divide in perception—while some benefit from current policies, others call for further reforms such as higher exemption limits, increased deductions for salaried individuals, and stronger incentives for savings and investment.

Annual Income	Affect on the disposable income after the budget		
	Increased	No Change	Decreased
1000000 - 2000000	1	2	0
500000 - 1000000	3	3	1
below 500000	10	8	2
Grand Total	14	13	3

Financial relief in day to day expenses after the budget	Annual Income			Grand Total
	1000000 - 2000000	500000 - 1000000	below 500000	
No, it burdens me further			1	1
No, it makes no noticeable difference	2	1	5	8
Yes, but only a little relief		6	11	17
Yes, it provides significant relief	1		3	4
Grand Total	3	7	20	30

The majority of respondents reported no change in their discretionary income, suggesting that tax reduction had little effect. Few saw a decrease, while others experienced a minor increase in financial freedom. This implies that their circumstances were neither much better nor worsened by the budget. For increased financial stability, future legislation could improve tax-saving alternatives and increase exemptions.

Many respondents reported little to no financial impact from the tax adjustments in the Union Budget, while the majority reported relatively little financial alleviation. Although some people profited greatly, the overall impact was little. This implies that tax laws, despite their good intentions, have little impact on the financial difficulties faced by the middle class. According to the study, there were insufficient incentives for the majority of middle-class respondents to alter their tax planning practices as a result of the Union Budget. Many people don't conduct any tax preparation at all, perhaps because they are unaware of the advantages. Although some changed their tactics, the effect was limited. In order to promote proactive financial planning, future budgets should increase exemptions, expand awareness, and strengthen tax-saving incentives.

Although they disagreed on priorities, respondents voiced displeasure with the Union Budget and agreed that more tax-saving choices were needed. While some promoted more deductions and exemptions for house loans, education, and medical costs, others argued for reduced indirect taxes like GST

and gasoline taxes. Some emphasized the need for increased public understanding and the intricacy of tax rules. The efficacy and public acceptance of tax provisions might be increased by streamlining them and enhancing communication.

According to the respondents, a number of other tax-saving measures have to be implemented or improved in order to better assist the middle class. Among them are:

1. Higher Standard Deduction: To further reduce taxable income, the standard deduction for salaried persons ought to be raised.
2. Higher house Loan Deductions: The tax advantages of Sections 80C and 24(b) will be expanded to provide for higher principle and interest deductions on house loans.
3. Tax Benefits for Renters: Higher House Rent Allowance (HRA) deductions are now available to renters, particularly those who live in cities.
4. Lower GST Rates on Essential Goods & Services: In an attempt to lessen the overall financial burden, the GST rates on everyday essentials including food, gas, and medical costs have been lowered.
5. Higher Limits Under Section 80C: To promote savings in plans like PPF, EPF, and NSC, the maximum amount of ₹1.5 lakh under Section 80C has been raised.
6. Medical Expenses & Insurance Deductions: Expanding the amount of Section 80D deductions for medical insurance premiums and allowing for more deductions for out-of-pocket medical expenses.
7. Investment and Retirement Planning Incentives: To promote long-term financial stability, tax-free advantages are offered for investments in mutual funds, NPS, and pension plans.
8. Lower Tax Rates for Middle-Class Income Brackets: The income tax slabs have been changed to provide additional relief to individuals earning between ₹5 lakh and ₹15 lakh annually.
9. Education and Skill Development Deductions: Providing tax breaks for postsecondary education, professional training, and skill-building initiatives.
10. Easier Tax Filing Process: By streamlining tax regulations and automating deductions for qualified taxpayers, tax compliance is made simpler.

Hypothesis Testing 1

Is there a relationship between annual income and perceived tax relief?

H₀: There is no association between annual income and perception of tax relief.

H₁: There is an association between annual income and perception of tax relief.

Annual income / How would you rate the income tax relief provided in the recent union budget

Crosstabulation

Count

		1) How would you rate the income tax relief provided in the recent union budget			Total
		somewhat beneficial	somewhat detrimental	very beneficial	
Annual income	1000000 - 2000000	2	0	1	3
	500000 - 1000000	4	0	3	7
	below 500000	13	2	5	20
Total		19	2	9	30

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.620 ^a	4	.805
Likelihood Ratio	2.207	4	.698
N of Valid Cases	30		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .20.

Interpretation

Since the p-value (0.805) is significantly greater than the standard significance level of 0.05, we fail to reject the null hypothesis. This indicates that there is no statistically significant association between an individual's annual income and their perception of the tax relief provided in the Union Budget. In other words, the perception of whether the tax relief measures were beneficial or not does not vary meaningfully across different income groups within the middle class.

Hypothesis Testing 2

Relationship Between Tax Exemptions and Financial Well-Being

H₀: Tax exemptions do not significantly improve the financial well-being of middle-class individuals.

H₁: Tax exemptions significantly improve the financial well-being of middle-class individuals.

Do you feel that the tax exemptions introduced are adequate for the middle class population / Overall, do you feel that the Union Budget helps in reducing the financial burden of the middle class in India?

Crosstabulation

Count

		10) Overall, do you feel that the Union Budget helps in reducing the financial burden of the middle class in India?		Total
		No	Yes	
2) Do you feel that the tax exemptions introduced are adequate for the middle class population	no	3	6	9
	yes	4	17	21
Total		7	23	30

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.719 ^a	1	.397		
Continuity Correction ^b	.142	1	.706		
Likelihood Ratio	.689	1	.407		
Fisher's Exact Test				.640	.343
N of Valid Cases	30				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 2.10.

b. Computed only for a 2x2 table

Interpretation

Since the p-value (0.706) is greater than 0.05, we fail to reject the null hypothesis (H₀). This means there is no statistically significant relationship between perceived adequacy of tax exemptions and financial well-being among middle-class individuals. The findings suggest that whether a person thinks tax exemptions are adequate does not significantly impact their perception of financial well-being. Other factors might be influencing their financial security.

Conclusion

The study highlights that while the Union Budget introduces certain tax relief measures aimed at supporting the middle class, their overall impact remains modest and limited. Survey responses reveal that most middle-class individuals perceive only slight financial benefits, with minimal change in disposable income and little incentive to alter tax planning behavior. Hypothesis testing further supports these insights, showing no significant relationship between annual income and perceived tax relief, nor between perceived adequacy of tax exemptions and financial well-being.

These findings suggest that the existing tax policies, though well-intentioned, are not sufficient to substantially ease the financial pressures faced by the middle class. Key concerns include the need for broader exemptions, increased deductions, and a simplified, transparent tax structure. To truly address the financial needs of this segment, future Union Budgets must go beyond marginal tax adjustments and implement more impactful, inclusive, and clearly communicated reforms that directly enhance financial stability and planning for middle-income earners.

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