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Old versus New Income Tax Regimes and Individual Tax Liability: A Practice-Based Study of Individual Return Preparation in an Indian Tax-Services Firm

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A B S T R A C T :

Purpose. This paper examines how the old and new personal income-tax regimes in India affect individual tax liability, and how regime choice, documentation and client communication interact in the practical preparation of individual income-tax returns.

Design and method. The study is descriptive, comparative and practice-based. It draws on a ten-week structured training assignment (25 May to 3 August 2026) in a technology-enabled tax and compliance services firm, during which approximately 50 individual client cases (ITR-1 and ITR-2) were managed from first contact to filing acknowledgement. Evidence comprises workflow observation, document review, use of professional tax-computation software and the government e-filing portal, and statutory guidance for Assessment Year (AY) 2026–27. No client-level data are reported.

Findings. Regime choice cannot be made from slab rates alone: the optimal regime depends on income composition, eligible deductions, exemptions and other taxpayer-specific facts. Return quality depended on a chain of dependent stages — client contact, document collection, reconciliation, return-form selection, regime comparison, computation, review and filing — in which an early error propagates downstream. Delayed client responses, incomplete or mismatched documents, time pressure and complex ITR-2 cases were the main operational constraints.

Implications. The paper proposes a standardised case-management checklist, a structured document request, a case tracker, a regime-comparison worksheet and an escalation route for complex cases, and outlines a quantitative research agenda.

Originality. The study documents the operational layer of regime selection — how statutory choice is executed in practice — which is less visible in the policy-oriented literature.

Keywords: income tax; old tax regime; new tax regime; section 115BAC; individual taxpayers; ITR-1; ITR-2; tax compliance; India

Introduction

Personal income taxation in India now offers eligible individuals two parallel computation frameworks. The old regime permits a wider range of deductions and exemptions when prescribed conditions are met. The new regime under section 115BAC applies revised slab rates with fewer deductions and exemptions, and is the default regime for eligible individuals, who may opt out in favour of the old regime. Because the two regimes treat the same income differently, the same taxpayer can face materially different liabilities depending on the regime applied.

The choice is made in practice by taxpayers and their advisers, not in the abstract. A correct decision depends on more than a comparison of slab rates. It requires verified income details, supporting documents, reconciliation with government-maintained records, correct return-form selection and accurate computation. Errors at any of these points can alter the final position.

This paper therefore treats regime selection as both a statutory question and an operational one. It combines an analysis of the two regimes with a structured description of how individual returns are prepared and filed in a professional setting, and it identifies the challenges and control points that determine the quality of the outcome.

1.1. Scope

The study covers individual taxpayers whose returns fall within ITR-1 and ITR-2. It spans the full sequence from initial client communication through document collection, computation, regime comparison, filing and acknowledgement. To protect confidentiality, no permanent account numbers, bank details, income figures or other identifiable taxpayer information are disclosed.

1.2. Contributions

- A structured comparison of the old and new regimes for AY 2026–27, with an illustrative slab-based computation for the new regime.
- A stage-by-stage account of the individual return-filing workflow, with its inputs, controls and outputs.
- An identification of operational challenges and corresponding mitigation measures.
- A set of practical recommendations and a research agenda for quantitative follow-up.

1.3. Structure of the paper

Section 2 reviews the sector and regulatory context. Section 3 sets out the conceptual and statutory background. Section 4 states the objectives, and Section 5 describes the method. Section 6 presents the results and Section 7 discusses them. Sections 8 to 10 cover challenges, recommendations and limitations, and Section 11 concludes.

Sector and Regulatory Context

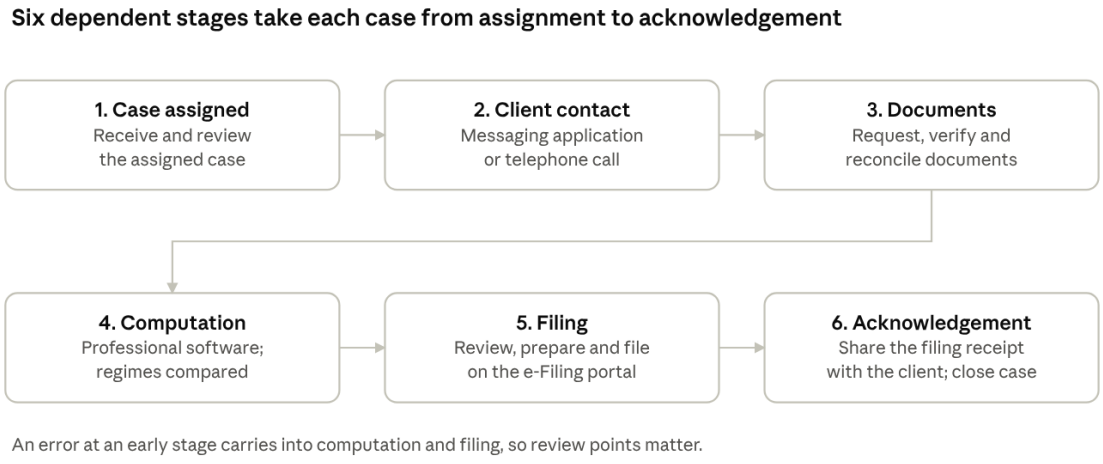
1.4. The individual tax-services sector

Tax filing and advisory services sit within India's broader financial-services, accounting, professional-services and fintech ecosystem. Technology has changed how individuals gather tax information, communicate with advisers, compute liabilities and file returns. The India Brand Equity Foundation (IBEF) reports that India's fintech industry was valued at US$44.1 billion in 2025 and is projected to grow at a compound annual rate of 16.6% through 2030, and that the sector raised approximately US$889 million in the first half of 2025, ranking third globally for funding in that period. These indicators are used here only as evidence of the sector's digital momentum. A single official count of firms providing individual tax-filing services was not identified; the market is fragmented across professional practices, fintech platforms and individual practitioners.

Sector participants fall into four broad groups with different value propositions: digital tax platforms (automation and convenience), professional firms and tax practices (technical expertise and personalised advice), large professional networks (brand and breadth), and government self-filing facilities (direct statutory access). Firms that combine technology with human assistance operate between these models.

1.5. Value chain

The value chain of individual return preparation begins with understanding the taxpayer's requirement and collecting documents. Typical inputs include salary statements (Form 16), Form 16A, the Annual Information Statement (AIS), Form 26AS, bank statements and investment details. Information is then reviewed and reconciled, the appropriate return form is identified, computation is carried out in professional software, the old and new regimes are compared where applicable, the return is reviewed and filed through the Income Tax e-Filing portal, and the acknowledgement is shared with the client. An error at an early stage — for example, incomplete documents or an incorrect return form — carries through to the final filing.



filing workflow · 6 stages · drawn from the task sequence in Section 5.2

Fig. 1 - Individual return preparation runs as six dependent stages; Table 7 sets out the controls applied between them.

1.6. Competitive environment

Table 1 summarises the competitive forces shaping the sector.

Table 1 - Competitive forces in individual tax-filing services

Force	Assessment	Implication
Competitive rivalry	High	Many firms, platforms and self-filing options compete on price, convenience and expertise.
Threat of new entrants	Moderate	Technology lowers entry barriers, but trust and tax expertise remain important.
Buyer power	High	Individuals can compare fees, turnaround time and convenience.
Supplier power	Moderate	Dependence on skilled professionals, software and government infrastructure.
Substitutes	High	Self-filing and automated tools substitute for simple advisory work.

A PESTEL view complements this. Political and legal factors matter most, because rules and filing requirements can change between assessment years. Economic conditions shape incomes and demand. Social factors include tax awareness and willingness to use digital filing. Technological developments — pre-filled data, AIS and automation — improve efficiency but heighten the importance of reconciliation, cybersecurity and data privacy. Digital filing also supports paperless compliance.

1.7. Regulatory framework

Table 2 - Regulatory bodies and roles

Body	Role
Ministry of Finance	Policy and financial administration
Central Board of Direct Taxes (CBDT)	Administration of direct taxes
Income Tax Department	Taxpayer services, filing, processing and compliance
Ministry of Corporate Affairs	Corporate and company-law framework
Reserve Bank of India	Banking and payment ecosystem relevant to digital finance

Government initiatives — the digital e-filing infrastructure, AIS and information reporting, pre-filled return information, and digital verification — have made filing more accessible. They do not remove the need for verification, because system-generated information may still differ from client documents and actual circumstances.

1.8. Trends and global considerations

The sector is moving towards digital-first preparation and data-driven compliance, with automation increasingly applied to data extraction, preliminary reconciliation and case tracking, while human review remains important for judgement-based issues. Cross-border income and foreign-asset reporting, cybersecurity and taxpayer-data protection, and international tax developments add complexity that can turn a routine individual return into one requiring specialist scrutiny.

1.9. Organisational setting

The training was undertaken in a private, technology-enabled firm providing digital tax-filing, accounting and compliance services to individuals and businesses; individual filing formed the main operating environment. Firm-specific financial, market-share and governance information was not available for disclosure, and no unsupported figures are presented. Service quality in this setting is judged by clients through responsiveness, clarity, accuracy and the overall filing experience, because the service is largely intangible. Table 3 applies the extended services marketing mix.

Table 3 - Service marketing mix applied to individual tax filing

Element	Application
Product	Tax filing, computation and compliance assistance
Price	Professional service fee and value proposition
Place	Digital and online service delivery
Promotion	Digital communication and referrals
People	Tax advisers and support staff
Process	Documents → computation → review → filing → acknowledgement
Physical evidence	Digital outputs and filing acknowledgement

The workforce model is relevant because demand is seasonal. Role-based allocation of cases, on-the-job learning, review and feedback on computations, team coordination on pending cases and continuous updating on tax and portal changes help staff manage peak periods.

Table 4 - SWOT assessment of the organisational setting

Strengths	**Weaknesses**
Technology-enabled workflow	Dependence on client responsiveness
Tax-focused service offering	Workload peaks in filing season
Digital client communication	Complex cases may need extra review
Practical individual-tax exposure	Dependence on an external portal
Opportunities	**Threats**
Automation and AI-assisted workflows	Strong competition
Growing taxpayer awareness	Frequent tax-policy changes
Digital advisory expansion	Cybersecurity risks
Personalised regime comparison	Self-filing substitutes

Conceptual and Statutory Background

1.10. Computation framework

Individual tax computation follows six steps: (1) identify income under the relevant heads; (2) determine exempt income and permissible adjustments; (3) apply the deductions and exemptions allowed under the selected regime; (4) compute taxable income; (5) apply slab rates, rebate, surcharge and cess; and (6) adjust TDS, TCS and advance tax to determine tax payable or refundable. The five heads of income are salary, house property, profits and gains of business or profession, capital gains, and income from other sources. Tax planning, in this context, means using legal deductions, exemptions and regime choices within the law; accurate disclosure and compliance are essential.

1.11. The two regimes

The new regime is the default for eligible taxpayers; the old regime applies where an eligible taxpayer opts out. Table 5 summarises the principal differences for AY 2026–27 as set out in Income Tax Department guidance.

Table 5 - Old and new regime comparison, AY 2026–27

Parameter	**Old regime**	**New regime**
Default	No	Yes, for eligible taxpayers
Slab structure	Traditional slabs	Thresholds at ₹4 L, 8 L, 12 L, 16 L, 20 L and 24 L
Deductions	More available, subject to conditions	Many common deductions restricted
Section 87A rebate	Subject to old-regime conditions	Up to ₹60,000 for eligible cases within ₹12 L total income, subject to rules
Highest slab	30% above ₹10 L	30% above ₹24 L

Table 6 - New-regime slab rates, AY 2026–27

Income slab	**Rate**
Up to ₹4 lakh	Nil
₹4 lakh to ₹8 lakh	5%
₹8 lakh to ₹12 lakh	10%
₹12 lakh to ₹16 lakh	15%
₹16 lakh to ₹20 lakh	20%
₹20 lakh to ₹24 lakh	25%
Above ₹24 lakh	30%

1.12. Principles of regime selection

Regime selection is taxpayer-specific. Higher eligible deductions may improve the relative attractiveness of the old regime; limited deductions may make the new regime comparatively attractive; and the new regime is the default. Because the outcome depends on income, deductions, exemptions, income sources, age and the provisions of the relevant assessment year, a numerical comparison on verified facts is preferable to assumption.

1.13. Operational framework

The operational framework translates the statutory rules into a repeatable control cycle (Table 7). Review and reconciliation act as control points before closure, reducing the risk of submitting incomplete or inconsistent information.

Table 7 - Control cycle in individual return preparation

Input	Processing	Control	Output
Client data and documents	Data entry and computation	Review and reconciliation	Computation
Computation	Regime comparison	Tax-rule check	Final tax position
Final tax position	Return preparation	Form verification	Income-tax return
Income-tax return	Digital submission	Status check	Acknowledgement

Objectives

1. To compare the old and new income-tax regimes and understand their impact on individual tax liability.
2. To understand the practical process of preparing and filing individual returns through ITR-1 and ITR-2.
3. To examine the role of client communication, document verification and tax computation in accurate and timely filing.
4. To identify practical challenges in individual tax filing and develop recommendations for improving the workflow.

Table 8 - Alignment of objectives with evidence

Objective	Evidence
Regime comparison	Tax computation and old/new regime comparison
Return preparation	ITR-1 and ITR-2 client cases
Client and document workflow	Messaging, calls, documents and follow-up
Challenges and recommendations	Observed operational issues and mitigation

Methodology

1.14. Design and setting

The study is descriptive, comparative and practice-based. Evidence was gathered through participant observation during a training assignment from 25 May to 3 August 2026, in the role of a tax adviser (intern) handling individual income-tax work under supervision. Approximately 50 individual client cases were managed and closed. Primary evidence consisted of client communication, document review, observation of the filing workflow, and use of professional tax-computation software and the e-filing portal. Secondary sources were used for statutory provisions, sector developments and the theory of individual taxation.

1.15. Task sequence

Each case followed the same sequence: receive and review the assigned case; contact the client by messaging application or telephone; understand expectations and filing requirements; request missing documents; check and reconcile information; compute tax in professional software; review and clarify discrepancies; prepare and file ITR-1 or ITR-2; complete applicable verification; and share the acknowledgement to close the case. Client communication followed a standard sequence (Appendix F): state the purpose, confirm case details, explain the documents required, record responses and expectations, follow up on pending items, and confirm completion after filing.

Table 9 - Tasks and outputs

Task	Output
Client contact	Understanding of requirement
Document collection	Case documentation
Document verification	Validated information and clarification list
Tax computation	Computation in professional software
Return preparation	Return data
Filing	Submitted return
Client closure	Acknowledgement shared

1.16. Case tracking and phases

A structured case-tracking format separates completed cases from those awaiting documents, clarification, computation or filing (Table 10). The assignment progressed through four phases (Appendix E): orientation to the workflow, return forms, regimes and software; assisted case handling; independent execution of client interaction, follow-up, computation and filing support; and review and closure.

Table 10 - Illustrative case-tracking structure

Field	Purpose
Case ID	Identify case
ITR type	ITR-1 or ITR-2
Document status	Track received and pending items
Computation status	Track tax computation
Review status	Track clarification
Filing status	Track filing
Acknowledgement status	Confirm closure

1.17. Ethics and confidentiality

Client information is confidential. No PAN, Aadhaar-related data, bank details, income figures, tax liabilities or other identifiable taxpayer information is reproduced. The organisation is not identified, and illustrative examples replace client-level data. The author did not certify tax positions or give professional advice beyond assigned, supervised responsibilities.

Results

1.18. Workload and process observations

The study dataset consists of workflow observations and an activity count; client-level incomes and regime outcomes were not retained for academic use, and regime-wise percentages are therefore not reported.

Table 11 - Workload summary

Parameter	Observation
Duration	25 May to 3 August 2026
Role	Tax adviser (intern)
Return forms	ITR-1 and ITR-2
Client cases	Approximately 50
Communication	Messaging application and telephone
Computation	Professional tax-computation software
Filing	Income Tax e-Filing portal

The workflow is sequential and dependent: a delay in documents or clarification affects computation and filing. Table 12 gives a qualitative ranking of relative effort by activity. It is process-oriented, not a client distribution.

Table 12 - Qualitative ranking of process effort

Activity	Relative effort	Reason
Client communication and follow-up	High	Repeated contact may be required
Document verification	High	Missing or mismatched information
Tax computation	Medium to high	Technical accuracy
Return preparation	Medium	Structured after computation
Filing and acknowledgement	Medium	Portal and verification steps

1.19. Regime comparison

Table 13 sets out when each regime is likely to be favoured, and Table 14 how the comparison result should be interpreted.

Table 13 - Regime decision factors

Taxpayer situation	Old regime	New regime
Substantial eligible deductions	Potentially stronger	Restricted deductions
Few deductions	Limited deduction advantage	Simplified structure may be attractive
Complex exemption profile	Detailed comparison needed	Fewer exemptions
Straightforward salary income	Compare both	Compare both

Table 14 - Interpreting regime comparison results

Condition	Possible interpretation
Old-regime tax lower	Old regime may be preferable, subject to eligibility
New-regime tax lower	New regime may be preferable
Difference small	Preference and simplicity may be relevant
Information incomplete	Do not finalise before clarification

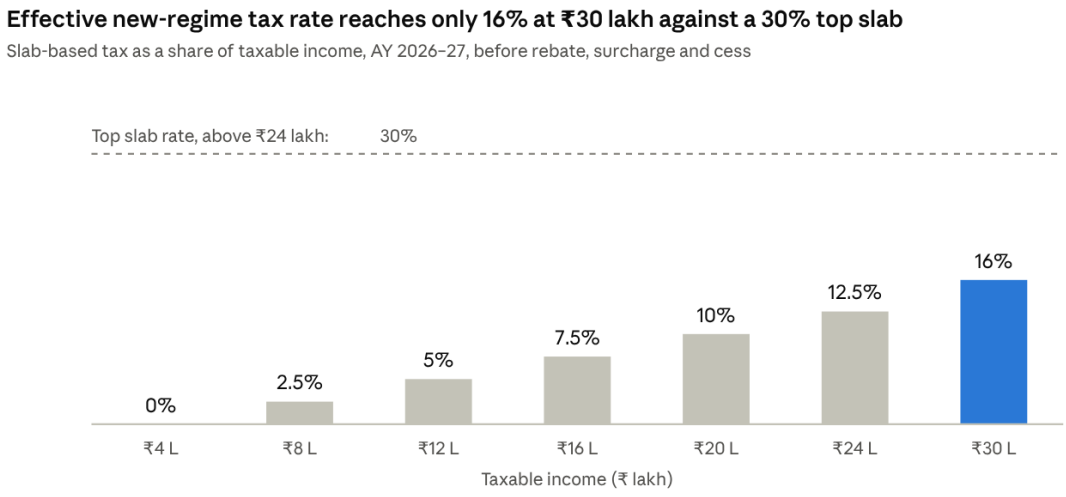
Two taxpayers with similar income can have different optimal outcomes because deductions, exemptions, house-property interest, investments and other circumstances differ.

1.20. Illustrative new-regime computation

Applying the slab structure in Table 6, Table 15 shows slab-based tax at selected levels of taxable income. Surcharge, cess and other provisions are excluded, and the section 87A rebate depends on eligibility and prevailing rules.

Table 15 - Illustrative slab-based tax under the new regime, AY 2026–27

Taxable income	Tax before rebate and cess	Note
₹4 lakh	₹0	Within the ₹12 lakh rebate threshold; actual rebate depends on eligibility
₹8 lakh	₹0.20 lakh	Within the ₹12 lakh rebate threshold; actual rebate depends on eligibility
₹12 lakh	₹0.60 lakh	At the ₹12 lakh rebate threshold; actual rebate depends on eligibility
₹16 lakh	₹1.20 lakh	Slab-based tax only
₹20 lakh	₹2.00 lakh	Slab-based tax only
₹24 lakh	₹3.00 lakh	Slab-based tax only
₹30 lakh	₹4.80 lakh	Slab-based tax only



derived from Table 15 · slab-based tax ÷ taxable income · AY 2026–27

Fig. 2 - The effective rate is slab-based tax divided by taxable income. It rises gradually and stays well below the top slab rate, which applies only to income above ₹24 lakh. Rebate, surcharge and cess are excluded, so actual liability for eligible taxpayers can be lower or higher.

1.21. Principal findings

1. Filing requires coordination between client information, tax rules, computation software and the e-filing portal.
2. Correct selection of ITR-1 or ITR-2 is an important control.
3. Client follow-up affects turnaround time.
4. Document reconciliation reduces reporting errors.
5. Regime comparison should rest on verified taxpayer facts.
6. Professional software improves efficiency, but review remains essential.
7. Handling approximately 50 cases gave repeated exposure to the full filing cycle.

Discussion

The results indicate that individual tax filing is a combination of technical accuracy and service management. A correct computation has value only when it rests on complete, verified information and is filed on the appropriate return form. Regime comparison therefore belongs inside a controlled process, not at the end of it: a comparison performed on incomplete or unreconciled data can mislead even when the arithmetic is right.

The finding that slab rates alone do not determine the better regime is consistent with the structure of the two frameworks. The new regime lowers rates across a wider band and, within the stated limits, can bring tax to nil for eligible incomes, while the old regime retains value for taxpayers with substantial eligible deductions and exemptions. The practical implication is that advisers need a standard method for comparing both, supported by verified inputs, rather than a default recommendation.

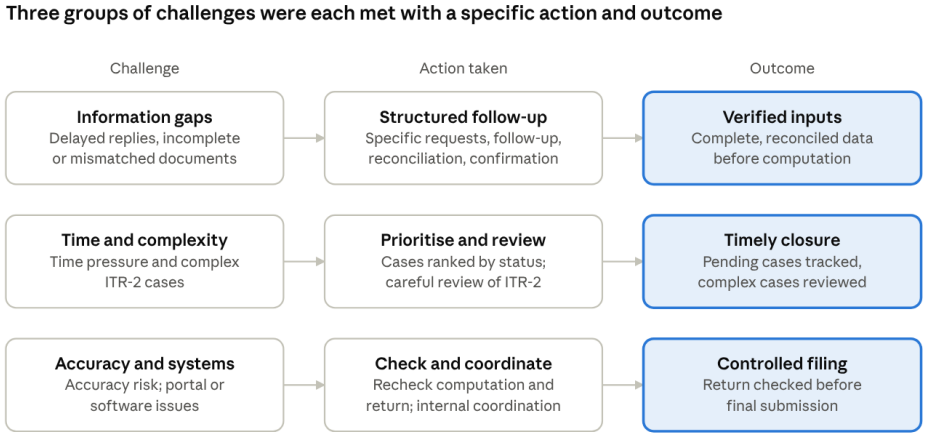
The prominence of communication and document verification in Table 12 suggests that, for individual returns, the binding constraint is often information flow rather than technical complexity. Increasing digital availability of taxpayer data through AIS and pre-filled information reduces manual entry but raises the importance of reconciliation. Technology, in short, shifts effort from collection to verification; it does not remove the need for professional judgement.

Challenges

The principal challenges were operational and communication-related. Clients supplied information in different formats and at different speeds, and managing several cases at once required prioritisation by urgency, dependency and readiness.

Table 16 - Challenges and mitigation

Challenge	Action taken
Delayed client response	Structured follow-up by messaging and calls
Incomplete documents	Specific document requests and clarification
Mismatch in information	Reconciliation and client confirmation
Unclear expectations	Explaining requirements and the filing process
Time pressure	Prioritising pending cases and tracking status
Complex ITR-2 cases	Careful review and guidance
Portal or software issues	Rechecking and internal coordination
Accuracy risk	Review of computation and return details



challenge–action–outcome framework · grouped from Table 16

Fig. 3 - The eight challenges in Table 16 fall into three groups, each addressed by a specific action aimed at a defined outcome.

Recommendations

The central recommendation is a standardised case-management checklist for individual returns covering client contact, document receipt, reconciliation, ITR selection, regime comparison, computation review, filing and acknowledgement. It can be introduced without significantly changing the existing workflow, makes each control point visible, and helps new team members understand the expected sequence.

Table 17 - Recommendations and expected outcomes

Recommendation	Expected benefit
Pre-filing checklist	Fewer missed documents and steps
Structured document request	Clearer client responses
Case tracker	Better visibility of cases
Regime-comparison worksheet	Consistent taxpayer guidance
Complex-case review	Lower error risk

Implementation. (1) Create a standard digital checklist for every case; (2) send structured document-request messages; (3) mark every case by stage; (4) use a standard regime-comparison worksheet; (5) escalate complex ITR-2 cases for review; and (6) maintain regular internal updates on tax rules and portal changes. The checklist should carry status fields, responsibility, pending documents, review status and filing status, and begin as a simple digital format that can be updated as rules change.

Expected outcome. Greater process consistency, fewer avoidable follow-ups, better visibility of pending work and a lower probability of missing information. These follow from the observed effect of documentation delays, clarification requirements and accuracy checks on turnaround.

Future research. (1) A larger anonymised study across income groups; (2) a quantitative comparison of regime selection by deduction pattern and return type; (3) a client-satisfaction and turnaround-time study; (4) automation and AI-assisted document reconciliation; and (5) a root-cause study of recurring errors in return preparation. Useful metrics include turnaround time, first-submission completeness, number of follow-ups, rework, filing rejection and verification time.

Limitations

The study rests on a single practice setting and one training assignment. The approximately 50 cases are not statistically representative of all taxpayers, and activity figures are approximate rather than audited. Client-level data are withheld for confidentiality, which prevents statistical analysis of liability, refunds or income categories; no regime-wise outcomes are reported. No client-satisfaction survey was conducted, so statements about client experience reflect observation rather than measured satisfaction. The design is descriptive: it tests no causal hypothesis and makes no comparison with another organisation, and effort rankings describe relative workload, not productivity. The work focuses on ITR-1 and ITR-2, and tax rules and forms change by assessment year. Detailed firm financial information was not available, and public information used for context may change.

Conclusion

This study shows that the impact of the old and new regimes on individual tax liability is taxpayer-specific and cannot be read from slab rates alone. It also shows that accurate regime selection is only as reliable as the process that feeds it: complete documentation, reconciliation, correct form selection, careful computation and review. A standardised, checklist-based workflow with a consistent regime-comparison method can improve consistency and turnaround while preserving professional judgement. Future studies using larger anonymised datasets can test these practice-based observations quantitatively.

Appendix A. Illustrative Pre-Filing Checklist

No.	Check point	Status
1	Client details verified	☐
2	PAN and Aadhaar-related information checked	☐
3	Form 16 / salary details received	☐
4	AIS / Form 26AS reviewed	☐
5	Bank interest and other income checked	☐
6	House-property details checked where applicable	☐
7	Capital-gain details checked for ITR-2	☐
8	Deductions and exemptions verified	☐
9	ITR form selected correctly	☐
10	Old versus new regime compared	☐
11	Computation reviewed	☐

No.	Check point	Status
12	ITR filed and acknowledgement shared	☐

Appendix B. Illustrative Learning Progression

Period	Major activities	Learning
Initial phase	Orientation and tax concepts	Understanding the workflow
Early phase	Calls, messaging, documents	Communication
Middle phase	Computation and review	Practical tax application
Advanced phase	Filing and acknowledgement	Digital compliance
Final phase	Multiple case management	Time management

Appendix C. Abbreviations

AIS – Annual Information Statement; AY – Assessment Year; CBDT – Central Board of Direct Taxes; FY – Financial Year; HUF – Hindu Undivided Family; IBEF – India Brand Equity Foundation; ITR – Income Tax Return; PAN – Permanent Account Number; TDS – Tax Deducted at Source; TCS – Tax Collected at Source.

Appendix D. Confidentiality Note

No client PAN, Aadhaar, bank details, income figures, tax liabilities or other personally identifiable taxpayer information is reproduced in this paper, and the host organisation is not identified.

Appendix E. Phases of the Assignment

Phase	Focus
1. Orientation	Understanding the organisation, the individual tax workflow, ITR-1 and ITR-2, the tax regimes and the computation software
2. Assisted case handling	Working on assigned cases with guidance, focusing on communication, documents and computation
3. Independent execution	Managing client interactions, follow-ups, computations and filing support
4. Review and closure	Checking information, resolving discrepancies, filing and sharing the acknowledgement

Appendix F. Standard Client-Communication Sequence

Step	Action
1	Introduce the purpose of the communication
2	Confirm case details
3	Explain the documents and information required
4	Record responses and expectations
5	Follow up on pending documents
6	Confirm completion after filing

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