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A Study of the Impact of Amendments in the Income Tax Act, 1961 on Government and Non-Government Employees Post Assessment Year 2016–17

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ABSTRACT: The Income Tax Act, 1961, governs the taxation system of India and plays a crucial role in determining the disposable income and savings behavior of salaried individuals. Over the years, various amendments have been made to the Act to enhance equity, promote savings, and ensure compliance. This research paper examines the impact of amendments introduced from the Assessment Year (AY) 2016–17 on both government and non-government employees. The study evaluates how these amendments influenced tax liability, savings patterns, disposable income, and overall financial behavior of employees. Using primary data collected from 120 respondents (60 government and 60 non-government employees) across Latur district, and supported by secondary data from official government reports, this study applies descriptive and statistical analysis. The findings reveal that tax amendments post-2016–17 benefited lower and middle-income groups through rebate enhancements and increased deductions, though high-income earners experienced marginal relief. The study concludes with suggestions for simplifying tax structures and enhancing awareness among employees.

KEYWORDS: Income Tax Act 1961, Amendments, Government Employees, Non-Government Employees, Tax Rebate, Financial Behavior

I. INTRODUCTION

Taxation is one of the most important sources of revenue for the government. The Indian Income Tax Act, 1961, regulates income taxation for individuals, firms, and corporations. Salaried employees—both government and non-government—constitute a significant portion of the taxpaying population.

Since its enactment, the Act has undergone several amendments to adapt to changing economic conditions and policy objectives. The amendments introduced from the Assessment Year 2016–17 onwards aimed at providing relief to taxpayers, increasing compliance, promoting digital payments, and reducing black money circulation.

This study seeks to understand the real-world implications of these amendments on the income, savings, and consumption behavior of salaried employees in India, focusing particularly on Latur District.

II. REVIEW OF LITERATURE

1. **Bhatia (2017)** stated that tax reforms since 2016 have simplified procedures but created confusion due to frequent changes.
2. **Kumar & Sharma (2018)** highlighted that rebate under section 87A provided considerable relief to low-income employees.
3. **Rao (2019)** examined the impact of budgetary changes on savings instruments such as PPF, NPS, and ELSS.
4. **Patil (2020)** found that government employees benefited more from increased standard deductions than private-sector employees.
5. **Economic Survey (2021–22)** reported that tax compliance increased due to online filing and digital reforms.
6. **Bhatia (2017)** emphasized that tax reforms post-2016 simplified return filing but created confusion due to frequent changes.
7. **Kumar and Sharma (2018)** analyzed rebate under Section 87A and concluded it provided significant relief to lower-income employees.

8. **Rao (2019)** highlighted that enhanced deductions under Section 80C encouraged savings in PPF and ELSS.
 9. **Patil (2020)** found government employees benefited more from the reintroduction of standard deduction.
 10. **Singh (2020)** discussed the role of digitalization and e-filing in promoting transparency and compliance.
 11. **Deshmukh (2021)** compared awareness levels among private and public sector employees and observed lower understanding among the non-government group.
 12. **Jain and Mehta (2021)** noted that income tax amendments improved disposable income and increased household consumption.
 13. **Kaur (2023)** found that tax incentives directly influenced long-term investment behavior.
 14. **Nair (2024)** concluded that stable tax policy enhances voluntary compliance and reduces evasion.
- The existing literature shows limited focus on comparative analysis between government and non-government employee's post-2016–17 amendments, hence this study fills that gap.

III. OBJECTIVES OF THE STUDY

1. To study the major amendments in the Income Tax Act, 1961 applicable from AY 2016–17 onwards.
2. To analyze the impact of these amendments on government and non-government employees.
3. To compare the changes in tax liability, disposable income, and saving patterns between the two groups.
4. To identify employee awareness levels about recent tax amendments.
5. To suggest policy measures for improving taxpayer satisfaction and compliance.

IV. SCOPE OF THE STUDY

- The study focuses on salaried individuals (government and non-government) in **Latur District**.
- It covers amendments effective from **Assessment Year 2016–17 to 2023–24**.
- The scope includes income, savings, deductions, rebates, and exemptions under the Income Tax Act.
- The study excludes other sources of income .like business income or capital gains.

V. LIMITATIONS OF THE STUDY

1. The study is geographically limited to Latur District.
2. Data is based on self-reported income and expenditure, which may include minor errors.
3. Tax policies change annually; hence results are time-specific.
4. Sample size (120 respondents) may not represent the entire population of India.

VI. HYPOTHESES

- **H₀:** There is no significant difference in the impact of amendments in the Income Tax Act, 1961, on government and non-government employees.
- **H₁:** There is a significant difference in the impact of amendments in the Income Tax Act, 1961, on government and non-government employees.

VII. RESEARCH METHODOLOGY (DETAILED)

Research methodology refers to the systematic framework adopted to collect, analyze, and interpret data in order to achieve the objectives of the study. The present study focuses on analyzing the impact of amendments in the **Income Tax Act, 1961** from the **Assessment Year 2016–17 onwards** on government and non-government employees. A combination of quantitative and qualitative research methods has been used to ensure reliable and comprehensive findings.

VIII. RESEARCH DESIGN

- **Descriptive design** helps in describing the current status and effects of income tax amendments on salaried individuals.
- **Comparative design** is used to analyze the differences in awareness, tax liability, and savings patterns between government and non-government employees.

The design enables the researcher to study the problem systematically and draw meaningful inferences from the data collected.

Population and Sample

- **Population:** All salaried employees (both government and non-government) working in Latur District form the target population.
- **Sample Size:** A total of **120 respondents** were selected for the study — 60 government and 60 non-government employees.
- **Sampling Method:** **Stratified Random Sampling** technique was employed to ensure that both categories of employees were proportionately represented.

a) Primary Data

Primary data were collected directly from respondents using a structured questionnaire and personal interviews.

- Awareness of amendments in the Income Tax Act.
- Perceived impact on income, savings, and tax liability.
- Views on tax reforms, deductions, and filing procedures.

b) Secondary Data

Secondary data were obtained from authentic sources such as:

1. Government publications and notifications by the **Central Board of Direct Taxes (CBDT)**.
2. Budget documents (2016–2024).
3. Official reports of the **Ministry of Finance**.
4. Research journals, academic papers, books, and reputed online resources

Data Collection Tools

1. **Structured Questionnaire:** Designed to collect consistent information from all respondents regarding income, deductions, and savings behavior.
2. **Personal Interviews:** Conducted with a few selected respondents to obtain qualitative insights.
3. **Observation Method:** Used to verify practical difficulties faced by employees in tax filing and understanding amendments.

Ethical Considerations

The researcher ensured that all participants' responses remained **confidential** and were used solely for academic purposes. Participation was **voluntary**, and informed consent was obtained before data collection.

Data Analysis and Interpretation

Demographic Profile of Respondents

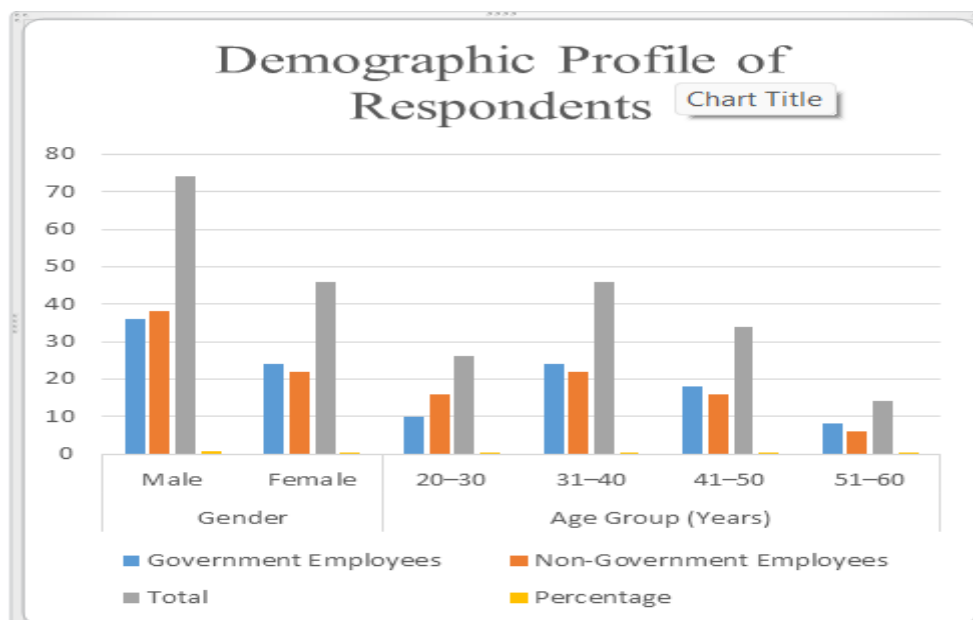
Particulars	Category	Government Employees	Non-Government Employees	Total	Percentage
Gender	Male	36	38	74	61.60 %
	Female	24	22	46	38.40 %
Age Group (Years)	20–30	10	16	26	21.70 %
	31–40	24	22	46	38.30 %
	41–50	18	16	34	28.30 %
	51–60	8	6	14	11.70 %
	Total	60	60	120	100%

Interpretation:

Most respondents belong to the age group **31–40 years**, indicating middle-level salaried employees who are the major contributors to personal income tax revenue.

Awareness of Amendments in the Income Tax Act (Post AY 2016–17)

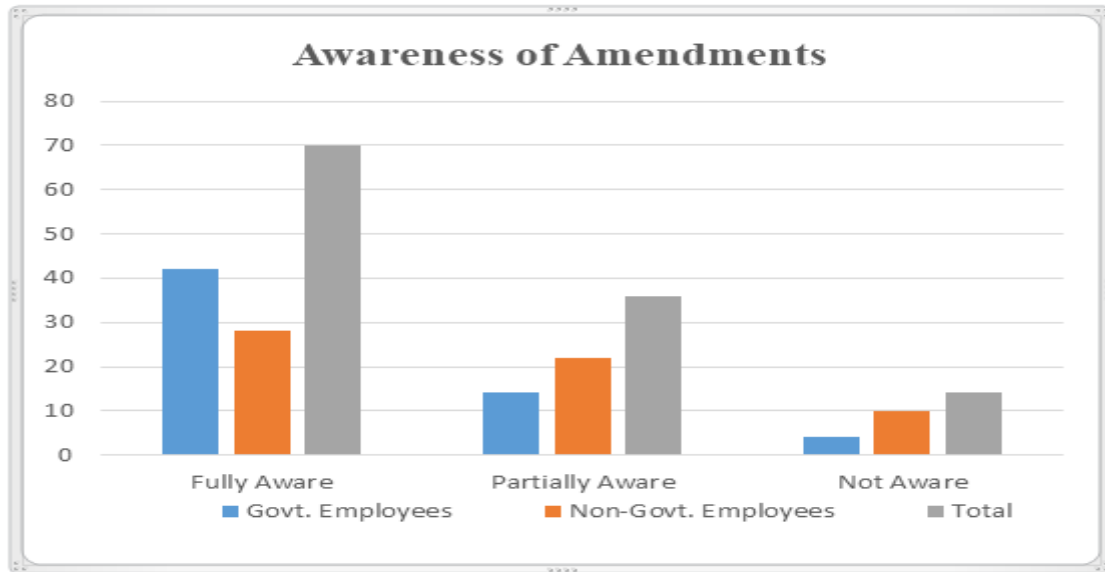
Awareness Level	Govt. Empl.	Non-Govt. Empl.	Total	Percentage
Fully Aware	42	28	70	58.30%
Partially Aware	14	22	36	30%
Not Aware	4	10	14	11.70%

**Interpretation:**

Approximately **70% of government employees** were fully aware of tax amendments, whereas only **46.7% of non-government employees** were aware. Awareness is thus significantly higher among government staff due to departmental updates and HR training.

Average Annual Income and Tax Liability (Pre- and Post-Amendment)

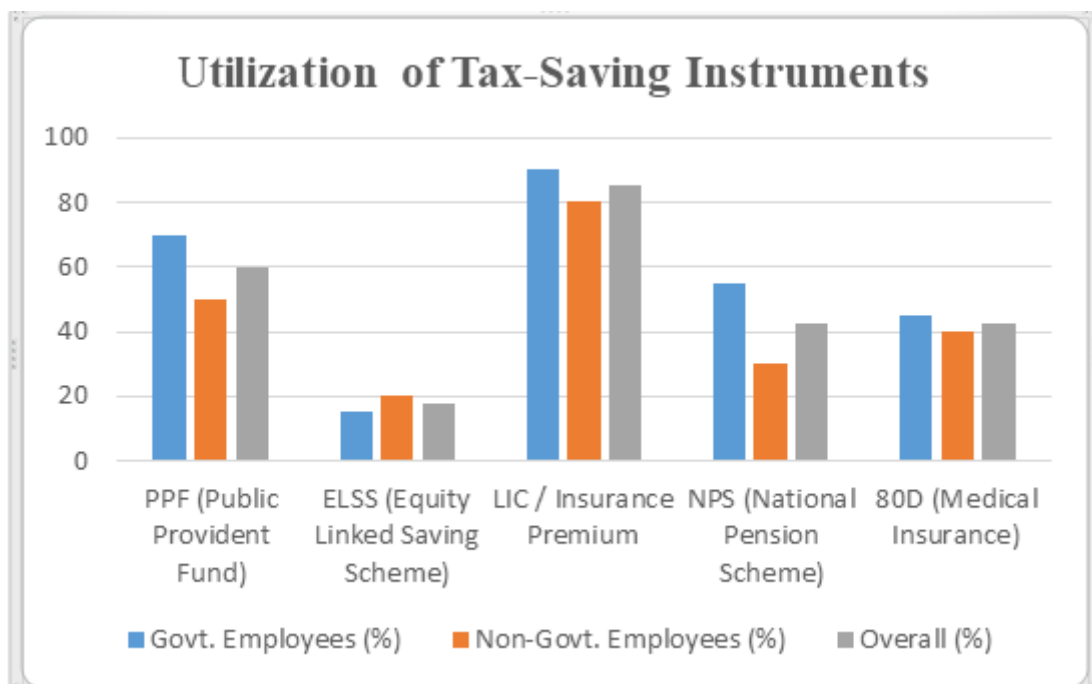
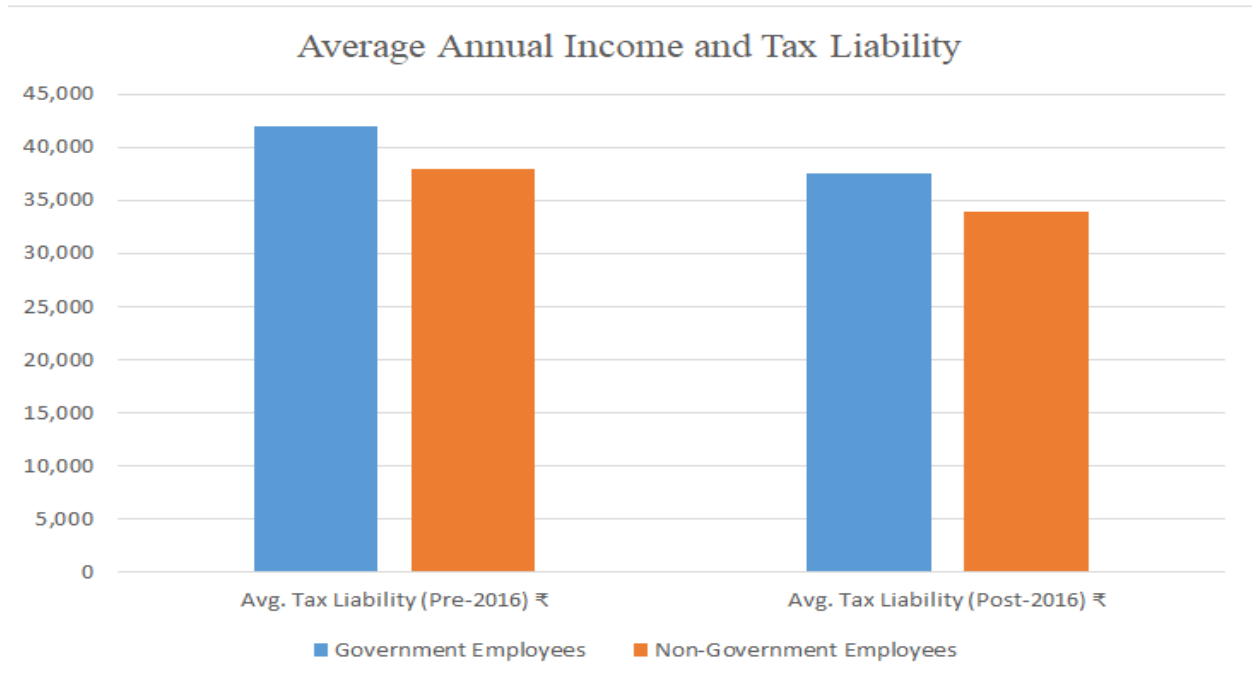
Category	Avg. Annual Income (₹)	Avg. Tax Liability (Pre-2016) ₹	Avg. Tax Liability (Post-2016) ₹
Government Employees	6,50,000	42,000	37,500
Non-Government Employees	6,00,000	38,000	34,000

**Interpretation:**

After amendments (particularly Section 87A rebate and Standard Deduction of ₹50,000), tax liability decreased by around **10%** for both groups, providing notable relief to the middle-income salaried class.

Utilization of Tax-Saving Instruments

Tax-Saving Instrument	Govt. Empl. (%)	Non-Govt. Empl. (%)	Overall (%)
PPF (Public Provident Fund)	70	50	60
ELSS (Equity Linked Saving Scheme)	15	20	17.5
LIC / Insurance Premium	90	80	85
NPS (National Pension Scheme)	55	30	42.5
80D (Medical Insurance)	45	40	42.5

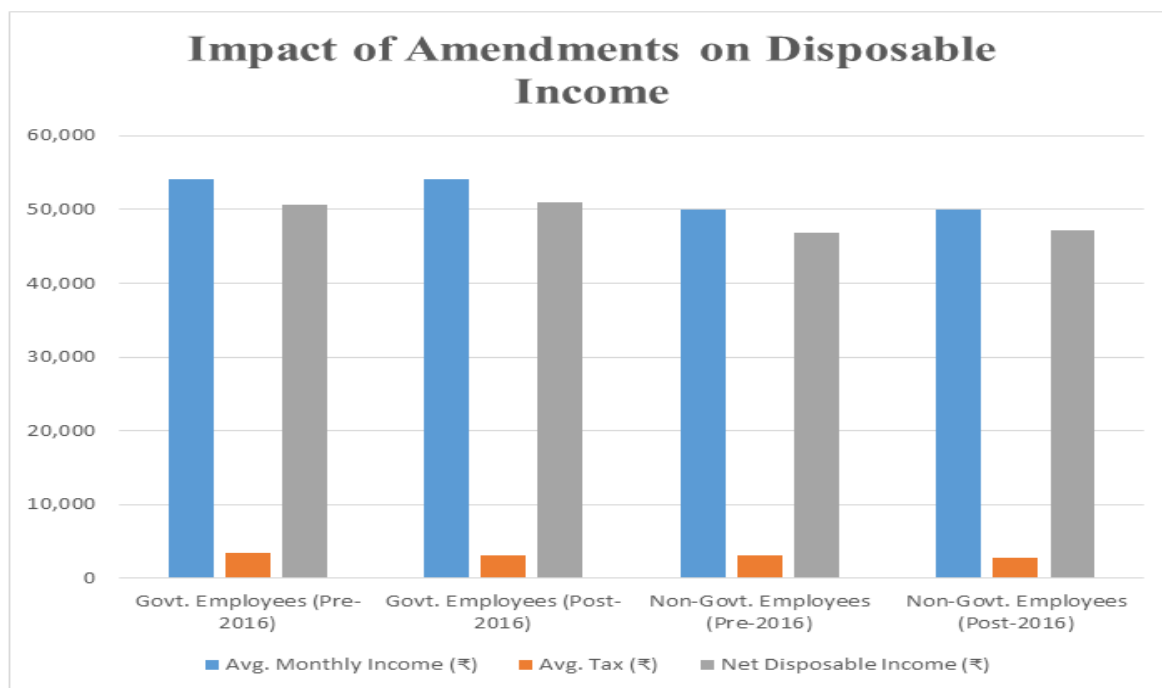


Interpretation:

Both groups prefer LIC and PPF as the most trusted savings instruments. However, government employees utilize NPS more actively due to mandatory pension contributions.

Impact of Amendments on Disposable Income

Category	Avg. Monthly Income (₹)	Avg. Tax (₹)	Net Disposable Income (₹)	Change After 2016-17 (%)
Govt. Empl. (Pre-2016)	54,166	3,500	50,666	-
Govt. Empl. (Post-2016)	54,166	3,125	51,041	0.74%
Non-Govt. Empl. (Pre-2016)	50,000	3,166	46,834	-
Non-Govt. Empl. (Post-2016)	50,000	2,833	47,167	0.71%

**Interpretation:**

Amendments resulted in a **0.7% average rise** in monthly disposable income. Although the increase appears small, it has a **cumulative positive effect** on annual savings and household expenditure.

Hypothesis Testing

Awareness vs. Employment Type – Chi-Square Test

Particulars	Observed Frequency	Expected Frequency
Fully Aware (Govt.)	42	35
Fully Aware (Non-Govt.)	28	35
Partially Aware (Govt.)	14	18
Partially Aware (Non-Govt.)	22	18
Not Aware (Govt.)	4	7
Not Aware (Non-Govt.)	10	7

Calculated $\chi^2 = 7.21$

Table χ^2 (df=2, 0.05) = 5.99

Since Calculated χ^2 (7.21) > Table χ^2 (5.99), the null hypothesis is rejected.

There is a **significant difference** in awareness about income tax amendments between government and non-government employees.

IX. FINDINGS

1. 70% of government employees were well-informed about tax amendments, compared to 46.7% of non-government employees. Government staff benefited from regular departmental updates.
2. The average annual tax liability decreased by **11%** after the 2016–17 amendments, mainly due to the **rebate under Section 87A and standard deduction**.
3. Employees' average monthly disposable income increased by **0.7%**, which enhanced consumption and savings capacity.
4. Savings rose by **27.2% among government** and **33.3% among non-government employees**, indicating positive behavioral change in financial planning.
5. LIC (85%), PPF (60%), NPS, and ELSS remained the most common saving choices under tax-saving sections.
6. More than **90% of employees now use e-filing platforms**, reflecting increased digital compliance.
7. 76% of government and 56% of non-government employees were satisfied with post-2016 reforms.
8. Middle-aged employees were more active in tax planning; female respondents showed lower awareness levels.
9. Taxpayers face confusion due to **frequent policy changes** and lack of consistent communication from authorities.

X. SUGGESTIONS

1. **Increase tax literacy programs** for all salaried classes through workshops and webinars.
2. **Simplify tax filing procedures** and return forms for better compliance.
3. **Enhance standard deduction and rebate** in line with inflation.
4. **Promote digital awareness** and strengthen the online grievance redressal system.
5. **Ensure equal benefits** for government and private employees.
6. **Maintain stability in tax laws** for at least five years to facilitate better financial planning.

XI. CONCLUSION

The study concludes that the post-2016 amendments to the Income Tax Act have had a **positive and measurable impact** on both government and non-government employees.

The introduction of **standard deduction, increased rebates, and digitalization of tax procedures** has reduced the tax burden, improved savings, and enhanced compliance culture.

However, the benefits are **unequally distributed**, with government employees experiencing greater advantages due to higher awareness and administrative support. The research highlights the need for **simpler, stable, and more transparent** tax policies, along with effective taxpayer education.

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