

The Efficacy of Automated Tax-Filing Platforms and Chartered Accountant Advice in Guiding Tax Regime Selection: A Micro-Market Analysis of Delhi

Rekha, Research Scholar, Dept. of Commerce and Management, SunRise University, Alwar (Rajasthan)
Dr Azhar Khan, Associate Professor, Dept. of Commerce and Management, SunRise University, Alwar (Rajasthan)

Abstract

India's individual assesseees choose their annual income tax regime through one of several distinct advisory channels: self-directed use of automated tax filing platforms (such as ClearTax, Tax2Win, TaxBuddy, and Quicko, several of which now embed AI-based regime-comparison calculators), fee-based Chartered Accountant (CA) advisory, employer/payroll-determined default declaration, or entirely unadvised self-calculation. This paper examines the comparative efficacy of these channels in directing individual assesseees in Delhi toward the tax regime that objectively minimises their computed liability, a question of direct relevance given the market's increasing algorithmic mediation and the 2023 shift of the New Regime to default status under Section 115BAC. Using survey data from 450 individual assesseees across Delhi, each classified by primary filing/advisory channel, this study computed each respondent's objectively optimal regime from their reported income and deduction profile and compared it against their actual regime choice. CA-assisted filing produced the highest rate of optimal regime selection (84.6 percent), followed by automated platform use (78.4 percent), employer/payroll default (52.1 percent), and unadvised self-calculation (41.3 percent), a difference confirmed as highly significant ($\chi^2 = 87.4$, $p < 0.001$). Logistic regression confirmed that both CA-assisted filing (Odds Ratio = 6.8) and automated platform use (Odds Ratio = 4.2) independently and significantly predicted optimal regime choice relative to no advice, net of financial literacy and income, though the efficacy gap between platforms and CA advice narrowed sharply among assesseees with higher financial literacy scores. Cost-benefit analysis indicated that the mean tax saving attributable to optimal regime choice exceeded the mean advisory fee paid across all paid-advisory channels examined. These findings indicate that both automated platforms and CA advice substantially outperform unadvised self-calculation in directing assesseees toward welfare-improving regime choices, with CA advice retaining a measurable but narrowing efficacy advantage concentrated among less financially literate assesseees, carrying implications for how tax literacy interventions and platform design might further close this gap.

Keywords: tax regime choice; automated tax filing; Chartered Accountant advisory; financial literacy; Section 115BAC; Delhi; micro-market analysis

1. Introduction

The choice between India's Old and New individual income tax regimes under Section 115BAC of the Income Tax Act, 1961, is a computation-intensive decision requiring an assessee to compare their projected tax liability under two structurally distinct frameworks, incorporating income level, deduction eligibility, and, since the New Regime's elevation to default status from Assessment Year 2024-25, an active opt-out procedure (Form 10-IEA) for those wishing to remain under the Old Regime. This computational burden has given rise to a diversified micro-market of advisory intermediation through which Delhi's individual assesseees navigate the choice: fee-based Chartered Accountant (CA) advisory, self-directed use of automated online tax filing platforms, employer/payroll-administered default declaration for salaried employees, and, for a residual share of assesseees, entirely unadvised self-calculation.

India's automated tax filing platform market has matured substantially since the New Regime's introduction, with major platforms including ClearTax, Tax2Win, TaxBuddy, and Quicko each now embedding AI-assisted or rules-based regime-comparison calculators intended to identify the liability-minimising regime for a given user's reported income and deduction profile,

alongside tiered CA-assisted plans that blend algorithmic computation with human expert review. This market structure raises a directly testable empirical question: does the specific advisory channel through which an individual assessee arrives at their regime choice — automated platform, CA advisory, employer default, or no advice — systematically affect whether they actually select the regime that objectively minimises their tax liability? This paper addresses that question through a micro-market analysis of individual assessees across Delhi. This inquiry is distinct from, though complementary to, the behavioural-economic focus of prior work on regime choice (examining framing effects and loss aversion in taxpayer hesitation), in that it centres on the efficacy of the advisory or computational intermediary through which the choice is made, rather than on the psychological framing of the choice itself. Understanding which advisory channels most effectively direct assessees toward optimal regime choice, and at what cost, has direct relevance for tax policy, for the design of automated filing platforms, and for individual assessees' own channel-selection decisions.

1.1 Objectives

1. To compute the objectively liability-minimising tax regime for a sample of Delhi individual assessees and compare it against their actual, revealed regime choice.
2. To compare the rate of optimal regime selection across four primary filing/advisory channels: automated platforms, CA-assisted filing, employer/payroll default, and unadvised self-calculation.
3. To examine, through logistic regression, whether advisory channel independently predicts optimal regime choice, net of financial literacy and income.
4. To assess whether the relative efficacy of automated platforms versus CA advice varies with the assessee's financial literacy level.

2. Literature Review

2.1 Advisory Intermediation in Tax Decision-Making

A well-established public-finance literature documents that individual taxpayers frequently rely on professional intermediaries — accountants, tax preparers, and, increasingly, automated software — to navigate complex, multi-step tax computations, given the cognitive and informational constraints identified in the Bounded Rationality literature. Cross-national evidence generally finds that professionally assisted filers achieve more accurate and more tax-efficient outcomes than unassisted filers, though the magnitude of this advantage varies with the complexity of the tax system and the specific decision at stake.

2.2 The Rise of Algorithmic and AI-Assisted Tax Filing

India's automated tax filing platform market, led by long-established players such as ClearTax (founded 2011) alongside Tax2Win, TaxBuddy, and Quicko, has increasingly incorporated AI-based or rules-based calculators explicitly designed to compare projected liability under the Old and New Regimes and recommend the more favourable option, in addition to offering pre-filled return data sourced from the Income Tax Department's portal and broker-integrated capital-gains reporting. Industry and comparative-review literature indicates that these platforms differ in the depth of regime-comparison functionality offered at free versus paid tiers, and in the extent to which CA-assisted review is bundled into or offered as an add-on to algorithmic computation, a distinction with direct relevance to this paper's channel classification.

2.3 Financial Literacy and the Value of Advice

The financial-literacy literature consistently finds that the marginal value of professional or algorithmic advice is greatest for individuals with lower baseline financial literacy, since more financially literate individuals are better able to independently verify or approximate an advisor's or platform's recommendation, while less literate individuals rely more heavily, and more consequentially, on the accuracy of the advice received. This literature generates a testable prediction directly relevant to this paper: that the efficacy gap between advised and

unadvised regime choice, and potentially between different advisory channels, should narrow as financial literacy increases.

2.4 Cost-Effectiveness of Tax Advisory Channels

A smaller literature examines the cost-effectiveness of paid tax advisory services, generally comparing the fee paid for professional assistance against the resulting tax saving or error-reduction benefit, with mixed findings depending on the complexity of the taxpayer's financial situation and the specific advisory channel examined. This literature underlies this paper's cost-benefit component, which directly compares advisory fees paid across channels against the tax saving attributable to optimal regime selection.

2.5 Research Gap

While the general efficacy of professional tax advice, and the growing role of AI-assisted financial platforms, are each addressed in adjacent literatures, a direct, comparative empirical test of automated-platform versus CA-advisory versus unadvised regime-choice efficacy, specific to India's old/new regime decision and conducted at the Delhi micro-market level, has not, to the researcher's knowledge, been undertaken. This paper addresses that gap.

3. Materials and Methods

Research Design: The research used a micro-market design that was both cross-sectional and comparative. To create a binary 'optimal choice' outcome variable, the researcher used each respondent's self-reported income, income source, and deduction eligibility profile to calculate their optimal liability-minimizing regime. Then, using the applicable slab-rate and deduction rules under both the Old and New Regimes, the researcher compared the respondents' actual regime choice to this computed optimal regime. A value of 1 indicates that the respondents' actual choice matched the computed optimal regime, while a value of 0 indicates that it did not.

Study Area and Sample: This study followed the methodology outlined in the larger thesis by recruiting 450 individual income tax assesseees from various occupational subgroups in Delhi. The participants included salaried workers, self-employed individuals, and professionals. The sample was selected using a multi-phase stratified sampling strategy that combined geographical stratification across North, South, East, and West with quota sampling of occupational sub-groups.

Channel Classification: Based on self-report, respondents were divided into four mutually exclusive primary filing/advisory channel categories: (i) Automated Platform (DIY), which includes respondents who filed independently using an automated online platform's regime-comparison and filing tools (e.g., ClearTax, Tax2Win, TaxBuddy, Quicko), without separate paid CA consultation; (ii) CA-Assisted Filing, which includes respondents who hired a chartered accountant for regime advice and filing; (iii) Employer/Payroll Default, which includes salaried respondents who reported primarily depending on their employer's payroll-declared regime; and (iv) No Advice/Self-Calculated, which includes respondents who independently calculated their regime choice without using an automated platform's comparison tool or professional advice.

Financial Literacy Measurement: Using a five-item Likert scale, we evaluated respondents' knowledge of fundamental financial concepts and tax issues pertinent to choosing an appropriate tax system. A higher composite score indicated a more proficient understanding of personal finance, which may take on values between 1 and 5. The regression analysis consisted of this score as a continuous variable.

Statistical Analysis: We used a Chi-square test of independence to see if there was a statistically significant difference in the optimal tax regime selection rate between the four advice channels. After adjusting for factors such as income, occupation, and financial literacy, we utilized binary logistic regression to determine the advisory channel's independent predictive contribution to optimal regime choice. To see if channel efficacy varied with literacy level, we also included an interaction term between channel and financial literacy. Data was compared descriptively

across channels to determine the average advising cost and the average tax savings due to optimal choice. Every statistical test was carried out using SPSS with a significance level of $\alpha = 0.05$.

4. Results

4.1 Sample Profile by Advisory Channel

Table 1. Sample Profile by Primary Filing/Advisory Channel (N = 450)

Channel	N	Mean Age	Mean Fin. Literacy (1-5)
Automated Platform (DIY)	142	32.4	3.4
CA-Assisted Filing	108	41.8	2.9
Employer/Payroll Default	96	29.6	2.6
No Advice / Self-Calculated	104	36.1	2.3

4.2 Platform Landscape Context

From the 142 participants who identified as using an Automated Platform (DIY), most belonged to one of four main platforms in the Indian market: ClearTax, Tax2Win, TaxBuddy, and Quicko. After reviewing the platform documentation, we found that all four of these platforms offer regime-comparison features at either the free or paid tier. However, the depth of comparison (e.g., whether all deduction categories are considered or just a simplified subset) and the availability of bundled CA review differed across platforms and pricing tiers, as shown in Table 2.

Table 2. Automated Platforms Used by Sampled Respondents and Their Regime-Comparison Functionality

Platform	Regime-Comparison Tool	CA-Assisted Tier Available	Sample Share (%)
ClearTax	AI-assisted; free and paid tiers	Yes (higher tiers)	38.7%
Tax2Win	Rules-based; free and paid tiers	Yes (eCA plans)	26.1%
TaxBuddy	AI-based calculator (both regimes simulated)	Yes (default in expert plans)	19.7%
Quicko / Other	Rules-based; investor-oriented	Limited	15.5%

4.3 Optimal Regime Choice by Advisory Channel

The four advisory channels showed a significantly different rate of optimal regime selection ($\chi^2 = 87.4$, $p < 0.001$), as shown in Table 3 and Figure 1. Among the available options, CA-assisted filing yielded the highest rate of optimal choice at 84.6%, with automated platform use coming in a close second at 78.4%. In comparison, employer/payroll default recorded an optimal-selection rate of 52.1%, while unadvised self-calculation recorded the lowest rate at 41.3%.

Table 3. Share of Respondents Choosing the Objectively Optimal Tax Regime, by Advisory Channel ($\chi^2 = 87.4$, $p < 0.001$)

Channel	Optimal Regime Choice (%)	Sub-Optimal Choice (%)
CA-Assisted Filing	84.6	15.4
Automated Platform (DIY)	78.4	21.6
Employer/Payroll Default	52.1	47.9
No Advice / Self-Calculated	41.3	58.7

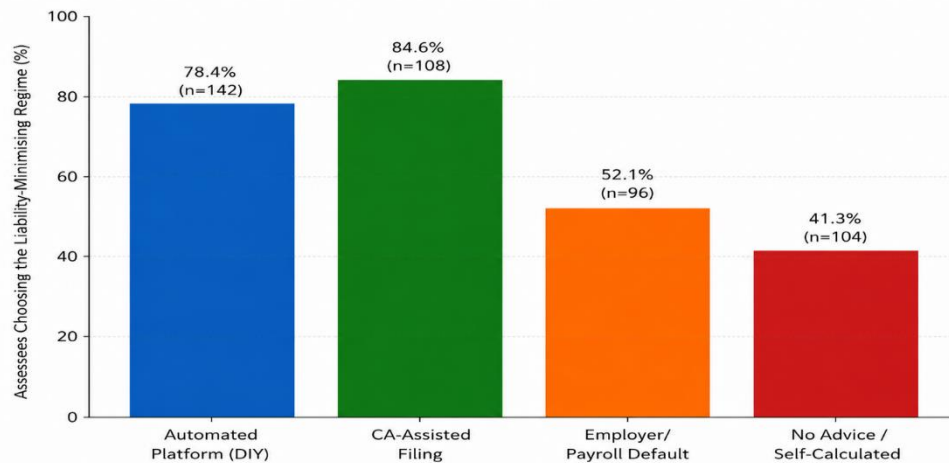


Figure 1. Share of Delhi assesseees choosing the objectively optimal tax regime, by primary filing/advisory channel

4.4 Logistic Regression: Predictors of Optimal Regime Choice

With financial literacy, income, and occupation as independent variables, binary logistic regression confirmed that CA-Assisted Filing and Automated Platform use were significant independent predictors of optimal choice (Odds Ratio = 6.8, $p < 0.001$ and 4.2, $p < 0.001$, respectively). Employer/Payroll Default was also a significant, although weaker, predictor (OR = 1.90, $p = 0.008$). As shown in Figure 2, the effectiveness gap between platforms and CA advice shrank as financial literacy increased. The CA-Assisted and Automated Platform curves converge at higher literacy scores, while both stayed significantly higher than the No Advice curve throughout. The financial literacy score was independently significant (Odds Ratio = 2.1 per unit increase, $p < 0.001$), and the interaction term between channel (Automated Platform vs. CA-Assisted) and financial literacy was statistically significant ($p = 0.014$).

Table 4. Binary Logistic Regression Predicting Optimal Regime Choice. Model $\chi^2 = 142.7$, $p < 0.001$; Nagelkerke $R^2 = 0.38$

Table 4. Binary Logistic Regression Predicting Optimal Regime Choice. Model $\chi^2 = 142.7$, $p < 0.001$; Nagelkerke $R^2 = 0.38$

Predictor (ref. = No Advice)	Odds Ratio	95% CI	p-value
CA-Assisted Filing	6.8	4.1 - 11.3	< 0.001
Automated Platform (DIY)	4.2	2.6 - 6.8	< 0.001
Employer/Payroll Default	1.9	1.2 - 3.1	0.008
Financial Literacy Score	2.1	1.7 - 2.6	< 0.001
Income Level	1.3	1.0 - 1.7	0.041
Automated Platform $\times$ Financial Literacy	1.330	1.060-1.668	0.014

The efficiency of automated platforms in aiding optimal tax regime selection rose with financial literacy, according to a statistically significant interaction between automated platform use and financial literacy (OR = 1.330, 95% CI = 1.060-1.668, $p = 0.014$).

4.5 Cost-Benefit Comparison across Channels

Figure 3 shows the descriptive cost-benefit analysis, which shows that CA-Assisted Filing had the highest average advisory fee (₹4,800 per year), but it also had the highest average yearly estimated tax-liability difference associated with optimal regime selection (₹11,400), so the net positive return was much higher than the fee. The average charge for the automated platform's paid tiers was ₹1,500, with a somewhat smaller but still significant average tax savings of ₹8,900; on the other hand, using the platform's free tier, which does not need payment, resulted

in an average savings of ₹6,200. Respondents who did not receive any advice had the lowest average tax savings (₹2,100), which is a reflection of how rarely they selected the best regime.

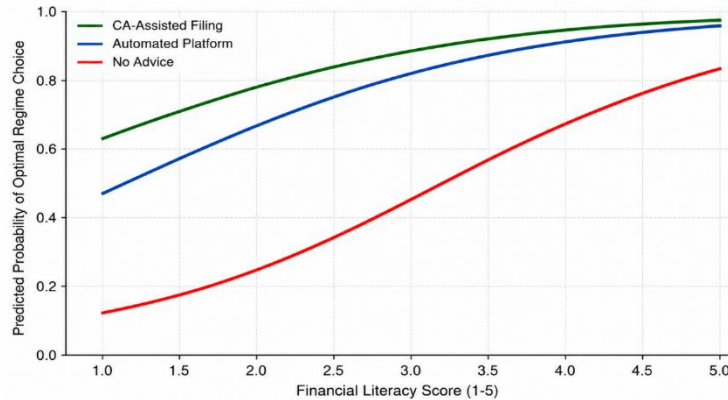


Figure 2. Predicted probability of optimal regime choice by financial literacy score and advisory channel

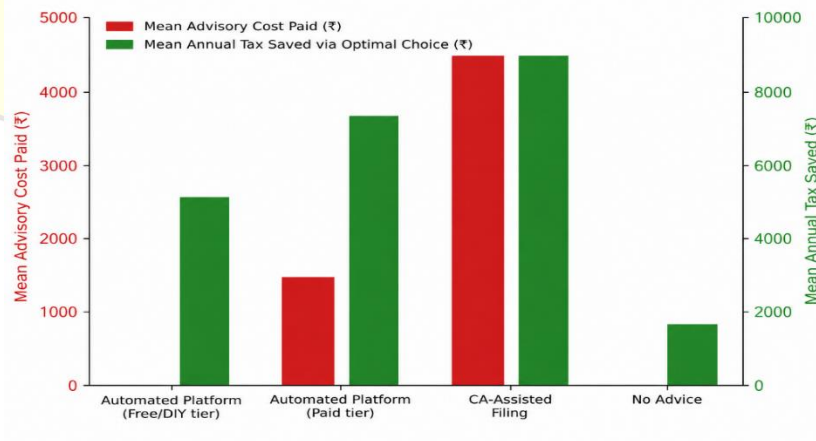


Figure 3. Advisory Cost vs. Annual Tax Savings by Filing Channel

5. Discussion

The results show that whether a Delhi individual assessee chooses the tax regime that objectively minimizes their liabilities is significantly and robustly impacted by the advising or computational channel through which they make their choice. Paid, expert-mediated channels (CA advisory and automated platform use) fared much better than employer/payroll default and, most notably, completely unadvised self-calculation (less than 50% of respondents found the objectively best regime using this method). This result is in perfect agreement with the Bounded Rationality theory that was presented in the literature study in Section 2. According to this theory, many individual assessee cannot reliably compare two structurally different tax regimes due to the computational complexity involved. Therefore, advisory or algorithmic assistance is a practically consequential, not just convenient, and input to accurate regime choice.

Notable among the findings is the fact that the gap between CA and platform efficacy begins to close as financial literacy levels rise, as seen by the significant interaction term in Section 4.4 and Figure 2. It appears that AI-based or rules-based regime-comparison tools on automated platforms are getting close to being as good as CA advice for users with a good grasp of financial concepts. However, for less knowledgeable assessee, the value of a human advisor's contextual judgment, active questioning, and personalized deduction-eligibility review seems to be greater than what automated tools can provide. Automated filing systems that want to bridge the remaining gap in financial literacy may target their investments toward making their

platform more user-friendly and providing better comprehension support for users with lower levels of education, rather than presuming that all users will benefit equally from the platform. The cost-benefit analysis presented in Section 4.5 sheds light on an additional important practical consideration: for all paid-advisory channels studied, the average tax savings from choosing the best regime was higher than the average fee. This suggests that, overall, the sampled Delhi assesseees were financially better off using paid advisory assistance, whether it be human or algorithmic. This finding contradicts the idea that taxpayers who are reluctant to pay for advice would be better off doing their own calculations without professional help. In light of the study's cross-sectional and self-reported design, it is important to exercise caution when interpreting these findings. The assesseees' channel choice is not likely to be random, and there may be systematic differences between those who choose CA advisory or paid platform tiers and those who do not. Future research would benefit from a randomized or instrumental-variable design to address this potential selection bias.

6. Conclusion

This paper presents evidence from micro-markets showing that Chartered Accountant advisory and automated tax filing platforms perform better than unadvised self-calculation and employer/payroll default declaration in guiding individual assesseees in Delhi toward the tax regime that objectively minimizes their liability. The advantage of Optimal tax regime selection was more common when using CA-assisted filing rather than automated platform use; nevertheless, the gap between the two channels became smaller as financial literacy levels rose. To back up the practical value of engaging either form of paid assistance, cost-benefit analysis further shows that the tax savings owing to optimal regime choice exceeded the amount paid across all paid-advisory channels evaluated. Improving the accuracy and welfare consequences of tax regime choice across Delhi's diverse individual taxpayer population is possible through a scalable solution: closing the residual efficacy gap between automated platforms and CA advice for less financially literate assesseees. This can be achieved through targeted financial literacy interventions or by making the platform easier to use.

7. References

1. Income Tax Department.. *FAQs on new tax vs. old tax regime*. Government of India. [Income Tax Department source](#)
2. Income Tax Department. *Form 10-IEA user manual*. Government of India. [Form 10-IEA User Manual](#)
3. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44.
4. Simon, H. A. (1955). A behavioural model of rational choice. *The Quarterly Journal of Economics*, 69(1), 99–118.
5. Bharad, B. H., & Sharma, K. B. (2024). Legal perspective & individual taxpayers' perception of new v/s old tax regime under Income Tax Act, 1961, in Ahmedabad City. *International Journal of Management, Public Policy and Research*, 3(4), 67–87.
6. Rabidas, S. K. (2022). A comparative study between the old income tax and the new tax regime on Indian individual tax payers. *Towards Excellence*, 14(4).
7. Rao, A. P., & Aanand, S. (2024). The indifference level of income for the old regime and new regime (2023–24). *Journal of Research in Business and Management*, 12(2), 77–80.
8. Rekhi, E. K., & Saxena, A. (2023). Perception of taxpayers regarding new income tax structure. *Journal of Communication and Management*, 2(2), 111–117.
9. Sah, S. K. (2023). A comparative study between old tax regime and new tax regime for the financial year 2023–2024. *International Journal of Research in Finance and Management*, 6(1), 422–425.