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Original Research Article

HISTORY OF TAXATION IN INDIA AND CURRENT SCENARIO OF INDIAN TAXATION

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Abstract:

The history of taxation in India is a complex narrative evaluating centuries. Ancient texts such as the Arthashastra outlined tax principles, while empires like the Mauryas and Guptas levied land taxes. The Mughals introduced diverse revenue sources, including customs duties. British colonial rule witnessed the implementation of systematic taxation, notably the Income Tax Act of 1860. Post-independence, India evolved its tax structure with the establishment of the Goods and Services Tax (GST) in 2017, marking a significant shift towards a unified indirect tax system. Throughout its history, taxation in India has undergone continuous reforms in response to economic changes and administrative needs.

Key Words: *Ancient Taxation, Current Taxation, Tax Structure.*

Introduction:

India has a long taxation history when autocrats collected levies to fund colourful conditioning. Over the times, different reliability and conglomerates enforced taxation systems to support governance and structure. During British rule, formal duty structures were established, and after independence in 1947, India continued to upgrade its duty system. moment, the country has colourful levies like income duty, goods and services duty(GST), and more, contributing to government profit for public services and development. Levies are paid by the people to the government. The idea is to fund public services like seminaries, roads, and hospitals. Throughout history, different societies have used levies in colourful ways, occasionally causing conflicts. Moment, levies help governments give essential services for everyone. In India, taxation has a long history dating back to ancient times. The ancient Indian textbooks, similar as the Maharashtra, mention colourful forms of levies assessed by autocrats. During the Mughal period, there were land profit systems. British social rule introduced a more formal duty structure in the 19th century, including income duty in 1860. After independence in 1947, India continued to upgrade its duty system. The preface of the Goods and Services Tax (GST) in 2017 marked a significant modernization in the duty structure, bringing together colourful circular levies. Overall, India's duty history reflects a mix of ancient practices, social influences, and contemporary reforms to support the nation's profitable development. India's duty structure girdled with both direct and circular levies. Direct levies are levied on individualities and pots, with income duty being a significant element. Circular levies include the Goods and

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Services Tax (GST), which replaced multiple circular levies, and customs duties on significances. Direct levies are regulated by the Central Board of Direct levies (CBDT), while the Central Board of Indirect levies and Customs (CBIC) oversees circular levies. Also, there are state- position levies. The duty system plays a vital part in generating profit for government expenditure and public services. The coming revised levies came in 1918 and 1922. The act of 1918 repealed the 1886 act and formed numerous new important changes. The act of 1922 is extremely important since it has since also that India started to have an functional Income Tax Department. This act determine colourful departments of the Income- duty authorities. Over the times the act came more and more complicated over the times due to the emendations made by governments over the course of decades. The act of 1922 remained in effect in India till 1961. The act was brought by the British and latterly in 1956 Government of India appertained to a law commission to make it simpler. The Indian Income Tax act of 1961 came into effect after consultation with the Ministry of law. It was brought into force in April 1962. All citizens of India are bound by this act. Since 1962 many amendments have been made to the act annually by the **Union Budget**. The bills become acts after it is passed by both upper and lower houses of parliament and get authoritative assent to it. Currently, five categories of income are considered for tax. They are as follows: salary, property, capital gains, profits from businesses and other sources of income

The old tax regime in India refers to the income tax structure that was prevalent before the introduction of the new tax regime in the financial year 2020-21. Under the old regime, individuals had the option to choose between the existing tax structure with deductions and exemptions or the new simplified tax structure with reduced tax rates but without many deductions.

Objective of the study:

The study of the Indian taxation structure serves several objectives, aiming to understand, analyse, and improve the effectiveness of the tax system. Some key objectives include:

1. To study ancient taxation system of India
2. To analyse the current scenario of Indian taxation
3. To identify link between ancient taxation and current taxation

Review of Literature:

This review reflects a multiple aspects of research, showcasing the associative nature of taxation studies. It underline the importance of considering economic, social, and behavioural aspects when evaluating and designing tax policies. Researchers continue to contribute valuable insights to this dynamic field, shaping the discourse on optimal tax structures and their implications.

Tyagi, Anjali, an analysis of Indian tax structure: (November 12, 2021) the paper focuses on the importance of the goods and services tax framework and analyses the evolution of India's taxation system. India has two types of taxes: direct and indirect. Direct taxes include income tax, gift tax, and capital gain tax. Indirect taxes include value added tax, service tax, goods and services tax, and customs duty.

Rao, Govinda and Kavita: (Trends and issues in tax policy and reform in India) the paper focuses on the tax neutrality, broadening of tax base, excise of tax rates and a more effective tax administration and policy reform

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India with no exception.

Aggarwal Pawan K. (1995): A review of its tax system and resent tax reform proposals. Analyzes the evolution of India's tax system since the early 1990's. the paper assesses the introduction of new forms of direct and indirect taxes, their revenue and equity implications, and the successes.

Arora R.S. and rani Vaneeta, (2010): Tax evasion and corruption in the Indian tax system. Tax evasion and corruption are serious in any country, including India. Public awareness and participation in holding accountable those engaged in corrupt practices.

Research Methodology:

The study based on secondary data. Information gather though books, websites, researcher papers, media etc.

Limitations:

1. India's tax system is regressive with multiple taxes at different levels of government, leading to administrative challenges.
2. High compliance requirements and paperwork pose a burden on taxpayers, especially for small businesses.
3. Indefinite tax laws and frequent changes create uncertainty for businesses and individuals in planning their finances.
4. Lengthy legal processes contribute to a backlog of tax disputes, causing delays in resolution and affecting business operations.

History of Indian Taxation:

The history of Indian taxation existed back to ancient times. In ancient India, taxes were primarily collected in the form of agricultural produce, and the state's revenue depended largely on land revenue. During the Mauryan and Gupta periods, easy system of taxation existed, including customs duties and income taxes. Medieval India saw the imposition of various taxes by different rulers, including the Delhi Sultanate and Mughal Empire. Akbar's reign, in particular, introduced a more organized revenue system. The Mughals levied taxes on agricultural produce, trade, and crafts, with the land revenue system remaining significant With British colonization, the structure of taxation underwent changes. The British introduced the Permanent Settlement in 1793 and later the Ryotwari and Mahalwari systems, influencing land revenue collection. The introduction of income tax in 1860 marked a significant shift.

Post-independence, India developed its tax system, and the Income Tax Act of 1961 laid the foundation for direct taxation. The Goods and Services Tax (GST) was introduced in 2017, it brings together various indirect taxes. India's tax system has evolved to meet economic needs, with ongoing reforms to simplify processes and enhance compliance. The modern concept of income tax emerged in the 19th century. The United Kingdom introduced income tax in 1799 to fund the war against Napoleon. The idea spread to other countries, including the United States, where the 16th Amendment in 1913 allowed Congress to levy income taxes. The 20th century witnessed the expansion of tax systems globally, with various forms of direct and indirect taxes. The Great Depression and World Wars prompted many countries to reassess and augment their tax structures.

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Since independence, India's tax structure has been changing on a regular basis. We had a record number of Committees investigating the necessary adjustments to the existing tax structure. Even today, one cannot declare that everything is perfectly systematized and that the Indian tax structure and operations are faultless. Taxation is an ancient slight dating back to the dawn of humanity.

The ancient Indian books 'Manu Smriti' and 'Arthasastra' contain large scale discussions on taxation. The king, according to Manu Smriti, should organize for tax collection in such a way that the taxpayer does not feel the burden of paying taxes. During the British reign in India, James Wilson developed the modern taxation system in 1860. In the year 1922, more codification was adopted. The system persisted, and in 1961, a new attempt was made when the Income Tax Act of 1961 was passed and brought into effect, which is still in effect with some minor changes by the government's authority.

The right of the Indian government to collect taxes is accepted by the Constitution of India, which allocates tax-levying powers to the Union Government and State governments according to the scheme provided out under the VIIth Schedule. Article 265 limits the state's taxation rights and states that no taxes may be collected without legal authorization.

In addition all taxes levied within India must be approved by a enactment known as the Finance Bill, which is passed by the Parliament or the State Legislature every time. The Central Board of Revenue Act of 1924 established the Board as a governmental reality charged with the administration of income duty. India presently has a well- developed three- league civil duty frame with well-defined power between the Central and State Governments, as well as external realities. The Central Government charges income taxes(save for agrarian income, which is levied by the State Governments), customs duties, the Central Goods and Services Tax(CGST), and the Integrated Goods and Services Tax(IGST)(IGST). State governments levy similar as the State Goods and Services Tax(SGST), stamp duty, state excise, land profit, and profession duty. Original governments have the authority to charge levies on parcels, octroi, and installations similar as water force and drainage.

According to the Indian duty system, the government collects levies from its citizens in order to produce profit for public- workshop systems and to ameliorate the country's profitable footmark. Section 2(24) of the Income Tax Act of 1931 defines" Income" as" the sum of plutocrat which any individual or business earns during a specific period of time from the numerous accessible sources of Income." It signifies that the plutocrat entered by an individual as pay and compensation from the employer who has hired him to take over a specific task is his top source of income. also, in the case of a establishment, the profit earned by fulfilling crucial business operations is regarded as the company's income. In nonprofessional's terms, income is the plutocrat entered by an existent over a specific period of time. Current script of Indian Taxation India presently has a three- tiered civil duty system that's well- established and has distinct power dynamics between the Central and State Governments as well as external organisations. The Central Government levies income tax, customs charges, the Central Goods and Services Tax (CGST), and the Integrated Goods and Services Tax, with the exception of husbandry profit, which is collected by the State Governments (IGST). The State Goods and Services Tax (SGST), stamp duty, state excise, land profit, and profession duty are just a many of the levies that state

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governments levy. Original governments have the right to duty property, octroi, and installations like water and drainage. The government of India collects taxes from its citizens to fund public workshop enterprise and to advance the country's profitable impact. Difference between Direct levies & circular duty in India:

1) The impact of direct taxation is felt incontinently by the taxpayer.
2) Circular levies were levied on dealers or directors, but they were ultimately levied on buyers of goods or services.
3) In the case of direct axes, shifting the burden is delicate because the duty payer must suffer.
4) The circular duty might be passed on to other people. In the case of direct taxes, the Potential for evasion is substantial due to account falsification and other means.

Goods and Services Tax, brought about a lot of favourable developments in India's financial sector. Colourful levies that were formerly levied are now dissolved. GST ensures that the aphorism of One Nation, One duty, and one request becomes a reality in our country rather than a pipe dream. The declining impact of duty is a situation in which the end- consumer of any good or service bears the weight of the duty to be paid on the preliminarily calculated duty, performing in an increased or inflated price. Numerous of the circular levies levied by countries and the civil government were intermingled into the Goods and Services Tax (GST) on July 1, 2017, when it went into effect. GST replaced several levies, including Deals duty, Central Excise Duty, Entertainment Tax, Octroi, and Excise Duty. Service Tax, Purchase Tax, and so on. One significant advantage is the simplicity of taxation in India to the government agencies. The Goods and Services Tax(GST) has the implicit to boost India's GDP. With the relinquishment of GST, taxpayers will be suitable to breathe easier because they will no longer be needed to fill out several obedience's under different countries. The GST governance requires only one enrolment and one return. Further, it adds significant to the Government of India's MAKE IN INDIA drive by attracting new foreign investment and lowering manufacturing costs through dropped compliance costs and levies. Income duty's part in the Indian Economy In the Indian frugality, the direct duty or income tax makes a lower donation than the circular duty. The reason why income tax or direct tax benefactions are lower in the Indian frugality is that income tax is assessed grounded on the income produced by the people, and there's also a defined limit of income. However, only income duty is levied on that income; still, in India, if the income earned exceeds the established limit. Simply a small part of India's overall population earns income that exceeds the quested limit, and income duty is levied only on this income. In India, there's a progressive income tax system, which means that a advanced rate of duty is levied on the fat while a lower rate of duty is levied on the poor. In the small portion of the population whose income exceeds the set limit, a veritably small number of people fall into the richer section group on whom a high rate of income duty is levied, which is why the direct duty or income duty contributes veritably little to the Indian frugality because a veritably small quantum of profit is generated from the direct duty or income duty.

Taxation has a significant impact on people's lives in a variety of ways. For illustration, duty on a person's income reduces the person's disposable income (the quantum available to the person to spend as he pleases). When a person's disposable income is lowered, he or she'll spend lower on basics. As an illustration, if a person is unfit

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to buy the basics that help him enhance his working effectiveness, his work capability will suffer and he'll be unfit to earn further, which will have an impact on his saving and investing plans. As a result, people's amenability to work is hampered, and the nation's total affair suffers as a result of the people's reduced provocation to work. In this way, it can be shown that assessing a duty on people acts as a interference, impacting people's psychology to complete their task to the stylish of their capacities. And when individualities begin to believe that they won't be suitable to work longer hours, the nation's living norms will suffer. And this decision to not work longer hours not only impacts people's living norms, but it also has a negative impact on their saving and investment plans, which will be a huge strike for the country's income. Rational behind lower collection of Income duty in India Lower income collection due to duty elusion could affect in the government failing to reach its financial deficiency target. Duty elusion occurs when a person conceals his taxable income using lawless tactics similar as fiscal statement manipulation, bills books, deals, and account books. The operation of the frugality by similar groups is backed by black plutocrat and duty elusion. Taxation is the government's primary source of profit, and duty elusion halts the country's profitable growth. While it's legal to avoid paying levies by taking advantage of deductions and claiming a low income, duty elusion is not. The duty frame must be suitable to distinguish between the two. The main cause of duty elusion is a high duty rate, which can be reduced by lowering the duty rate. Public party accounts must be checked on a regular base. Agrarian income that's pure from taxation29 is a simple approach to avoid paying levies by copping agrarian land and reporting the income under that title. A person can enjoy a measureless quantum of agrarian profit without paying a single penny in taxes. However, it indicates that not only the planter benefits, but all others who want to hide their plutocrat can use this head to avoid responsibility, If any head is pure from taxation.

Suggestions :

1. Provide clear, stable, and predictable tax policies to reduce uncertainty for businesses and investors. Avoid frequent changes in tax laws unless absolutely necessary.
2. Invest in technology to enhance the efficiency of tax administration, reduce paperwork, and facilitate easier compliance for taxpayers.
3. Implement policies that encourage businesses to operate within the formal economy, reducing the size of the informal sector and expanding the tax base.
4. Increase awareness and education about taxation among the public, promoting a culture of compliance and understanding the importance of paying taxes for national development

Conclusion:

The taxation system in India is complex, with a combination of direct and indirect taxes. Direct taxes include income tax, while indirect taxes consist of goods and services tax (GST). The government periodically revises tax policies to promote economic growth and address fiscal challenges. The effectiveness of the taxation system depends on factors like compliance, enforcement, and adaptability to changing economic conditions. Overall, it plays a crucial role in government revenue generation and socioeconomic development.

Both the direct and indirect tax has its own merits and demerits. If we talk about the direct taxes they are equitable because they are charged on person, according to their paying ability. The direct tax is economical because its costs of collection is less but however, it dosen't cover every section of the society. On the other hand if we talk about the indirect tax they are easy to realize as they are included in the price of the product and services, and along with that, it has an excellent coverage of every section of society. One of the best advantage of the indirect tax is the rate of tax is high for harmful products as compared to the other goods which are necessary for life.

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