

INDIRECT TAXES IN ANCIENT INDIA- A CONCEPTUAL REVIEW

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Abstract

Prevalence of indirect taxation system in India dates back to the Ancient age. The reference of a well planned and systematic approach to levy and collect taxes for the state is found from Kautilya's Arthashastra. In respect of matters pertaining to taxation, his suggestions were an ideal blend of both direct and indirect taxes. In this paper the researcher proposed to study the GST in Ancient period. The objective of the study is to understand service tax frame in Ancient India and to relate the Ancient frame with proposed GST framework. In India, the tradition of goods and service taxation has been in force in one form or another from ancient times. GST is expected to be a critical reform in spurring growth in the economy.

Keywords Indirect tax, Ancient

Introduction

Taxation has been an important component of the central government's policy on macro-economic management, especially economic growth and its distribution. Indirect taxes are the charges that are levied on goods and services. Some of the significant indirect taxes include Value Added Tax, Central Sales Tax, Central Excise Duty, Customs Duty, stamp duties and expenditure tax. Prevalence of indirect taxation system in India dates back to the Vedic age. One of the biggest taxation reforms in India the Goods and Service Tax is all set to integrate State economies and boost overall growth. The word 'kara', which refers to taxes, finds mention in the Srimad Bhagvatam. (Mitra, 2011)

Background of the study

Goods and Services Tax -- GST -- is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. GST will create a single, unified Indian market to make the economy stronger. The implementation of GST will lead to the abolition of other taxes such as octroi, Central Sales Tax, State-level sales tax, entry tax, stamp duty, telecom licence fees, turnover tax, tax on consumption or sale of electricity, taxes on transportation of goods and services, et cetera, thus avoiding multiple layers of taxation that currently exist in India. One of the biggest taxation reforms in India the Goods and Service Tax is all set to integrate State economies and boost overall growth. India is a country of golden heritage and glorious past. India was supposed to be the eminent guide of the entire world in pre and post Vedic age. The scientific and socio-economic development here was so advanced those days that India was often referred as a "Diamond Bird" – a symbol of immense prosperity. The border of the Indian culture was so vast that almost the whole world was lying in its domain of influence until several thousand years ago. The Gupta age was the period of peace and prosperity under the guidance of Chanakya. In this paper the researcher proposed to study the GST in Ancient period.

Literature review

- Tax was also known as Sukla(duty) i.e. kings share received from buyer and seller. Taxes on goods were levied on various goods right from the Veda period. The Vedic period was the period in Indian history during which the Vedas, the oldest scriptures of Hinduism,

were composed. The time span of the period is uncertain, though is thought to span from 1700 BCE to about 500 BCE (Molloy, 2012)

- Fair taxation guidelines are described in verses 7.127 to 7.137 of Manusmriti.
- An indirect tax is a tax collected by an intermediary (example a retail store) from the person who bears the ultimate economic burden of the tax (say, the customer). An indirect tax is one that can be shifted by the taxpayer to someone else. An indirect tax may increase the price of a good so that consumers are actually paying the tax by paying more for the products. (mospi.nic.in)
- In his book Public Finance in Vedic India, the learned author K. B. Sarkar commends the system of taxation in Vedic India: “Most of the taxes of Vedic India were highly productive. The admixture of direct taxes with indirect taxes secured elasticity in the tax system, although more emphasis was laid on direct tax. The tax structure was a broad-based one and covered most people within its fold. The taxes were varied and the large variety of taxes reflected the life of composite population.” (Mitra, 2011)
- Manu’s “Smrti”, also has the reference of a variety of tax measures. Manu stated that the king could levy taxes on its’ subjects which had the sanction of ‘Sastras’, means the legality. He advised that taxes should not however cause hardship to the citizen for whom it was meant and from whom it had been collected. (incometaxindia)
- The reference of a well planned and systematic approach to levy and collect taxes for the state exchequer is found from Kautilya’s Arthashastra. In respect of matters pertaining to taxation, his suggestions were an ideal blend of both direct and indirect taxes. During this period, collection of land revenue formed an important source of revenue to the State coffer. Besides, existence of levy of tax in the form of water taxes, octroi duties, toll taxes, customs duties were all in trend in this time. Taxes were also collected on Forest produce and from activities of mining of metals etc. (taxguru)
- When Chanakya aphorized in the Arthashastra, “Koshamoolo danda”, he made the important point that the treasury and its inflows are the sources of a government’s might. Indeed, the Sanskrit word ‘danda’, which translates to the sceptre, is the manifest form of a government’s identity, consciousness and conscience. According to the Arthashastra of Kautilya, the lands were under the control of the crown and there were various sorts of

taxes on the land. "Produce from crown lands (Sita) portion produce payable to the Government (bhaga), religious taxes (bali), taxes paid in money (Kara)". (Amarjothi, 2013)

- King was the sovereign authority to levy and collect tax from its' subjects in some form or the other, purpose of which was to have a slice of the produce derived out of the land on which king had the supreme authority. The chief received from people voluntary offering called Bali. Under rashtra are included—produce from crown-lands, tithe, tributes on share of offerings (Bali), merchants, superintendent of rieveries, ferries, boats and ships, towns , pasture grounds, road-cess, and ropes to bind thief . (Dr.PRASANNA KUMAR ACHARAYA, 1939)
- The term kara in its special sense as used by Kautilya, is defined by Shaft- as ' the annual tax paid during the months of Bhadrapada, Vasanta and the like,' while the Arthasastra text of Ksrasvamin understands it to be a charge upon all movable and immovable articles. From this it would follow that kara was a general property-tax levied periodically. (MONAHAN, 1925)
- Royal revenues were collected from forts(durga), country parts (rashtra), mines (khani),buildings and gardens (setu), forests (vana), herds of cattle (vraja), and roads of traffic i.e. road cess (yanikpatha).Under the head fort the following taxes are included: Tolls, fines, weights and measures, town-clerk, superintendent of coinage, of seals and pass-ports, liquor, slaughter of animals, manufacture of threads, oils, ghee, sugar, state goldsmith, ware-house of merchandise, the prostitute, gambling, building sites ,lease, the corporation of artisans, and handi-crafts-men, superintendents of gods, gate-tax (custom or entertainments), and foreigners (bahirikas). (RAO, 2014)

Research objectives

- To understand service tax frame in Ancient India
- To relate the Ancient frame with proposed GST framework

Research methodology

In the light of literature research analyzed with respect to concepts applied, the discussion is presented. As a conceptual study, this research paper was purely on secondary data.

Data analysis and interpretation

1) State taxes

- Sita: Comprising all kinds of crops that are brought by superintendent of agriculture.
- Bhaga: Bhaga was the tax on the crops which was one-sixth of what was produced.
- Bali: Aryanas were the first people known to have evolved a system of taxation under their ruler called the Rajan. In the Rigveda it is mentioned that the Rajan used to receive his revenues in the form of Bali. The most primary source of revenue in Vedic period was Bali. Taxation known as 'bali' meaning 'offering', in pre Vedic period and later 'rajkar', was regarded as one of the important sources of revenue to the state. Kara:
- Vivita: a levy on pastures land. Denoting royal dues realised for the use of pastures by (Vivitadhyaksa). The tithe or a part of produce as a royal tax which is mentioned in all Dharmasastras is justified on the ground that the king is the real owner of land.
- Rajju: Rajju or cess payable for settlement
- Chora rajju: Chow- kidari or Police cess
- Vyaaji - a sort of sale tax,
- Atyaya : penalty for violation of state monopoly.

2) Entertainment tax

- Luxury tax: Kautilya imposed a heavy taxation in imported foreign goods of luxury.
- Utsanga(Special celebration tax) : The Dharmasūtras and Dharmasāstras agree that it is the special duty of the king to collect Emergency tax (Prajaya); Celebration tax (Utsanga); War tax (Senābhakta). For utsanga, there was no absolute and fixed rate.
- Taxes on lottery, betting and gambling.
 - Gambling tax: The state maintained gambling houses and the on stakes won 5% were charged shall be paid by winner.
- **Service Tax**
 - Visti Manusmriti: 7/128: The king should fix taxes in his kingdom after such consideration that he himself and the workers (traders, cultivators, etc.) achieve adequate results. Manu, the Vedic sage and law-giver, laid down that traders and artisans should pay one-fifth of their

profits in silver and gold; while agriculturists, depending upon their circumstances, were to pay one-sixth, one-eighth or one-tenth of their produce. (Mitra, 2011)

- Water:- There was an indirect tax' on the Use of water from reservoir Setu. "The use of rivers, etc. should be exempt from taxation, or in the alternation those who depend upon them for their livelihood should pay something to the King (SANKALIA). In yaj rule and Narada rule there is sitation to this.
- Customs duty: As per Vedic custom, a merchant entering a kingdom with his goods had to make a suitable gift to the king. In the course of time, this customs was formalized into Customs Duty. This is collected on imports and occasionally on exports too. (rccmindore). A profit of 5% on indigenou goods and 10% of foreign goods is to be allowed. Heavy fines being prescribed for exceeding these limits. (R.P.Kangle, 2000)
- Surcharges & Cesses : Arthasastra does enunciate a host of special levies, surcharges and the like to mop up additional revenue (ET, 2010)
- Note that while the Arthasastra does enunciate a host of special levies, surcharges and the like to mop up additional revenue, together with prescribed fees and services charges levied as a matter of routine, the tax rate stipulated for the broad range of economic activity was 16%. Now that reform of indirect taxation, read tax on production and sales, is under active policy consideration, with changeover to the goods and services tax proposed, it would make sense to make Kautilya's mode of 16% the GST rate. (ET, 2010)
- The divergence of rate of cattle tax from 2%(in Manusmriti) to 12% in Sukraniti(800 AD) is worth discussing. Shukracharya was the son of Maharishi Brighu (one of the saptrishis)

Conclusion

In India, the tradition of goods and service taxation has been in force in one form or another from Vedic times. In the light of Vedic indirect taxation framework the GST suggested is expected to be very much effective. Kalidasa in the Raghuvansha says thus of King Dileepa: "It was only for the good of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold." Hence the GST will be a turnaround strategy. In the present economic world GST plays an important role in bring together the fiscal resources of a country. It has assumed important dimensions in the economic and fiscal map of our nation in recent years and now constitutes a major part of

India's tax revenue; hence the GST will definitely be a turnaround for mother India. GST is expected to be a critical reform in spurring growth in the economy.

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