

Searching the roots of taxation: From Vedic to Contemporary

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Abstract

Taxation has been an integral part of human civilisation, evolving alongside social, economic, and political structures. This paper traces the historical development of tax systems from ancient theocratic empires to the modern Goods and Services Tax (GST) regime in India. Early taxation emerged as religious tribute or compulsory labour in civilisations such as Egypt, Mesopotamia, China, and the Vedic society, where taxes were often paid in kind and justified as the ruler's reward for protection. Foundational texts such as the Arthashastra, Manusmriti, and Dharmasutras systematized tax principles, detailing rates, exemptions, and the ethical basis of taxation. Subsequent periods, including the Sultanate, Mughal, and colonial eras, introduced new levies, culminating in the establishment of income tax in 1860. The study further examines the evolution of consumption-based taxes—from ancient customs and tolls to general sales tax, value-added tax, and eventually GST. It highlights key post-independence reform committees and their role in shaping India's indirect tax framework. By offering a comprehensive historical overview, the article underscores that modern tax systems are deeply rooted in historical experiences. Understanding this evolution provides valuable insights into present-day tax structures, their rationale, and their implications for governance and economic development.

Keywords: Taxation – History of Taxation – GST – Tax reforms

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I. Introduction

The tax system plays a significant role in any country's development. It not only serves as a source of government revenue but also acts as a tool of social benevolence and equity (OECD, 2013). The tax system has been a critical element in human life throughout various stages of civilisation. It has evolved in ancient empires and continues to evolve. From a voluntary contribution to a god or ruler in ancient history (Samson, 2002), it has evolved into a compulsory contribution to the government. However, the role the tax system plays in a country's development remains intact, apart from the emerging additional roles it plays in the modern economy. Numerous studies have examined various aspects of the tax system, including legal, economic, and financial matters; however, the history of taxation has not received the due importance it deserves. This study attempts to understand the tax system from a historical perspective. A history that is rooted in the history of humankind itself.

2.1. Genesis of Taxation

Tax evolved in ancient empires and developed in tandem with culture and civilisation, then spread across the world, where tax ideas took root. Thus, taxation is a mark of civilisation. The practice of adopting tax practices from various sources continues to this day. Although the precise point of origin of a tax system is unclear, taxes can be traced back to ancient empires.

2.2. Taxation in theocratic and ancient empires

Ancient empires such as those of Egypt, Mesopotamia, China, and the Inca were often characterised by forms of theocratic governance, where priests ruled in the name of God. The religion and the Government were so closely connected and intertwined, and the ruler was viewed as a God or a person from God. Paying tribute to this ruler was considered a form of worship, akin to paying tribute to God Himself. Paying gratitude by giving a share of wealth or income to God was considered essential in those days. This tribute was both a

religious offering and a governmental demand. Hence, 'tithing', as referred to in the Bible, was both a tax and a contribution (Samson, 2002). In ancient empires, the king/emperor was considered the owner of everything, including people. Therefore, Governmental actions were carried out using the subjects, who considered it their duty to the emperor. For instance, building pyramids and serving in the military were imposed on them as part of their duty. The rendering of these services, such as paying taxes, was also a form of taxation (Samson, 2002).

Since money was rare at the time, most taxes were paid in Kind. As a result, over many centuries, taxes were predominantly imposed on the peasant class, which represented the majority of the population. Athens and Rome even taxed the sale of land and slaves, as well as raised import duties. They even attempted to tax capital and property, but failed. However, as the Roman Empire fell, its tax system also declined. Then emerged the feudal system, which held the principle that everyone, from the peasant to the duke, must provide either military service or labour in return for the right to till his land. So the payment of tax by the people to the central authority emerged in these ancient civilizations, and at a point where demanding everyone to work for the Government became inefficient and impractical, hiring some citizens to perform the required services became a more efficient way for the Government, while the rest of the population engaged in other activities continued to pay for the Government's expenditure (Salanié, 2011).

2.3. Earliest Taxes

Archaeologists have traced records of taxation from the tomb of King Scorpion I, who reigned in southern Egypt between 3300 and 3200 BC. Most of the writings from his tomb were tax records. These documents indicated the receipt of linen and oil as tithes and taxes to King Scorpion I. It also included the list of names of subordinates and institutions making the payment. An exciting aspect of this excavation is not only that taxation occurred so early, but also that the tax records feature the oldest use of writing with symbols representing constants and forming syllables—hieroglyphics (Samson, 2002).

Taxation existed not only in Egypt but also in Mesopotamia. Cuneiform tablets dating back to approximately 2500 BC indicate tax payments made by the citizens of Babylonia. Though there is no record of the type of tax, the payment was made to and recorded by the temple, which was not only a religious organisation, but also a governmental institution in the theocracy (Garbutt, 1984).

Taxes on Income in India have been levied since ancient times. References in 'ManuSmriti' and Kautilya's 'Arthashastra' show that taxation is a much older system of financing that existed in ancient India. Vedic literature, owing to its predominantly religious nature, provides meager information about the state's revenues (Prasad, 1987). The king's power was not well established, and taxation seems to have been occasional and voluntary. The term "Bali", which earlier represented the offerings made to God for securing their favour, came to be applied later to the presents and taxes offered to the King more or less voluntarily. Another proof for this was that whenever a king was restored to the throne after an earlier deposition, he would make a prayer to Indra to compel his subjects to pay taxes to him, or he might have the fortune to see ample gifts brought by his subjects. So, tax was not a matter of normal liability.

However, the nature of taxation underwent a change in the latter Vedic period. The Brahmins were engaged in the unproductive profession of priesthood, while the Kshatriyas were mostly occupied in conquering and annexing new territories. The Sudras held no property. Therefore, the incidents of taxation fell heavily on Vaisyas. The Vaisya is therefore often described as the payers of tributes and taxes. However, it doesn't mean that other classes escaped taxation completely. The King is often described as taxing all his subjects.

According to Ghoshal (1930), regardless of its nature, in the Indo-Aryan polity of the early Vedic period, the King collected regular taxes (Bali) from his subjects. The revenue of the King consisted of contributions of the agricultural produce and of the stock of the cattle paid by the villagers at a certain specific rate (Mostly $\frac{1}{6}$). In the post-Vedic period, some aspects of taxation were outlined in the Jatakas. In the Jatakas, tax collectors were referred to as Niggahaka. They were also referred to as Balisadhikas and Balipatigahaks, which clearly shows that the term Bali was still in vogue (Chaudhary, 1971).

The Mauryan Period was a landmark period in which the tax system was developed, maxims were established, and principles were enunciated for it. Kautilya's Arthashastra, which was written in the 3rd Century B.C.E., helped the Mauryan Empire in ruling its states in a most efficient and effective way. Kautilya dealt with the financial matters of his state. He promoted the trade and commerce of his empire by dealing with foreign countries. Goods imported from China and other regions were acquired through a system that levied taxes on all foreign commodities entering the country..

III. References in various ancient books

3.1. Arthashastra

The Arthashastra, which refers to taxation nearly 72 times, discusses various aspects including the types and rationale of taxes, methods of collection, and provisions for exemptions.

"The taxes that are fixed (pindakara), taxes that are paid in the form of one-sixth of produce (shadbhāga), provision paid (by the people) for the army (senābhakta), taxes that are levied for religious purposes (bali), taxes or subsidies that are paid by vassal kings and others (kara), taxes that are specially collected on the occasion of the birth of a prince (utsanga), taxes that are collected when there is some margin left for such collection (pārsva), compensation levied in the shape of grains for any damage done by cattle to crops (pārihinaka), presentation made to the king, (aupāyanika), and taxes that are levied on lands below tanks, lakes, etc., built by the king (Kaushtheyaka),--all these come under the head 'Rāshtra.'" (Kautilya, trans. 1915, p. 130).

Most of the taxes at that time were considered a reward for the king for protecting his subjects. *"Like a father his son, he should protect those of his subjects who have passed the period of the remission of taxes."* (Kautilya, trans. 1915, p. 610).

The Arthashastra, thus, became the most systematic account of the revenue sources. Probably, no sources of income were left untapped by Kautilya to augment the king's treasury.

3.2. References in Manusmriti

Manu was the king's advisor. The Manusmriti (The Laws of Manu) is one of the most authoritative Hindu law books and a standard reference for many legal issues for over 1500 years.

The following are some of the quotes from the Manusmriti on taxation.

Manusmriti 7.128. "After (due) consideration the king shall always fix in his realm the duties and taxes in such a manner that both he himself and the man who does the work receive (their due) reward."

7.129. "As the leech, the calf, and the bee take their food little by little, even so must the king draw from his realm moderate annual taxes."

7.130. "A fiftieth part of (the increments on) cattle and gold may be taken by the king, and the eighth, sixth, or twelfth part of the crops."

7.131. "He may also take the sixth part of trees, meat, honey, clarified butter, perfumes, (medical) herbs, substances used for flavouring food, flowers, roots, and fruit."

7.137. "Let the king make the common inhabitants of his realm who live by traffic, pay annually some trifle, which is called a tax."

8.307. "A king who does not afford protection, (yet) takes his share in kind, his taxes, tolls and duties, daily presents and fines, will (after death) soon sink into hell."

These portions in the Manusmriti explain the tax system that prevailed during that period. The taxes and duties should be fixed in such a manner that the king, as well as the person who pays the tax, should be rewarded. It not only ensures that the tax amount is optimal, but also maximizes the benefits derived from it. The king was entitled to 1/50th of cattle and gold and 1/8th, 1/6th, or 1/12th of the crops. All the taxes and duties were a reward for the king for protecting his subjects (Sury, 2022).

3.3. Dharma Sutra

The *Dharmasūtras* contain several references to the taxation system prevalent during their period. Section 2.26.9 outlines the procedures and exemptions associated with tax collection, stating that "the king should get them to collect lawful taxes" (*Dharmasūtra*, 2.26.9; Olivelle, 2000). The text further enumerates individuals exempt from taxation, including Vedic scholars, women of all social classes, pre-pubescent boys, students residing in a teacher's household, ascetics devoted to religious duty, Śūdras serving as personal attendants, individuals with disabilities (blind, mute, deaf, or ill), and those barred from property ownership (*Dharmasūtra*, 2.26.10–17; Olivelle, 2000).

Additional guidelines appear in section 10.51, which provides a detailed schedule of tax obligations. The text specifies that farmers were required to pay one-tenth, one-eighth, or one-sixth of their produce as tax to the king (*Dharmasūtra*, 10.51.24; Olivelle, 2000). Some authorities also mention a tax of one-fiftieth on cattle and gold (*Dharmasūtra*, 10.51.25;

Olivelle, 2000). Merchants were required to pay a duty of one-twentieth on general merchandise (*Dharmasūtra*, 10.51.26; Olivelle, 2000), while roots, fruits, flowers, medicinal plants, honey, meat, grass, and firewood were taxed at a rate of one-sixtieth (*Dharmasūtra*, 10.51.27; Olivelle, 2000). The text justifies taxation on the grounds of the king's obligation to protect his people (*Dharmasūtra*, 10.51.28–30; Olivelle, 2000), emphasizing that the ruler's livelihood rightfully arises from the performance of this protective duty.

Kalidas also had references about taxation in his book Raghuvansh. *"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"*

In some texts, like the Boudhayana Dharma Sutra, taxes were considered as the king's wages for his service of protection. The king is stated to be an official who receives the revenue as his fee for his service. The concept of the king as a servant of the state was a prominent political idea in Ancient India. This idea is somewhat similar to the benefit theory of modern times. However, this has been contrasted by ancient lawgivers and literary works of the period. For example, Manu asserts that the king may claim a portion of treasure and mineral resources on the grounds that he is the ultimate lord of all. Again, Kalidasa represents the King as enjoying the Earth as much as Indra enjoys the heaven.

IV. Taxation in the Sultanic Period

Sultan Alauddin Khilji (1296–1316) introduced three taxes on peasantry, viz.

- a. "Kharaj" (tax on cultivation)
- b. "Charaj" (tax on milch cattle)
- c. "Ghari" (tax on house)

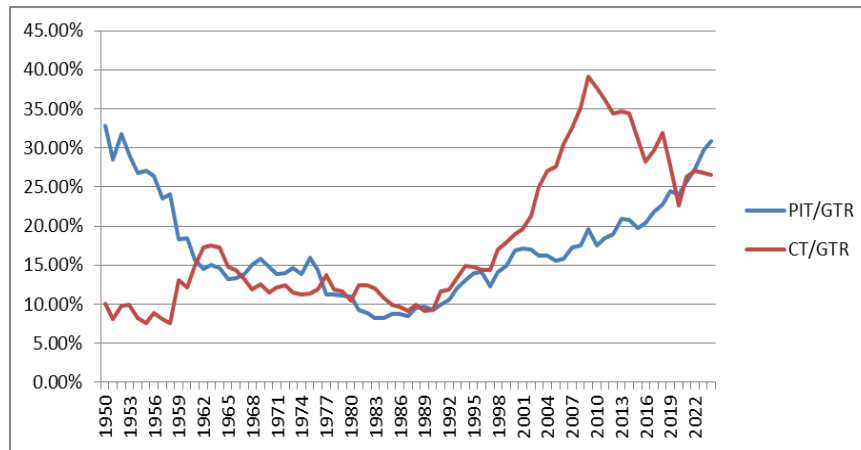
Then the "Ghari and Charai" tax was stopped by Firoze Tughluq in (1351-88). But he introduced the levy of 'Jeziya', an Islamic poll tax on Non-Muslims. It was later abolished by Akbar. However, the last prominent Mughal Emperor levied 'Jeziya' on his mostly Hindu subjects in 1679. During the Mughal period, the 'Zabt' system was prevalent in the case of land revenue. Under this system, a differential rate of assessment was applied, with lower rates charged on the following land. Direct taxes on certain professions and trades were sometimes imposed by the East India Company in the presidency towns. But these taxes were abolished due to their poor administration.

V. Income Tax

Consequent upon the financial difficulties created by the events of 1857, Income Tax was introduced in India for the first time by the British in 1860. The Income Tax Act of 1860 was passed for only five years and it lapsed in 1865. It was replaced in 1867 by a license tax on professions and trades, which was subsequently converted into a certificate tax in the following year. It was later abolished in 1873. License tax traders remained in operation until 1886, when they were merged into the Income Tax Act of that year. The Income Tax Act was revised in 1886, 1918, and 1922, and we now have the Income Tax Act 1961. After the innumerable amendments to the previous laws, the Income Tax Act was passed in consultation with the Ministry of Law in 1961, which came into existence w.e.f. 01-04-1962. The Income Tax Act imposes the tax on individuals on major five heads: Income from salary, income from house property, income from profits and gains from business and profession, income from capital gains, and income from other sources (Income Tax Department, 2025). The Government through its union budget each year amends the tax rate for both individuals and companies.

The Income Tax Act 2025 is new Indian legislation that has been passed by Parliament and received Presidential assent in August 2025. It aims to simplify the previous six-decade-old law (Income Tax Act 1961), but its provisions will only be effective from April 1, 2026.

Figure 1: Personal Income Tax and Corporate Tax as a % of Gross tax Revenue



Source: Author's computation using EPWRF India Time Series data

VI. The history of consumption-based taxes – A much modern tax system

Ancient traders, such as the Phoenicians, paid maritime chiefs for the protection of these traders who travelled across the areas controlled by these rulers. These tolls were also used by the Romans, as merchants and traders paid directly for protection. In England during the Dark Ages, customs and tariffs fell into disuse as little trade with the Continent was taking place. However, the rise of cross-channel commerce in the 13th century, along with the rise of royal power and the need to finance the Crusades, led to the evolution of these taxes. The proceeds from customs were used to finance a navy, which protected the shipping of goods on the high seas. In 1266, the custom was increased from a fifteenth to a tenth. The following centuries saw the customs and duties becoming a significant source of revenue for the king. Other trading countries, such as the Netherlands, also used this form of taxation.

In colonial America, Goods from other countries, except England, were taxed at a high rate, which made British goods more attractive to American consumers. Thus, the British used customs and duties as an early form of the 'protective' tariff, designed more to discourage imports and encourage the consumption of domestic goods rather than to collect revenues, which prevailed in the USA until the early 20th century. There is also evidence of sales tax in Ancient Rome. 'centesima rerum venalium', a one percent transaction tax, was levied during the reign of Caesar Augustus on all goods sold in the market.

6.1 General Sales Tax

General Sales Tax, which is levied on every purchase of goods, is relatively modern. It was the result of the massive debt burden caused by World War II to France and Germany. They had to impose a 'turnover tax' on the sale of goods. These taxes are quickly passed on to the purchaser in the form of high prices. In 1920, Canada adopted a Manufacturer's Sales Tax on manufacturers when goods were sold to wholesalers or retailers. This tax also seemed to be paid by the manufacturer, but it was really borne by the buyer in the form of high prices.

This tax became so popular that, during the 1930s, it was adopted and used by 30 countries. These countries included Australia, Austria, Belgium, Canada, France, Germany, Hungary, Italy, and the USSR (Blakey & Blakey, 1940, p. 64). Additionally, state governments in the USA began to levy the same tax. By 1937, 31 out of 48 states in the USA had adopted it. The leading cause for these adoptions was the worldwide depression and the subsequent revenue loss caused by it.

6.2 Value Added Tax

The Value Added Tax is a relatively recent form of tax, although its roots can be traced back several centuries (Crum, 1982). The first country to implement VAT was France in 1954. It rapidly spread to Canada and other European Countries. But before France, Michigan, a state in the United States, adopted VAT in 1953. The significant distinction is that the Michigan version of the value-added tax is on the net value (revenue minus cost of production) that each producer adds in a chain of production. By contrast, the European tax is based on the sales amounts and is charged to the buyer. The tax is thus 'pushed forward' to the consumer.

6.3 Pre-GST tax system

Before the implementation of the Goods and Services Tax (GST), the Indian taxation system was a complex web of central, state, and local area levies. By subsuming more than a dozen taxes under GST, the road to a harmonized system of indirect taxation has been paved, making India a more cohesive economic union.

Before the introduction of GST, the primary sources of indirect tax revenue for the Union were customs duty (entry 83 of the Union List), central excise duty (entry 84 of the Union List), and service tax (entry 97 of the Union List). Although entry 92C was inserted in the Union List of the Seventh Schedule of the Constitution by the Constitution (Eighty-eighth Amendment) Act, 2003, for the levy of taxes on services, it was not notified. Therefore, tax on services continued to be levied under the residual entry, i.e., entry 97, of the Union List until the GST came into force. The Union also levied a tax called Central Sales Tax (CST) on inter-state sales and purchases of goods, as well as on inter-state consignments of goods, by virtue of entries 92A and 92B, respectively. CST, however, is assigned to the State of origin, as per the Central Sales Tax Act, 1956, made under Article 269 of the Constitution (Judicial Academy Jharkhand, 2022).

Article 265 of the Constitution of India stipulates that no tax may be imposed or collected except under the authority of law. Under Article 246, Parliament possesses exclusive legislative competence over subjects enumerated in the Union List (List I of the Seventh Schedule), whereas State Legislatures hold exclusive powers with respect to matters in the State List (List II of the Seventh Schedule). For subjects listed in the Concurrent List (List III of the Seventh Schedule), both the Union and the State Governments have concurrent powers to legislate.

On the State's side, the principal sources of tax revenue included the tax on sale and purchase of goods (Entry 54, State List), excise duties on alcoholic liquor, opium, and narcotic substances (Entry 51, State List), and taxes on luxuries, entertainments, amusements, betting, and gambling (Entry 62, State List). In addition, octroi or entry tax (Entry 52, State List) and the electricity duty (Entry 53, State List) also formed significant revenue streams. The Central Sales Tax (CST) likewise constituted an important source of income for the States, although it was imposed by the Union.

VII. Tax reforms in India

India's tax system has seen tremendous reforms both in direct and indirect tax which were motivated both by local factors as well as by rapid internationalization of economic activities (Rao & Rao, 2009). Central excise duty was levied on a few commodities in the post-independence period, which were in the nature of raw materials and intermediate inputs, while consumer goods were mostly exempted. The first set of reforms was recommended by the Taxation Enquiry Commission (1953-54), headed by Dr. John Matthai. The Commission recommended that sales tax be used specifically by the States as a source of revenue, with the Union government's intervention allowed generally only in cases of inter-state sales. It also recommended the levy of a tax on inter-State sales, subject to a ceiling of 1%, which the States would administer and also retain the revenue.

The authority to impose a tax on the sale or purchase of goods in the course of inter-State trade or commerce was conferred on the Union through the Constitution (Sixth Amendment) Act, 1956. By the mid-1970s, central excise duty had been broadened to cover most categories of manufactured products. These duties were imposed either on the basis of quantity (specific duties) or on the basis of value (ad valorem duties). The system involved a large number of rates and did not provide credit for taxes paid on inputs, resulting in substantial cascading effects and frequent disputes over classification.

The Indirect Taxation Enquiry Committee, constituted in 1976 under the leadership of Shri L.

K. Jha, recommended three major reforms. The first was converting specific rates into ad valorem rates. Second was consolidating rates, and finally implementing the input tax credit mechanism of value-added tax at the manufacturing level (MANVAT). In 1986, the Jha Committee's recommendation to transition to a value-added tax in manufacturing was partially implemented. This was called the modified value-added tax (MODVAT). In principle, duty

was payable on value addition; however, initially, it was limited to select inputs and manufactured goods only, with a one-to-one correlation between inputs and manufactured goods required for eligibility to take input tax credit. The comprehensive coverage of MODVAT was achieved by 1996-97.

The subsequent phase of indirect tax reform emerged with the introduction of the New Economic Policy in 1991. In the same year, the Government constituted the Tax Reforms Committee under the chairmanship of Prof. Raja J. Chelliah. The Committee recommended widening the tax base through the taxation of services, reducing exemptions, and rationalizing and lowering the existing rate structure. It further proposed the extension of MODVAT to cover all inputs, including capital goods, and emphasized that restructuring the tax system needed to be accompanied by administrative reforms in order to realize the full

benefits of the changes. A substantial portion of the Committee's proposals was eventually adopted. During 1999–2000, excise duty rates were consolidated into three slabs, with additional duties imposed on certain luxury items. In 2001, these three rates were merged into a single rate, subsequently designated as the Central Value Added Tax (CENVAT), while a limited number of commodities continued to attract special excise duty.

The Union Government introduced service taxation in 1994, initially covering only three services—general insurance, telecommunications, and stock broking. Subsequently, the scope of the tax was expanded, and over the following decade, an increasing number of services were brought within its ambit. The initial tax rate of 5% in 1994 rose progressively and reached 15% (including cesses) by 2017. Prior to 2012, service taxation operated on a 'positive list' model, which was susceptible to tax avoidance. The 2012 Budget replaced this with a 'negative list' approach, under which 17 specified services were exempt and all others became taxable. Additionally, in 2004, the input tax credit mechanisms for CENVAT and Service Tax were integrated, enabling cross-utilization of credits between the two.

Prior to the introduction of State-level VAT in the early 2000s, States had been levying sales tax since the time of independence. The sales tax system, however, suffered from significant structural deficiencies. It was imposed independently by each State, leading to considerable divergence in tax rates on identical commodities across jurisdictions. In some States, rates exceeded ten percent, and substantial inter-State variations further complicated the tax landscape. Inter-State transactions were subject to the Central Sales Tax, and because the revenue from CST accrued to the exporting State, dealers in the importing State were unable to claim credit. This arrangement not only caused tax cascading but also effectively transferred tax revenue from economically weaker to richer States. Notably, States possessed taxation powers over services from the outset and imposed taxes on advertisements, luxuries, entertainments, amusements, betting, and gambling.

In 1994, the National Institute of Public Finance and Policy, under the leadership of Dr. Amaresh Bagchi, produced a report titled "Reform of Domestic Trade Taxes in India," which examined the restructuring of indirect taxes, particularly State sales tax. This report laid the foundation for the subsequent adoption of VAT by the States. Among its principal recommendations were the replacement of the sales tax regime with a multistage VAT system; the provision of input tax credits for all inputs, including machinery and equipment; the harmonization and rationalization of tax rates across States within two or three prescribed bands; and the reduction of exemptions and concessions, except for a basic threshold and essential items such as unprocessed food. It also proposed zero-rating exports, inter-State sales, and consignment transfers to registered dealers; treating inter-State sales to unregistered buyers as local sales; and modernizing tax administration through computerization and simplification of procedures and forms.

The initial discussions on transitioning from the sales tax system to a VAT framework occurred in 1995 during a meeting of Chief Ministers convened by the Union Finance Minister. Following a subsequent meeting of Union Finance Ministers and Chief Ministers in November 1999, a Standing Committee of State Finance Ministers was established to deliberate on the design of VAT; this body was later formalized as the Empowered Committee of State Finance Ministers (EC). Haryana became the first State to implement VAT in 2003, and by 2005, the system was adopted by most States. Uttar Pradesh was the last State to implement VAT, with effect from January 1, 2008.

VIII. GST

India adopted the Goods and Services Tax (GST) policy in 2017, aiming to increase indirect tax collections and consolidate the indirect tax structure into a unified market, thereby preventing tax evasion and double taxation. GST is regarded as one of the major tax policy changes in independent India, and economists are optimistic about its impact on revenue generation and growth performance (Neog & Gaur)

The Goods and Services Tax (GST) was implemented in India on July 1, 2017, with multiple objectives and numerous expectations for the stakeholders, including manufacturers, traders, service providers, exporters, investors, citizens, as well as the Union and State Governments. GST replaced multiple tax statutes, having cascading and pyramiding effects, with a uniform statute. This was intended to simplify compliance procedures and improve tax revenue in line with those of developed countries.

As far as the Central/State Governments were concerned, GST was expected to create a unified, common national market, boosting foreign investment and the "Make in India" campaign. It was prophesied that the introduction of GST would lead to a boost in export and manufacturing activity, resulting in increased employment, reduced poverty, and higher GDP growth. Furthermore, it aimed to improve the overall investment climate in the country, which would benefit the development of the states. Besides these, uniform rates were envisioned to reduce the incentive for tax evasion and to reduce compliance costs, as multiple record-keeping was no longer required.

When it comes to trade/industry, GST was anticipated to reduce multiplicity of taxes and mitigate tax cascading and double taxation. It was also aimed at developing a common national market and implementing a

simpler tax regime with fewer rates and exemptions. Efficient neutralization of taxes, especially for exports, was also anticipated. For citizens, GST was envisioned as a simpler and more transparent tax system. The prices of goods and services were expected to be uniform throughout the country and reduced due to the elimination of cascading. It was also expected that there would be an increase in employment opportunities.

IX. Conclusion

Understanding the history of a tax system is essential for a thorough and in-depth analysis of its various aspects. Tax systems are not formed in isolation; they are shaped by historical contexts, economic conditions, and social structures. The foundational principles and rules governing taxation are often deeply rooted in historical developments. By examining the evolution of a tax system, one can gain a deeper understanding of the rationale behind its structure and the intent behind its regulations. This historical perspective provides valuable insights into the system's strengths, weaknesses, and its adaptability to current and future challenges.

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