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## Kauṭilya's vision of tax-system: A study on Arthaśāstra

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### Abstract

The Arthaśāstra of Kauṭilya has a unique place in Sanskrit Literature and it is one of the world's oldest treatises on the economic administration of a state. Here Kauṭilya discusses politics, economics, law and many other subjects concerning state administration. Of these, order and justice, taxation, revenue and expenditure, foreign policy, defence and war becomes very important. Though the date has not been conclusively established, Kauṭilya or Chāṅakya wrote the Arthaśāstra not later than 150 A.D. Arthaśāstra, the most comprehensive treatise of state craft reveals that Kauṭilya is very genius and his skill is well reflected in this text.

The present paper intends to present the various tax systems which exist in Ancient India during the time of Kauṭilya. Like other modern economists, Kauṭilya also opine that Kośa or treasury is an essential constituent of the state. Treasury provides resources for all activities of the state and therefore, Kauṭilya's emphasis on efficient economic administration based on sound principles show the maturity of the Indian mind in remote past. According to Kauṭilya, treasury is more than the army. Because the later can be raised and maintained with the help of former, i.e. well - filled treasury. In the opinion of Kauṭilya, the best treasury was one which has gold, silver, precious stones and gold coins and which was large enough to enable the country to with stand even a long period of calamities when there would have been no income.

**Keyword:** taxation, treasury, source of revenue

### Introduction

Kauṭilya, the greatest master of the science used the term 'Artha' in Arthaśāstra which has a much wider significance than merely 'wealth'. Because 'Kośapūrvah Sarvārambhah' <sup>[1]</sup> i.e. No work can be done without money. So for the smooth running and also for the development of a state, top priority has been given to the collection of money. According to Kauṭilya, wealth is the base of everything and both Dharma and Kāma are dependent upon Artha.

### 'Artha Eva Pradhānah Arthamūlau Dharmaṁkamau'

There is no doubt that to teach the means and different ways of acquiring wealth, to stress the importance of Artha in life, to protect the acquired land, Kauṭilya has wrote his famous text 'Arthaśāstra'. But here he opine that among the four Puruṣārthas, Dharma, which is the fore most in every walk of life which is roughly translated as moral behaviour. Although an important part of Arthaśāstra is the 'science of economics', including productive enterprises, taxation, revenue, collection, budget and accounts.

### The Tax System According to Kauṭilya

In Arthaśāstra, Kauṭilya has mentioned in detail the body of revenue i.e. Āya-Śarīra and the heads of revenues i.e. Āya - Mukha.<sup>2</sup> Of these, Āya -Śarīra meant the places from revenue was to be taken and Āya - Mukha meant the various forms in which the revenue was to be taken. The source of income of a state chiefly from Tax - revenues and Non- Tax revenues. Taxes were charged as a payment for protection by the state and not as a compulsory contribution. "Plug the fruits when ripe" so all taxes were levied at proper times.

Details of the different taxes levied are given under 'Sources of Revenue' in Arthaśāstra. Here he explains how the state gathered in the surplus by means of revenue from state enterprises,

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state-controlled activities, taxes, trading, fees and other service charge - these are the sources of revenue. A king who found himself in financial difficulties could collect additional revenue by special methods. At that time the king was the principal and residual owner of all property. All land in the country not specifically owned by an individual was state property. All water belonged to the king and users paid a water rate for taking water from irrigation works built by the king. The king became the owner if the owner of a property disappeared and when there was a dispute about the ownership of a field, that property reverted to the king. When a man died without heirs, the king inherited his property, except for the amounts needed for the funeral and the maintenance of the widow.

Tax revenues are of two kinds - Direct and Indirect. The affluent persons have to pay direct tax, where as every person has to pay indirect tax. Non-tax- revenue is not a tax to be paid compulsorily like the tax revenue, but through it the government in need of urgency and special development of the state collects money proportionate to irrigation facilities in a particular region provided by the state.

Taxes are classified into - Sitā, Bali and Kara. Of these the first is the profit from state land, the second is religious tax and the third tax is paid by the traders. Blind, dumb, incapacitated and learned Brahmans are exempted from tax. During the period of emergency, special levy of taxes was recommended. State was also authorised to raise war loans and receive donations from the rich during such a period. Briefly the income of state was classified in seven heads - city, country, mines, irrigation, work, forests, cattle herds and trade routes. From grains, salt, sugar, fat, wine, vegetables, and fruits, a large part of the revenue was collected.

The complete list of taxes mentioned in the text are:-

1. Customers duty - which consists of important duty, octroi and other gate tolls.
2. Transaction tax including manavyaji i.e. transaction tax for crown goods.
3. Share production including 1/6<sup>th</sup> share.
4. Tax in cash
5. Taxes in kind including labour, supply of soldiers
6. Countervailing duties or taxes
7. Road cess
8. Monopoly tax
9. Royalty
10. Taxes paid in kind by villages
11. Army maintenance tax
12. Surcharges

Of these taxes, customs duty collected at the city gates on both goods coming in and going out<sup>[3]</sup>. Import and export duty include in this. Here Kauṭilya explains the dutiable goods and goods those exempt from duty. This customs duty expressed as a fraction, could be paid either way i.e., by Kara or a tax paid in cash and pratikara that paid in kind. Only in the case of manufactured jewellery, a cash payment of 20% of the value added was to be paid as export duty. But the production share paid by farmers, taxes paid by butchers, lessees of mines or fishermen must almost always have been paid in kind, Foreigners had to pay all taxes at the city gate. Gulma was a tax payable at military stations and pickets.

Transaction tax or Vyaji was a very important tax, affecting every transaction in goods. At the same time it was a sales tax, a revenue surcharge and a discount on payments made by the government. This tax was automatically collected in most transactions by the use of different weights and capacity

measures, The transaction tax otherwise known as 'manavyaji' is in relation to sale of crown goods. 'Taptavyaji' is an extra quantity given as 'heating allowance' for loss of volume on heating- 1/32 for ghee and 1/64 for oil. 'Manasrava' is a 'sticking allowance'<sup>4</sup> given in the case of all liquids, in lieu of the quantity which sticks to the measure: 1/50<sup>th</sup>.

Share of production or Bhaga is sometimes referred to as 'Shadbhaga' is usually

1/6<sup>th</sup> and applies to tax on agricultural production in private lands and fishermen<sup>[5]</sup>. General term 'Kara' is applicable to all taxes paid in cash. Tax paid in kind is known as 'Pratikara'. Work, such as processing grain, oil seeds or sugar cane in warehouses, done in lieu of payment of tax. Supplying soldiers in lieu of taxes payable by villages as a whole. These are all taxes paid in kind or Pratikara<sup>[6]</sup>. Duty or tax on imported salt, compensatory payments by merchants and alcoholic beverages<sup>[7]</sup>. These are all come under Vaidharana type of tax. Road cess or Vartani is collected at frontiers by ferry-men<sup>[8]</sup>. In this type of cess, head load cess is 1/16 paṇa, small animal cess is 1/4 paṇa, cattle cess in 1/2 paṇa, animals without cloven hooves is 11/4 and cart load cess is 11/4 paṇas.

Monopoly tax or Parigha was collected whenever private manufacture or trade of a state monopoly item was permitted. It was a kind of licence fee. Prakriya or royalty tax<sup>[9]</sup> is a fixed amount paid in the case of leased mines, salt pans and boats for conch or pearl fishing in lieu of payment of share of production. Taxes in kind paid by villages is known as pindakara. Ferry service is an example of this kind of tax. Śenabhaktham or Army maintenance tax appears to have been an occasional tax levied when the army was sent to a location specifically to protect it or rid it of danger. No details about surcharges or parsvam given in the Arthaśāstra of Kauṭilya.

## Conclusion

After the complete study of Arthaśāstra, we can see that Kauṭilya has suggested different rates of taxes on different items and different persons. According to Kauṭilya, the taxable capacity of all is not equal and he has proposed a tax exemption for those who were of a great help in the construction of forts, gardens, buildings, roads colonisation of waste lands, extraction of mines and formation of forest preserves for timber and elephants or who lived in the borders of the kingdom. We all know that Kauṭilya has advocated the system of multiple taxation which has received a wide acceptance throughout the world in modern times.

Kauṭilya has prescribed 1/20<sup>th</sup> or 1/25<sup>th</sup> octroi on certain items such as clothes, perfumes, leather goods, earthen ware, grains, fats, medicines, sugar, salt, wine, cooked food, woods, bamboos, barks etc<sup>[10]</sup>. Also certain items should be free from octroi duties such as goods intended for marriage, marriage gifts accompanying the bride, goods required for religious ceremonies and sacrifices etc. In this way Kauṭilya has prescribed various taxes and with the help of spies and officials, a king should raise funds in critical times.

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