

State Tax Policy from Oldest Civilisation to Kautilya

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Abstract: The state needs revenue to run the administration smoothly. There are various sources of revenue to state. Tax is one of them. Kautilya was in the view that state should compulsorily impose the tax to generate revenue but it should be rightful and legitimate. This policy of the state is still relevant, even today. The present study deals with movement of the state tax policy from Mesopotamian civilisation to Egypt civilisation to Indus to Kautilya (350-275 BCE). The present paper finds that it is the Kautilya period in which a systematic tax system, that is relevant even today, was started to run the administration smoothly.

Introduction

There are three oldest civilisation in the world-Indus, Mesopotamia and Egypt. The nuclear date of Indus valley civilisation is 2500-1700 BCE. This date for Mesopotamia is 4000-3000 BCE. The period of Egypt civilisation is 2700-2200 BCE. It shows that the Mesopotamia civilisation is the oldest one and the Indus valley civilisation stands at third oldest one in the world. Now the question arises which one of these three civilisations started imposing tax. The author finds that the there was a system of revenue collection for the Rajah (The King) in these civilisation. However, the tax system was not properly developed. It was the Kautilya's period in which tax system was developed. The Kautilya's Arthashastra period is 300 BCE -275 BCE.

I: Mesopotamian Civilisation and Tax administration

Mesopotamian civilisation is the oldest civilisation of the world. Snell (1982) has clearly mentioned in his book about the economic activities like accounts, merchants, meaning of the prices going on during those periods for the administration. He has shed light on the importance of merchant and systematic accounts for the administration during the Mesopotamian civilisation. Snell (1988) has mentioned about the Silver Balanced accounts of Mesopotamian civilisation dealing with the allocation of the resources in the economy. The use of money, not in the modern form, was started in this civilisation. Here Pringler (1998) says that when money arose in the ancient cities of Mesopotamia, it profoundly and permanently changed civilisation. Silver rings were used without the stamp of the authority in Mesopotamian civilisation.

Mesopotamian civilisation developed during 4000-3000 BCE. They had started trade. However, four basic factors were not started. First, money system was started but there was no provision of stamp on money. Second, Fixation of tax was not popular. Third, there was no provision of tax on ability to pay. Fourth, there was no progressive nature of tax, as shown as in the table-1. The source of revenue was only trade.

II: Egypt Civilisation and Tax administration

Egypt civilisation developed during 2700-200 BCE. They had started trade. However, four basic factors were not started. First, money system was started but there was no provision of stamp on money. Second, Fixation of tax was not popular. Third, there was no provision of tax on ability to pay. Fourth, there was no progressive nature of tax, as shown as in the table-1. The source of revenue was only trade.

III: Indus Valley Civilisation and Tax administration

Indus civilisation developed during 2500-1700 BCE. They had started trade. However, four basic factors were not started. First, money system was started but there was no provision of stamp on money. Second, Fixation of tax was not popular. Third, there was no provision of tax on ability to pay. Fourth, there was no progressive nature of tax, as shown as in the table-1. The source of revenue was only trade.

Table-1: Comparison Among Three Oldest Civilisation and Kautilya's Tax Administration

S.No.	Comparison based on	Mesopotamian	Egypt	Indus	Kautilya
1	Period	4000-3000 BCE	2700-2200 BCE	2500-1700 BCE	300-275 BCE
2	Stamp on money	No	No	No	yes
3	Fixation of Tax	No	No	No	yes
4	Tax on ability to pay	No	No	No	yes
5	Progressive Income tax	No	No	No	yes
6	Sources of revenue	Trade	Trade	Trade	Trade and Taxes

Source: Prepared by author

IV: Kautilya's Tax administration

Kautilya's theory of state is quite popular. It is known as Saptang theory of state. It has been mentioned in table-2. The nature of state, as mentioned by the Kautilya, in his sixth book of the Arthashastra in chapter-1, clearly shows how the state policy of tax helps in collecting and maintaining the administration. Kautilya has accepted that monarchy is the ideal form of the state in which the king is swami who is placed at highest stage in the political body. Swami, as a word has been taken from the other word SWAYAM that carries the meaning of self-determining. He is the chief executive of the state bearing the legal and political authority in himself. Kautilya has mentioned four basic qualities of an ideal king-inviting, intellect, enthusiasm and self-restraint. From above, it becomes clear that Swami is an authority in himself under the monarchy that has been supported by the Kautilya. According to Kautilya, Monarchy is the best form of the administration. Under this monarchy, the king performs two types of the duty – **protective and promotive**. Under the protective role, the king is the natural guardian of the people. He redresses their grievances by natural and impartial justice. Under the promotive role, the king promotes welfare of the people and try to keep them happy. He promotes their freedom. He maintains solidarity and peace.

The territorial society, according to Kautilya, comes under Janpada that covers both the territory and people. There are two words in Janpada- Jan and Pada. Jan means people and pada means territory. This Janapada requires properties like below:

- i. Accommodative nature of people
- ii. Availability of occupation
- iii. Manageable neighbour
- iv. Defends the state from enemies
- v. Communication means availability
- vi. Availability of arable land, forest

Kautilya supports fortification of the state territory for security and safety. According to him there are four types of fortification, mentioned below:

- i. Audak
- ii. Parvat
- iii. Dhannvana
- iv. Vana

Audak and parvat were used for protecting territory while Dhannvana and Vana were used for protecting farmers. Therefore, both defensive and offensive aspects were taken care of.

Kautilya was in the favour of flourished economy strengthened by legitimate and righteous means of sources of income. Unfair And immoral means were not allowed. Kautilya has suggested to impose following sources of revenue to state.

- i. Land tax
- ii. Sales tax
- iii. Import duty
- iv. Export duty
- v. Miscellaneous tax

Under the Danda system, Kautilya had supported hereditary Khatriya army in the form of armoury, naval, cavalry, elephants, chariots and infantry.

Under the Mitra system of the state policy Kautilya was in the view of "**Political isolation means death.**" He supported two types of mitra- sahaj and kritrim. Sahaj mitra are those who are associated with the state since the time of king's father or grandfather. They are helping king from neighbouring enemy since then. While, the kritrim mitra are those who are made in the time of requirement.

Relevance of the Saptanga State theory: A state should run smoothly. Any problem (i.e. Kautilya called it Kantaka) for the state must be eliminated (Kautilya called it Kantakashodhan). Flood and drought are problems for economy. Even today it is relevant. Kautilya has supported monarchy that is not relevant for democracy.

Table-2: Characteristics of Saptanga Theory of State of Kautilya

S. No.	Saptang	Characteristics
1	Swami	Swami was the king of the territory. The sovereign king was responsible for solidarity, uniformity and unity of the people in the state
2	Amatya	Amatya was bureaucrat for systematic and smooth functioning of the administration.
3	Janpada	A fixed territory in which king was responsible for protecting the people
4	Durga	Durga was fort that was planned fortification for security and defence
5	Kosha	Kosha was a treasury for just and proportionate taxation.
6	Danda	Hereditary Khatriya army under Danda was the coercive authority

7	Mitra	Mitra was ally.
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Source: Prepared by researcher

References

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