



## Taxation and Revenue Collection in Ancient India

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**Introduction:** Taxation and revenue collection comprise one of the most significant and pivotal aspects of any system of administration and governance. The basic structure of taxes ultimately provides for revenue collection for the state machinery and is the basis of state functioning. The plans for societal development and overall progress of the state can be materialized only when the condition of public finances is conducive to the state's efforts in this direction. Ancient Indian political thinking has always considered the issue of public finance to be of prime importance, and this is why the *Mahabharata*, *Manusmriti*, the *Arthashastra* and *Shukranitisar* provide detailed descriptions of the ways and means of creating an abundant treasury (*Kosha*), which is the inseparable part of the seven organs of the state machinery (*Saptanga*). These treatises discuss the methods of revenue collection, along with describing the modes of taxation, with specifications for levying normal and additional taxes in different conditions and for different categories of citizenry. The present study tries to explain the nature and structure of taxation and revenue collection, as narrated by Vyasa, Manu, Kautilya and Shukra in their monumental classics, with a perspective on financial administration and public finance in ancient India.



There is a need for a systematic and scientific investigation into the public finance systems in ancient India, through specific inquiry into the description of taxation and revenue collection system in ancient Indian Sanskrit treatises, including literary works of different writers, so as to enable the academic community to properly analyze, contrast and compare it with the parallel modern concepts; and with an impartial, normative and rational perspective on the contemporary relevance and academic significance of the valuable works of our forefathers. This will not only bring back into focus the excellent intellectual wealth of our ancient past, but will also explode some of the formidable modern myths about civilization achievements of yore.

It is in this background that the present study has been undertaken to make an attempt to study the works of Vyasa, Manu, Kautilya and Shukra, which are spread across a period of many centuries, with regard to financial administration and public finance in ancient India, with special reference to taxation and revenue collection systems. An overview of scholarship in the area of ancient Indian political theory reveals that there are many research gaps; research is often incomplete, inadequate or incommensurate. Many of the earlier research works show a strong Eurocentric approach and do not fully highlight the importance of ancient Indian political thought.

Modern public finance deals with governmental measures to establish a rational relationship and equilibrium between national income and expenditure. The main objectives of modern public finance, in general, are to secure the financial position of the state on a sound footing, to help the state to achieve its aims and ideals through commensurate financial policies, and to ensure its competitiveness in an international arena. It is remarkable to note that even though formulated thousands of years ago, Kautilya's perspective on public finance is similar to the modern one in several respects.

**Ownership of Land:** The question of the ownership of the land has, since time began, been one of the most fundamental questions deserving human attention. In the ancient Indian context, this question has been an interesting and important one that has long been a major concern of the statesmen and politicians, alongwith thinkers. It has been argued that there were different theories of the king's right of ownership of land and man. Sham Sastry discusses two major theories of ownership. According to him, the *Mimansakas*, or the school of the *Vedic* exegetics headed by *Jaimini*, hold that neither an emperor (*Sarvabhauma*) nor a feudal chief (*Mandalika*) is justified in exercising any right of ownership over the state land or his servants. The king



is only entitled to a fixed share of revenue in kind in virtue of his protective care and the land and other natural things of the state are common to all. The contrary view is held by Kautilya, who is understood to have a different view with regard to ownership of the land. For Kautilya, it has been argued, 'those who are well-versed in *Sastra* admit that the king is the owner of both-land and water and that the people can only exercise their right of ownership over all other things except these two.

The three theories which have been considered by the Indologists are as follows:

- Theory of private ownership of land;
- Theory of royal ownership of land; and
- Theory of corporate ownership of land.

**Theory of Private Ownership of Land:** The *Vedic* literature does not regard the king as the sole owner of the land. Neither does the *Vedas* show any community ownership concept with regard to land. The king, according to *Rig Veda*, was only entitled to receive *Bali* from his subjects, which was due to him for the protection granted to his subjects. For the maintenance of his dignity and authority, the king was granted some share of the land in the village by the people, as is evident from the *Atharva Veda*. Both *Brahmanical* and *Buddhist* works are indicative of private ownership of the land. Jayaswal has also refuted the advocacy of royal ownership of land in strong terms. PN Banerjee opines that the king was never regarded as the owner of the land and he never claimed a right to un-earned increments of the land. Kautilya also favors the protection of private property. Manu suggests that the field belonged to he who cleared the wood and the deer to he who first wounded them. According to Manu, there are various legal methods of acquiring wealth, such as inheritance, finding (friendly donations), purchase, conquest, lending at interest, performance of work and acceptance of gift from the virtuous. Thus, there are sufficient references and evidence, which prove the existence of the concepts of private ownership of land in ancient India.

**Theory of the Royal Ownership of Land:** The theory of the royal ownership of land would always believe, as the title suggests, that all the lands belong only to the king. The derivate of this theory essentially is that the king alone is the absolute and ultimate owner of the land of the state. This theory has been well substantiated by few mentions and references in *Upanishads* and *Pali* literature. The supremacy of the king in all the disputes and matters has also been put forward as a point in favor of the concept of royal ownership of land. The descriptions by foreign visitors and their travel accounts have also been placed as an alibi for this theory. Interestingly, most of the foreign commentators have concluded that the finality of the authority of the king in all matters culminates in the acceptance of the concepts of royal ownership of land. Some of the references found that the right of the king to appropriate the wealth and property of an heirless person is also a testimony to the concepts of royal ownership. It has also been argued that the purchase, sale and donation could never be done without the permission of the king. The argument itself reveals that the king, on behalf of the state, through his appointed officials, was only duty bound to keep the proper records of any sale, purchase or transfer of land and to maintain proper adherence to state laws and regulations and remain a vigilant supervisor of all human activities because of the obligation of performing his own *Dharma*.

**Theory of Corporate Ownership of Land:** The theory of corporate or communal ownership of land means that the land was owned by the villagers commonly and they had equal rights of cultivation and other activities on the land. The pronouncers of this theory have generally claimed that the village corporations were practically the absolute proprietor of the village land, including the fresh clearing made, and were responsible for the total amount of the rent to the government. In case the owner of a plot of land failed to pay his share, it became the property of the corporation, which had a right to dispose of it to realize its dues. Mentions have also been made of the references available, which suggest that the pasture lands around the villages were held in common by the villagers, although these lands were under the direct ownership of the



state, but the people were allowed to enjoy traditional rights of grazing the cattle. It has also been argued that Manu, *Yagnavalkya* and *Kautilya* had urged the king to make special provisions for common pasture.<sup>20</sup> However, the texts quoted in favor of the theory of communal ownership of land, only partially approve this concept. The actual situation, which seems to be prevalent in those days, was that the individual had equal and uninterrupted rights to own private property; some of the village group might have experimented with the idea of communal ownership of land, but not too successfully because in the events of any dispute the state had over-reaching authority in all cases of conflicts, legal suits and differences besides regulating the agricultural activities, deciding about the sale purchase, donation, or otherwise of the land and owning the land of common use of the people. The regulating authority of the state has generally been misunderstood as the presence of the concepts of its ultimate ownership. *Nigam* concludes that there may be found conflicting traces of private, or state, or individual, or communal or corporate ownership. But the actual picture can only be visualized by a synthesis of the all three theories of ownership of land in ancient India.

### Source of Public Finance

**Booty in War:** Gains of victory in the form of wealth of the losing nation comprised the prime source of public finance. *Saletore* claims that there are specific terms used and references made to the explanations provided by various scholars that the share of the body taken by the king after winning a war was one of the main sources of revenue.

**Bali:** This word has occurred very frequently in *Rig Veda*, which primarily means ‘an oblation, a gift or offering (usually religious)’ according to *VS Apte*. According to him, it is the offering of a portion of a daily meal (of rice, grain, ghee, etc.) to all creatures, one of the five daily *yajnas* to be performed by a householder; it is usually performed by throwing up into the air, near the house-door, a portion of a daily meal before partaking of it. *Kalidasa* uses it as a tribute to the king, which was procured by the king for the wellbeing, happiness and prosperity of the subjects. *UN Ghoshal* interprets *Bali* “as the exclusive designation of the Indo-Aryan king’s receipts from his subjects, as well as from the conquered king. It is possible that *Bali* was the first type of customary contribution payable by the subjects that did not depend solely upon their free choice. But *Saletore* does not agree with this view. He cites various references from different texts and, quoting *Manusmriti*, concludes that *Bali* was first taken as religious offering, and then as a tax on religious performances, as proved by *Manu*, *Panini* and *Kautilya*. It was essential in the sense that it was not only an offering to the gods, but also a tax on some kind of religious sacrifices that *Kautilya* used the term *Bali*, when he mentions it as one of the sources of revenue from the Kingdom (*Rashtram*).

**Bhaga:** *Bhaga* was the next source of revenue in ancient Indian society. *Bhaga* has been interpreted as octroi duty or land tax by some of the scholars, and for some of them it meant the share or portion of the produce payable to the state. *Shama Shastry* has translated different terms as the following produce payable to government lands is *Sita*, a portion of produce payable to government is *Bhaga*, religious taxes are *Bali*, and taxes paid in money are *Kara*.

**Kara:** The other important source of the state revenue in ancient India was called *Kara*. The term *Kara* does not figure in Vedic literature. *Kara* usually meant a general tax on land, as well as movables. Differentiating between the terms, *Sharma* surmises that *Bali* stands for voluntary offering, religious or otherwise; the term *Bhaga* shows that the king was entitled to his share and the term *Kara* shows that he collected taxes from the people. ‘At all times the basic tax was that on land, usually called *Bhaga* or share, which was a fixed proportion of the crop.

**Objectives of the Study:** The objectives of the present study are as follows:

1. To study the revenue collection system in ancient India;
2. To study the taxation system in ancient India;



3. To underline the dynamics of public finance in ancient India;
4. To document the methods of financial administration in ancient India;
5. To delineate the points of confluence and convergence in the writings of Vyasa, Manu , Kautilya and Shukra; and
6. To assess the significance, and gauge the contemporary relevance of ancient Indian administrative techniques for modern India.

**Relevance of Study:** The significance of the study lies in the fact that it fills an important research gap that is found in the area of research on ancient Indian public administration. It documents, analyses and compares the findings on public finance (taxation and revenue collection) in the three major related works of the period. It also compares these findings with concepts in other works of the period. It highlights the contemporary relevance of the ancient Indian concepts and principles of public finance. The framework for the analysis is new and the sourcing of data from original texts makes the work significant. The present study also finds its relevance in the light of the fact that the inherent idea of public good, the apparent contentment of the welfare state, the potential nature of strict state authority, the overwhelming presence of state sovereignty, the evident supremacy of the willing subordination of the people, the specified demarcation of fictional responsibilities of different personnel, the vigilant hierarchical supervision, the minute observation of various occupations, and the state in ancient India in general was more and more a well-organized welfare mechanism aiming to achieve overall happiness and wellbeing among the populace through properly carved-out structures of public administration. The whole trajectory of the taxation system and the modes, means and mechanism of revenue collection in *Mahabharata*, *Manusmriti*, Kautilya's *Arthashastra* and *Shukranitisar* makes it evident that the taxation in that period of history was considerate, humanitarian, strong, strict, based on prescribed rules and regulations, and largely dependent upon the nature of the requirements of the state at a particular period of time for the purpose of creating large-scale facilities and opportunities for the people in general, besides providing for the upkeep of the government machinery. This is where the present study would hopefully create an academic platform for further serious and scientific studies of different treatises of ancient India, and paves the way for more rigorous research attempts in this largely neglected area.

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