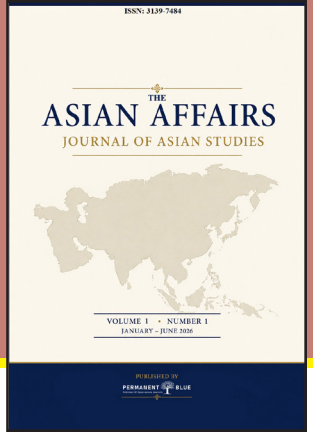
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A Systematic Review of Taxation in Kautilya's *Arthashastra*: Linking Ancient Economic Thought with Modern Fiscal Policies

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Abstract: In ancient period, taxation is the central part of public finance, serving both as a source of income to the government and the policy mechanism that supports society and the economy. Kautilya's *Arthashastra*, composed in the 4th century BCE integrates fiscal framework to enhance efficiency, equity and welfare in the statecraft. This study lays emphasis on a systematic literature review with PRISMA methodology to summarise the works of existing articles relevant to taxation in Arthashastra. The review highlights the major sources of revenue from agriculture, trade and artisans' taxes, the socio-economic impacts of Kautilya's taxation principles on peasants, landlords and artisans, and how the revenue is utilised to mitigate famine, drought, irrigation investments and defence. Through thematic analysis, the study also highlights the comparison of Kautilya's taxation principles to modern fiscal policies in progressive taxation, public spendings and fiscal prudence. The findings indicates how the taxation serve both as a tool for administrative efficiency and state welfare. Kautilya's policy of modern taxation aims to promote surplus budgeting, progressive tax on harmful goods and prevent tax evasion in the economy. It reminds that taxation is not just numerical, but its more than about people, efficiency and welfare of the state. By bridging ancient economic thought with modern fiscal policy, this systematic review illustrates the Kautilya's insights into taxation principles, modern taxation and reinvestment in state welfare. By connecting these mechanisms, the study contributes to balance both economic governance and contemporary discussions on how taxation supports state spending along with social welfare in the economy.

Keywords*:* Kautilya's taxation, fiscal policy, public finance, welfare economics, *Arthashastra*

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Introduction

Taxation has always been considered as the central pillar of economic development, shaping the relationship between the state and its people. From ancient civilizations to modern nation

states, fiscal governance have determined not only the financial strength of governments but also the socio-economic well-being of societies. In the Indian context, one of the earliest and most comprehensive treaties on statecraft and economic governance is Kautilya's *Arthashastra,* composed in the 4th century BCE. This work written by the thinker and strategist Kautilya better known as Chanakya or Vishnu Gupta, serves as a detailed framework for governance, diplomacy, military strategy, economic management and administration. Among its many contributions, the *Arthashastra* offers significant insights into taxation its sources, methods of administration and impact on society. The study of taxation in the *Arthashastra* is beyond historical interest as it provides a critical lens into the intellectual foundations of fiscal policy in ancient India, allowing us to identify continuities and contrasts with modern economic thought. Through a systematic review of Kautilya's principles in taxation, this study aims to bridge the gap between ancient thought with modern fiscal policies. Such an exploration is relevant today, when issues of equitable taxation, state welfare and economic justice remain crucial for modern economic policy making.

Historical Context of Taxation in Ancient India

In the ancient era, taxation was closely interlinked to the agrarian economy, trade networks and artisanal production. The Arthashastra identifies and categorises different sources of state revenue, including land taxes, custom duties, professional levies and fines. Unlike arbitrary impositions, Kautilya's system emphasised on rationality, fairness and administrative efficiency. Taxes were not simply instruments of extraction; they are designed to sustain the state, finance the welfare schemes and ensure social stability in the state. Kautilya's fiscal framework was rooted in the principles of *dharma* (justice) and *artha* (economic prosperity). He recognised that excessive taxation could lead to social unrest, economic decline and even rebellion. Hence, he advocated moderation, proportionality and sensitivity to the economic conditions of different social groups. Peasants, merchants and artisans were taxed according to their productive potential, infrastructure and welfare in return. This reciprocal relationship shows the sophistication and balance of Kautilya's vision of taxation.

Taxation as a tool of Statecraft

The Arthashastra presents taxation not merely as a financial mechanism but as a strategic tool of statecraft. Revenue collection was essential for maintaining the army, administering justice and supporting public works. In addition to that, taxation was broadly linked into socio-political objectives through promoting trade, market regulations and discouragement of illicit and unlawful activities. Kautilya's insistence on surveillance, meticulous record keeping and accountability in tax administration reflects an early-modern understanding of fiscal management. Moreover, the *Arthashastra* also highlights the ethical considerations of taxation. Such ideas resonate with modern debates on progressive taxation, sustainable revenue generation, and the role of the state in fostering inclusive growth.

Significance of the Study

This study lies in its interdisciplinary approach by integrating historical analysis with modern theory, it contributes to both the study on ancient Indian thought and the field of public finance. It

highlights the ancient thought relevance to modern policy debates and furthermore underscores the importance of learning from history in designing equitable and sustainable fiscal systems. By interconnecting ancient economic thought with modern fiscal policies, this study seeks to foster a deeper appreciation of the historical roots of taxation and its role in preserving social stability.

Review of Literature

S. No	*Author & Year*	*Title of Article/ Book*	*Methodology*	*Sources of taxation*	*Socio-Economic Impact*	*State-Revenue and Welfare*	*Modern Relevance*
1	Srivastava, V. S. (2024)	Kautilya's Economic Ideas and its Relevance in Indian Knowledge System	Descriptive; literature review of economic thought	Land revenue (Rajkar) was primary. Wet lands crops taxed at 1/3 or 1/4	Wages settled to prevent exploitation of labour/cultivators	Revenue funded roads, forts, irrigation, and warehouses	Foundation of first welfare state; relevant for National Strategy
2	Chopkar, S. D. (2025)	Holistic Principles of Ancient Indian Economic Thought and Contemporary Economic Policy	Qualitative, interpretive approach analysing foundational texts	Fair taxation based on ability to pay, comparing tax collection to "plucking ripe fruits without harming the tree," a metaphor for sustaining economic growth without depleting its sources.	Focus on consumer protection and ethical business practices. Safeguarding farmers' interests and ownership rights	Taxes funded disaster relief, infrastructure, and social programs. Reinvestment of surplus in irrigation and support systems	GST reflects Kautilya's vision of efficient, impartial taxation. MNREGA embodies Kautilyan dignity of labour
3	Dash et al. (2024)	Reviving Ancient Wisdom in Modern Decision Making: Exploring the Aanvikshiki Framework of Kautilya's Arthashastra	Qualitative research using document analysis and thematic analysis	-	Emphasis on ethical decision-making and societal well-being	Resource management and strategic planning for state stability	Framework for ethical and holistic decision-making in modern organizations
4	Bhanage & Pachhapurkar (2026)	Reinterpreting Ancient Indian Taxation Philosophy for the Modern Indian Economy : An Insights through the Lense of Kautilya's Arthashastra	Qualitative, interpretive, and comparative research design	Agricultural levies, commercial taxes, customs duties, and state monopolies	Provisions for tax remissions during famine to protect livelihoods. Ethical treatment of traders and cultivators	Expenditure focused on defence, infrastructure, and calamity relief	Proportional taxation logic mirrors modern income tax and vertical equity. Linked to GST and digital tax reforms

S. No	*Author & Year*	*Title of Article/ Book*	*Methodology*	*Sources of taxation*	*Socio-Economic Impact*	*State-Revenue and Welfare*	*Modern Relevance*
5	Pramanik & Raha (2024)	Economy and Tax Structure as Represented in Kautilya's Arthashastra	Grounded in scientific ideas; focuses on internal administration	Agricultural land and commodities. Taxes on "harmful" services (prostitutes, singers) could exceed 50%	Profit ceilings for business owners (5-10%) to prevent monopoly. Promotion of international trade	Treasury (Kosha) identified as one of seven components of sovereignty. Salary bill limited to 1/4th of revenue	Modest tax rates (16-20%) advocated to prevent tax evasion and black money. High taxes on harmful items like liquor
6	Sihag (2009)	Kautilya on Principles of Taxation	Uses modern tools of economic analysis and rational reconstruction	Linear income tax (1/6th). Customs duties and transaction taxes. User fees for common land	Incentives (gifts/ favours) used to induce higher labour supply from artisans. Protection of private property	Revenue earmarked for infrastructure and capital formation (3/4ths of revenue). Safety nets for the poor, old, and sick	Anticipates the Dupuit-Laffer Curve (tax base erosion if rates are too high). Fiscal federalism concepts
7	Sihag (2009b)	Kautilya: a forerunner of neoclassical price theory	Descriptive	Application of opportunity cost in economic policy. Understanding of the law of diminishing returns in agriculture	Forerunner of neoclassical price theory and ordinal preferences	Forerunner of neoclassical price theory and ordinal preferences	Revisionist history of economic thought using modern axioms
8	Sihag, B. S. (2009d)	Kautilya on international trade policies	Non-technical descriptive approach	Revenue from tariffs and export/import duties.	Encouragement of imports; foreign merchants granted tax exemptions.		Concepts of comparative advantage and gains from trade.
9	Bhat, R. M. (2023)	Economic Governance and Public Finance in Kautilya's Arthashastra	Historical approach analysed in the context of the Mauryan period	Seven sources: crown property (Sita), state-controlled activities, taxes, trade, fees, fines.	Prevents exploitation of weak/vulnerable sections (women, children, elderly).	Expenditure on palaces, administration, defence, and maintenance of granaries. Emergency tax (Pranaya) allowed.	Principles of financial management and accountability are sources of modern inspiration.
10	Sihag, B. S. (2005a)	Kautilya on Public Goods and Taxation	Interpretation based on Rangarajan and Kangle translations	Income tax preferred over lump-sum tax for fairness. Special taxes on merchants based on goods (gold vs. wood).	Good governance reduces risk on private investments. Protection of private property rights.	National security, law and order, and public physical infrastructure. Disaster relief for famines/ floods.	Anticipates modern welfare state's role in Preserving stability and productivity.

S. No	*Author & Year*	*Title of Article/ Book*	*Methodology*	*Sources of taxation*	*Socio-Economic Impact*	*State-Revenue and Welfare*	*Modern Relevance*
11	Zende, A. S. (2025)	Kautilya's Arthashastra : Ancient Indian Economic Thought and Relevance to Modern Political System	Pragmatic vision integrating revenue and public welfare	Land revenue, trade duties, excises, and strategic state monopolies.	Market regulation via supervisors to check fraud and ensure fair weights.	Maintaining granaries and building irrigation tanks for famine relief.	Fiscal prudence, broad revenue base, and anti-corruption measures.
12	Pandya & Jagtap (2023)	Revisiting Kautilya Arthashastra through Economic Lenses	Literary synthesis focusing on continued	Diversified revenue: land taxes based on production and soil fertility.	Wealth redistribution through taxes to achieve equitable distribution.	Infrastructure development: reservoirs, wells, tanks, and dams.	Practical applications in 21st-century trade, agriculture, and taxation.
13	Debnath, S. (2024)	Kautilya's Contributions to Political Philosophy, Economics, and Governance of Ancient Indian Knowledge System	Pragmatic view within the context of the Maurya Empire	Fair taxation extracting resources without causing public unrest.	State regulation to prevent monopolies and maintain price stability.	Provision of public services and infrastructure as intertwined with state welfare.	Precursor to modern economic theories of fiscal policy.
14	Deodhar, S. Y. (2023)	Tracing Economic Policies to Ancient Indian Economic Ethics	Focuses on collate ideas of economic ethics and policy relevance	Three domestic tax rates (5%, 8%, 10%) and single import rate (20%).	Professional guilds and workers' rights specified.	Administrative expenses advised to be between 1/4th and 1/2 of income.	Simplicity in tax structure increases collection efficiency.
15	Saini, R. P. (2015)	Kautilya's Economic Philosophy: Insights from Arthashastra	Highlights justice as the transformation of power into authority.	Graduated tax based on merchant income levels. Toll-tax and land census data.	King has no right to tax if citizens are not safe from invaders. Wages settlement binding on parties.	Maintenance of a rich treasury affects all administrative activities. Welfare of orphans, aged, and infirm.	Tax collection compared to a honeybee. International trade insights similar to modern concepts.
16	Škare, M. (2013)	The missing link: From Kautilya's The Arthashastra to modern economics	Uses causality-feedback trees common in modern growth models.	Added value from agriculture, fishery, and mining industries.	Punishments for levying excessive tax burdens on farmers. Efficiency wages and division of labour.	Welfare regulations for social groups, animals, and consumers.	Identifies Kautilya as the first political economist. Mixed economy pillars (private ownership, competition).

S. No	*Author & Year*	*Title of Article/ Book*	*Methodology*	*Sources of taxation*	*Socio-Economic Impact*	*State-Revenue and Welfare*	*Modern Relevance*
17	Pawar, D. B. (2025)	Kautilya's Economic Thought and its Impact: A Historical and Contemporary Perspective	Qualitative, thematic analysis studied through scholarly commentaries	Diverse revenue: land, forests, mines, state-controlled industries, trade duties.	Standardized wage system and legal safeguards for hired labourers.	Fundamental duty to provide roads, water supply, and defence. Suspension of taxes during natural disasters.	Mirrors modern Public Sector Undertakings (PSUs). Influences modern disaster management and food distribution.
18	Devi, S. (2018)	Economic and Social Welfare in Kautilya's Arthashastra	Qualitative research methodology called Hermeneutics	Fines for adulteration and inferior quality goods.	Protection of slaves and prisoners; maintenance of social order.	Sanitation and hygiene in cities; planned outlets for refuse. Help for sick persons and those dying on duty.	Welfare seen as a right of citizens, not just charity. Accountability of state for national crises.
19	Jain (2019)	The Ancient Indian Economic Thought and the Concept of Welfare State	Deductive approach based on secondary sources and Hermeneutics.	Trade used to increase kingdom wealth; taxes for state maintenance.	Nobody allowed to hoard unlimited wealth or snatch from others.	State acted as facilitator, regulator, and protector. Symbiotic progress of spirituality and economy.	Highlights social contract between the king and subjects. Predecessor to intricate global economic models.
20	Roy (2019)	Kautilya's Arthashastra and Modern Economics	conceptual and interpretive analysis	Taxes mainly on land and commodities., Moderate rates: 16–20% (1/6th–1/5th of activity)., Higher taxes (up to 50%) on socially harmful goods/services. , Income tax rare, applied to singers, dancers, spies, etc.	Emphasis on equitable taxation to avoid burdening subjects., Recognition that excessive taxation hampers incentives and encourages evasion. , Differential interest rates based on risk and purpose (e.g., traders vs. personal loans).	Taxation funded state functions: treasury, administration, wage policy., Surplus budget advocated; treasury seen as key element of sovereignty. , Intelligence department tasked with preventing economic offences. , Wage bill capped at one-fourth of revenue.	Progressive taxation parallels modern systems., Higher taxes on harmful items (like liquor, cigarettes) still relevant today. , Concepts of price floors, risk-based interest rates, and welfare-oriented taxation align with modern fiscal policy.

Objectives

- To categorise the major sources of taxation in ancient India.
- To assess the socio-economic impact of taxation on peasants, merchants and artisans in Kautilya's *Arthashastra*.
- To analyse how the taxation supported state revenue and welfare in the ancient period
- To examine the relevance of Kautilya's taxation principles to modern fiscal economy.

Methodology

Review Design

This study adopted a Systematic Literature Review (SLR) approach guided by the PRISMA 2020 guidelines to identify the sources of taxation, its socio-economic impact on peasants, merchants and artisans, role of taxation in promoting state welfare and relevance of ancient principles to modern fiscal mechanisms.

Search Strategy

The literature was searched through Google Scholar for the period of 2000-2025. Boolean strings "and" and "or" are used to ensure the study relevance and objectives.

The search terms include:

1. Kautilya and taxation
2. *Arthashastra* and Fiscal policy
3. *Arthashastra* and modern economics
4. Ancient period and taxation and state welfare

Inclusion and Exclusion Criteria

Inclusion Criteria

1. Peer-reviewed journal articles, books and conference papers indicating taxation principles, socio-economic impacts and modern relevance are included.
2. English-language publications
3. Works addressing conceptual, descriptive, qualitative or comparative economic analysis are included.
4. Relevant articles related to ancient taxation during the period 2000-2025 are included.

Exclusion Criteria

1. Studies focusing only on political philosophy and ethics without any economic analysis.
2. Duplicate records or incomplete manuscripts
3. Magazines, newspapers and blogs.
4. Articles published before 2000

Screening and Selection

From an initial searching on 2000 records, a purposive sample of 44 articles was screened based on relevance of the title and objectives of the study. Out of 44, 35 were assessed for eligibility and 20 articles were included in the final synthesis. The selection process of literature is illustrated in Figure 1.

PRISMA flow diagram

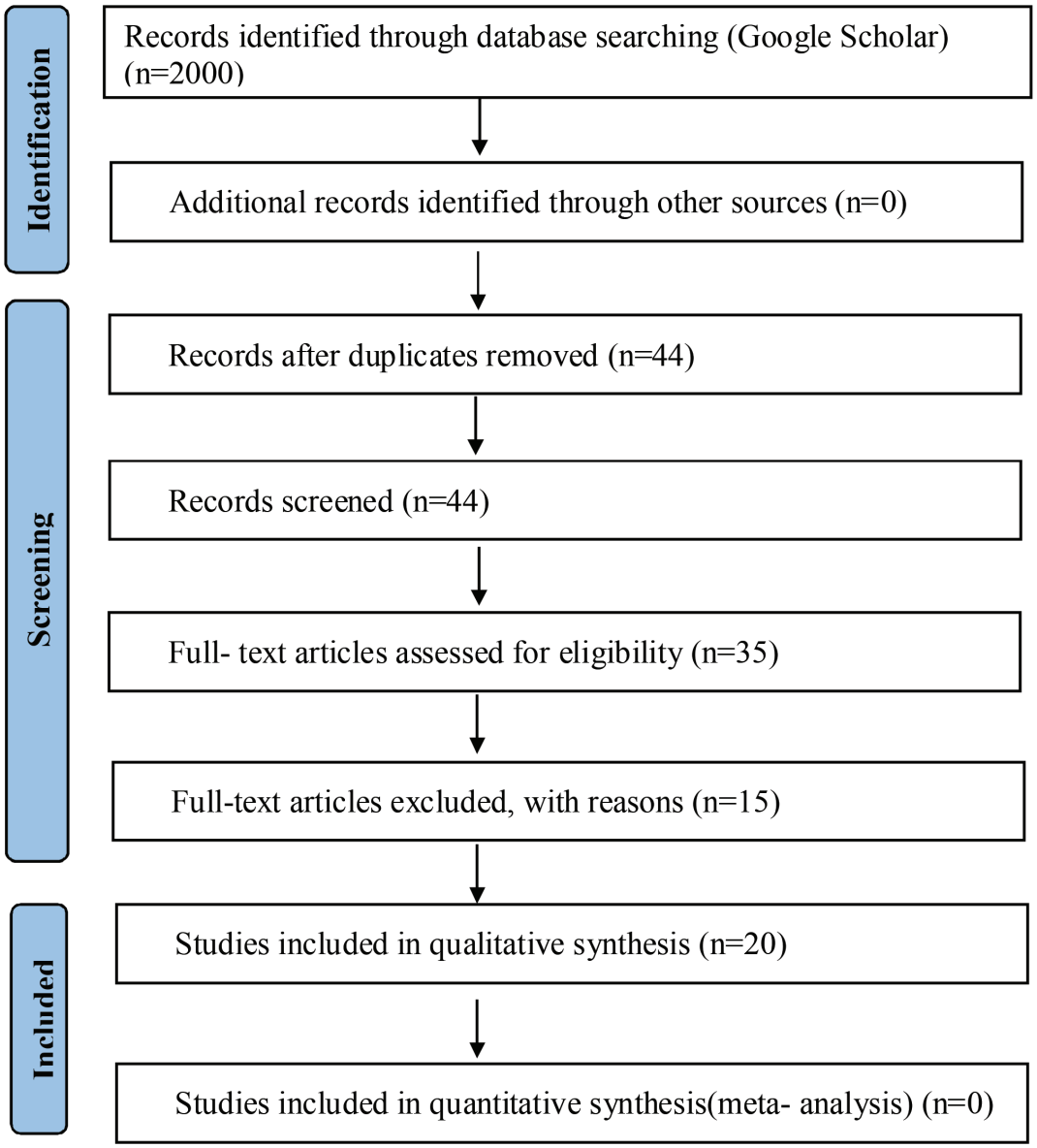


Figure 1: PRISMA Flow Diagram of Study Selection

Source: Adapted from PRISMA 2020 guidelines.

The Figure 1 is a flowchart that depicts the PRISMA model used for studying the articles relevant to the study through identification, screening and inclusion and exclusion criteria. This model is adopted based on PRISMA 2020 guidelines.

Data Extraction and Data Synthesis

A structured data extraction table was used to identify:

1. Author and Year
2. Source type
3. Objectives
4. Methodology
5. Key Findings
6. Limitations

Findings are synthesized using thematic analysis which was grouped into:

1. Major source of taxation during ancient period
2. Socio-economic impacts during Kautilya's ruling
3. Role of taxation in promoting state welfare
4. Relevance of Kautilya's taxation to modern era.

Findings and Discussion

Major Sources of taxation in Ancient India

Taxation in Kautilya's *Arthashastra* was designed as a multi-layered system that collected money from diverse sources in order to guarantee fiscal stability and durability. The major categories of taxation sources are:

Agriculture Land Revenue (Rajkar)

Agriculture was considered as the backbone of the ancient fiscal system. Taxes were levied on agricultural produce, typically one-third or one-fourth of the crop production (Srivastava,2024). Tax rates varied based on fertility of the soil and type of crop (Pandya & Jagtap, 2023). This ensured a consistent flow of revenue from the predominant sector, the agrarian economy.

Commercial and Trade Taxes

Tax duties were imposed on imports, exports (Sihag, 2009d). Merchants were subject to taxes based on the good traded and their income levels (Saini, 2015). In order to promote trade, there were tariffs and custom charges, with specific exemptions to international traders. These levies promoted India into broader trade networks while controlling market behaviour.

Excises and Taxes on Commodities

Tax were levied on special goods, particularly those considered hazardous or luxurious. Examples include gambling, entertainment services, liquor and prostitution, sometimes subject to extremely high tax rates (upto 50%) (Pramanik & Raha, 2024). This indicates an example of sin taxes which was intended to both generate revenue and deter socially undesirable behaviour.

Income and Occupational Taxes

In the ancient era, 1/6th of a Linear Income tax was noted (Sihag, 2009). Taxes are levied on professions such as singers, dancers, artisans and spies (Roy). This assured that the state revenue was also sourced from non-agrarian contributors as well.

State Monopolies and Crown Property (Sita)

Revenue also collected from state-controlled activities such as forests, mines and strategic monopolies (Bhanage & Pachhapurkar, 2026 ; Pawar, 2025). Direct cultivation of Crown lands(Sita) for the king's treasury (Bhat, 2023). These sources allowed the state direct control over vital resources instead reliance on taxes alone.

Fees, Fines and User Charges

Administration penalties for adulteration, fraud and violation of regulations (Devi, 2018). User fees charged for using public facilities and common land (Sihag, 2009). These supplemented revenue while serving as regulatory mechanisms.

Emergency Taxes (Pranaya)

Temporary levies imposed during crises such as wars or famines (Bhat, 2023). This exhibits fiscal flexibility and the state's ability to mobilise resources during emergencies.

In ancient India, the sources of taxation were diverse and strategically designed to balance agrarian, commercial and occupational contributions. Kautilya's system ensured economic resilience by avoiding over-reliance on a single sector. This shows a sophisticated understanding of fiscal policy through the inclusion of sin taxes, user fees and emergency levies, while anticipating contemporary practices like excise duties, progressive taxation and disaster levies. The *Arthashastra* reveals a proto-modern fiscal architecture that combines revenue generation with regulation and welfare by categorising taxes into diverse streams.

Socio-Economic Impact of Taxation

Impact on Peasants

Burden of crop levies : Peasants were the primary taxpayers through agricultural produce, often taxed at one-third and one-fourth of the harvest (Srivastava, 2024). This system ensured a steady flow of grain into the state treasury, which could be stored in granaries or redistributed during crises.

Safeguards against exploitation : Kautilya emphasised fair wages and settlements to protect farmers from exploitation by landlords (Saini, 2015). Contracts and wage agreements ensured protection against arbitrary demands. This indicates an early recognition of labour rights and the need that balance state revenue with social justice.

Relief measures : Peasants were granted tax suspensions and remissions during famines, floods, natural calamities (Pawar,2025). These measures show the reciprocal nature of taxation where peasants supported the state during normal times and the state supported peasants in crises.

Moderation principle : Kautilya warned against excessive taxation principles, highlighting that it could lead to unrest, economic decline or even rebellion (Debnath, 2024). The principle of moderation ensured that taxation was sustainable, maintaining productivity while avoiding resentment. This anticipates modern ideas of the Laffer Curve indicating that overly high taxes reduce incentives and shrink the tax base.

Impact on Merchants

Graduated taxation : Merchants were taxed according to income levels and the type of goods they traded (Sihag,2005a). This reflects that wealthier merchants paid proportionally taxes, on the other hand small traders bore lighter burdens. This differentiation reflects an early form of progressive taxation, ensuring fairness and preventing concentration of wealth.

Profit ceilings : Business owners were restricted to 5-10% profit margins to prevent monopolies and exploitation of consumers (Pramanik & Raha, 2024). By ceiling profits, Kautilya aimed to maintain market stability and attain social welfare.

Market regulation : Supervisors were appointed to monitor trade practices, check frauds and ensure fair weights and measures (Zende, 2025). This ensured consumer protection and maintained trust in the marketplace.

Encouragement of trade : Foreign traders were sometimes granted tax exemptions to promote international commerce (Sihag, 2009b). This shows Kautilya's pragmatic approach encouraging imports and exports to strengthen the economy. By balancing this, the economy fostered trade networks while still securing revenue.

Redistribution role : Taxes collected from merchants contributed to wealth redistribution and equitable distribution of resources (Pandya & Jagtap, 2023). Hence, merchants played a dual role as contributors to state revenue and as a instruments of social equity.

Impact on Artisans

Occupational levies : Artisans contributed to the state through taxes on crafts, entertainment and specialised services (Roy, 2024). These levies ensured that non-agrarian groups also supported the fiscal system, diversifying revenue beyond agriculture and trade. This reflects the Kautilya's pragmatic approach; every productive sector was expected to contribute proportionally to the state.

Incentives for productivity : Unlike peasants and merchants, artisans were often encouraged through positive incentives rather than heavy taxation. Kautilya recommended gifts and wages to enhance higher labour supply and craftsmanship (Sihag, 2009). This indicates an early recognition of the importance of motivation and skill development in sustaining artisanal productivity. This ensured a steady supply of skilled labour for construction, crafts and cultural activities.

Guild protections : Artisans were often organised into professional guilds, which were formally recognised by the state (Deodhar, 2023). These guilds had rights and safeguards, protecting workers from exploitation and ensuring fair treatment. Guilds also acted as regulatory bodies, maintaining quality standards and collective bargaining power.

Role of Taxation in supporting State Revenue and Welfare

Revenue allocation

Taxation was the financial backbone of the Mauryan state for financing essential sectors such as defence, administration, palaces, granaries and irrigation projects (Bhat,2023). This assured both the protection of the kingdom and the maintenance of infrastructure crucial for agricultural productivity and food security. The state strengthened its sovereignty and stability by channelling revenue into multiple domains.

Infrastructure development

Taxes were invested in roads, forts, reservoirs, tanks and famine relief systems (Zende, 2025). These systems supported trade, improved agricultural output and provided resilience against natural disasters. Infrastructure spending illustrates that taxation was not only about resource extraction but also about capacity building and long-term economic growth.

Social Welfare

A portion of revenue was directed towards safety nets for vulnerable groups ; the poor, aged, sick, orphans and prisoners (Devi, 2018) Welfare measures included sanitation, hygiene and healthcare provisions, reflecting the idea that welfare was a citizen's right rather than charity. This anticipates the modern welfare state, where taxation supports social justice and inclusivity.

Disaster Management

Kautilya's system included flexibility in taxation during crises. Taxes could be suspended during disaster calamities, ensuring that communities were not overburdened (Pawar,2025). In emergencies, the state could impose an extraordinary levy (Pranaya) to mobilise resources quickly (Bhat, 2023)

Redistribution

Taxation was used as a tool of wealth redistribution, ensuring equitable distribution of resources across society (Pandya & Jagtap, 2023). Hence, redistribution reinforced the ethical dimension of taxation, linking fiscal policy to justice and fairness.

Relevance of Kautilya's Taxation Principles to the Modern Fiscal Economy

Moderation and Fairness

Kautilya emphasised on moderate taxation, warning that excessive levies would harm productivity and cause unrest. This principle parallels progressive taxation today, where tax rates increase with income to ensure fairness (Chopkar, 2025). His idea of proportional taxation also resonates with GST (Goods and Services Tax), which seeks efficiency and impartiality in modern India (Bhanage & Pachhapurkar, 2026). The underlying philosophy is that taxation should be equitable, sustainable and not stifle economic growth.

Welfare Orientation

Kautilya linked taxation directly to welfare provisioning , ensure revenue funded disaster relief, infrastructure and social programs. Modern parallels include MNREGA, which embodies the dignity of labor, and disaster relief policies, which suspend or adjust taxes during crises (Chopkar,2025). This shows continuity between ancient fiscal ethics and today's welfare-oriented taxation systems, where revenue is reinvested in social welfare programs.

Efficiency and Accountability

Taxation in ancient period advocated simplicity in tax structures, arguing that complex systems reduce compliance and encourage evasion. This principle is echoed in modern reforms that aim for transparency, efficient and accountable tax administration (Deodhar, 2023). His insistence on financial accountability and anti-corruption measures remains highly relevant in contemporary governance.

Economic theory Parallels

Kautilya anticipated several modern economic concepts such as Laffer curve that recognises overly high taxes reduce incentives and shrink the tax base (Sihag, 2009). Fiscal federalism in early ideas of distributing revenue responsibilities across administrative units. Mixed economy models in combining models combining private ownership competition and state regulations (Skare, 2013). These parallels demonstrate that his fiscal philosophy was not only practical but also theoretically advanced.

Conclusion and Suggestions

This systematic review highlights that taxation in Kautilya's *Arthashastra* was not merely a fiscal instrument but a comprehensive framework of statecraft that balanced revenue generation with welfare, justice and economic sustainability. This study indicates that taxation was diversified across agriculture, trade, commodities, occupational levies, state monopolies, fines and emergency taxes ensuring resilience and stability in the economy. The findings highlight that socio-economic impact was moderated through safeguards for peasants, graduated taxation for merchants, and incentives for artisans, reflecting an ethical and reciprocal relationship between the state and its people. Revenue was strategically allocated to defence, infrastructure, disaster relief and social welfare, anticipating the principles of a modern welfare state. The relevance of Kautilya's ideas is evident in contemporary fiscal policies such as progressive taxation, GST, MNREGA and disaster management as well as in economic theories like the Laffer Curve and fiscal federalism. The study suggests that modern policymakers can draw from Kautilya's emphasises on moderation, fairness and accountability to design tax policies that are efficient, equitable and welfare-oriented. Simplifying tax structures, reinvesting revenue in social infrastructure and embedding ethical principles into fiscal governance can further strengthen compliance and public trust. Furthermore, integrating Kautilya's fiscal philosophy into economics and public policy curricula can foster a deeper appreciation of India's intellectual heritage and its relevance to modern governance.

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