



**CARDAMOM PLANTERS' ASSOCIATION COLLEGE**

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## **History of Income tax**



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## History of taxation

It is the least or compulsory financial charge or some other type of levy imposed on the tax payer by the government organisation in order to collectively fund government spending public expenditure or as a way to regulate economic activity.

The first known system of taxation was the ancient around 3000 to 8000 BC, in the first dynasty of old kingdom of Egypt the earliest and the most wide spread forms of taxation were the levy and the tithe. The levy was forced labour provided to the state by peasants who poor pay other form of taxation. Rewards from the time document that to conduct a big royal tax of the kingdom collecting high from the people. Other records of ancient civilisation like stone, clay and earthen taxation it also described in the bible.

## Indian History of taxation

The origin of taxation system of India can be traced by ancient way before independent references to tax can be found in ancient India. Scripts like the Manusmriti and Arthashastra the books of law

respectively both lay down methods of  
improving tax system for the welfare of the  
state of its citizens. From then until know  
taxation has come a long way the  
official tax system was known in the 1800

Manusmriti and Arthashastra

The earliest sources of the tax  
in India Manusmriti suggest the king  
collected and regulated taxes in a manner  
that in fusion the subjects as per

Provisions mention in it

Traders must pay 20% or  $4\frac{1}{4}\%$  of  
their net income

Artisans must pay 20% or  $1\frac{1}{2}\%$  of  
their net income

Agriculturist must pay  $\frac{1}{6}$ ,  $\frac{1}{8}$ ,  $\frac{1}{10}$

of the crop produce depending on the  
circumstances.

Laydown in the Arthashastra

the subjects of politics, economics, military  
and defence and state functioning to

name a few. The book mentioned that  
pay high taxes compared to the dis

privileges. It is also faultless that  
tax state for agriculture at  $\frac{1}{6}$  of the

land produce more over it mentions

losses regarding the import, export duties and income tax during the emergency.

Income tax act 1860

While amount don't play a crucial role in the evaluation of taxation in India. Income tax act as we know it today first came into the picture in the year 1860. It was introduced by Sir James in the British era in the country. The taxation policy was followed compensate for the loss to the British government at the time during the military uprising of 1857. As per the act the income was divided into four sections from landed property, trade and profession, salary and income securities.

Income tax act 1886

In the year 1886 the Indian income tax act was passed. The tax law has witnessed long run revision from time to time. Under this the tax was levied on income from four sources including income from salaries, Pension and gratuity, company net profits, interest on securities and from other sources.

Income tax act 1980

The New Income tax act was passed in April 1980 which introduced several changes to the previous act, among the various amendments the reduction and receipt of casual or non recurring in nature that occurred during the business and

Professional transactions were also taken into account while computing donation income

Income tax 1998

Minis show that lead as to the current tax structure and also the income tax act passed in the year 1998.

It not only provides flexibility to the income tax structure in India but also helps build a proper administration system for tax in India. It remain in force until the year 1961.

Income Tax act 1961

After the independence amendment to the previous law, the income tax act was passed in the constitution in minister of law in 1961. Applying to the whole of India, which includes Jammu and Kashmir, the act was brought into effect from the 1st of April 1962. Along with this central board revenue was divided giving birth to central board of direct tax.