

# CHANGES IN INDIAN TAX POLICIES

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## **Abstract:**

This paper explores the history of tax policies in India and how they have evolved under different political leaders. India's tax system has a long and varied history, dating back to ancient times when taxes were collected by local officials to fund the Mauryan Empire's activities. During the British colonial period, India's tax system underwent significant changes with the introduction of various new taxes, such as the salt tax, excise duty, and income tax. After independence, India's first Prime Minister, Jawaharlal Nehru, introduced the Income Tax Act in 1961, which remained largely unchanged for several decades. In the following years, various political leaders introduced new tax policies to address specific economic challenges. For example, Indira Gandhi introduced the Minimum Alternate Tax (MAT) in 1987 and a wealth tax in 1973 to increase tax collection from the wealthy. P.V. Narasimha Rao introduced economic reforms in 1991, which included reducing tax rates and simplifying the tax system. Atal Bihari Vajpayee introduced the Voluntary Disclosure of Income Scheme (VDIS) in 1999, which allowed people to declare undisclosed income and assets and pay tax on them without facing any legal consequences.

More recently, Narendra Modi introduced the Goods and Services Tax (GST) in 2017, which replaced multiple indirect taxes and simplified the tax system. He also reduced the corporate tax rate and introduced a new tax regime with lower tax rates for individual taxpayers in 2017. The paper also discusses the challenges facing the Indian tax system, such as tax evasion, corruption, and the complexity of the tax system. The government has taken steps to address these issues, such as the introduction of the Benami Transactions (Prohibition) Amendment Act, which aims to curb the use of unaccounted money in the economy. The paper highlights that taxation in India has played a crucial role in shaping the Indian economy and improving the lives of the people. The tax policies introduced by different political leaders have aimed to simplify the tax system, reduce tax rates, and increase tax compliance. The paper emphasizes the need for continued efforts to address existing challenges and build a more inclusive and prosperous India for all.

**Keywords:** Changes, Indian, Tax policies etc.

## INTRODUCTION:

India has a long and varied history of tax policies, which have evolved over time with changes in political leadership and economic conditions. Taxation in India has been used as a means to generate revenue for the government, redistribute wealth, encourage investment, and promote social welfare. The earliest records of taxation in India date back to the ancient times when the Mauryan Empire imposed various taxes on the people, including land taxes, sales taxes, and import/export duties. These taxes were collected by local officials and used to fund the empire's various activities. During the British colonial period, India's tax system underwent significant changes with the introduction of a range of new taxes, such as the salt tax, excise duty, and income tax. The British also introduced a revenue collection system that was centralized and aimed to maximize the government's revenue collection. After independence in 1947, India's first Prime Minister, Jawaharlal Nehru, introduced the Income Tax Act in 1961, which remained largely unchanged for several decades. In the following years, various political leaders introduced new tax policies to address specific economic challenges.

Indira Gandhi introduced the Minimum Alternate Tax (MAT) in 1987 and a wealth tax in 1973 to increase tax collection from the wealthy. P.V. Narasimha Rao introduced economic reforms in 1991, which included reducing tax rates and simplifying the tax system. Atal Bihari Vajpayee introduced the Voluntary Disclosure of Income Scheme (VDIS) in 1999, which allowed people to declare undisclosed income and assets and pay tax on them without facing any legal consequences. Manmohan Singh introduced the Fringe Benefit Tax (FBT) on companies providing various perks to their employees in 2007. However, the tax was abolished in 2009 due to widespread criticism. Narendra Modi introduced the Goods and Services Tax (GST) in 2017, which replaced multiple indirect taxes and simplified the tax system. He also reduced the corporate tax rate and introduced a new tax regime with lower tax rates for individual taxpayers in 2017. Overall, the tax policies introduced by different political leaders in India have aimed to simplify the tax system, reduce tax rates, and increase tax compliance. These policies have played a crucial role in shaping the Indian economy and improving the lives of the people.

In recent years, India has made significant progress in digitizing its tax system with the introduction of initiatives such as the e-filing of tax returns, the digitization of tax records, and the introduction of the GSTN (Goods and Services Tax Network), a technology platform for the administration of the GST. Despite these improvements, there are still challenges that need to be addressed, such as tax evasion, corruption, and the complexity of the tax system. The Indian government has taken steps to address these issues, such as the introduction of the Benami Transactions (Prohibition) Amendment Act, which aims to curb the use of unaccounted money in the economy. Taxation in India has undergone significant changes over the centuries, reflecting the changing needs of the economy and the people. The tax policies introduced by different political leaders have aimed to promote economic growth, social welfare, and tax compliance.

As India continues to develop, it is likely that the tax system will continue to evolve to meet the changing needs of the country.

## OBJECTIVE OF THE STUDY:

To study the changes in Indian tax policies.

## RESEARCH METHODOLOGY:

This study is based on secondary sources of data such as articles, research paper, books, journals and websites.

## CHANGES IN INDIAN TAX POLICIES:

**Jawaharlal Nehru:** Nehru introduced the first Income Tax Act in 1961, which remained largely unchanged for several decades.

**Indira Gandhi:** In 1973, Indira Gandhi introduced a wealth tax in addition to the income tax. She also introduced the Minimum Alternate Tax (MAT) in 1987, which required companies to pay taxes even if they had no taxable income.

In 1975, Indira Gandhi's government introduced the Banking Cash Transaction Tax (BCTT) to monitor large cash transactions and prevent the use of unaccounted money in the economy. However, it was later abolished in 2009.

**Rajiv Gandhi:** In 1984, Rajiv Gandhi's government introduced the Gift Tax Act, which levied tax on the gifts received by individuals or Hindu Undivided Families (HUFs) from non-relatives exceeding a certain threshold.

**Morarji Desai:** In 1978, Morarji Desai introduced the Janata Party government's voluntary disclosure scheme, which allowed people to declare their undisclosed income and assets and pay tax on them at a reduced rate.

**V.P. Singh:** In 1990, V.P. Singh introduced the Expenditure Tax Act, which levied a tax on certain types of expenditure such as luxury hotel stays, air travel, and restaurant meals.

**P.V. Narasimha Rao:** In 1991, Narasimha Rao introduced economic reforms that included reducing tax rates and simplifying the tax system.

**Atal Bihari Vajpayee:** In 1999, Vajpayee introduced the Voluntary Disclosure of Income Scheme (VDIS), which allowed people to declare undisclosed income and assets and pay a tax on them without facing any legal consequences.

In 2000, Atal Bihari Vajpayee's government introduced the Tax Deducted at Source (TDS) on interest earned on bank deposits, which made it easier for the government to monitor and collect taxes on such income.

**Manmohan Singh:** In 2007, Manmohan Singh introduced the Fringe Benefit Tax (FBT) on companies providing various perks to their employees. However, the tax was abolished in 2009 due to widespread criticism.

In 2010, Manmohan Singh's government introduced the Direct Taxes Code (DTC), which aimed to simplify the tax system and bring about greater transparency and accountability.

**Arun Jaitley:** In 2016, Arun Jaitley introduced the Income Declaration Scheme, which allowed people to declare their undisclosed income and assets and pay tax on them at a reduced rate.

**Narendra Modi:** In 2017, Modi introduced the Goods and Services Tax (GST), which replaced multiple indirect taxes and simplified the tax system. He also reduced the corporate tax rate from 30% to 22% for domestic companies and from 40% to 15% for new domestic manufacturing companies.

In 2017, Nirmala Sitharaman, the Finance Minister of India, introduced the Interim Budget which provided tax relief to individuals with an income up to Rs. 5 lakh.

In 2017, Narendra Modi's government introduced a new tax regime with lower tax rates and simplified tax slabs to provide relief to individual taxpayers. This regime allows taxpayers to choose between the old and new tax regimes, depending on their tax-saving preferences.

According to the proposed 2017 Finance Bill, startups that offer their shares to foreign investors may be subject to paying the "angel tax," which was previously only applicable to investments raised by Indian residents.

The Finance Bill, 2017 was also unveiled which has proposed to amend Section 56(2) VII B of the Income Tax Act. The provision states that when an unlisted company, such as start-ups receive equity investment for the issue of shares exceeding their face value, it will be considered income for the start-up and be subject to income tax under the heading "Income from other Sources".

Section 56(2) VII B of the Income Tax Act, colloquially known as the 'angel tax' was first introduced in 2012 to deter the generation and use of unaccounted money through the subscription of shares of a closely held company at a value that is higher than the fair market value of the firm's shares.

It was also proposed to include foreign investors also, meaning that when a start-up raises funding from a foreign investor, that too will now be counted as income and be taxable.

## CONCLUSION:

In conclusion, taxation in India has a rich history that has evolved over time with the changing political leadership and economic conditions. The tax policies introduced by different political leaders have aimed to generate revenue, promote social welfare, encourage investment, and simplify the tax system. While some policies have been successful, others have faced criticism and opposition. In recent years, India has made significant progress in digitizing its tax system, which has improved tax compliance and transparency. However, challenges such as tax evasion and corruption still persist, and the government must continue to address them.

Looking ahead, it is likely that the tax system in India will continue to evolve to meet the changing needs of the economy and society. This may include further simplification of the tax system, increasing tax compliance through technology and digital tools, and addressing issues such as tax evasion and corruption. Overall, taxation in India is a complex and dynamic field that plays a critical role in the country's economic and social development. By introducing effective tax policies and addressing existing challenges, the government can help build a more inclusive and prosperous India for all.

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