

## EVOLUTION AND REFORMS OF INDIAN TAXATION SYSTEM: A SYSTEMATIC REVIEW WITH FOCUS ON 2024-25 BUDGET

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### ABSTRACT

Every country's tax structure significantly impacts its economy. Taxes are the backbone of national development, as they generate revenue used for infrastructure, education, defense, law enforcement, and more. In India, the taxation system is designed not only to collect revenue but also to ensure economic stability, equity, and national growth. Over the past 10–15 years, India's taxation system has undergone significant reforms. However, challenges remain, including complex procedures, reliance on indirect taxes, and the parallel economy. This study examines the evolution and current structure of the Indian taxation system, focusing on recent reforms relevant to the financial year 2024–25.

**Keywords:** [Taxation, Economic Development, Tax Structure, Income Tax Reforms, Union Budget]

### OBJECTIVES OF THE STUDY

1. To study the overall tax structure of India.
2. To analyze the Union Budget 2024–25 and its major amendments to the Income Tax Act, 1961.
3. To understand key changes in income tax that are essential for planning the financial year 2024–25.

### 1. INTRODUCTION: EVOLUTION OF THE INDIAN TAX STRUCTURE

K.B. Sarkar, in his book *Public Finance in Ancient India* (1978), commends the ancient Indian taxation system for being productive and diverse, combining direct and indirect taxes. Emphasis was placed on indirect taxes, and the system was broad-based. Kautilya, in the *Arthashastra*, elaborated the concepts of finance and taxation, making a significant contribution to tax administration. He introduced various taxes including customs duties, transaction taxes, and taxes in kind and cash.

#### 1.1 Ancient and Medieval India's Taxation

Taxation played a crucial role in the Mauryan Empire (322–185 BCE). Under emperors Chandragupta Maurya and Ashoka, a structured taxation system supported administration, military, and public welfare. Taxes included land revenue, trade taxes, mining duties, and taxes on professions, wealth, and property.

## 1.2 Taxation During Colonial Rule

In 1850, Sir James Wilson, then Finance Minister of British India, introduced formal taxation. The Income Tax Act of 1860 marked a turning point, later replaced by license and general income taxes. The Income Tax Department was established in 1922. Indirect taxation was introduced in 1941.

## 1.3 Taxation After Independence

Post-independence India needed a robust and efficient taxation system to support development projects and reduce poverty. Both direct and indirect taxes evolved over time. Presently, the central and state governments manage direct taxes such as personal income tax, corporate tax, and capital gains tax, while indirect taxes include GST, customs, and excise.

## 2. RESEARCH METHODOLOGY

This research is based on secondary sources, including books, journals, government reports, news articles, case laws, and credible websites.

## 3. TAXATION SYSTEM OF INDIA

India has a three-tier federal tax system, involving the central, state, and local governments. The central government levies income tax, customs duty, CGST, and IGST. The state governments levy SGST, excise, and stamp duty, while local bodies levy taxes on property, water, and sanitation.

### 3.1 Types of Taxes

#### 3.1.1 Direct Tax

Direct taxes are imposed on individuals or entities based on their income or profits and cannot be transferred to others. They are governed by the Central Board of Direct Taxes (CBDT).

#### 3.1.2 Indirect Tax

Indirect taxes are levied on goods and services and are collected by intermediaries at the point of sale, which can increase product prices.

### 3.2 Advantages and Disadvantages of Direct and Indirect Taxes

Direct Taxes	Indirect Taxes
<b>Advantages</b>	<b>Advantages</b>
Progressive in nature	Wide coverage
Certainty in collection	Difficult to evade
Economic equality	Inflation control
	Revenue stability
<b>Disadvantages</b>	<b>Disadvantages</b>
Limited coverage	Regressive nature
Possible evasion	Price increases
Administrative costs	Cascading effect
	Less transparency

## 4. Income Tax Reforms FY 2024–25

#### 4.1 New Tax Regime

The new tax regime offers lower tax rates with fewer exemptions and deductions. Taxpayers can still choose the old regime if it's more beneficial for their financial situation.

#### 4.2 Standard Deduction

The standard deduction has been increased to ₹ 75,000, providing relief to salaried taxpayers.

#### 4.3 Cess

A 4% Health and Education cess applies to the total tax liability.

#### 4.4 Surcharge

Surcharge applies to incomes above ₹ 50 lakh, with increasing rates for higher income brackets:

- 10% for income between ₹ 50 lakh and ₹ 1 crore
- 15% for income between ₹ 1 crore and ₹ 2 crore
- 25% for income between ₹ 2 crore and ₹ 5 crore
- 37% for income above ₹ 5 crore

#### 4.5 Rebate

- Under the old regime, incomes up to ₹ 5 lakh get ₹ 12,500 rebate
- Under the new regime, incomes up to ₹ 7 lakh get full rebate under Section 87A

### 5. CONCLUSION

This study traced the evolution of India's taxation system from ancient times to the modern era. It analyzed both direct and indirect taxes and their contribution to national revenue. The paper also covered recent reforms in the 2024–25 budget, highlighting the flexibility taxpayers now have in choosing between the new and old regimes, depending on their preferences and financial goals.

The taxation system continues to evolve with the aim of simplifying procedures, expanding the tax base, and promoting compliance while funding the nation's development agenda. Future reforms may focus on further simplification, digital integration, and measures to bring more economic activity into the formal sector.

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