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Commerce

ROLE OF TAXATION IN HUMAN WELFARE

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ABSTRACT **Why Taxes are required**? Government wants resources to run the administration of the nation. Taxes are levied from the time when the history of administration began with the rule of kings. It's a system for collection and distribution of the surplus held by the rich to the have-not in the society. It also aspires at development of the infrastructure and investment for the welfare of the citizens. However, a country's progress can be gauged by the efficient and effective administration rather than by the quantum of taxes collected from its constituents. Government taxes everybody and everything thus removing the disparity between the poor and the affluent at least on this score. A clean and efficient government will levy less tax but provide more welfare to the residents of the country.

How funds collected by way of taxation is utilized? Money collected by way of tax is utilized towards: Government loan repayments, Subsidies, Defence, Education, Energy, Food and Agriculture, Pensions, Police, Grants-in-Aid and Other Planned Expenditure.

What are the key areas of concern for India while considering utilization of funds collected by way of tax? India's towering expenditure on interest payments and defence make it difficult to allocate more money for other resources, like education and infrastructure. However, given India's tensions at the border and high debt levels, it would be difficult to curb these in the short-term.

How tax collected, can be put to use so as to benefit citizens of the country? Portion of the money collected by way of tax ,after meeting essential governmental expenditure as mentioned above, should be utilized towards social security schemes which benefits the citizen of our nation. Let peace spring and let the tax paid be used for human welfare.

KEYWORDS : Tax Levied, High Expenditure, Utilization of Taxes, Country's Progress……

Don't forget what I discovered that over ninety percent of all national deficits from 1921 to 1939 were caused by payments for past, present, and future wars. ***- Franklin D. Roosevelt***

INTRODUCTION

Government desires resources to run the administration of the nation. Taxes are levied from the time when the history of administration began with the rule of kings. It's a system for collection and distribution of the surplus held by the rich to the have-not in the society. It also intend at development of the infrastructure and investment for the welfare of the citizens. However, a country's progress can be gauged by the efficient and effective administration rather than by the quantum of taxes collected from its constituents. Government taxes each person and the whole thing thus removing the difference between the poor and the affluent at least on this score. A clean and efficient government will levy less tax but provide more welfare to the residents of the country (Business Line News paper) [1].

HISTORY OF TAXATION IN INDIA

"It was only for the benefits of his subjects that he collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold" – ***Kalidas in Raghuvansh eulogizing KING DALIP.***

- **Taxation of India in Ancient Times**

In India, the system of direct taxation as it is acknowledged today has been in force in one form or another even from ancient times. There are some mention both in Manu Smriti and Arthasastra to a variety of tax measures. The complete analysis given by Manu Smriti and Arthasastra on the subject clearly shows the existence of a well-planned taxation system, even in ancient times. Not merely this, taxes were also levied on various classes of people like actors, dancers, singers and even dancing girls. Taxes were paid in the form of gold-coins, cattle, grains, raw-materials and also by rendering personal service.

The well-educated author K.B.Sarkar commends the system of taxation in ancient India in his book "Public Finance in Ancient India", (1978 Edition) as follows: "Most of the taxes of Ancient India were highly productive. The admixture of direct taxes with indirect Taxes secured elasticity in the tax system, although more highlighting was laid on direct tax. The tax-structure was a broad based one and covered most people within its fold. The taxes were diverse and the large variety of taxes reflected the life of a large and composite population".

Let's take small part from Manu Smriti: Manu, the ancient sage and law-giver stated that the king could levy taxes, according to Sastras. The wise sage advised that taxes should be related to the income and expenditure of the subject. He, however, cautioned the king against too much taxation and stated that both extremes should be avoided namely either complete absence of taxes or exorbitant taxation. According to Smriti, the king should arrange the collection of taxes in such a manner that the subjects did not feel the pinch of paying taxes. He laid down that traders and artisans should pay 1/5th of their profits in silver and gold, while the agriculturists were to pay 1/6th, 1/8th and 1/10th of their produce depending upon their circumstances.

- **The Establishment of Income Tax in Modern India**

The history of Income-Tax in modern India dates back to 1860 when the first Income Tax Act was initiated by James Wilson who became (British) India's first finance member. Foremost Income Tax Act came in force on 24th July 1860 with the authorization of The Governor General. It was a tax selectively imposed on the rich royalty and Britishers. For the first year of tax the government collect Rs 30 Lakhs. The act lapsed in 1865 and was reintroduced in 1867. There was need for additional revenue to fight Anglo-Russian war. So Governor General Lord Dufferin introduced a comprehensive Income Tax Act in 1886. It was combination of Licence Tax and Income Tax. Taxes were collected in the same manner as land revenue. The majority of comprehensive Income Tax Law was the Income Tax Act of 1922. During 1919 Chelmsfod reforms made a distinction between the functions and resources of the state and the Central Government and Income Tax became a primary source of revenue for the central Government. Salient features of 1922 Act included the following rates of taxes are to be decided every year by a special Finance Act at the time of the Annual Budget. They are:

1. It provided for exparte assessment.
2. T.D.S. (Tax deducted at source) was made compulsory for private employers.
3. Reopening of the assessment was permitted.

   Tax Collected in the year 1922 was Rs.22 Crores. Post Independence India Implemented it's on Taxation Act. (https://cakagyaan.wordpress.com) [2].

- **SOURCES OF FUNDS IN ANCIENT INDIA**
- **Booty In war -** Gain from victory in the form of wealth of losing nation
- **Bali -** Tax on religious performances
- **Bhaga -** Octroi
- **Kara -** Tax on land and movables

- **Shulka -** Custom Duty equivalent
- **Bhadrapidika and Vasantika** - Taxes paid on occasion of birth of prince

These were the few sources of funds in ancient India (www. cambridgescholars.com)[3] .

UAE &TAX REFORMS

Can we squabble that UAE is a nation that has no taxation reforms? How can it sustain without accumulating tax. The concept of Individual taxation is not followed in UAE however it follows:

CORPORATE TAX

All emirates have its own laws on corporate taxes for companies operating within the emirate, but in reality taxes are imposed only on the following entities:

- Foreign gas or oil producing companies trade in oil or hydrocarbon production within the UAE. Although the tax rates are generally 55% of the company's operating profits, they vary based on individual agreements between the company and the emirate in which it is operating. These agreements are usually confidential and rates may range from between 55% to 85%.
- Branches of foreign banks operating within each emirate are subject to corporate tax, although not all emirates implement this law. In Sharjah, Dubai, Abu Dhabi and Fujairah, foreign banks are subject to tax rates of 20% on their taxable income. There may be slender variations in the rate from emirate to emirate.

INDIRECT TAXES

Divergent to popular belief, there are many other taxes levied in Dubai and these are taxes that individuals who live here would pay on a usual basis. The emirate of Dubai levies a 10% municipal tax on hotel revenues and entertainment. So whenever you visit a hotel in Dubai for a stay or even a meal, 10% is added to your bill. Alcohol imports are heavily taxed – you pay 50% to bring alcohol into the country and a further 30% on purchase of alcohol (legally with a liquor license) for home utilization, which is why many people choose to purchase alcohol illegally. All the emirates, with the exception of Abu Dhabi, charge a tax on income from rentals – municipal tax of 10% is levied on the rental of commercial premises and 5% on the rental of residential premises. Abu Dhabi does not levy tax on rental earnings, but landlords do have to pay annual license fees. Taxes are also levied by DEWA (Dubai Electricity and Water Authority) on utility bills. In addition to this, Dubai has a system of road toll recognized as Salik, which has been set up on all major roads leading into and out of Dubai. Every time you drive across a toll road, you pay AED 4; up until a year ago there was a cap of AED 24 that could be paid out in Salik on any specified day, but this cp has since been removed; you now pay toll as many times as you use the road.

• PENALTY

The United Arab Emirates has one of the most well-organized and most expensive fine systems. There are factually traffic radar cameras everywhere in the UAE, and they are among the smartest systems in the world. The fines paid for contraventions of traffic laws are expensive, and since people here love to drive fast, traffic fines contribute very well to the government funding. Above and beyond traffic fines, there are also other fines imposed on people who overextend their stay in the United Arab Emirates beyond the expiry the date of their resident visa. Furthermore, Abu Dhabi, Dubai, and Sharjah have metered parking slots everywhere, the amount you pay per hour is different from one city to another, and if someone parks his/her car devoid of paying for the right amount of hours of his/her parking stay, he/she will be fined accordingly.

• BUSINESS AND GOVERNMENT SERVICES

Business licenses at this point are very expensive and can easily cost up to thousands of dollars. These business licenses have to be renewed annually, and of course it is very costly to renew them. In addition, government services in the United Arab Emirates are very high-priced, a mere stamp on a paper can cost some absurd amount of money.

• BUSINESS

Nothing like in the West where, for instance, a company license costs a few dollars as the government hopes your business grows so they can tax your profits, in the UAE, an annual company license costs in the $10,000+ range. In accumulation, the large and powerful private-public corporations (owned by the government but run as private corporations) also produce significant returns for the government. Telecommunications are duopolies where both companies are majority government owned and are required to pay annual royalties to the government. Businesses don't pay tax on their income but they do have a large number of fees that need to be roofed. The cost of sponsoring an expatriate employee is significant in addition to the annual trade license costs, as mentioned.

• TOURISM

Tourists shell out service charges to the government for their hotel stays and when they dine at hotels. Dubai recently added a Tourism Dirham (aka tourism tax) to help fund its new government department, Dubai Corporation for Tourism and Commerce Marketing, a promotion entity focused on marketing Dubai to the world.

• OIL

Oil plays a very small part in Dubai's government coffers. It is less than 5% of Dubai's GDP and isn't really considered a major source of funding. This is although untrue for Abu Dhabi where oil and gas form about 60% of that emirate's GDP and is a major foundation of income for the emirate.

• Not 100% Tax Free

It is common for Dubai to sell itself as a tax-free city-state but in essence, it is not accurate there is no income or sales tax but there are fees that could very well be considered a tax. For instance, expats in the UAE pay a monthly "housing fee" which is 10% of your annual rent contract (divided over 12 months). That money goes to the municipality and covers such things as garbage collection, street cleaning, landscaping and irrigation (the UAE is deserts remember and this could get quite expensive). This is for all that its worth, a tax although the government does not call it that. Expats with larger residence or residences in affluent areas will pay a higher "fee" than expats living in the suburbs (kind of like an income tax - you earn more money, you pay higher taxes). In addition, the government of Dubai charges a 30% municipality "fee" on the purchase of alcohol which is indistinguishable from a sales tax. All goods imported into the country are charged a 5% custom "fee" which is conceded onto to the consumer (Dubai Taxation - Dubai Expats Guide)[4].

CONCLUSION

Revenue from taxation serves as a backbone for survival of economy. Sage Ved Vyas in his famous epic *Mahabharath* said thus: "State Tax is such which should not prove to be a burden on the subject; the King should behave like those bees which collect honey without causing harm to the tree."Tax collected in moderation would help in up-liftment of the society.

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