

From Revenue Extraction To Social Restitution: Ancient Indian Taxation And The Evolution Of Equity, Welfare, And Fiscal Justice

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Abstract

This article is not merely a collection of rates and levies, and the revenue offices, but a jurisprudence of extraction, protection and public welfare. It emphasizes primarily on Arthashastra of Kautilya and Manusmriti, and then tries to draw a comparative analytical framework by invoking the theory of fiscal-sociology, tax-compliance and restitution theory of modern times. The fundamental idea is that there is a functional need for the legitimacy of revenue collection: the ruler had something to do: to ensure productive activity, maintain order, provide justice and promote the well-being of the polity. It is not a modern right of restitution nor it is a doctrine of ancient Indian law of unjust enrichment. Instead, it is more of a framework, a norm that is revealed in contexts where its elements were lacking in the service of extraction that have a problematic moral and political character within the texts. It is then proposed that there is a limited restitutionary version, that is, that if the public authority receives a fiscal contribution (or a "contribution" of any kind) but, on a regular basis for a period of time, is unable to provide the protection and welfare services it is required to provide, then its right to receive that contribution is also affected. The principle of reciprocity, the accountability of administration, the protection of the productive basis of the community and the distributive function of public finance are examples of continuities within the current concept of fiscal justice, but also differences, such as in constitutionalism, democracy, individual rights, the progressive nature of taxes, and the enforceability of public-law obligations. Finally, the ancient Indian financial philosophy, though it's quite a new idea for a new term of public bond, it has not been detached from the old connotations.

Keywords: ancient Indian taxation; Arthashastra; Manusmriti; restitution; unjust enrichment; fiscal justice; welfare; reciprocity; tax legitimacy; fiscal sociology.

1.Introduction

Taxation is a forced transfer of resources from private sector to go sector as a whole. Yes, it's a 'right' and proper description, but not a complete jurisprudential one. Tax system is a relation between State and the takers of the resources. It is not only legally binding if it has the legal right to be collected as a levy, but also if it is collected with proper intent, and for public use.

Contemporary fiscal scholarship thus considers taxation to be a part of state capability, redistribution, provision of public goods and state-society interactions (Besley and Persson, 2009; Campbell, 1993; Prichard, 2010). Beyond the personal aspect of reciprocity, citizens' tax compliance is related to their sensitivity to the perceived size of reciprocity, institutional quality and the significance the tax has for the individuals (Bazart and Bonein, 2014; Doerrenberg and Peichl, 2018).

Historicisation is most suitable if there is discussion and can be given by the political and legal discourses of ancient India. In the Arthashastra the concept of taxation is seen in the context of a structure of treasury, economy, security, regulation and welfare.

The protection is also connected to the financial statements of kings, and the proper way to carry out the king's activities, in the Manusmriti.

This is not a modern tax code, but a normative language of language which takes root and gets entrenched in the hegemony of kingship, dharma and social hierarchy, agriculture and pre-modern political economy. The principle of long-term jurisprudential importance that they always assert is the right to extract is accompanied by the duty to protect and govern.

The research problem in the study lies in the descriptive nature of the scholarship on taxation in Ancient India which has been confined to the rates of taxes, types of taxes, sources of revenue and offices of administration. This is a needed but it can defuse the 'force' of the fiscal extraction. The present article looks to the question of whether this can be reconstructed as a 'conditional obligation' and then compares this with the modern law of restitution and of unjust enrichment.

The inquiry is tailored in a conservative manner. In private law, traditionally, the undoing of legally significant enrichments is the focus of restitution, which is normally worked out through restitution (Sherwin, 2001; Webb, 2009). It is levied by the people, and is not a private law enrichment. But it is not the rule that a taxpayer can have a right to restitution for the government's performance, in general. In fact, the theory of restitution gives a normative support for the issue of the lack of justificatory basis – at least in respect of an enrichment.

The article deals with three questions. Which were the concept(s) of 'legitimacy condition of taxes' in the ancient Indian legal-political texts? Second, can a restitutionary or unjust-enrichment approach to conditionality can be effected without an assortment of anachronisms?

Thirdly, what are the continuity and the ruptures that exist between this model and the current theory of fiscal justice and welfare state? The study is based on the doctrinal and historical text analysis of primary sources, and interdisciplinary literature on fiscal sociology, tax compliance, redistribution and state capacity.

Neither will it be claimed that the Arthashastra reflected the real financial practice of every and all the Mauryan institutions nor that all the rules of Manusmriti were always followed. There is a predominant normativ and administrative nature of the texts.

There are two methodological precautions to be made. Firstly, the dating of the ancient Indian texts and the history of one text with respect to another is a subject of debate. Secondly, the meaning of new concepts (such as social restitution, unjust enrichment or the welfare state or fiscal justice etc.) is not confined to the reference to the past, but is also actual in the present.

The value of comparison is not to look for functional analogies, not to even look for normative differences; it is to look for functional differences and analogies. Normative difference vs functional difference, not important to see functional analogies vs normative differences, important to see functional differences vs functional analogies. This argument after all isn't an argument of identity, but rather an argument of continuity.

2. Literature Review / Theoretical Framework

There are three types of literature, which are analyzed through literature analysis. The first one has to do with the ancient Indian public finance.

Various aspects of sophistication of revenue administration, multiple sources of state's revenue, treasury management and fiscal moderation and economic prosperity and political stability have been studied by Sihag (2009), Amrit (2019), Bhat (2023) and Prajapati (2014) respectively.

A recent comparative study also reveals that the principles of proportionality, predictability, administrative accountability and tax governance have all remained constant and were recognised in the ancient times and continue to be adhered in the modern era (Bhanage and Pachhapurkar, 2026).

The other is fiscal sociology and capability of the state. Campbell (1993) believes that taxation is one of the main elements in the formation of states and in the political character of the state. Besley and Persson (2009) show theoretically that fiscal and legal capacity are institutional investments which are influenced by political incentives.

Besley, Ilzetzki and Persson (2013) classify the different forms of fiscal capacity, such as common-interest states, redistributive states and weak states, in terms of how fiscal capacity is manifested in public goods and transfers.

Taxation can be more responsive and offer an accountability of the government if there is a way for the citizens to communicate with the government (Prichard, 2010). They are useful ways to orient the analysis since they move the focus of inquiry from 'how much was collected?' to 'what institutional relationship was fostered by collection?'.

The third is on the topic of restitution and unjust enrichment. Typically restitution is related to the undoing of the wrongful advantage, but recent scholarship has doubted whether there is only a restitutionary basis for liability (Sherwin, 2001; Webb, 2009).

Highlight the normative aspects of the doctrine of unjust-enrichment (Barker 2006) and the arguments for why it is 'unjust' (Simester 2010) and also corrective structures (Simester 2010). In this present, however, a more dispassionate tone is used with respect to this literature – not whether or not a moral basis for a transfer is enough. Reciprocity is a fourth conceptual resource.

A few articles have dealt with experiments and behavior that indicate that tax morality and tax compliance might be influenced by the perception of reciprocal exchange (Bazart and Bonein, 2014; Doerrenberg and Peichl, 2018).

Other social contract theories are also about the "bargain" between a people and a government; an organization in which the people give some security and prosperity to the government and the government gives something to the people. (Palil and Mustapha, 2015) The added dimension in the modern era of fiscal redistribution is taxation and public expenditure together impact on inequality and access to social protection (IMF, 2014; Bastagli, Coady and Gupta, 2015; Lustig, 2022).

The views offer valuable inputs on the fiscal conditionality of ancient India, which was an early instance of public obligation of a normative character.

3. Taxation as Conditional Obligation in Ancient Indian Texts

A. The Arthashastra model

According to the Arthashastra of Kautilya the treasury is the hub of the state's activities. The term "revenue" has not only the meaning of a financial goal, but it is also used for the payment of administrative, military and economic expenses of the State.

It spells out the list of revenues and presents in detail how to collect, track, record and spend revenues. When compared to the unlimited sovereign prerogative (Kautilya, 1915) it is with respect to taxation and administrative system that a strong density exists.

Productivity of the economy is also envisaged as a sustainable income in the Arthashastra. Over-exploitation may also have an impact on the productive base, cause evasion/flight and diminish the fiscal capacity of the state.

Thus, modern scholars have been using the term fair and stable, compliant and fiscal federalism and absence of undue taxation (Sihag, 2009) to refer to the approach of Kautilya.

This should be viewed as a positive feedback loop as productive subjects earn money, money provides protection/administration, protection/administration provides a productive subject, a productive subject provides continued protection/administration, continued protection/administration provides continued production, continued production provides continued money, etc. etc.

The first step of fiscal conditionality. It is not just the king's will that makes the tax exist, it has an economic and normative meaning due to the role of the political system. This is the one that is known from the welfare and its famous orientation of Kautilya.

According to Kautilya (1915) and Bhat (2023), interest of the ruler is directly linked to the welfare of the subjects and that the welfare and security of the subjects depends on the welfare and security of the State.

B. The Manusmriti's dharmic conditionality

The term conditional is clearly stated in the Manusmriti. Before he collects taxes, the king has to keep in mind business related activity, movement, cost, security and welfare of businessmen (Manusmriti 7.127).

The next verse has two conjoined conditions – first it demands the raising of money to meet the king's obligations, and second, it demands that the fruits of trade remain in the hands of the actors of the economy (Manusmriti 7.128). This results in a balancing principle, rather than a simple maximisation principle.

There is also an organic metaphor and one that's opposed to a destructive extraction like is done in this text. Taxation should be progressive, and should not be so oppressive as to dull the productive power to be drawn from it.

This can be witnessed from the overall perception of Manu–Kautilya taxation which is economically viable and morally bound and moderate (Sihag, 2009). This results in a burden on the state to maintain a tax base and tax producers satisfied.

It is interesting to note that, according to Manusmriti 8.307-309, income is equivalent to protection. To withhold taxes, tolls etc. from a king who is not able to defend his people is evil. It's religious and karmic language, lacks contractual language, accompaniment of fiscal receipt with the function of the royal person as wrongful, recognizable normative architecture.

The verse is not current verse which can be enforced at present: Restitution. Sets the requirements for the legitimacy of extraction.

C. Welfare obligations as the 'return performance'

With the old model, there's more than one aspect of return to consider when thinking about what to invest in. Welfare was multidimensional. It contained provisions for protection from violence and disorder, control of markets, aid to agriculture, trade, and infrastructure and conditions for productive activities in the event of an emergency.

So, the fiscal management of Kautilya's is a combination of tax collection and functioning of the economy and the expenditure of public funds (Amrit, 2019; Bhat, 2023).

An important component of the principle of restitution is this. The legality of the tax does not depend on when it is levied (if it is a tax in a mutual public system). That the money the State's collected is utilized is critical.

In the case of distributional issues in public finance, a similar strategy is followed: to consider taxes and expenditures as a bundle of instruments (IMF 2014, Lustig 2022). The idea of fiscal incidence is absent from the ancient Indian texts, but the term welfare and protection are so strong that legitimacy of extraction was related to public performance.

D. Restitutionary reading

It is now possible to discover a restitutionary reading, in the shape of a well formulated and clearly expressed reading. The issue of whether an unjust enrichment has arisen has been considered in the context of private law where the first party has been enriched at the other party's expense, but it is not just for the first party to have been enriched (Sherwin, 2001; Webb, 2009).

The second question to be asked if the authority is still opposing, is whether this function can still be normatively justified, on which the imposition of the tax is based. It is a test of concepts and not a literal doctrinal translation.

Four components emerge. The first one is the enrichment, the public authority is subjected to an economic obligation. The latter is an opportunity cost of some resource (tax dollars would have been spent otherwise).

Third, Justificatory basis, taxation is based upon law, public purpose. Thirdly, the transfer is not being made in a condition in which it has the 'legitimacy of the norm', that is, the condition of protection or administration, of welfare or another condition of a defined public function. The fourth is the special contribution of the ancient materials.

The analogy is not an exact one. A 'legitimate tax' is not generally an 'enrichment without legal basis' but rather the legal basis of a legitimate tax is generally clearly laid out. Nor does every wrong by the government offer a means of righting a wrong.

The characteristics of public finance are: collective action problems, uncertainty, long time horizons, and distributive choices. Then, a more limited argument is advanced: The ancient Indian concept of deliberation as it pertains to finance opens the door to a jurisprudence of conditional legitimacy, while the modern theory of restitution offers the means to ask questions about the appropriate action when the moral aspects of the transfer are tarnished. This can aid in understanding the transformation from the revenue taking to social restitution.

4. Institutional and Administrative Mechanisms of Fiscal Justice

Institutions capable of taking on the normative obligations and applying them are needed for conditional taxation.

The Arthashastra is special in more than just the moral sense, as it is also at the moral level. Sets up offices, records, audits, office classification of revenues, procedures and penalties for misbehaviours. Institutionalization of the process of revenue administration (Kautilya, 1915; Amrit, 2019) minimizes the difference between the ideal which is "fairness" of the tax and its actuality as "who calculates, collects and accounts for the tax".

Administrative accountability, therefore, is a key factor of fiscal justice. A tax not harsh, is moderate, which is collected by a collector, by extortion, discrimination and misappropriation. But if a demanding tax is raised in an ordered manner regularly, and it's linked with the delivery of some public services, it might be more legitimate.

The second argument comes from the fiscal capacity literature, and also suggests durable legal and administrative institutions play a role in the extraction of revenue (Besley and Persson, 2009; Besley, Ilizetzi and Persson, 2013).

The old texts are also recognized to be a source of economic resilience. Without an efficient revenue policy, the extraction of agriculture and destructive of production, it is self-defeating base and production of revenue. This is akin to the present-day tax-buoyancy and revenue-mobilisation problems faced in the present world.

The current tax system in Asia remains mostly based on taxing goods and services and the tax burden varies significantly between economies (OECD, 2024). What the ancient wisdom is not, is that the states of today should be like the states of yore (those with rates); it's that sustaining the economic conditions is the basis on which sustaining the revenue is built.

Compliance also is institutional. Because of the new facts discovered about the morality of taxes and the old principles of the good collector, there arises an operational question: Does a tax system have to be operated without at the same time accepting the principles of taxation that are moral? Reciprocity and perceived fairness influences compliance (Bazart and Bonein, 2014; Doerrenberg and Peichl, 2018).

However, it has been observed that the relationship between Fiscal capacity and Tax moral is similar to the other one, complement-increase in time (Belmonte, Teobaldelli and Ticchi, 2023). Successful states can help to build a reputation for compliance, which can boost the states' capacity.

The institutional lesson is then that the supply of legitimate tax authority is a chain and its elements are fair and predictable, tax revenues can be effectively used, and accountability is achieved if public authorities fail. The first three of them are of significant importance in Arthashastra. The fourth one has been additionally fortified with a brand new constitutional and administrative laws that embody the already prevailing legal methods and rights.

Comparative matrix

Dimension	Ancient Indian fiscal model	Modern fiscal-justice model
Basis of taxation	Royal/state authority conditioned by protection, order and welfare	Constitutional/statutory authority, legality and public purposes
Taxpayer-state relation	Reciprocal and duty-based	Legal, fiscal and democratic relationship
Limits on extraction	Moderation; preservation of productive capacity	Ability-to-pay, efficiency, legality, proportionality and fiscal sustainability
Return performance	Protection, administration, economic stability and welfare	Public goods, social protection, redistribution and services
Accountability	Moral, administrative and political duties of the ruler	Administrative, legislative, electoral and judicial accountability
Restitution	Normative condemnation of extraction without protection; no modern private-law claim	Specific public-law remedies plus private-law restitution where legal conditions are satisfied

5. From Ancient Doctrine to Modern Fiscal Justice: Continuities and Discontinuities

The reciprocity is maximum when the continuity is. The literature on tax compliance in modern times also shows that the citizens' readiness to comply with the tax is influenced by reciprocity and the legitimacy of the fiscal relationship (Bazart and Bonein, 2014; Doerrenberg and Peichl, 2018).

The linkage of the citizens with the public services, social insurance, infrastructure and redistribution by personal responsibility of a king, as it was in the past, has remained unchanged in the modern state.

The second continuity is that there should not be a loss of the productive base as a result of fiscal extraction.

The concepts of "moderation" and sustainable source of revenue, which Kautilya came up with, and the concept of tax policy as incentives, administration, buoyancy of tax and burden of over-taxation and poorly designed tax policies, are of modern times.

The modern literature has already converged on the view that lower taxes do not necessarily lead to more equitable tax systems, but it is evident that fiscal systems need to be constructed to ensure that they generate the revenue required, and that the design of the tax system offers economic incentives, as well as being an easy structure to operate (Besley and Persson, 2009; OECD, 2024).

Moreover, the revenue and expenditure are analysed side by side, thus a third continuity. In the old model, the king's interest is "What does the king have to do with the resources that he has collected. Similarly, modern fiscal-incidence analysis also considers public spending apart from taxes and transfers as public spending can also be used to provide a mechanism for redistribution (IMF, 2014; Bastagli, Coady and Gupta, 2015; Lustig, 2022).

Especially with regard to the concept of a social restitution. Restitution overall is the process of returning to the social utility of a transfer and the possibility of using the potential of what can be considered the social function of the state to offer public goods that would improve access to security, education, health and social protection services.

Breaks are critical though, but. The old Indian system of finance was monarchical and the socio-economic system was dharmic and status based. The contemporary concept of fiscal justice includes three aspects: equality as provided in the constitution, representative government and universal legal personality and enforceable rights.

The modern welfare state is able to tax income, it can have social insurance and cash transfers, it can have universal services that are not provided in the ancient welfare state.

The second is in regard to the legal remedy. The ancient sources are more critical of an unprotective king, and have a more normative and political nature. Restitution in general, is a "well-defined" and "well-structured" part of private law (Sherwin 2001, Webb 2009) with well-defined causes of action, defenses and remedies.

A technique to let taxpayers off the hook on an unwelcome public spending - under the guise of 'unjust enrichment' - should be avoided. Other remedies which are more suitable to respond to governmental failures: public-law review, constitutional litigation, administrative remedies, audit institutions and legislative accountability.

It is the third type of discontinuity, called "distributive. A theme that is emphasized in the ancient sources, but none of them emphasizes a modern theory of distributive equality, is the theme of productive order and royal responsibilities in service of the people. Fiscal justice, today does not discuss who must pay taxes and who can receive the public benefit.

For instance, fiscal policy can be one of the policy tools that have the most profound effect on income distribution and methodologies have been developed to quantify the overall effect of taxes, transfers and public spending on inequality and poverty within the framework of the Commitment to Equity (CE) (IMF, 2014; Lustig, 2022).

It is not so simple to come up with a simple sentence as the following: ancient India was the origin of the welfare state or restitution law. In fact, there is a more defensible and not so extreme scholarly position that there is instead an early theory of conditional fiscal legitimacy in the political-jurisprudential thought in ancient India.

It is aware that the extraction of resources is legitimate and sustainable within the institutional context of which it is a part, where protection of their production, security and development of public good is allowed. However, these issues are worked out in modern constitutional and democratic political systems and restitution theory provides a different set of ideas with respect to the unjustified retention.

6. Conclusion

It is important to analyse the ancient Indian taxation system from jurisprudential viewpoint and not the administrative viewpoint for better understanding of it. To understand the ancient Indian taxation system, it's important to analyse it from jurisprudential viewpoint and not administrative viewpoint as providing clarity in the minds of taxmen.

It is better to look at the ancient system of taxation from jurisprudential point of view than from administrative point of view in order to understand it better as it will remove the cloudiness in the minds of taxmen. In view of the concept of taxation in the Arthashastra and Manusmriti that it is not an endless source of income.

They also bring economic constraints in a pluralist political system where rulers are accountable to their people for their performance in sustaining productive activities, securing justice and providing welfare for their citizens. The idea of a fiscal legitimacy which is conditional.

The principle of restitution and unjust enrichment which applies to this state should be analogical. This is not an easy distinction to make between "lawful" and "without justification" tax, nor are the traditional arguments against the failure of the king arguments for restitution claims today.

There are significant parallels with the situation today in four aspects: Citizen–public authorities; Moderation–preservation of productive bases; Administrative accountability; Revenue–welfare links. The ideas transform into modern constitutionalism: equality is the main force of the transformation; representation and rights-based review, progressive taxation, as well as formal systems of social protection are the other forces.

Thus, modern fiscal justice is not only an extension of the ancient wisdom, but a remodeling of some basic features of ancient fiscal justice.

General implication methodologically. Restrictions on the taxation history should only be in rates and to revenue categories. They have to consider also the normativities of the political communities in which they had developed in which extraction was legitimate.

It does, however, provide a sophisticated historical example of the assertion that revenue can have legitimacy only in the context of a working relationship of obligation, protection and welfare. The institutional approach is also coherent with the recent trend of the public sector sustainability in terms of accountability and effectiveness/revenue generation (OECD 2025, 2024).

Lastly, the historical model may be a beneficial contribution to current discussion of Welfare, but not a blueprint to be followed. The present-day Asian fiscal system has a number of structural issues, such as the composition of the tax base, the buoyancy of tax revenues, social protection and inequality that are distinct from the ancient agrarian states.

However, like in the region (as evidenced from the OECD 2024), Fiscal sustainability, trust and fiscal efficacy have been the leading themes in research on modern governance in OECD countries, while the other themes mentioned, such as tax architecture and capacity to raise domestic resources, have played a key role in financing development.

The ancient contribution is one of concepts, that is, a reminder to fiscal policy makers and legal scholars of the legitimacy of extraction, which is based on the quality of public order that it produces.

While this general principle should apply to the law, it should be reserved for that time. But it could be that it's the government, not the wrongfully-enrichment defendant that's to blame for the bad judgment policy decisions.

Democratic budgeting needs to be flexible in having to deal with priorities that differ and collective public goods that can only be delivered in bulk, rather than individually. But the failure, whether or not it is serious and institutionally verifiable, of the public functions for which a tax is legitimate, can undermine its legitimacy, but a mere disagreement about the policy does not guarantee a right to restitution.

The modern scholarly emphasis on doctrine can continue and the ancient principles of finance can be illuminated in the light of the question of a justifiable retention (Barker 2006; Simester 2010; Virgo 2006). This idea of social restitution should not be confused with restitution for the loss that had occurred to another person at this time in the past. It is a public law, normative conception of re-establishment of the conditions favourable to the fiscal extraction.

Restitution might be a restoration of the public service rendered in the event that there is delegated public revenues for security, administration, welfare, etc., but not in terms of the individual's contribution. This is because the concept is more related to distributive and institutional justice, instead of a traditional money claim in an unjust enrichment context.

The current incidence literature also supports this more general perspective on the fiscal effects of taxes and public spending on poverty (but not always inequality) (Bastagli, Coady and Gupta, 2015; Lustig, 2022).

It's the same thing that Kautilya is complaining about in the setting up. When no rules are set up for collecting funds in a treasury or when public documents are false, or when public money is misappropriated, it is in a disadvantageous situation. In turn, fiscal administration is a technology of the law and institutions, for creating the credibility of the reciprocity relationship.

The days of fiscal capacity being defined as an increase in revenues are over, it is now defined as the capacity to obtain more revenues and to turn those revenues into proper government spending.

Also, a good reminder of the old stuff, since the legal and fiscal systems are investments that affect the way in which revenues are collected, and it is these systems that generate public goods (Besley & Persson 2008, Besley & Persson 2010).

In Manusmriti, tax treatment is somewhat interesting, as it is clear that tax collection intertwined with its protection. They are invited not only to have a low tax rate, but also the ruler who would tax but would not have the protective function is condemned.

The passages of Manusmriti on taxation have some common themes such as fairness, least imposition, protection from exploitation and integrity of administration as noted by Bhat (2024). That suggests that there's a qualitative past rule that the past has. It's not so much a matter of size as it is one of the proportion of costs to the ruler's obligation to perform public functions.

This model seems to possess a greater level of juristic significance in its ancient texts with regard to the problem of 'fiscal trust' in the context of institutions.

It's an asymmetrical tax again, it isn't something the taxpayer is going to want to be returned upon terms and conditions, it is not something that the taxpayer can force the state to pay. It is not a 'mutual exchange', it is about the reason of the institution; reciprocity.

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