

# Tax Policy Reforms in India: Budgetary Impact, Tax Regimes, and Tax Planning Strategies with Insights from the Indian Knowledge System (IKS)

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## Abstract

Tax policy changes have a prominent role in determining the economy of a certain country, which affects the level of revenue collection, distribution of income and in the long-term economic growth. Union Budgets that have followed in India have brought substantial changes to make the process of taxation easier, more compliant, and efficient in promoting economic activities. This research paper will look at key tax policy reforms in India and more specifically their budgetary effects, tax regimes development and new tax planning practices among individuals and businesses. The paper also incorporates the lessons of the Indian Knowledge System (IKS) especially the ancient Indian fiscal thought to bring out the ethical and welfare-based foundations of taxation in India. The study assesses the effectiveness of the current tax reforms using the secondary data, scenario-based analysis and the simulations-based comparisons. The results indicate that, even though modern taxation reforms are focused on efficiency and digitization, the ancient tenets of IKS, including equity, moderation and public welfare are quite useful in promoting sustainable fiscal governance.

Keywords: Tax Policy Reforms, Budgetary Impact, Tax Regimes, Tax Planning, Indian Knowledge System (IKS)

## 1. Introduction

One of the most significant tools of public finance and economic government is taxation. Tax policy reforms have been core in the realization of fiscal consolidation, improvement in the ease of doing business, and equitable growth in India. Union Budget is one of the major policy documents which provides a strategy of the government on revenue and expenditure priorities reflecting on the larger goals of economic development and social welfare.

Still, in the last ten years, India has experienced transformational reforms of taxes, such as introduction of the Goods and Services Tax (GST), a lowering of the corporate tax rates, faceless tax administration, and introduction of optional new personal income tax regime. These reforms are supposed to streamline the tax system, expand the tax base, and enhance compliance with the technology-based tax systems.

The system of taxation used in India, however, is not totally modern in its origin. A market economy with fairness, efficiency and welfare orientation is seen in ancient Indian literature like the Arthashastra by Kautilya. This term paper has tried to combine the current analysis of tax policy with the perspectives of the Indian Knowledge System (IKS), which would provide a holistic view on the changing tax system of India.

## 2. Literature Review

### 2.1 Contemporary Studies on Tax Policy Reforms

The recent literature highlights how the tax reforms can help improve the efficiency and fiscal sustainability of the economy. Rao and Chakraborty (2021) emphasize the significance of tax buoyancy and cooperative federalism to the fiscal organization in India. According to the reports of OECD (2021), simplified tax regimes can lead to the increase in compliance and growth that is inclusive.

As IMF (2022) stresses, developing economies such as India have to maintain a balance between revenue generation and development stimuli. Kumar and Singh (2022) discuss the effect of digitalization on tax compliance and mention that the level of transparency increased significantly, and the rate of tax evasion was minimized.

Recent Union Budgets are analysed in the studies by Deloitte (2024), PwC (2024), and EY (2024) and note that the reforms in personal and corporate taxation have led to the enhancement of investor confidence and decreased the compliance burden. According to RBI (2024), the tax buoyancy has a positive trend after the implementation of GST.

### 2.2 Tax Regimes and Tax Planning

The works of Aggarwal (2022) and Sharma (2023) also center on the old and new tax regime comparative analysis, as the authors conclude that the regime type has a considerable impact on tax liability based on the income structure and deductions. Tax avoidance has changed to aggressive avoidance and has now evolved to legitimate planning in line with regulatory systems.

### 2.3 Indian Knowledge System (IKS) Perspective

The ancient Indian literature offers good insights on the fiscal governance. Arthashastra by Kautilya suggests moderation in taxes stating that high taxation would dishearten economic activity. Manusmriti also focuses on the morality of tax collection and the morality of the ruler as to utilize the tax revenue to the common good. These are the philosophical basis of traditional tax system in India.

## 3. Objectives of the Study

- To analyse the key tax policy changes in India and their effect on the budget.
- To examine the various tax regimes and the implication of the tax regime on the taxpayers.
- To test the tax planning strategies on the reformed tax system.
- To combine the Indian Knowledge System wisdom and contemporary taxation policy.

## 4. Research Methodology

The study design adopted in this paper is descriptive and analytical in nature to explain the tax policy reforms in India in the context of budgetary importance of the reforms, tax regimes and the planning of taxation and the Indian Knowledge System (IKS). The research is entirely founded on the secondary data since the nature of the research is conceptual, policy-oriented and analytical.

### 4.1 Nature of Data

The study is based on secondary data collected from reliable and authentic sources, including:

- Union Budget documents published by the Ministry of Finance
- Reports of the Central Board of Direct Taxes (CBDT)
- Reserve Bank of India (RBI) Bulletins
- Publications by international organizations such as OECD, IMF, and World Bank

- Research articles from peer-reviewed journals (2021 onwards)
- Classical Indian texts such as Kautilya's Arthashastra and Manusmriti for IKS insights

#### 4.2 Period of Study

The study covers a period from 2021 to 2024, reflecting recent and relevant tax policy reforms and budgetary measures in India.

#### 4.3 Tools and Techniques of Analysis

The following analytical tools are employed:

- Comparative analysis of tax regimes
- Scenario-based evaluation of tax liability
- Simulation-driven analysis to assess budgetary and taxpayer impact
- Interpretative analysis for Indian Knowledge System concepts

#### 4.4 Scope of the Study

The scope of the study is limited to:

- Direct tax reforms affecting individuals and corporates
- Budgetary implications of tax policy reforms
- Tax planning strategies within the legal framework
- Conceptual integration of ancient Indian fiscal principles with modern tax policy

#### 4.5 Limitations of the Study

- The study is based on secondary data, which may limit real-time applicability
- Numerical simulations are indicative and may vary based on individual circumstances
- The IKS analysis is interpretative in nature

### 5. Data Analysis

The study uses data analysis based on scenarios and simulations to test the relevance of the tax policy reforms. This method can be used to determine the effect of various tax systems and the changes in policies on individuals, corporate and the governmental revenue.

#### 5.1 Scenario I: Individual Taxpayer under Old and New Tax Regimes

##### Assumptions:

- Annual Gross Income: ₹10,00,000
- Taxpayer Category: Salaried individual
- Financial Year: Post-reform period

##### Old Tax Regime:

- Allows deductions under Section 80C, 80D, HRA, and standard deduction
- Effective tax liability reduces significantly when maximum deductions are claimed

##### New Tax Regime:

- Lower slab rates
- Minimal exemptions and deductions
- Simplified compliance structure

## Simulation Result:

The analysis shows that taxpayers who are receiving large deductions would get a better deal with the old tax regime, and those who just want to be able to do their tasks easily and reduce the compliance cost may be attracted to the new tax regime. This brings out the importance of informed tax planning in the selection of regimes.

### 5.2 Scenario II: Corporate Tax Reforms and Budgetary Impact

Corporate tax reforms aimed at reducing rates were introduced to stimulate investment and improve India's global competitiveness.

#### Key Observations:

- Reduction in corporate tax rates increased retained earnings
- Improved cash flows supported capital investment decisions
- Enhanced ease of doing business improved investor sentiment

From a budgetary perspective, although initial revenue collection declined marginally, medium-term gains were observed through improved compliance and expanded tax base.

### 5.3 Scenario III: Impact on Government Revenue and Tax Buoyancy

The introduction of GST and improved tax administration mechanisms significantly influenced government revenue trends.

#### Simulation Insights:

- Improved tax buoyancy post-GST implementation
- Digitization reduced tax evasion and leakages
- Broader tax base stabilized revenue even during economic slowdowns
- This demonstrates that structural tax reforms contribute to long-term fiscal sustainability.

### 5.4 Integration of IKS in Data Interpretation

Indian fiscal thought in ancient India as seen in Arthashastra focuses on restraint and sustainability of taxation. The simulation results comply with this principle because moderate tax rates that are accompanied by broadening compliance bring stable revenue and do not overload taxpayers. This enhances the applicability of IKS in the explanation of contemporary tax outcomes.

## 6. Results and Discussion

The study finds that:

- Tax policy reforms have improved compliance and transparency
- Simplified tax regimes encourage voluntary compliance
- Budgetary reforms positively impact revenue stability
- IKS principles remain relevant for ethical and sustainable taxation

The integration of traditional fiscal wisdom with modern reforms can strengthen public trust in the tax system.

## 7. Conclusion

The Indian tax policy changes are based on the ongoing attempt to strike a balance between economic growth, revenue generation, and social welfare. Reforms by the modern world have led to increased efficiency and compliance alongside the knowledge of the Indian Knowledge System that hath led to the emphasis on fairness and moderation in taxes. A whole system tax policy that incorporates modernized reforms within the traditional ones can be assured to have sustainable fiscal development and inclusive growth.

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