

TAX JUSTICE

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SUPRO launched a research on Fair Tax Index (FTI)

SUPRO has been facilitating a campaign titled 'Promoting Tax Justice in Bangladesh' as a member of "Capacity for Research and Advocacy for Fair Taxation (CRAFT)" since 2012. Over the last three years SUPRO has been engaged in research, advocacy, capacity building and public awareness on fair taxation that contributed to a better understanding of, and insight in tax issues in Bangladesh, providing a firm basis for both the civic education and advocacy campaigns to promote a fairer tax system.

Taking experiences and lessons learnt from CRAFT countries; the CRAFT has concluded that having a common

research framework for the periodic assessment of country tax systems would make our work even more effective.

In this context, SUPRO, in collaboration with the Oxfam Novib and the CRAFT consortium initiated to conduct a research on fair tax index in order to consolidate the gains made in the first phase of the project with the main objective is to have a set of criteria and indicators that would represent fair tax system in order to carry out evidence based advocacy for inclusion in the policy, systems and practices.

Opinion taken for conducting FTI research in Bangladesh



An idea generation workshop was held on June 27, 2015 at Dhaka with a view to have opinions and ideas from external expert and SUPRO's policy leaders on how they can contribute in data collection, analysis and report preparation of FTI research.

Dr. M. A. Mazid, former Chairman of NBR and Chairman of Chittagong Stock Exchange Limited Md. Shamsuddoha, the consultant for this research and Towfiqul Islam Khan, Senior Research Fellow, Center for Policy Dialogue (CPD) including national council members and secretariat staff of SUPRO shared their views and opinions.

CRAFT partners joined workshop on FTI in Kenya

In order to finalize the development of the Fair Tax, Oxfam Novib and Tax Justice Network Africa (TJN-A) organized the CRAFT FTI workshop in Kenya on September 14 - 17, 2015, with the following objectives:

- To review the progress of the country research and the draft report produced by the research teams
- To review and finalize the methodology of the FTI scorecard
- To develop national-level advocacy and campaign plans related to the release of the FTI
- To develop a fundraising strategy for CRAFT showcasing the FTI

The workshop included 27 participants, were representatives from CRAFT partners, external researchers and experts from Bangladesh, Uganda, Senegal, Netherlands, Pakistan, Tunisia, Nigeria and Kenya. Ahmed Swapan Mahmud, Chairperson and Alison Subrata Baroi, Director of SUPRO, and Monisha



Biswas, WIN and Communications Manager of Oxfam Bangladesh took part this event.

The workshop has been successful in bringing recommendations to improve the research reports, finalizing scorecard methodology, developing plans for advocacy and campaign and preparing fundraising strategy.

'Fair Tax Monitor Bangladesh': Research findings and recommendations



SUPRO, in collaboration with Oxfam and the CRAFT consortium recently conducted a study on 'Fair Tax Monitor Bangladesh' in line with two African countries: Senegal and Uganda and one from South Asia: Pakistan

with the objectives to identify main bottlenecks in Bangladesh's tax system, provide strong evidence-based support for country-level advocacy work, and create a framework to compare tax systems of selected countries over time. The findings were shared in a meeting with the media, development partners and CSOs on 15 December, Dhaka.

Ahmed Swapan Mahmud, Chairperson of SUPRO, chaired the meeting while Alison Subrata Baroi, Director of

SUPRO, presented the findings and recommendations of. Dr. Mohammad Abdul Mazid, former Chairman of NBR and Towfiqul Islam Khan, Senior Research Fellow of CPD, were present as discussants.

Research Findings

The tax system in Bangladesh is gradually improving, raising more revenue and reducing aid dependency. Share of personal income tax in total tax revenue has steadily increased over the years but collection remains below potential especially considering the number of eligible taxpayers in Bangladesh. The same can be said about revenue from wealth taxes. According to NBR, less than 1% of the taxpayers have assets worth over Tk 20 million, which is unrealistic and unbelievable.

VAT remains the single-largest source of revenue for the Bangladesh government. VAT burden for the lowest income group is 6.92% — extremely high, given the fact that VAT burden of the highest-income group is only 4.56% whereas the average effective VAT rate is 6.01%. According to NBR survey 2014, 79% businessmen are out of tax net. In a country of around 160 million, there are only around 1.2 million income taxpayers.

Tax evasion cases lodged by the Anti-Corruption Commission (ACC) are seldom resolved and often politically motivated. The absence of a strong tax mechanism, loopholes and complexities of tax laws give rise to tax evasion. Lack of transparency at NBR, for example, there is no information available on the amount of foregone revenue due to tax exemption. There is no solid estimate of forgone revenues when considering tax exemptions, incentives and other fiscal

measures. NBR is yet to become digital. Filing of tax return online is still a distant dream.

Tax officials enjoy undue discretion and need to be supervised more closely to ensure a more efficient and sincere tax administration. The NBR's three autonomous divisions — direct tax, VAT and customs — rarely share data creating fertile ground for collusion and extra cost for tax payers. The NBR often struggles with lack of human resources. Total NBR positions are about 22,136, but only 11,831 are employed. Among them 3,750 are first and second class officers directly involved in tax collection.

Education expenditure is represented as 'Education and Technology' where the government allocates money to the military run universities and technical colleges. This is presumably because the government does not want to show that the defense expenditure is much bigger than what it is. Education and health expenditure have declined as percentage of GDP, as well as, budgetary outlay.

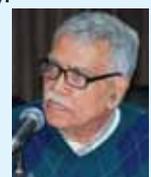
Tax administration does not seem to be accountable to the citizens because tax administration does entail any dialogue with the general people. The Comptroller and Auditor General's audits are not debated in the parliament. Nor are they available publicly. There is no grievance mechanism for citizens regarding misconduct of tax authorities.



The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Adviser Monjur Ahmed said the research findings were unique. But there needs to be a more comprehensive analysis and study for accelerating fair tax movement in Bangladesh. Civil society organizations like SUPRO and business forums like FBCCI should jointly exert effort to attain a fairer tax system.

He vehemently opposed the government measure to impose VAT on education institutions formed through a trustee board. He indicated that it was not merely an ethical matter but one of legal impossibility.

Eminent Educationist Kazi Faruk Ahmed raised a number of pertinent questions. He wondered out aloud, "What services do I get in return for the taxes I pay? Who is getting tax exemption? What are the corporations doing in the name of CSR?"





International Business Forum Director MS Siddiqui said there should be a differentiation between illegally earned money and wealth accrued because a citizen was not able to pay taxes due to ignorance. He said there should be a mechanism to address this 'grey money'.

Dr. Towfiqul Islam said tax exemption through statutory regulatory orders is not clearly disclosed or discussed at the parliament. There is a question of transparency and accountability. That's why we are not getting proper information about the tax net and who are getting tax holidays. The tax officials have to be enabled adequately for better tax administration.



Mohammad Abdul Mazid said the research has some weaknesses especially its perception, interpretation and recommendation but it's an important beginning for fair tax monitor movement and SUPRO has started the initiative at a right time.

He also said the supplementary budget is approved without any discussion in the parliament. He stressed on the fact that the MP could raise questions about supplementary budget and increase transparency. He also said that the general colonial mindset was one of the obstacles keeping Bangladesh from attaining a fair and equitable taxation system.

Civil society members, journalists, businessmen, academicians, SUPRO national council members were also present.

Recommendations

The tax system must be fairly enforced. Tax revenues must also translate into public services. Broadening taxpayers' base will require monitoring assets and determining the income thereof. The NBR should ensure a tax-payer friendly environment to bring more people under the tax net. While bringing the informal businesses under the tax net, it is important to ensure that the new tax payers are treated without hassle. Make strong political decisions not to allow the whitening of "black money".

Wealth accumulation is primarily happening through accumulation of urban land, tax evasion, RMG, and relatively low income tax through financial instruments. This must change. The simplistic manner of imposing Wealth Tax in the form of an Income Tax surcharge of 10% should be abandoned and NBR should develop a proper "Wealth Tax" or "Property Tax". Undertake reform measures to determine the true value of property and apply property tax.

VAT in Bangladesh could be made less regressive by making a distinction between luxury goods and necessity goods. Supplementary taxes can be imposed on luxury goods. VAT exemptions in Bangladesh should be limited only to basic health services, public

transport, agriculture and agro-based industries and government education. VAT exemptions and zero tax amount to the same foregone taxes. There needs to be explicit criteria for determining what goods and services are exempted or have zero taxes. Curbing tax exemptions and ensuring that all exemptions are approved by Parliament and open to public scrutiny is feasible and necessary. Enabling members of parliament as regards tax policy and practices and empowerment of Public Accounts Committee.

Tax laws are often complex. It is important to simplify them and make them easier to understand for the average taxpayer. Formulation of progressive tax policies should be backed by evidence based research and thorough consultation. Development of a central NBR database would help streamline tax administration. To curb illicit financial flow, along with the ongoing reforms actions need to be implemented according to the plan.

Strengthen, facilitate and enrich NBR with human resources, equipment, logistics and funds. Government must raise budget for essential services like health, education, social safety, food security etc. Civil society must generate political pressure for reform by actively engaging a large section of the citizens, while the government must be willing to adopt fair tax policies and practices.

Building capacity of tax justice campaigners continued



Aiming to (i) review and renew of knowledge and understanding; (ii) to learn each other experiences, best practices and challenges; and (ii) to develop future course of strategy and actions, SUPRO organized two refreshers training for the master trainers held on 13th and 15th June 2015 respectively at the SUPRO secretariat. Thirty seven (30 male and 7 female) participants including National Council members, District Secretary and secretariat staff attended the events.

The event highlighted the discussions on updated data and information related to tax policy, systems, utilization of tax for the welfare of state and citizen, process of tax collection & payment, unwillingness of tax payment, tax evasion, illicit financial flow-transfer pricing, trade mispricing, black money whitening and money laundering. All these discussions moved around in the perspective of progressivity, equality and pro-poor. SUPRO director Alison Subrata Baroi, Training Coordinator Md. Shariful Islam, Associate Coordinator Md. Areful Islam, Campaign Coordinator Shakera Nahar among others, took part as facilitators.

With a view to strengthen capacity of SUPRO's grassroots campaigners, half-day orientations were held at SUPRO's 45 working districts with participation of more than 700 grassroots campaigners that included SUPRO district committee members, CSOs and local journalists. District Secretary of each district was the main facilitator of the event.

Global Tax Justice Week of Action: Expressed solidarity



The Week of Action has been coordinated by the Global Alliance for Tax Justice, in partnership with Oxfam, ActionAid, Christian Aid, Public Services International and many others from 16th June to 24th June 2015. SUPRO expressed solidarity with this campaign and observed

Global Week of Action at districts and national level. Policy makers, campaigners, academics, students, youth, CSOs, CBOs & mass people were joined with SUPRO and urged the following demands during the global week of action-

- Ensure Tax Justice ensure prosperity & progress
- Reduce VAT on essential service & goods
- Tax system should be fair, transparent and inclusive
- Tax law should be pro people
- People friendly VAT should be introduced
- Increase allocation in essential public services
- Tax Justice- a key to ensure social justice
- MNC's -Pay your Tax
- Avoid tax dodging, ensure tax justice

Grassroots voices raised on the eve of National Income Tax Day

On the eve of national income tax day SUPRO actively participated in the government events. Moreover SUPRO also organised a separate weeklong campaign in aiming to create public awareness & sensitize government service provider to serve the nation in pro people manner with upholding the theme of “Tax Governance Ensures Development” on 15th September 2015 in national and 45 districts across the country.

SUPRO's campaign committees of 43 districts organised processions, rally, human chain and discussions in which over 17 thousand grassroots men and women, activists, journalists and representatives of local CBOs and NGOs participated. Folk songs and street theatres were performed in 3 districts that were observed by no less than 5 thousand viewers.

Mobile van campaign in the Dhaka city was yet another event that drew attention of people. A professional folk song group and SUPRO secretariat team together developed a powerful script and staged folk song, moving on a pickup van from place to place in the capital city on September 15 that were observed by no less than 35 thousand viewers and audiences.



SUPRO produced leaflets, posters & headband containing the theme, demands and aspiration of the grassroots for distribution in the events observing the day.

SUPRO tax day campaign reached more than 50 thousand people across the country at the national, sub-national and local level. Apart from community people, the campaign reached both policy leaders and duty bearers, which will contribute to strengthening relation between the tax administration and civil society actors. News of the campaign was covered by 90 local and 14 national print media houses, 2 electronic media houses and 17 online news websites.

Lobby meeting continued with the local tax administration



SUPRO's 37 district campaign committee leaders met in a number of formal and informal meetings and dialogues with 57 local tax officials in their working areas between August to December 2015. The officials they met include divisional tax and VAT commissioners, deputy tax and VAT commissioners, assistant tax and VAT commissioners, tax inspectors and tax collectors. They raised citizen concerns to the tax officials on issues including automated tax system, hassles people face in paying tax, increasing income tax net, excessive VAT on essentials and policy and system reforms.

