



## SUPRO's Campaign News

# TAX JUSTICE

Year:1, Volume:2, March 2014



Natore



Netrokona



Pabna



Pirojpur



Potuakhali



Rajbari



Rajshahi



Rangamati



Rangpur



Satkhira



Shariatpur



Sunamgonj



Sylhet



Tangail



Thakurgaon

## editorial

We are delighted to hand you the second issue of Tax Justice, a voice of SUPRO campaign to strengthen good governance in the country's tax system through establishing better accountability and transparency. The current issue highlights the national consultation event on our baseline survey on the country's tax, tax gap analysis and tax system. Being the first civil society initiative of its kind and organized in the capital on March 31, the event drew much attention from the civil society actors and media as well. An honorable member of the National Board of Revenue also attended the sessions.

Of the observations the respondents in this survey have made about the country's tax system, we would here underscore two for their particular impact on the poor. The first of these is the relatively low tax-GDP ratio, and second is high VAT. Country's tax-GDP ratio currently stands at 9.8 per cent which, according to experts, should be at least 20 per cent for effective public sector management. Majority of the respondents have observed 15 per cent VAT as too high that much taxes particularly the ability of the low income

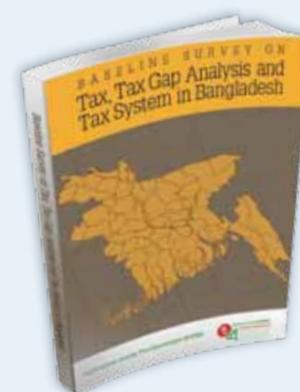
group to pay. They also think that it is not right to impose VAT in a blanket manner on both essential and non-essential goods and services. Hence comes the demand to exempt essential goods and services from VAT.

Respondents in the survey also observe that while it is essential for the tax system to be poor-friendly, it needs to be people-friendly too. The National Board of Revenue can make a step forward in this regard by establishing help desks at every tax circle to aid people so that they can smoothly pay their taxes.

The respondents of the survey and the speakers at the national consultation as well stressed that the government deals with the tax evaders with a heavy hand, which is indeed a demand of the entire nation.

In 2013, SUPRO conducted an action research particularly among the low-income groups in four districts to find out their level of knowledge of different taxes and tax system. The result shows, to no one's surprise, that they are very poorly informed of the matter. SUPRO firmly believes that with the government, NGOs and citizen actors working in concert, we will soon become a tax-educated nation with a sound, effectively managed, pro-poor tax system.

## Pro-poor tax policy, system demanded at national consultation on launching baseline survey report



Speakers demanded pro-poor tax policy and taxation system at a national consultation organised in the Dhaka city to share the findings of a recent baseline survey on the country's tax system.

Campaign for Good Governance-SUPRO with Oxfam arranged event titled National Consultation on the Findings of Baseline Survey on Tax, Tax Gap Analysis and Tax System in Bangladesh on March 31, 2014 at the The Daily Star Centre. On that occasion the published book was unveiled.

SUPRO chairperson Mustafizur Rahman Khan presided over the event attended by Kalipada Halder, Member of NBR as the chief guest and Conor Molly, Associate Country Director-In Charge of Oxfam Novib, and





Farah Kabir, Country Director of ActionAid Bangladesh, as guest speakers. SUPRO General Secretary Mohammad Arifur Rahman moderated the programme and researcher Rubayat Hashmi gave a presentation on the findings of the survey.

The presentation of the survey findings focused among others, on the country's rather low tax-GDP ratio, higher rate of indirect taxes affecting the poor and poor people's access to public services.

According to the report of the baseline survey conducted in six districts, namely Barisal, Kushtia, Rangamati, Habiganj, Rajshahi and Shariatpur, Bangladesh's tax-GDP ratio is well far from what is expected. Economists often argue that for sound management of public sector and economic development the tax-GDP ratio should be at least 20 per cent while Bangladesh's was

establish help desk in every tax circle, ease the process of income declaration, tax payment and online filing of tax returns and train and motivate tax officials to cooperate with the taxpayers.

Stressing that Bangladesh should reduce its dependence on indirect taxes, Farah Kabir called on the government to stop tax exemption facility for the multinational companies. 'Bangladesh is a country with 160 million buyers so we need not fear that the multinationals will leave if we stop giving them tax exemption,' she argued.

Conor Molly while emphasised bigger state investment in social services, Kalipada Halder, NBR member for legal and enforcement, said tax waiver creates scope for tax evasion. 'People shift incomes from other sectors to the sectors that get waivers to evade taxes,' he added.

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Bangladesh's heavy dependence on indirect taxes is another concern raised by the respondents in the survey. The 2011-12 statistics showing direct tax at 25.05 per cent and indirect tax at 57.57 justifies the concern. To increase the direct tax base, the respondents suggest that tax paying process should be made easier to motivate the general tax payers. To aid the tax payers the National Board of Revenue, NBR in short, can

Denouncing lack of quality in the health, education and other public services despite their expenses are borne by the taxpayers, the speakers at the consultation meeting said accountability and transparency must be established in the public service systems.

Speakers also said the government has hardly sought the opinion from grassroots before it initiated the policy reforms to increase tax-GDP ratio. They further called on the authorities to increase their understanding about citizen perception about tax policy and system and the need to reform them before undertaking any future intervention.

## Recommendations drawn at

- Direct tax should be preferred to indirect tax in the tax policy
- Measures should be taken to increase direct tax base
- Tax automation can be increased to ease the process of tax payment
- The general rate of VAT should be reduced
- The principle of equity should be followed in imposing VAT. Following the principle, essential goods and services should be exempted from VAT while it can be increased for non-essential and luxury goods and services
- Measures should be taken to recognise the direct tax payers who pay proper tax
- Establish a smart dissemination process of information about how and for what purposes the tax revenue is utilised.

## SUPRO's action research reveals: Tax knowledge poor among the poor



An action research SUPRO has recently carried out reveals that perception about tax and tax system is poor among the financially poor and who are not in poor an action research on fair taxation. The particular objective of the research was to know the knowledge level of tax system among cross sections of people.

Respondents for the research were selected from among the marginal farmers, agriculture labourers, day labourers, rickshaw pullers, village women, small entrepreneurs, unemployed youths, students, grassroots citizen actors, tax administrators and collectors at upazilas, municipalities and districts and local government representatives such as upazila chairmen and municipality mayors.

Qualitative method with focus group discussion

and key informant interview was followed for the research conducted in four districts, Jhenaidah, Chittagong, Netrakona and Dinajpur. A Total of 133 male and 131 female respondents participated in the action research.

The research outcome reflects the result of the baseline survey SUPRO has conducted on the country's tax system. A summary of the findings is presented below:

- The knowledge about commodity tax such as VAT and how this tax is collected is feeble among the respondents from lower economic strata, such as agricultural labourers, day labourers and marginal farmers. Around 80 per cent of respondents from these occupations have little or no information on this. They are not aware that they pay VAT when they buy a commodity

on which VAT is applicable.

- Institutional education is positively related to the level of knowledge about tax. This means the more institutionally educated a person is the better and clearer is his/her knowledge on the tax system.
- Male respondents have shown to be better informed than their female counterparts. While about half the male respondents are familiar with the words 'tax', 'VAT' and 'toll', not more than 10 per cent female respondents have similar level of knowledge. Women are mostly familiar with land tax and know that if this tax is not paid, the land is auctioned off by the government.
- Respondents are aware about infrastructure tolls through their paying tolls at markets, bridges and roads.
- Perception about why citizens have to pay tax and how the government agencies collect it is different among different categories of respondents and again level of the knowledge is positively related to the level of education. Over 80 per cent of agricultural labourers, day labourers and industrial workers do not know how tax is collected.
- However, the respondents are keen that their tax money is utilised for infrastructure development in their own locality. They are also against imposing high tax on essentials that poor people need to buy on daily basis or for farming purpose, such as rice, wheat, salt, kerosene, diesel and electricity. They also suggested that higher tax may be levied on the luxury commodities usually consumed by the well-off.
- Because they pay tax, respondents also demanded better services at the public medical facilities, allowances for the poor families and widows and stipends for students from poor families. They also suggested extensive campaign should be run for raising public awareness on the rights of taxpayers.
- Respondents have a doubt in general as to how much of the money collected from citizens as different kinds of tax actually reach the government treasury. They view that much more transparency and accountability have to be maintained regarding keeping account of the tax collection and its utilisation.
- Respondents in general regard paying tax as a matter of honour.



## Development training module on tax justice campaign

An idea generation workshop was held as part of a process to develop a training module for the grassroots tax campaigners. Information and ideas were gathered for the training module at the 2-day workshop held in January 29-30, 2014.

The issues discussed at the workshop include

historical perspectives of tax collection, tax system of Bangladesh, definitions of tax and VAT, types of tax, classification of indirect tax, tax imposed by National Board of Revenue, non-NBR tax, benefits of tax, tax policy patterns, constitutional obligations regarding tax issue, tax policy formulation agents, tax policy formulation flow, tax policy formulation

interactions, tax gaps and tax citizen charter.

Associate Country Director of Oxfam Arie Schuurmans inaugurated the workshop. He said an effective partnership between the tax justice advocates and the government is essential for the success of the campaign. SUPRO Chairperson Mustafizur Rahman Khan gave the welcome speech.

Dhana Ranjan Tripura, Policy and Campaign Officer, Oxfam; MA Quader, SUPRO Executive Board Member; Hosne Ara Hasi, SUPRO

Executive Board Member; National Council Members Sharifa Khatun and Madhab Chandra Dutta; district secretariat staff, District Campaign Facilitators, among others, attended the workshop.

Dr Md Jafar Uddin, Associate Director, Administration, Monitoring and Investigation, BRAC, Meftha Uddin Khan, Director General, BCS Tax Academy, Pijush Kanti Nath, Deputy Secretary, Ministry of Youth and Sports, and Serajud Dahar Khan, Chairperson of AOC, spoke as resource persons.



## Pretested draft training module on tax justice campaign

Two training workshops on a draft tax justice training module were held in March this year in Dhaka. The objectives of the training were to orient the grassroots tax justice campaigners, SUPRO district secretaries and National Council members on the draft module and to get critical feedback from the participants in order to develop the final draft.

One of the training programmes, held at the SUPRO Star Centre in March 12-14, was



inaugurated by SUPRO Director Alison Subrata Baroi. Some 23 District Campaign Facilitators and Secretariat employees attended the training. Sirajud Dahar Khan, Chairperson of AOC, was the key resource person while Md

Shariful Islam, Coordinator-Training, Shakera Nahar, Coordinator-Campaign, and Md Areful Islam, Associate Coordinator- Tax Campaign, were the facilitators.

The other training programme held in March 29-31 at the same venue was also opened by the SUPRO director. Some 16 National Council members and four District Secretaries took part in the event.

The issues focused on at the training include definition and categories of tax, related constitutional rights and obligations, rationale of taxation and tax system, non-NBR tax, tax collection process, general public's apparent unwillingness to pay tax, raising awareness about tax justice, responsibilities and scope and power of tax authorities.

Recommendations drawn at the training events include among others, political commitment of the tax policy should be pro poor, black money possessors must be prevented from taking part in elections, government officials and public representatives must disclose accounts of their property and taxpaying process must be hassle-free.

# Grassroots recommendations through public hearing on baseline survey

Public hearings were organised in 45 districts after SUPRO has carried out the baseline survey on tax, tax gap analysis to share its findings. A total of 2561 people, including tax officers and other government officials, journalists, politicians, civil society representatives, teachers, students and members of SUPRO district committees attended the events. Of the participants 1832 were male and 729 female. A series of recommendations were drawn from the hearings, which are given below.

1. Reduce or eliminate VAT on daily essentials and increase, if necessary, on items that are not essentials such as television, refrigerator and motorbike
2. Reduce land and union taxes and make the collection process people friendly
3. Increase income tax limit from the current annual income of Tk 2.2 lakh to Tk 3 lakh
4. Consult marginal poor in formulating and reforming tax policies and laws
5. Ensure a transparent, accountable,

decentralised and people-friendly tax system

6. Ensure a better digitalised tax system
7. Establish a strong and transparent tax investigation process
8. Rename Income Tax Inspector into Income Tax Promoter
9. Raise public awareness about taxes including VAT and their payment processes. Introduce tax issue in school textbooks. Use electronic media and involve non-governmental organisations to raise tax awareness
10. Arrange tax fair at the grassroots to encourage people to become familiar with tax system and pay tax
11. Reward the highest tax payers
12. Bring tax evaders to justice and stop allowing whitening of black money
13. Increase level and quality of free services in healthcare and education in public institutions that are run with taxpayers' money.



Comilla



Dinajpur



Faridpur



Feni



Gopalganj



Hobiganj



Jamalpur



Jessore



Jhenaidah



Joypurhat



Kurigram



Kushtia



Bagerhat

## Glimpse of District Public hearing



Barguna



Barisal



Bogra



Lakshmipur



Lalmonirhat



Magura



Chapainawabganj



Chittagong



Chuadanga



Moulvibazar



Mymensingh



Narail