

Fiscal justice can reduce costs of doing business in Bangladesh

Pakistan's Federal Tax Ombudsman chairman provides useful clues to reform our tax regime to ensure fiscal justice for domestic and foreign investors

The proportion of tax payment is a major concern for individual citizen and business enterprises alike. Such concerns multiply each day due to our public expenses increasing by an average of 10 percent each year, which the government levies from tax payers by increasing tax input.

Concern over taxes also adds further to our existing worries with respect to the difficulties in setting up power and communication facilities as well as the myriad of bureaucratic hurdles that an entrepreneur must face before venturing into a new business. As the rules of doing business become uniform around the world under the impacts of globalisation, tax-related worries are likely to dominate our business efforts much in a manner similar to the developed world.

Justice (ret'd) Saleem Akhtar heads the Federal Tax Ombudsman of Pakistan, an independent body created three years ago to oversee the efficacy of Pakistan's taxation regime. The Ombudsman recommends reforms and stern actions against tax evaders and the 'rouge' elements in the government who act in concert to fleece the nation of much needed public funds levied from taxes. The Ombudsman also serves as a point of appeal for both domestic and international investors by redressing grievances and pitfalls in a judicious manner.

Bangladesh and Pakistan having similarities in laws and regulations, the Pakistani Ombudsman seems replicable to bring about some reforms in our taxation regime. With that aim, Justice Akhtar's expertise was shared recently during his visit to Dhaka under the auspices of the Bangladesh Enterprise Institute (BEI), that had organised a sectoral workshop on 'Customs and Taxation.'

We excerpt from Justice Akhtar's conversation with the Daily Star's Senior Assistant Editor, **M. Shahidul Islam**.

The Daily Star(DS): *How similar are the taxation laws between Bangladesh and Pakistan?*

Justice(ret'd) Saleem Akhtar(JSA): I haven't gone through all the taxation laws and regulations of Bangladesh, but laws are almost similar in the two countries. Even India has similar laws.

DS: *What are the major differences, if any?*

DS: *Our government often fails to meet its tax collection target and ends up with budgetary shortfall. What is the reason for that?*

JSA: Excessive assessment comes first. Often wrong assessment is done by taxation officials while tax payers conceal real taxable income.

DS: *Was the Federal Tax Ombudsman in Pakistan created by a statute?*

JSA: Of course. It has the approval of the parliament.

DS: *How much improvement has taken place in Pakistan's taxation system since the Ombudsman came into being three years ago?*

JSA: A lot. Our system has been praised by the American Bar Association. Internally, the Federation of Pakistan's Chamber of Commerce and Industries has praised the system's effectiveness. Industrialists and other business entities say the Ombudsman benefits them in a number of ways.

DS: *What are the specific fields in which*

such improvements were affected?

JSA: You see the 1922 taxation act contains guidelines for assessment. But corruption, nepotism, bribery, irregularity and wrong assessment have made the taxation regime a very corrupt one. The Ombudsman I lead checks and investigates into such irregularities and recommends disciplinary actions against corrupt tax officials and tax evaders.

DS: *Did it improve the collection system too?*

JSA: Yes. It improved the entire tax management regime, including the tax management administration. We have brought about necessary reforms in many fields.

DS: *Does it require change of law to reform the system?*

JSA: Yes, sometimes. Once we discover anomalies and if rectification is needed, we change relevant laws.

DS: *If we wish to commission a similar Ombudsman in Bangladesh, shall we create the ombudsman first or conduct a study to identify the problems?*

JSA: We already know what our problems are. They include collaboration between tax officials and tax-payers to deprive the government of expected taxes. Then there're irregularities, wrong assessment, lack of training and motivation, etc. 122 countries have improved their taxation system through Ombudsman.

DS: *Are those countries developed, developing, or mixed?*

JSA: Mixed.

DS: *What is the secret of an Ombudsman's success?*

JSA: The Ombudsman works independent of the government and of the tax-payers. It enforces laws without favour and to the letter and spirit. The Ombudsman even changes the working environment and employs extra resources to make the system efficient.

DS: *Did you face any major obstacles so far?*

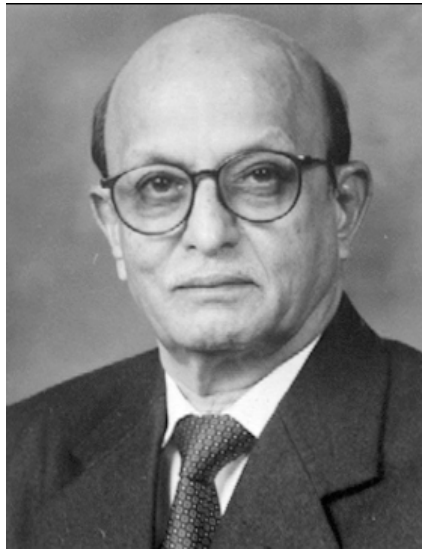
JSA: Yes, some corporations were concerned about the way we went into assessing corporate taxes. Some corporations complained that the amount owed to them by the revenue department was not paid back. As an independent body entrusted with the responsibility to investigate, diagnose and enforce laws, we're overcoming those problems.

DS: *What is the duration of the Ombudsman you lead?*

JSA: We have a fixed term for four years. The laws require of me not to engage in any other profession with the government of Pakistan after the term expires.

DS: *How an Ombudsman can cut the cost of doing business?*

JSA: If foreign investors think they're unjustly taxed for doing business in our coun-



Justice (ret'd) Saleem Akhtar

tries, they have a place to go to and seek remedy to any of their grievance or observation. On the other hand, if, for example, goods are stuck in the ports of entry for unusual time, the cost of export/import goes up. This cost is borne by the consumers ultimately. The Ombudsman is a public good in all sense. It reduces custom delay and cuts costs. In case any businessman feels aggrieved, he can always come to the Ombudsman and register a complaint.

DS: *Did you receive any complaint so far from any foreign investor?*

JSA: Some multinational companies did register complaints with us. We solved their problems in a judicious manner and the Vice President of the International Chamber of Commerce told me that they were happy with the solution we offered. The Ombudsman dispenses FISCAL JUSTICE to all. It also acts as a bridge between the tax-payers and the tax administration authorities. Once the mistrust is removed, the system performs much well.

DS: *Did you find the Bangladesh Enterprise Institute's study on 'Cutting cost of doing business in Bangladesh' useful?*

JSA: It was very useful. All countries of the region can be benefited by this study.

DS: *Did you find our government receptive to this idea of creating a Tax Ombudsman?*

JSA: Yes, Bangladesh may introduce an Ombudsman soon.

Living with the USA

AKKU CHOWDHURY

WITH the advent of the new century we see changes globally that has put awes or woes in many a face. In the recent time what we have been witnessing is that globally we are moving from bilateralism to unilateralism. Towards the end of last century we saw the rise of globalisation by business that was strengthening its economic empowerment by spreading wings to every nook and corner of the world. The economic globalisation has interconnected all of us so much so that if there is a financial tremor in any part of the globe it is felt all over. Take for example the SARS case, which has affected not only the airlines industry world over but has trickled down to others. Like the broadband the world's connectivity is not only in speed and process but like an umbilical cord connecting all the people of the world and affecting and influencing our daily lives.

Therefore when the Twin Tower in New York or the Night Club in Bali, is bombed and destroyed it affects the citizens of the world not just the Americans or Balinese. When a country is ruled by a dictator who is hell bound to unleash terror it affects all of us. When a country implements draconian regulations against its citizens it affects all of us. When one country invades or declares war on another it affects everyone's life. In other words we have all become 'global citizens'. Therefore we see more of global initiatives to build awareness focusing our responsibilities to make a better world.

Today the global village is in turmoil, the kind that has not been witnessed by us before. We are at the crossroads of trying to understand and deal with the increasing unilateralist USA making much of the fact that it is the only superpower in the universe. The show of power by Bush administration in Baghdad that has 'shocked and awed' many is intended not only for Saddam and his cronies but the rest of the world. The rest of the world including its old allies may have turned against the US but it is evident they are all nervous and scrambling to find ways to contain it.

On the other hand the US is beginning to see the world in a new light. After a decade of disintegration of the USSR and the newfound affluences of China with new markets for its products in the west, the USA finds itself more self-assured as capable of showing its muscle. The trans-Atlantic alliance between US and Europe has become outdated since the end of cold war, institutions like the United Nations have become useless bodies tangled in their own bureaucratic red tapes. America would rather find its allies through 'coalitions of the willing' to further its interest.

The alliances and institutions built after the Second World War have become useless in the New World of the new millennium. The major players are grappling to find new friends and alliances, as America is content with its 'coalition' of 'diehards'. No one is willing or dares to challenge or confront America in its new role to become its enemy. Russia, eager to preserve its old glory opposes

just enough to make a political point but not enough to be counted as its enemy. China, the rising power is for the moment focusing on growing faster and faster as that economic and military gravity will tilt the global power in its favour. Therefore for the time being it's not concerned or wants to tackle with USA.

On the other hand, USA is keeping an eye on the possibility of China becoming a challenge to its 'superpower' role in the near future. As a result USA is courting India as an ally to balance Chinese influence in the region. USA is seeking new strategic partners who are willing to accept it as the sole superpower and enter into a long-term relationship to fight the 'War against Terrorism.' These partners must be willing to use military power even preemptively against those regimes who are 'rogue, undemocratic, support or shelter terrorist groups, stock weapons of mass destruction and are tend to proliferate and are blamed for ethnic cleansing.'

The profile that would fit the set of new partners in this 'alliance' would seem to be of nations who firmly believe in 'life, liberty and pursuit of happiness'. It would be most interesting to see when the new alliance or 'coalition of the willing' comes into shape.

In the new world, USA being the sole superpower has its share of obligation and responsibilities it can't overlook. She cannot be reckless and gun toting 'overseer' of democracy. USA must prove to the skeptic world that she has the vision and capability to lead the nations of the world in the right direction of making a better world for all. A generation grew up with the belief that USA truly stood for 'life, liberty and pursuit of happiness' of all; the US constitution written over 240 years ago guarantees a 'citizen of the USA' that security. That generation not only in the USA but elsewhere, too, believed in that guarantee (in their own constitution) and it would be a shame if the American leadership fails and alienates them. The vision that the fathers of that constitution had is highly commendable and American leadership can do justice to them and to their newfound role as the sole superpower by practicing that constitution for all the people of the world irrespective of class, creed, gender or religion.

The recent visit by US Secretary of State Colin Powell to Bangladesh might have been a part of seeking 'coalition of the willing'. There seems to be no coercion or arm-twisting to be a part of the coalition. As stated earlier each nation state must look at the pros and cons from its own national and economic interest to be a partner of the new world the USA wishes to head. Although its too early to predict or foresee the resilience of USA to withstand the opposition to its leadership, the present trend of global politics looks like the alliance against American unipolarisation has not succeeded in gaining momentum. To survive in the 'new world' we need to do what will benefit our people to live not only as better human beings but also in a better world. It's a judgment our leaders must make with a clear vision of what lies ahead. It's not an easy call because history will judge from what lies in the future.

Arab-Israeli conflict has tremendous potential to destabilise the whole region

There seems hardly any way of bridging the gap between what needs to be done and the reality on the ground



Joschka Fischer

NATO Secretary General Robertson said recently that Germany should get used to the idea that in future it will have 10,000 to 15,000 troops continuously serving with missions abroad. Is that how you, too, see Germany's future? Is that in our interest?

I warn against viewing this issue from a solely national perspective. Germany is the largest economy and one of the three biggest countries in the European Union. If the EU in the 21st century is to have a role in the maintenance of our security and international stability, we will have to talk about European contributions. And that means the big countries above all will have to contribute - us included. And it is also clear that these deployments abroad are not going to be one-off events in the world of the 21st century.

But nevertheless -- troop deployments after all are decided at national level...

Our core national interest is Europe. That is why I strongly advise that we eschew from the start any attempt to define our interests in national terms. Even if it sounds like a paradox: it is in our own interest to define our interests in European terms.

But do France and Britain not take a different line?

That is true up to a point. But not only for historical reasons Germany's situation is different. Even today the attitude of our partners towards us is still ambivalent. On the one hand they want us to pull our weight. On the other hand, we have to exercise restraint in order -- especially as regards the smaller countries -- not to create a false impression that would generate resistance. Nor should we undervalue all we have gained from the multilateral approach we have pursued since 1945. With their different traditions, France and Britain certainly tend to think in more national terms. But in my five years as foreign minister I have found that they, too, are

Recently the German daily *Handelsblatt* interviewed Federal Foreign Minister **Joschka Fischer** in its issue of 29 August 2003 on inter alia criteria for the deployment of German troops abroad, the situation in Afghanistan, Iraq and transatlantic relations. It gives answers to several of the crucial questions German foreign policy has to deal with at present. We excerpt:

becoming more European in outlook.

You are talking now only of Europe, but where do transatlantic relations come into the picture?

They are one of the main pillars, possibly even the cornerstone of peace and stability in the world of the 21st century. Only if Europeans and Americans work together is there any chance of creating from the present disorder in the world something that resembles order. However, the relationship is not always free of tension, if only because of the changes in Europe that enlargement will bring about. Europe is growing together -- which is also in the interest of the United States. In the past the European foreign and security policy, for example, used to be viewed with some scepticism, since it might lead, it was thought, to Europe becoming detached from its NATO partners. Today, however, close cooperation between the EU and NATO is absolutely routine. Yet in the transatlantic family there are always going to be differences of opinion. That is completely normal.

That brings us to the current hotspots. Are Europe and the United States really building stability in Afghanistan?

There is clearly substantial progress in Afghanistan, even if the situation remains very critical.

Is there not a danger that, in the absence of success, we slide into ever increasing commitments from which no one dares to pull back?

I do not see us sliding into anything -- the situation is not as bad as some would have us believe. Almost everywhere in Afghanistan today the relief agencies can do their job. In many areas reconstruction work is making good progress: schools are being built, nearly all the refugees have returned. So there -- as in the Balkans -- I cannot see any kind of slide. But Afghanistan is certainly a long-term commitment.

And where is the political concept that also Red-Green politicians demand if they are to approve a Bundestag mandate?

At the Petersberg Conference we created under UN auspices a political framework for the country's future. That is the difference between Afghanistan and notably Iraq: parallel to the anti-terror campaign we have a UN-led political process to restore Afghan stability and sovereignty. In December the constitutional assembly will convene and elections are scheduled for the middle of next year. All

that is based on a consensus among nearly all civil war parties which, though certainly fragile, nevertheless exists. There is a consensus on the different stages of the process and on a timetable. None of that exists in Iraq.

So you see merely chaos there ...

The problems there are precisely those we had feared. To reiterate, I want to see a UN-led political process similar to the one on the Petersberg. It must be clear that what is at stake is liberation and the restoration of Iraq's sovereignty on the basis of an agreed timetable and an agreed process. The yardstick of success is whether Iraq's citizens view the presence of foreign troops in their country as occupation or liberation. The process of Iraqisation must be pursued with all speed and Muslim countries, too, should be involved in the efforts to stabilize the country. That is possible only if the UN has a leading role. Unfortunately our arguments failed to convince. We have to accept that the war coalition wants to retain sole responsibility for Iraq's security and stability.

Is it already too late to change course now?

I do not think it is too late. But we are watching developments with great concern.

Is domestic pressure on President Bush not getting so strong that he will ask also Germany for a contribution?

That is pure conjecture ...

But Washington is looking for more money for reconstruction.

Our position is well known and clear. For good reason we were against the military operation in Iraq. Nevertheless, we are willing to provide substantial humanitarian aid. For example, the Federal Minister of the Interior has offered the services of the Federal Disaster Relief Institute. We are also willing to support the reconstruction effort, provided concrete plans exist and the security situation makes the deployment of civilian relief workers feasible. As soon as reconstruction proposals are on the table, we will be glad to see how -- given our limited resources -- we can best help.

Is it not almost our duty to help our American partners, given the seriousness of the situation?

We will never forget what the United States has done for Germany. We will examine what we can do to help in every area where such help is desired. However, we have also learned there must be some prospect that such help will be of real use. Without a strat-

egy that emphasizes the liberation character of the whole process, Iraqisation and the increasing involvement of Arab countries under UN auspices, that is going to remain very difficult.

Do you not find it rather strange that just a few months after the Iraq war there is no longer any talk of the domino effect people had feared, a situation in which the US began one war after another? Paul Wolfowitz, the Deputy Defence Secretary, did after all show you a long list of possible rogue states.

I was never too worried about any domino effect, since such a situation would very soon be more than even a superpower could cope with. The crucial thing after 11 September was that the world found the right response to the terrorist challenge. It was clear that the status quo that had generated such monstrous threats was not and is not defensible. But it is important to weigh up very carefully what strategy is appropriate for a crisis zone that stretches from the Atlantic almost to the Pacific.

The 1991 Gulf War gave a positive impetus to developments in the Middle East. That does not seem to be the case now. Is it still too early to make a final judgement?

The situation in the Middle East seriously worries me. It is one of those core regional conflicts which, while not explaining everything that happens, does impact on a whole range of issues. For many of its Arab neighbours Israel has, ever since its founding, served as a scapegoat. Moreover, this conflict has of course tremendous potential to destabilise the whole region, quite apart from all the human and humanitarian tragedies it is causing. Things are not going well. I see here a cross contradiction: all members of the international community in positions of responsibility know what needs to be done to achieve a compromise that will settle the conflict. But there seems hardly any way of bridging the gap between what needs to be done and the reality on the ground. I believe the Quartet has a very clear responsibility here.

Has the Iraq conflict had a more negative or a more positive impact on the situation in the Middle East?

If there have been any positive effects, then positive. If there have been any negative effects, then negative. Other than that I prefer to make no comment.