

National Pension Scheme ...

CONTINUED FROM PAGE 17

protection system to function with efficiency and economy.

1. It should be seriously reviewed whether the existing 145 programs under 23 ministries and departments can be brought under one single lead ministry and a maximum of six administrative ministries. In this case, the leading ministry could be that of Finance or Planning and the administrative ministries could be those of Local Government, Disaster Management, Social Welfare, Women and Children's Affairs, Education (two different ministries under Education) and Health and Family Welfare.

2. Instead of increasing the number of programs, they could be divided into a few major clusters/categories and implemented by following definite goals and work plans under individual ministries. The main clusters/categories could be:

- a. Emergency relief during disaster (Local Government and Disaster Management)
- b. Relief and providing sustainable development support for the extreme poor, disabled, shelter less and floating persons (Local Government, Social Welfare and Women and Children's Affairs)
- c. Universal education and universal health programs with the aim of guaranteed education and health for all with special provision for the under-privileged (Local Government, two separate ministries of Education and Health, and Family Welfare)
- d. Assistance for housing and shelter (Local Government-LGED and Housing and Settlement Department)
- e. Developing universal citizen pension on the basis of income tax and NSSS (Finance, Planning and Local Government)

In the first category, emergency relief for people or areas that are victims of floods, storms, cyclones, tidal waves, earthquakes and other disasters will be incorporated. The second category will include social security programs for the extreme poor, disabled, handicapped and the jobless. The third category will require bulk of the expenses and also cover the most number of people. This will benefit the poor, lower-middle class and

middle class equally. The state will bear the entire expenses of education and related costs up to the secondary level for all. The budget will include expenses for the school uniform, lunch and all educational equipment. Another one of the main services of this category will be healthcare. All the citizens of the country (infants to elderly, men-women rich and poor) will be brought under the network of guaranteed healthcare of the state in his or her respective areas. Primary healthcare and special treatment will be paid for by the state from its NSS budget. The fourth category will take care of providing support for public and private housing projects, home-loans, low rent housing for the lower middle class and shelter homes for the homeless. At least planning and design of housing, even for private initiatives, could be ensured under a decentralised mechanism. The last and fifth category will be the guaranteed pension scheme for all senior citizens of the country after a certain age as determined in the policy to be known as 'National Pension Scheme'.

Social security programs of mid or high-income countries with comparatively lower levels of poverty incidence usually have a structure similar to the one outlined above. So, at the dawn of becoming a mid-income country, the national social security program structure needs to be remodelled. Our next discussion will be an elaboration on the fifth category—the structure of the national pension scheme and its potential funding arrangements.

National Pension or State Pension for Senior Citizens

In this country only government service holders, both civil and military, are entitled to retirement pension. In recent times, service holders of universities and other autonomous bodies have been added alongside government service holders to the pension system. Therefore, people above the age of 60 or who have held a government job for 25 years receive a pension at a rate based on their last drawn salary amount. They can receive this pension at one go or monthly akin to a salary. After the death of the service holder, their husband/wife or children are

entitled to the same. There are private funds and gratuity schemes for the corporate sector or non-government organisations. As per the conditions of the job, they receive the benefits after they leave or retire from the job (Myian, Undated).

But there are many in the country that contribute to the development of the society and the country during their working life but are not included in the pension system or retirement benefit schemes. At the end of their active lifetime, they cannot live a secure, certain and normal life. There are those among them who regularly paid all taxes when they were fit for work and earned above the income tax paying income ceiling. For 10-30 years they have to pay income taxes to the government. Then there are also those who contributed to the development and progress of the country but their earnings were not within the income range. But they have to lead an unbearable life after they no longer have the capability to carry on working. The average life expectancy of a Bangladeshi is now 70 years (GoB (2), 2015). After reaching the age of 60, if they do not have adequate savings, all senior citizens have to be dependent on the mercy and patronage of others. There is a general trend and tendency to save money by all means in both employees right and wrong ways while so that one does not have to depend on others in their old age. The state can start a system of cash pension after a certain age and ensure health care for all senior citizens. These two support systems can be given a universal form and structure. A mixed system of insurance and pension can also be established by having an arrangement with employers and credible financial institutions.

Universal Structure

The structure can be formed through the assimilation of income tax and the pension system. There may be a social security registration for all working people in the country employed in government-non-government, formal-informal, independent, self-employed and people in their own vocations and businesses. This could be connected to the national identification system that is in effect now. That is, everyone will also have an income tax registration connected to his/her national identification registration and that may also subsequently provide a 'Social Security' number. This can be one of the primary bases of the citizen pension and income taxpaying citizens could be registered first. A certain sum will be contributed to the pension fund on behalf of every income tax paying citizen from the amount of tax they pay. In this way, a close connection can be built between the retirement pension and the income tax. This means, senior citizens will be entitled to a general amount (say Tk. 5,000 per month for everyone over 60/62 years of age), but the amount will be increased further based on the proportion of income tax paid by them.

At present, the principal amount of pension for government employees is 90% of the net salary drawn, and total amount accumulated will be equal to the amount multiplied by Tk. 230. The difference of amount among the pensioners will be determined on the last salary drawn by them and it is going to create a difference in the total pension among different categories of employees. In this case of newly suggested national pension scheme, it is not the earnings or salary that will create the difference in the total amount of retirement pension benefit, but the amount of income tax paid to the government during the active working life as well as contribution to other insurance schemes, as a large number do not belong to the salaried service or employment.

Many people in the country working as doctors, consultants, lawyers, NGO workers, small businessmen, or employed in the services and working independently pay taxes—then again a large number do not. Then there are also some who pay a nominal amount just to dodge the punishment under law or just to register themselves as tax payers. In reality, those who pay taxes end up being on the losing side in the culture of our society.

Because, those who evade the taxes have a remote possibility for punishment. Those who do pay taxes and within the tax net, are not benefited in any way for paying taxes, rather they are faced with many odds under the different rules and regulations. They do not get any direct benefits from the state in exchange for the taxes they pay. They are not entitled to any earmarked or special healthcare for themselves or their family, their children's education, preference in any public utility or recognition from the state. After retirement, they are not entitled to claim any social security either. They have to depend on their children or their savings if they have any. From the tension about an uncertain future, a tendency to accumulate wealth through legal and illegal means is rampant and aggressive. If a system of citizen pension in recognition of taxes and other contributions were there, a tax paying culture would have taken firm root and ensured a life free of tension and worry for the law abiding citizen.

Therefore, a system of universal pension for all, side by side with the government employees can be created by combining income tax payment and retirement pension scheme for all. A similar system has developed into a mature and organised form in West European and Scandinavian countries through changes and reforms over a period of hundred years since the 1920s (Dixon and Scheurell, 2002).

Funding the pension system

A certain portion of the tax amount payable to the government in any given year could be saved in the state pension fund. The state can invest this money in different profitable financial programmes. In this way, a handsome fund could be accumulated by the state for meaningful investment. The number of tax paying citizens will rise rapidly in the country. On the other hand, social insecurity and uncertainty will decrease. A self-respecting society will be created. Every citizen will be brought under the working network after finishing his or her education. They will also be included in the social security and retirement pension system at the same time. The state will be able to receive taxes from the working citizens at least for 40 years and will have to pay them retirement pensions for a maximum of 10-15 years.

Pension through the 'Social Insurance' scheme can also be started through a state guarantee to bring in people under a pension/insurance scheme on their own voluntary contributions. Any person involved in any work can receive pension at a definite rate based on the premium after the age of 60 by being member of the scheme. Husband/wife or underage children can also be made part of the pension scheme.

At present, the biggest portion of government expenses goes towards the wages, allowances, pension and gratuity for civil and military personnel. The total number of government employees, both military and civilian, is not more than 2 million in the country. Analysing the 2015-16 National Budget document (statement-4, combined Non-development expenditures fund) and report 6 (Non-development expenditures: ministries and departments), the allocated amount for civilian employees is Tk. 45,365 crore 92 lakh 29 thousand. If the pensions and gratuity amount of Tk. 11,584 crore 37 lakh 56 thousand allocated in the 2015-16 budget is added, the amount stands at Tk. 56,940 crore 85 lakh 50 thousand. The greater portion of Tk. 17,961 crore 91 lakh 50 thousand allocated for the armed forces is also that of wages, allowances, pensions and gratuity (GoB (4), 2015).

It is said that 3.1 million out of total 160 million people in the country have tax (TIN) registration. Of this, only 1.1 million actually pay taxes (Daily Prothom Alo - September 30, 2015). Till last year, government employees did not have to pay taxes on their salary incomes—that has been changed recently. Now, they too have to pay taxes on their salary incomes. The wages and allowances of ministers and MPs are exempted for some special reasons. The National Board of Revenue has set a goal of collect-

ing taxes of Tk 64,971 crore on the income and profit of individuals and establishments. The target for collection of Value Added Tax (VAT) is Tk. 64,262 crore 91 lakh. The first category of tax is collected from individuals and organisations directly and the second category tax is on everyone irrespective of rich and poor. In total the government hopes to collect Tk. 2, 08,443 crore 29 lakh 96 thousand from NBR taxes, non-NBR taxes and non-tax incomes of which Tk. 74,902 crore 76 lakh 52 thousand will be spent on government employees belonging to civil and military services (GOB (4), 2015). This expenditure structure of the government is not logical. The common people of the country do not pay different category of taxes for supporting the government and government employees only. If the services and benefits a citizen can claim in lieu of taxes and other obligations they fulfil are taken into consideration, then a massive change to the current structure will be needed. In future, the primary consideration for pension should not only be the government service. The proper payment of tax as a civic duty needs to be given the top most priority along with government service.

Therefore, as the first step towards establishing a universal citizen tax, a proper idea needs to be developed to bring all tax payers under the retirement pension system. The citizen pension system then needs to be strengthened through reforms in other safety net and social security programmes. As a middle-income welfare state, there is no alternative but to go for universalisation of state benefit as far as possible. Only 1-2% of the tax paid by individuals can be set aside for creating the pension fund from the next financial year. A pension system for those above 60 who have paid taxes regularly in the preceding 10 years can be started from 2018-19. This is how it can begin and by 2020 the system can be finalised for fuller implementation.

At the same time, steps should also be taken to launch a single national social security and social insurance system for income tax payers first. Gradually a national insurance scheme and national citizen pension in accordance with the national social security policy can be started by formulating a road map. The government needs to formulate a transparent and feasible road map to this end and create an independent commission to monitor and assist in the process of formulation and implementation of the policy. The Permanent Pay Commission and Social Security and Pension Commission can be integrated into a single entity for initiating the reform.

Alternative funding for the social security programs for the extreme poor

At present, Tk. 30,000 crore has been allocated for the social safety net system in exchange for cash and food grains. If other social security program, especially the national pension scheme is started, then a part of the tax revenue will be shifted for that from the existing safety net. This might apparently pose a threat for the current programs or create an extra pressure on the budget, but in reality it is not. However, this can be combated in three ways. One: if the universal pension scheme is started in the country, then the separate allowance for senior citizens as well as the pension fund for government employees could be merged with National Pension system. Two: Separate allocation for the funding of social security of the extreme poor might become negligible and smaller. Three: The money for supporting the extreme poor can be collected from other alternative sources with proper incentives.

A large portion of relatively affluent citizen of the country pay zakat as part of their religious obligation according to shariah dictum. More people in this country pay zakat than those who pay taxes. There is no registration for those who pay zakat and the zakat system is not connected with any government programme. At present, a nominal rebate is given for the amount of zakat paid to the fund of the Islamic Foundation.

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