

# Reforming tax with help of technology



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**T**HE government of Bangladesh has been building technology infrastructure and systems to deliver services to citizens online. The National Board of Revenue (NBR) has introduced a new website for VAT registration, payment of tax and filing of returns. This move aims to not only ease multiple tax processes but also to help the government leverage digital interaction with the taxpayers. Successful rollouts of these websites will be a positive move towards transforming Bangladesh into a digitally empowered country. Along with setting up websites, the government should also focus on providing superior digital experience to improve the overall stakeholder satisfaction.

The government interacts with two groups of stakeholders while conducting revenue collection activities -- taxpayers and government employees. While undertaking a technology-led transformation, the government needs to ensure that both groups of stakeholders are able to use the technology effectively and there is an overall improvement in the effectiveness of the system.

By setting up different websites, the government has started interacting with taxpayers. While the government might develop separate websites for different types of systems such as income tax and VAT, its underlying objective must be to provide speedy, consistent and high-

quality services. Each service should also have a target duration for delivery to taxpayers, and failure to do so should result in the matter being escalated to high-ranking officials.

Adhering to service levels while delivering services to citizens is the responsibility of a government. The performance of various tax departments in a country can be measured through various metrics. These metrics reflect the complexity or simplicity of tax rules, speed and quality of tax assessments and the ease of dealing with the different tax departments. While tax rules are largely related to the policy decisions of governments, technology helps tax departments in improving the speed and quality of tax assessments to a great extent. The time required to file a tax return, the time taken to process a tax refund and the accuracy of tax refund computation are some of the key indicators that help in understanding the performance of a particular tax department and the overall performance of all the tax departments in a country.

This necessitates the enablement of government employees of the different tax departments with technology. For example, a taxpayer may submit a new registration application online but the official responsible for reviewing the application may work manually to complete its verification and approval. This causes the speed of processing a registration application to slow down, thereby reducing the benefit of technology to a significant extent. The true power of technology will be realised when tax officials of the respective tax departments are able to process applications through computer systems. Computer systems should be able to perform the initial verification of all supporting data. Today, computer systems are capable of storing information about millions of commercial transactions and reconciling them for the purpose of calculating tax liabilities for each taxpayer.

Computer systems should also be able to gather additional supporting data relevant to taxpayers' application forms through integrated interactions with other systems, such as banking transactions obtained from banks. Once all the

GLOBAL SNAPSHOT: VAT	KEY INDICATORS
<b>162</b> economies have VAT	<b>21.6 weeks:</b> Global average time to obtain a VAT refund
<b>93</b> economies refund VAT	<b>3.2 weeks:</b> Shortest average time to obtain a VAT refund in an economy (Austria)
<b>46</b> economies allow VAT refund calculation and processing within standard VAT return	<b>14.2 hours:</b> Global average time to comply with a VAT refund
<b>30</b> economies pay VAT refunds through electronic bank transactions	<b>Zero hours:</b> Shortest time to comply with a VAT refund (9 economies in the world)
<b>28</b> economies don't initiate audit due to VAT refund claims	

SOURCE: PWC ANALYSIS

required information is in place, a tax official has to review all the available data online to complete the processing of the application form. In case the official requires more information from a taxpayer, s/he should be able to contact the taxpayer through the same computer system via an email or any other type of electronic message. The computer system should also be able to store the copies of such communications for reference.

Effective computer systems and sufficient trainings on the use of these computer systems will be essential for government employees working in the tax departments. There also need to be proper motivation and rewards frameworks to expedite the digitisation of tax processes. To that end, senior officials should start monitoring the performance of their respective departments through meaningful performance metrics. Moreover, a computer-based dashboard should enable them to track these metrics on a daily basis.

One way to measure the tax collection performance of a country is calculate its tax to GDP ratio. According to World Bank data, the tax to GDP ratio of Bangladesh is much lower than that of its neighbouring countries and other developed economies. At the same time, tax rates in Bangladesh are comparable to those developed and emerging countries. A technology-enabled tax assessment and collection process is more effective in

improving the speed and quality of tax assessment, thereby leading to timely tax collection. An efficient tax collection process improves a nation's overall tax to GDP ratio.

The tax departments of many advanced and emerging countries have adopted technology to perform model-driven data analysis of their taxpayers' data. They have developed statistical models based on certain hypotheses and test the same by applying tax data and relevant technology. The objective of such data analysis is to identify leakage of tax due to unreported economic activities. While the practice is still under development, the initial results across many countries indicate improvement in tax collection. Tax departments in Bangladesh should also explore the use of advanced technologies to improve tax collection and tax governance processes and systems.

Tax officials will have to familiarise themselves with sophisticated technologies. The ministry responsible for developing such skills should take proactive steps to train and enable tax officials to adapt to this new way of working. This will also change the profile of a typical tax assessment official. The tax official of the future will be relying more on technology and statistics, in addition to tax and financial knowledge.

The writer is a partner at PwC. The views expressed here are personal.

## Modest rise in US consumer prices may delay Fed rate hike

REUTERS, Washington

US consumer prices rose slightly in July as higher food costs were partly offset by falling prices for a range of other goods, suggesting benign inflation that could persuade a cautious Federal Reserve to delay raising interest rates until December.

But with the labour market near full employment and economic growth accelerating, analysts expect the US central bank will announce a plan to start unwinding its massive bond portfolio at its policy meeting next month.

"We believe the Fed will focus on the balance sheet in September, foregoing another rate hike until December," said James Bohner, an economist at IHS Markit in Lexington, Massachusetts. "The inflation outlook will not change drastically anytime soon."

The Labour Department said on Friday its Consumer Price Index edged up 0.1 percent last month after being unchanged in June. That lifted the year-on-year increase in the CPI to 1.7 percent from 1.6 percent in June.

Economists had forecast the CPI rising 0.2 percent in July and climbing 1.8 percent year-on-year.

Stripping out the volatile food and energy components, consumer prices gained 0.1 percent for the fourth straight month. The so-called core CPI rose 1.7 percent in the 12 months through July and has now increased by that margin for three consecutive months.

Despite the modest gain in consumer prices, which came on the heels of a drop in producer prices in July, many economists continue to share the Fed's conviction that transitory factors were holding back inflation.

Fed Chair Janet Yellen told lawmakers last month that "some special factors," including prices for mobile phone plans and prescription drugs, were partly responsible for the low inflation readings. Mobile phone prices continued to decline in July, falling 0.3 percent.

Prices of US government debt initially rose on the inflation data, but pared gains after Russian Foreign Minister Sergei Lavrov said there was a Russian-Chinese plan to defuse tensions between the United States and North Korea.

The dollar was trading lower against a basket of currencies, while US stocks rose.

The Fed has a 2 percent inflation target and tracks a measure that has been stuck at 1.5 percent since May.

Inflation remains tame despite a tightening labour market, a conundrum for the central bank as it contemplates tightening monetary policy further.

The Fed is expected to outline a program to start offloading its \$4.2 trillion portfolio of Treasury bonds and mortgage-backed securities at its Sept. 19-20 policy meeting.

## Malaysia's 1MDB makes payment to Abu Dhabi after delay

AFP, Kuala Lumpur

Malaysia's crisis-hit state investment fund 1MDB said Friday it has paid Abu Dhabi the equivalent of \$350 million, the first installment under a deal to settle its debts after it missed previous deadlines.

1MDB and its founder Prime Minister Najib Razak are battling allegations that billions were looted from the fund in

complex overseas deals that are being investigated by authorities in several countries. Both the fund, 1Malaysia Development Berhad, and Najib have vehemently denied wrongdoing.

1MDB agreed in April to pay Abu Dhabi's sovereign wealth fund, International Petroleum Investment Company, about \$1.2 billion to settle debts, with half due at the end of July and the rest by the end of the year.

## India raises vegetable oil import taxes to protect farmers



REUTERS

**A farmer spreads fertiliser mixed with potash in his paddy field on the outskirts of Ahmedabad, India.**

REUTERS, New Delhi

India, the world's biggest buyer of vegetable oils, has raised import taxes on crude and refined edible oils to protect local oilseed farmers from cheaper imports from top suppliers Malaysia and Indonesia.

The increases were shown in an order uploaded on a government website late on Friday. New Delhi doubled the import tax on crude palm oils to 15 percent and raised the import tax on refined palm oils to 25 percent, increasing the differential in duty by 10 percentage points to encourage local processing.

The government also raised the import tax on crude soybean to 17.5 percent from 12.5 percent previously. "The decision will help both farmers and the local crushing industry which had to bear the brunt of

higher oilseed stocks, lower domestic prices and surging supplies from major producers," said Sandeep Bajoria, chief executive of the Sunvin group, a leading vegetable oil importer. "We welcome the move."

Reuters reported on Tuesday that the government was considering raising import taxes on vegetable oils, the country's third biggest imported commodity after crude and gold.

New Delhi spends about \$10 billion a year to import palm oil from Malaysia and Indonesia and relatively smaller quantities of soybean from Brazil and Argentina.

Large inventories and lower prices have fomented a wave of protests by farmers in the big agrarian states of Maharashtra and Madhya Pradesh, ruled by Prime Minister Narendra Modi's Bharatiya Janata Party. Nearly two-thirds of India's 1.3 billion people depend on agriculture to scrape a living.

## Treadmills to karaoke -- China goes sharing crazy

AFP, Shanghai

**B**ACKED by a torrent of venture capital, China has gone sharing mad with everything from treadmills to karaoke booths and napping capsules all up for short-term rent -- and at the click of a smartphone.

With the boom spawning some novel ideas but also warnings of a sharing "bubble" in the world's second-largest economy, AFP lists a number of the services that have come (and gone) in China in the last 18 months.

**Two-wheel menace?**

Brightly coloured bicycles kicked off the sharing craze last year and have since threatened to take over pavements and streets. That sparked a backlash and Beijing and Shanghai are among the cities that moved to lay down regulations. At least two Chinese bike-sharing services have gone bust and it is not uncommon to see officials carting bikes off to a fate unknown.

**Beaming in blue**

If you are looking for something much more classy, a company in the northeastern city of Shenyang is rolling out a first batch of royal blue BMWs for sharing. Like the bikes, users scan a QR code with their mobile phones -- and bingo! A snazzy BMW 1 Series is yours for the rental fee of 1.5 yuan (\$0.22) per kilometre, plus the 999 yuan deposit.

**Treadmill in a box**

Forget the sweaty gym and look no farther than a grandly named "shared sports warehouse" -- actually a treadmill inside a black-and-yellow glass-encased box. The company behind the scheme, which just launched, says there are 10 of the pods in Beijing and thankfully they come complete with air conditioning, plus a television to



AFP/FILE

**The photo shows 'sharing umbrellas' hanging on a guardrail in Shanghai.**

break the monotony.

**Rude awakening**

No need to head home for a rest, however, and instead pop in for a snooze at a shared napping capsule (you don't actually share it at the same time as a stranger). But no sooner had these cozy coffin-type structures popped up, the company behind them had a rude awakening when Shanghai authorities quickly closed them down and dismantled them, citing them as a fire risk.

**Life of luxury**

Experts say that while China is becoming increasingly wealthy, many people remain very cost-focused. So rather than shelling out for the handbag of your dreams, why not just borrow one? Companies renting out top

European-brand handbags say it also means users are guaranteed that they are getting the real thing, not a cheap knock-off. Just don't spill any wine on it.

**Subway KTV**

Karaoke ("KTV") booths are springing up in shopping centres and subways, taking China "by storm", says state media. Thankfully they are more or less sound-proof, meaning wannabe pop stars can croon away as loud as they want, and the pods allow you to record yourself and upload your performance to your phone -- so you can show off to/annoy your friends.

And others you can share in China: electric scooters, phone chargers, work spaces, umbrellas and basketballs.

## Saudi Arabia favours New York for Aramco listing despite risks

REUTERS, Dubai/Riyadh/London

Saudi Arabia favours New York for the main foreign listing of state oil giant Aramco, even though some financial and legal advisers have recommended London as a less problematic and risky option, people familiar with the matter told Reuters.

A final decision on where to stage what could be the world's largest initial public offering will be taken by Crown Prince Mohammed bin Salman -- or

MbS as he is known -- who oversees the kingdom's economic and energy policies, the sources said.

Their comments point to internal disagreements between what some advisers are recommending and what the crown prince wants.

Prince Mohammad may choose to list Aramco on the New York Stock Exchange (NYSE) for "political considerations", given the longstanding relationship between Riyadh and Washington,

the sources said. However, they added that financial and commercial factors would also play a role in the choice.

Aramco said in a statement that no decision has been taken yet on the listing venue, beyond the Saudi exchange Tadawul. "All options continue to be held under consideration. There is no timetable requirement for an immediate definitive decision," Aramco said in response to a Reuters request for comment.

Selling around five percent of

Aramco by next year is a centrepiece of Vision 2030, an ambitious reform plan to diversify the Saudi economy beyond oil which is championed by Prince Mohammad.

Several advisers have recommended London for the main listing outside Saudi Arabia, sources familiar with the matter told Reuters last month, partly due to concerns that a U.S. flotation would require greater disclosure of sensitive information on Aramco.