

# The problem with our tax system



**ABU AFSARUL HAIDER**  
 ON November 13, 2018 at the inaugural programme of the weeklong Income Tax Fair, Finance Minister AMA Muhith wondered why only one crore people pay taxes as the number could easily be four crore.

Bangladesh has one of the lowest tax-to-GDP ratios in the region. In fiscal 2016-17, the tax-to-GDP ratio was 9.1 percent, which is far below the developing country average.

Income tax is one of the major components of tax revenue. The main use for the money governments collect in taxes is to provide goods and services to the public. Taxes are used to spend on education, building and maintaining roads and highways, public transportation, and public welfare programmes such as social security, unemployment benefits, public housing, health, security, fire protection, and so on. Tax money also pays for the daily operating expenses of the government, such as the salaries of government employees and interest owed on government debt. In order to provide a better life for the people, the government needs money and thus internal resource is the key for sustenance and development of a nation. Since revenue is the most sustainable means of financing development activities, a developing country like Bangladesh must have the goal of achieving self-sufficiency through tax revenues and reduction of its excessive reliance on foreign aid or bank loan.

According to National Board of Revenue (NBR) data, as of June 2018, there are about 3.5 million tax identification number (TIN) holders, of which about 1.95 million submitted tax returns. However, this does not mean that those who have paid tax have not evaded tax. Tax evasion can have many forms. In Bangladesh, businessmen who collect value added tax from consumers also evade tax by under-reporting the same. Importers avoid tax by under-invoicing. Tax avoidance is thus a major problem.

An independent survey finds a few reasons for reluctance or lack of interest in paying taxes. People would like to be

companies not pay taxes properly. Moreover, we have seen in the past that all successive governments offered the scope for legalising "undisclosed money" and most of the time, rates were lower than the normal tax rate. Honest taxpayers, who pay taxes on a regular basis, become frustrated seeing such unfair government policies. Also, this encourages many individuals and companies to abstain from paying taxes because they can in future take advantage of a low tax rate when such an amnesty is offered.

Tax compliance depends on how the government perceives the social contract between the government and the taxpayers. Normally, when citizens realise that the services they get from the government are less than what they pay for, i.e. the social contract is not honoured, they tend to reduce their tax compliance by evading or avoiding paying income tax. This results in serious inadequacy in government funds to provide public utility services such as water supply, electricity, maintenance of roads and highways, health care, security, and so on. These services cannot be provided privately; hence, the government has to collect funds from citizens in the

long-term plan to increase income tax revenue. The tax rate needs to be brought down to a level where everybody with taxable income feels comfortable to pay income tax; the tax net would then be wider.

Investment in property is a common means of parking money unaccounted for and a large number of transactions in real estate are not reported or are under-reported. This is mainly on account of very high levels of property transaction taxes, commonly in the form of stamp duty. In order to prevent tax avoidance, property transaction tax needs to be reformed.

Another problem in our tax policy is the extensive use of tax exemptions. The extensive use of tax exemptions, incentives and special provisions also limits revenue collection as the effective tax base becomes much narrower than that of the standard tax regime. Generally, it is argued that widespread exemption encourages tax evasion, erodes tax equity and creates distortions in the economy. Various other tax breaks legally keep many more people off the tax roll.

It has been noted that we are practising too much of the "infant-industry theory,



SOURCE: PINTEREST

form of tax. Therefore, there is a crucial need for the government to make sure that this contract is honoured and public services are well-provided.

As income tax is one of the major sources of the NBR's revenue, the policy of tax collection requires a complete overhaul to induce higher revenue mobilisation. The government should come up with pro-people policy measures and create awareness on developing a culture of paying taxes. The main thrust of tax policy reform is to boost revenue mobilisation by expanding the tax base. There are ample opportunities to increase tax revenue collection as under the current practices, the burden of tax lies on a limited number of persons/companies with higher marginal income tax rates. Moreover, currently, the bulk of those paying income tax are salaried employees whose companies are responsible for making their tax payments and around 62 percent of income tax revenue comes from tax withheld at source.

Throughout the world, responsible governments follow the policy of a progressive income tax. Those with higher incomes are expected to pay a higher percentage of their income in tax than those with lower incomes. But the policymakers of Bangladesh should think about this independently rather than compare tax rates with neighbouring countries. Considering our socioeconomic conditions, the present tax structure is not suitable to attract enough people to pay taxes and as such the government should focus on devising a

Forty-seven years have passed since independence, and our industry by now should have been "adult" enough not to be shielded from global competition. As such, withdrawal of all sorts of tax holidays and tax exemptions from all sectors needs to be considered (special consideration can be given in some cases).

For the NBR to collect taxes effectively, it needs to be fully equipped with modern ICT instruments to collect enough information to assess individuals' or organisations' tax liabilities. Linking and establishing a database with the land registration office, Bangladesh Road Transport Authority, Dhaka Electric Supply Company, etc. would help gather enough information about taxpayers for estimating the total income from taxation. Also, strong institutional reform is essential to enhance the efficiency and capacity of the tax administration. Without an efficient and effective tax administration, it is almost impossible to execute the policies that are intended to enhance the volume of revenue collection.

Many might argue that drastic reduction on income tax rate will create a huge shortfall in tax revenue. However, in view of the country's socioeconomic conditions, by removing existing administrative barriers and undertaking adequate tax policy reforms, the existing tax base can be widened which will help us achieve the required tax-to-GDP ratio.

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The current education system leaves no room for soul-searching or self-exploration for students.

PHOTO: ADB/FICKR

## Reinventing education

*Our schools need to revamp their curricula so that students can hone their talents and pursue their passion*

AZWA NAYEEM

If you are still not alarmed by the grim predictions of our education system, let me apprise you of the current scenario.

It was revealed in a large-scale national survey commissioned by the Directorate of Primary Education that 1 in 4 students completing grade 5 are unable to read, write or do basic math at their grade level. Although the literacy rate has gone up considerably to 72.3 percent according to Unesco, the application of basic literacy tools is still inadequate. To make matters worse, the race for higher scores limits the purpose of education and schools to prepare students for exams, the kind of exams that may not have much relevance to the practical world. Guidebooks, private tutors and supplementary reading materials are added features that feed into a culture of regurgitation rather than innovation.

This naturally leads one to think about how the education system needs to be transformed to prepare students for the future. There are numerous studies on 21st-century education. It can be perplexing and strenuous to encapsulate it all in a single philosophy. However, the one factor that encompasses all the studies, findings, reports, analyses and gives it coherence is empathy.

Empathy is "seeing with the eyes of another, listening with the ears of another, and feeling with the heart of another." Making empathy a core element of the future education system will allow students to be in touch with their own emotions while also understanding the emotions of others. This will give them the ability to develop their humane, social, collaborative qualities to navigate through different relationships, interactions and community-building. In a globalised world, the ability to feel the emotions of another human being is crucial. By understanding the needs of others, one will be prompted to take action to meet those needs.

Problem-solving involves critical thinking and creativity. Empathy acts as a catalyst to develop and deploy the four important Cs of 21st-century skills, i.e. critical thinking and problem-solving, collaboration, creativity and communication.

According to Tony Wagner, the author of several books including *Creating Innovators*, "The exile of play is one of the greatest tragedies of standardisation." The culture of prioritising high test scores has resulted in diminished play time in the lives of students. Play allows them to build a world of imagination that is beyond the constraints of the real world. It allows children to think in diverse and creative ways that know no bounds. The more children play, the more they develop their sense of imagination and its articulation through storytelling. Play allows for the physical, cognitive and emotional development of children. When they make little tents or houses or play with pebbles or sticks, they learn to work and communicate in groups, advocate for themselves, negotiate and resolve conflicts. It

improves their social skills and increases their confidence and resiliency.

In their 2010 report, researchers Paul Howard-Jones, Jayne Taylor, and Lesley Sutton explain how allowing students to first have time for play (10 minutes with a wad of playdough) before conducting a creative or standard task leads to better output and more creative ideas. When designing our education system for the future, we need to overemphasise play. The classrooms can be playgrounds and the lessons can be designed as games where passing each level requires students to unlock their potential. Students can play hopscotch to learn numbers, hangman to learn spelling, etc. Lessons can also be designed as simulations where in order to complete each grade students are challenged to solve puzzles depicting real-world scenarios such as global warming, economic recession, refugee crisis, etc. As Tony Wagner said, "Students spend their school hours bored, covering irrelevant material, doing mindless tasks, taking far too many standardised tests, and having the creativity and innovation schooled out of them. Our focus shouldn't be to give all kids equal access to the same bad education. We need to reinvent education and give all kids a fighting chance in life."

To keep up with this pace of change, it is essential to design an education system that allows learners to not only gain knowledge about the external world but also explore and hone their own talents and passions. We need to design a kind of education system that helps students identify their forte and work on it.

The current system leaves no room for soul-searching or self-exploration. Curriculum, classroom activities and school layout should all be designed to suit the learning preferences of the students. Teachers need to cater to the students as per their area of interest. After gaining a basic level of knowledge at elementary level, students should be allowed to explore different areas such as art, violin, piano, basketball, football, carpentry, graphics designing, mechanics, philosophy, literature, etc., to identify their passion. A student interested in carpentry should be then coached to become the best in the field. Instead of shepherding them, educators should give students the freedom to pursue their passion, which will naturally increase their curiosity and eagerness to learn.

Instead of fearing being overthrown by technology, we should think about ways in which we can leverage it to customise and present curricula, contents and assessments to develop the competencies of our students. Moreover, personalised learning is not an entirely new concept; it is a tried and tested method. It is high time we utilised it to create a generation of learners who can think for themselves and learn what they love, and to convert their passion into valuable currency for the future.

Azwa Nayeem is founder and chairperson of Aikito Hridoy Foundation, a non-profit organisation based in Bangladesh working in the field of education.

*Many individuals with taxable income are not interested in paying taxes because they think there is no level playing field when it comes to paying taxes. Some get demoralised seeing rich people and big companies not pay taxes properly.*

assured that their money is being used for the right cause. A majority of the people feel our tax system is unnecessarily complicated wrecked by age-old corruption and incompetence. Many individuals with taxable income are not interested in paying taxes because they think there is no level playing field when it comes to paying taxes. Some get demoralised seeing rich people and big

### QUOTABLE Quote



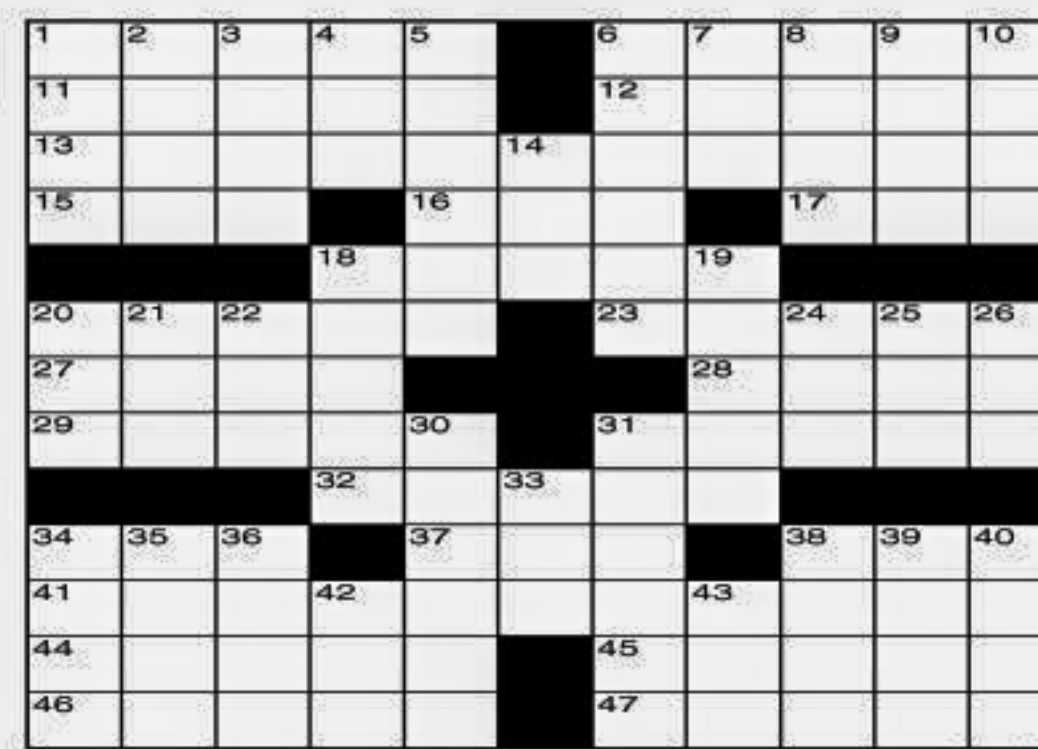
**MAYA ANGELOU**  
 (1928-2014)

American poet, singer, memoirist, and civil rights activist

*Prejudice is a burden that confuses the past, threatens the future and renders the present inaccessible.*

### CROSSWORD BY THOMAS JOSEPH

- |                        |                           |                        |
|------------------------|---------------------------|------------------------|
| <b>ACROSS</b>          | 34 Donkey                 | 14 Lilliputian         |
| 1 "Siddhartha" writer  | 37 Stick in a pack        | 18 Bar mixer           |
| 6 Bar seat             | 38 Giant Mel              | 19 Yam or truffle      |
| 11 Oak dropping        | 41 Tribal healer          | 20 Guitar blaster      |
| 12 Halloween haul      | 44 "Cats" poet            | 21 Comic Costello      |
| 13 Uncredited author   | 45 -- Dame                | 22 Young one           |
| 15 Abel, to Adam       | 46 Classifies             | 24 Fellows             |
| 16 Wide shoe letters   | 47 Haunted house resident | 25 Avril follower      |
| 17 Refinery supply     |                           | 26 "Tasty!"            |
| 18 Trick's alternative | <b>DOWN</b>               | 30 Dark times          |
| 20 Some singers        | 1 Cronos                  | 31 Little devils       |
| 23 Horror film monster | 2 Cave sound              | 33 Failure             |
| 27 Werewolf's trigger  | 3 Before long             | 34 Really impresses    |
| 28 Swan                | 4 Last year's jrs.        | 35 Farm sight          |
| 29 Enter port          | 5 Comes in                | 36 Mix up              |
| 31 Jeans material      | 6 React to a ghost        | 38 "Beetle Bailey" dog |
| 32 Fall quaff          | 7 -- chi                  | 39 Matador's foe       |
|                        | 8 Not fooled by           | 40 Hard journey        |
|                        | 9 German river            | 42 Army bed            |
|                        | 10 Orpheus played one     | 43 Force member        |



### YESTERDAY'S ANSWER



### BEETLE BAILEY



### BY MORT WALKER



### BABY BLUES



### BY KIRKMAN & SCOTT



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