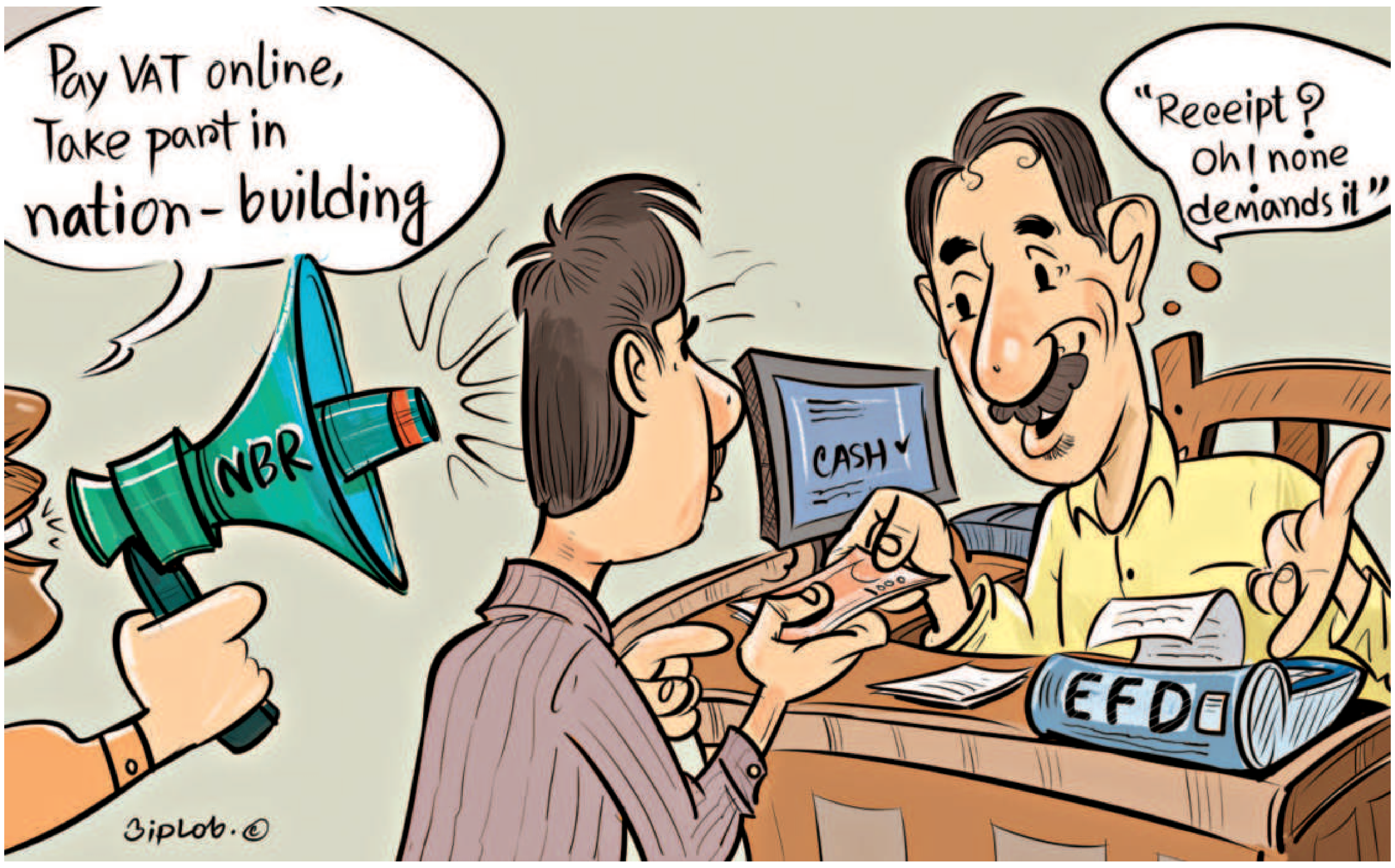


# From electronic cash registers to electronic fiscal devices

## NBR's struggle to collect VAT from retail level

SUKANTA HALDER, MOHAMMAD SUMAN *and* SOHEL PARVEZ

On April 5, the revenue authorities held a draw of the lottery of sales receipts issued by the stores using electronic fiscal devices (EFDs).

It was the 15th draw since the National Board of Revenue (NBR) introduced the lottery system to encourage consumers to ask for receipts of their purchases from salespersons. Until now, it got more than 1,500 winners through draws.

Yet it did not get all of the winners of the lottery that has Tk 100,000 as the first prize and Tk 50,000 as the second prize. Just around 100 people have claimed prizes so far.

The rest did not claim the awards although, at the time of the introduction of the lottery, officials had expected that the launch of the lottery and prizes would generate interest among customers and they would demand receipts after purchases from stores or dining at restaurants, helping curb the scope of evasion of the indirect tax.

The NBR launched the lottery after it started installing EFDs at 24 types of businesses, including shops, hotels, restaurants, sweet stores, clothing, furniture and electronics outlets and jewellers to ensure a proper collection of the value-added tax (VAT) from the retail level.

The idea was that the use of EFDs by businesses would enable revenue officials to see real sales data as the technologies would be connected with the EFD management systems at the NBR.

This was the second attempt by the revenue administration to boost VAT collection, after its first initiative to popularise the electronic cash register (ECR) in 2007-08 failed to generate enough interest among users.

The efforts died down a couple of years after its introduction because of a lack of enforcement and unholy nexus between revenue officials and traders.

**Nearly two years down the line, the NBR has been able to install only 4,000 machines at stores mainly in Dhaka and Chattogram amid a lack of interest among revenue officials and high-ups at the NBR**

Another problem was that there was no scope to monitor whether traders were showing actual transactions as the ECRs were not connected to any central system of the NBR.

So, the revenue authorities took the initiative to replace ECRs with EFDs in 2017. It floated a tender in December 2018 to buy the machines and systems.

It placed an order to buy 10,000 EFDs initially out of a planned 100,000 from a consortium of China-based SZZT and Synesis IT of Bangladesh.

The purchase price of each EFD was Tk 32,000.

In August 2020, the revenue authorities launched EFDs on an experimental basis in five commissionerates of VAT in Dhaka and Chattogram with a target to install 10,000 EFDs at stores by June 2021.

The plan was the consortium would be given further orders for the rest 90,000 EFDs upon successful installation and operation of the devices.

The level of excitement among the top officials of the finance ministry was such that they were planning to roll out the EFDs across the country to bring most retail outlets under the tax net.

**WHAT IS HAPPENING AT FIELD LEVEL**

Nearly two years down the line, the NBR has been able to install only 4,000 machines at stores mainly in Dhaka and Chattogram amid a lack of interest among revenue officials and high-ups at the NBR, although insiders say the installation of the devices and their use is bringing an increased amount of revenue from many shops.

Insiders say the drive from the NBR slowed as it began to discuss whether it was right to provide the machines to businesses free of cost.

Traders were also unwilling to accept the device and use them to record sales and it was evident from the disabling of the EFDs at some stores.

In repeat visits to shops and restaurants, The Daily Star correspondents also saw little interest among businesses to issue EFD-generated sales receipts to customers.

Take the case of Shawarma House located at the Bashundhara City Shopping Mall in Dhaka. On April 17, one of the correspondents visited the restaurant where the NBR installed the devices.

After the payment of the bill for snacks, the salesman gave the change and no receipt was given. Inquired, the salesman said no customer had demanded receipts since the beginning of the day.

Later two customers paid bills and the salesman accepted but did not issue any receipts. This was the second visit to the same food court since January 10 this year when the correspondent had a similar experience.

At that time, one of the correspondents also visited other shops at the mall, where EFDs have been installed. None was found issuing the sales receipts from the EFDs.

A number of shops in other parts of Dhaka and in the port city of Chattogram that have installed EFDs follow suit: they carry out transactions without giving inputs to the devices.

The examples speak volumes about the lack of compliance on the part of shops and the vigilance and enforcement on the part of the field offices of the revenue administration.

Shop operators say many customers don't want to pay VAT, so they don't use the EFDs.

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# Accelerate use of EFDs, ramp up monitoring

## Former NBR chiefs, economists urge tax administration

SUKANTA HALDER, MOHAMMAD SUMAN *and* SOHEL PARVEZ

The National Board of Revenue should accelerate the use of electronic fiscal devices (EFDs) and ramp up monitoring to eliminate non-compliance with a view to raising more value-added taxes using technologies, said former top taxmen and economists.

Their comments came as the use of much-hyped EFDs failed to meet expectations, thus depriving the government of the indirect tax shops collect from the consumers and raising the tax-to-GDP ratio.

"There is inertia among many traders toward automation or recording transactions in machines," said Muhammad Abul Mazid, a former chairman of the NBR.

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"There is fear among traders that if machines are used, the devices will store all transaction data. In a country, where the use of two registers is quite common, who will be interested in using the devices?" he questioned.

Mazid was at the helm of the NBR when the tax administration introduced the electronic cash register (ECR), the predecessor of the EFDs, in 2007-08.

"There is also apprehension among the dishonest traders that all of their transactions will be transparent if they use the devices. Instead of doing that, many of them are trying to shift the blame onto customers," he said.


According to Nasiruddin Ahmed, another former chairman of the NBR, the main reason behind the failure is the absence of constant monitoring at retail levels.

"This is the job of the NBR. It appears that there is a gap when it comes to commitment."

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, thinks businesses will not interested in collecting and depositing VAT properly if an effective refund or credit system is not put in place.

"Input tax credit system does not function properly."

An input tax credit is deducting or adjusting the VAT paid during the purchase by a customer from the VAT realised from the buyer during the supply of the inputs.

Hussain also blamed the loopholes and distortion in the VAT policy. "Businesses see VAT as a burden."

The second issue is governance and the lack of monitoring, the economist alleged.

"Corruption has a role. Businesses are getting benefits from not using EFDs. Dishonest officials are also getting a part of the pie."

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, thinks officials at the field level of the NBR do not want the initiative to be successful.

"Monitoring and enforcement must be separated. The official who will monitor the

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# Rouble rallies

## Reverses last week's heavy losses

REUTERS

The rouble firmed sharply in volatile trade on the Moscow Exchange on Monday, reversing some of last week's heavy losses as it retained support from capital controls and Russia's strong trade account.

The rouble plunged last week as the central bank slashed interest rates, signalling more cuts. The prospect of an easing of capital controls and a possible sovereign default added to downside pressure.

At 0807 GMT, the rouble was nearly 5 per cent stronger at 63.47 to the dollar. Last Wednesday it had hit 55.80 to the dollar, its strongest level since February 2018.

Against the euro, the rouble rose 6 per cent to 65.40, having last Wednesday hit a seven-year high of 57.10, at the peak of month-end tax payments that usually prompt export-focused companies to convert foreign currency to meet liabilities.

"The overall fundamental picture for the rouble is not changing much ... We're not ruling out a return to levels of 60-63 to the dollar," said Dmitry Polevoy, head of investment at LockoInvest firm.

Boosted by capital controls, the rouble had risen to become the world's best-performing currency so far this year until last week's slide. New gas payment terms for EU consumers that require conversion of foreign currency into roubles and a fall in imports have also supported the rouble.

Market eyes are focused on Russia's ability to service its foreign debt after the United States pushed it to the brink of a historic debt default by not extending its licence to pay bondholders, as Washington ramps up pressure following what Russia calls a "special military operation" in Ukraine.

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**A Russian rouble banknote is placed on euro banknotes in this illustration. New gas payment terms for EU consumers that require conversion of foreign currency into roubles and a fall in imports have supported the Russian currency.**

PHOTO: REUTERS/FILE

# Iran's energy export revenue up 60pc in March-May

REUTERS, *Dubai*

Iran's energy export revenue is 60 per cent higher in the first two months of the Iranian year (March 21 to May 21) compared to the same period a year ago, an official from the Iranian oil ministry told the ministry's SHANA news agency on Sunday.

The official did not give a reason for the jump in revenue which comes as oil prices have nearly doubled from a year ago because of the war in Ukraine and the global post-pandemic economic recovery.

The Iranian government says it continues to export oil despite US sanctions re-imposed in 2018 after former US President Donald Trump withdrew from an agreement to restrain Iran's nuclear programme. Talks to revive the 2015 accord, and allow US sanctions to be removed, have been on hold since March, chiefly over Tehran's insistence.