Report

on

Complexities in the Income Tax Laws: A Quest for a Simpler Taxation System

By

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Acknowledgement

The tax-GDP ratio in Bangladesh is very low. It crosses 9 percent only in 2007-08 (9.2 percent). In the current budget of 2009-10, it has been expected to be 9.3 percent. Out of the many reasons, the tax culture might be the one reason. This culture is a product of difficulties faced by a taxpayer for the sheer technicalities while s/he starts to fill up the return. If s/he goes to the tax office directly, the treatment received is rarely praiseworthy. Taking help of the tax practitioners is not only costly but also might lead to further hassle due to the unholy alliance between the tax administration and the tax lawyers/practitioners.

Since its inception in September 2006, IBFB has worked on some of the very important areas in business and policy advocacy. IBFB is a platform of professionals engaged in trade, commerce and industry. IBFB is a platform for practicing professionals engaged in various trades, with an aim to deliver to the nation an effective voice for an enabling business atmosphere, where business and the economy can grow and also develop on a sound basis. We at IBFB believe that an enabling atmosphere, free from conflict and based on Social justice, is the key to economic integration. For this reason, we have undertaken this study to let the public know what businesses feel about the current fiscal environment in terms of its complexities, and we also hope that the relevant authorities will also take note of the inputs that we have provided and act accordingly so as to help facilitate business-friendly tax policy making by the Government.

We would like to offer our sincerest thanks and gratitude to our partners, the United States Agency for International Development-Promoting Governance, Accountability, Transparency and Integrity (USAID-PROGATI) for their continued support and consultancy in helping us to carry out this study. We also thank the High Officials of the Tax Department, along with the business people, for taking the time out from their busy schedules and providing us with their valuable inputs. It is hoped that the findings will also create opportunities for further research that may benefit businesses and address many of their problems.

Mahmudul Islam Chowdhury
President, IBFB

List of Abbreviation

AY	Assessment Year
FA	Finance Act
FO	Finance Ordinance
GOB	Government of Bangladesh
IBFB	International Business Forum of Bangladesh
ITO	Income Tax Ordinance
NBR	National Board of Revenue
SRO	Statutory Rules and Order
u/s	under section
u/r	under rule

Executive Summary

The complexity is an integral part of the overall taxation system in general, but regarding income tax the degree of complexity is of such scale and scope that everybody wants to get it understood in a simpler way. This paper examines the way how our income taxation has been affected by various intricacies and then tries to show some indications how one can perceive it in a better way.

The dimensions and extent of complexities are the product of absence of the ‘certainty’ principle in terms of the time of payment, the manner of payment, and the amount of tax to be paid. The other aspect of complexities is the sheer length of the Tax Code.

Filling up the Return Form is complicated for a taxpayer, for several factors such as: so many heads of income; difficulties in acquiring prior knowledge; requirement of knowledge of the tax laws and practical demonstrative skill; timely investment in prescribed areas after fulfilling conditions; difficulties in collecting requisite documents; differing treatment regarding illegal income and illegal expenses; absence of family return and consequent emotional accounting for married couple; etc.

Other areas of complications include: different perspectives, different meanings; same thing clarified differently; presence of unusual provisions; absence of provisions; provisions only through SRO; presence of unconstitutional provisions; ambiguous provisions; overlapping provisions for deductions from “Income from business or profession”; deductions from “Income from business or profession” both generous and restrictive against normal accounting practice; and presence of multiple types of disperse conditions.

The complexities in the tax laws are cost-incurring. Huge resource costs in terms of administrative costs (tax collection costs) and compliance costs (taxpayers’ costs) in terms of out-of-pocket costs and non-monetary costs.
However, many of these complexities are beneficial for those who can exploit them. The livelihood of the tax lawyers and the tax practitioners is dependent on this complication of the tax code.

The possible policy recommendations to eliminate or reduce the complexities of the income tax system include *inter alia* (a) availability of updated tax code with earlier amendments as reference in the NBR’s website (www.nbr-bd.org); (b) extending the scope of withholding taxes for real taxpayers, there might be one second option, which is the payment before submission of return; (c) allowing flexible cash or bank deposit in any scheduled bank along with introduction of on-line deposit system; (d) a help desk in tax office should be able to fill up the return quickly on having a list of prescribed set of documents to be submitted by a taxpayer; (e) a simplified one-page return with few heads of income should be prescribed for salaried and lower-income self-employed taxpayers; (f) centralization of tax offices with online booth at different convenient locations; (g) final settlement of tax on the basis of withholding tax should be abolished except for cases of “income” only; etc.

1. Introduction

Albert Einstein (1879-1955) is reputed to have said that the hardest things in the world to understand was the income tax, although he never wrote this and it isn't entirely clear that he ever uttered it, either. It is widely cited,[1] though, and even if it is apocryphal it illustrates the popular view that the income tax system can defeat even the brightest (although not necessarily the most organized) among us (Slemrod and Bakija, 2000, pp. xi, 297).

But since tax is so pervasively related to our life, the taxpayers should not be a victim of complexity of the tax laws. It is expected that the removal of complexities will result in a fairer tax statute, in greater ease of tax administration and in a reduction of the costs and irritation of the taxpayers that often accompany the proper computation of a taxpayer's tax liability (Eichholz, 1939: 1200). This report is an attempt to identify the major areas of complexities in the income tax laws in Bangladesh and to show some specific directions towards the simplification thereof.

In 2008-09, the National Board of Revenue (NBR) realized Taka 138,580.9 million against the revised target of Taka 135,380.0 million (around 2.4 percent higher). In 2009-10, up to September 2009, the NBR has collected Taka 27527.6 million against the target of Taka 24240.0 (13.56 higher than target, and 25.92 percent higher than income tax collected up to September 2008 in 2008-09, which was Taka 21,862.0 million) [see www.nbr-bd.org]. This collection might be higher if the holders of TIN (Taxpayer's Identification Number) properly submitted the income tax returns. The business communities (the corporate entities and their directors) and the salaries assessees (where also a significant portion of them employed by the business communities) are not usually any defaulter in submitting the income tax returns. But others are the major defaulter in filing the return. In AY 2009-10, total number of income tax returns submitted was 757,964 in number by November 12, 2009, the extended final date of submitting the return. This number is 15.51 percent higher than last year (656,193 returns submitted last year). But out of around 22 lakh taxpayer's identification number (TIN) holders across the country (which is only 1.5 percent of total population), only 34.5 percent have submitted their return and majority (65.5 percent) are stop-filers, that is, they have discontinued the filing (*The Daily Star*, 16.11.2009). Only voluntary compliance can enhance the motivation to submit the return. The removal of complexities in the income tax laws can be one of the important issues to reduce the dependency of the taxpayers on other tax professionals (who are sometimes exploiting the taxpayers due to their lack of understanding of the legal provisions) and consequently contribute to improve the tax culture in self-filing of the tax return in time and voluntary tax payment also.

2. Objectives of the Study

The purpose of the present study is to enumerate the width and breadth of the key areas of complexities prevailing in the income tax laws and to find out some policy recommendations with a view to streamlining those complexities. The specific objectives of the study are as follows:

[1] This tax quotation of Einstein is available at http://quotations.about.com/od/moretypes/a/taxquotes1.htm; accessed 24.11.2009.

2.1 To identify the major areas of complexities in the income tax laws in Bangladesh;

2.2 To enumerate the possible costs of the complexities from the taxpayer perspective;

2.3 To provide policy recommendations for eliminating the complexities identified.

3. Methodology

The study is primarily based on secondary data and archival resources. The initial finding was presented in a stakeholders' meeting and the feedback and recommendations by the participants from their own practical experience have been incorporated. Interviews have been undertaken on a limited number of persons regarding their experience and perceptions on complexities in income tax laws, different dimensions of costs and hassles arising out of these complexities, and the ways and means to simplify the laws. These persons include taxmen, taxpayers, and tax practitioners.

4. Income Tax Laws in Bangladesh

Income-tax in the Indian subcontinent had its origin in the year 1860 when Mr. James Wilson, the first Finance Member in India, introduced the Income-tax Bill entitled "An Act for imposing Duties on Profits arising from Property, Professions, Trades and Offices". The Bill sought to raise additional finances in order to replenish the revenue deficit caused by the Sepoy Mutiny of 1857. However, the tax levied was eventually discontinued in 1865. In 1867, the tax was reimposed in an improvement form in the name of a certificate tax. In 1869, the certificate tax was converted into regular income-tax on a wider coverage of assessees. In 1873-74, when there was a comfortable budgetary surplus, income-tax was altogether abolished. Five years later, the tax was again revived in the form of licence taxes and continued till the year 1885-86. In 1886, the Government of India enacted the Indian Income-tax Act, 1886. In 1916, compelled by the necessity to replenish the finances damaged by the War of 1914-18, the Government made some enhancement in the rates of income-tax in the graduated scale. In 1918, the Income-tax Act 1886 was substantially amended to consolidate the law relating to income-tax. In 1922, based on the recommendations of the All-India Income-tax Committee appointed in 1921, the Income-tax Act, 1922 (Act XI of 1922) was passed. A Board of Inland Revenue was created under the Act, which was to be the highest authority for income-tax. The concept of 'previous year' as the basis of assessment of income, profits and gains, the taxpayer's choice of the system of accounting, total income, and adjustment of losses contained in the Act. It was the annual Finance Act which was to set out the rates of taxes and set the machinery into motion. The Act of 1922 was amended in 1924 to substitute the Central Board of Revenue for the Board of Inland Revenue. It was further amended and substantially so in 1939 to provide *inter alia* for the Income-tax Appellate Tribunal.

In pursuance of the proclamation of 24th March 1982 and in exercise of all powers enabling him in this behalf, the President is pleased to make and promulgate the Income Tax Ordinance, 1984 (XXXVI of 1984) which came into force on the 1st July, 1984, to consolidate and amend the law relating to income tax. The Income-tax Act, 1922 was repealed and replaced. The Income-tax Act, 1922 held the field of levy, collection and administration of the income tax up to 1961 in India when the Income-tax Act, 1961 came into force there, up to 1979 in Pakistan, when the

Income-tax Ordinance, 1979 was promulgated and up to 1984 in Bangladesh, when was replaced by the Income Tax Ordinance, 1984 [*Iqbal Hasan Mahmood vs. Bangladesh* 60 DLR (2008) 88][2]. Thus, the legal framework of Income Tax in Bangladesh can be shown as follows:

- 26 March 1971 to 30 June 1984: *The Income-tax Act 1922*; and
- 01 July 1984 and onwards: *The Income Tax Ordinance 1984*.

However, the income tax laws do not consist of only the main statute, rather these encompass a number of statutory elements as follows:

- Income Tax Ordinance 1984 – *the parent statute*;
- Income Tax Rules 1984;
- S.R.O. (Statutory Rules and Order)/Gazette Notification;
- Income Tax Circular;
- General or Special Order;
- Explanation/Office Memorandum;
- Verdicts of Appellate Tribunal for equivalent fact;
- Verdicts of the High Court Division on question of law; and
- Verdicts of the Appellate Division on judgment of the High Court Division.

5. Importance of Corporate Income Taxpayers

Bangladesh is not able to generate enough revenue from taxes for financing the public expenditure. The tax-GDP ratio is very low in Bangladesh, but slowly improving. Both tax and non-tax revenues as a percent of GDP have been increasing over the years. It crosses 9 percent (i.e., 9.18 percent) only in 2007-08 (NBR, 2009a). However, in 2008-09, the ratio falls a little to 9.03 in the revised target, but in the current year's budget target (2009-10), the tax-GDP ratio would increase to 9.31 percent. With a slight increase in non-tax-GDP ratio, the overall revenue-GDP ratio is also expected to grow to 11.57 percent in 2009-10 from its last year's position at 11.25 percent (see Table 1). But the situation is the worst in the SAARC region. Both the tax-GDP ratios and revenue-GDP ratios are the lowest in Bangladesh among the seven SAARC countries (see Table 2).

[2] *Iqbal Hasan Mahmood alias Iqbal Hasan Mahmood Tuku vs. Government of Bangladesh and others* (Judgment on 05.12.2007), *The Dhaka Law Reports* (DLR), Vol. 60, February 2008, the High Court Division Part, pp. 88-140.

Table 1: Tax and Non-Tax Revenue as a Percentage of GDP

Financial Year (FY)	As a Percentage of GDP		
	Tax Revenue	**Non-Tax Revenue**	**Total Revenue**
1972-73 to 1979-80	5.62	0.89	6.51
1980-81 to 1989-90	5.39	1.05	6.44
1990-91 to 1999-2000	7.11	1.70	8.81
1991-92 to 1999-2000	7.19	1.73	8.92
2000-01 to 2007-08	8.46	1.98	10.44
2008-09 (RB)	9.03	2.22	11.25
2009-10 (B)	9.31	2.26	11.57

Note: ‘RB’ means ‘Revised Budget’ (RB) and ‘B’ means ‘Budget’ (original).

Sources: Computation based on the *Annual Report 2007-2008* of the NBR and *Annual Budget 2009-10*.

Table 2: Tax-GDP Ratios and Revenue-GDP Ratios in SAARC Countries

(Percentage of GDP)

Country	Tax-GDP Ratio	Revenue-GDP Ratio				
	2008[a]	ADB’s *Asian Development Outlook 2009*				
	2009 IEF	2004	2005	2006	2007	2008
Bangladesh	8.5	10.1	10.5	10.7	10.2	11.2
Bhutan	10.7	36.0	30.5	35.0	35.0	37.8
India	17.7	19.7	19.8	21.1	22.2	–
Maldives	20.5	34.5	48.1	52.5	58.2	51.3
Nepal	10.9	13.4	14.1	12.9	14.1	15.6
Pakistan	10.6	14.1	13.8	14.1	14.9	14.3
Sri Lanka	15.3	14.9	15.5	16.3	15.8	15.6
South Asia Average[b]	**13.5**	**20.4**	**21.8**	**23.2**	**24.3**	**24.3**

[a] Mainly 2008 data, based primarily on *Tax Publications* by Big 4 Accounting Firms in 2008. [b] Simple average

Sources: (1) Data of *2009 Index of Economic Freedom* (IEF) by the Heritage Foundation (www.heritage.org) are available at http://en.wikipedia.org/wiki/List_of_countries_by_tax_revenue_as_percentage_of_GDP, accessed 11.07.2009. (2) Revenue-GDP ratio from 2004 to 2008 from Asian Development Bank (ADB) (2009), *Asian Development Outlook 2009: Rebalancing Asia’s Growth*, available at http://www.adb.org/Documents/Books/ADO/2009/, accessed 12.7.2009.

After a continuing stigma being the last ranked country over 2001 to 2005 in the Transparency International’s corruption performance index (CPI), the ranking of Bangladesh has been improved significantly in recent years (see Table 3). Due to streamlining over the years in many sectors including the Tax Administration, this situation of declining corruption has been achieved and the voluntary tax compliance has also been increased. If we look towards the structure of income tax, the growing share of income tax testifies that the overall tax system in Bangladesh is advancing towards progressivity with lowering dependency on indirect taxes, which are mainly borne by the common people. Income tax collection was average 10.2 percent of total taxes during 1972-73 to 1975-76, and now in 2009-10, this is targeted to around 26 percent of total taxes. But the reality is that income tax is mainly paid by corporate taxpayers. Out of total income tax, the share of corporate income tax was the highest (72.1 percent) during 1981-82 to 1985-86, and in 2007-08, it was around 59.1 percent (see Table 4).

Table 3: CPI Ranking of SAARC Countries by Transparency International

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009
No. of countries covered	91	102	133	146	159	163	179	180	180
Bangladesh	91	102	133	145[a]	158[b]	156	162	147	139
India	73	73	83	91	92	70	72	85	84
Nepal	NI[c]	NI[c]	NI[c]	94	117	121	131	121	143
Pakistan	80	77	96	132	146	142	138	134	139
Sri Lanka	NI[c]	56	67	70	81	84	94	92	97
Bhutan	NI[c]	NI[c]	NI[c]	NI[c]	NI[c]	32	46	45	49
Maldives	NI[c]	NI[c]	NI[c]	NI[c]	NI[c]	NI[c]	84	115	130

[a] along with Haiti, hence last rank [b] along with Chad, hence last rank [c] not included

Source: http://www.transparency.org

Table 4: Structure of Income Tax and Income Tax Revenue as % of Total Tax

Financial Year (FY)	As a % of Total Income Tax			As a % of Total Tax		
	Company	**Others**	**Total**	**Company**	**Others**	**Total**
FY73-FY76	70.0	30.0	**100.0**	7.1	3.1	10.2
FY77-FY81	70.0	30.0	**100.0**	9.0	3.8	12.8
FY82-FY86	72.1	27.9	**100.0**	10.1	3.9	14.1
FY87-FY91	70.7	29.3	**100.0**	10.7	4.4	15.1
FY92-FY96	67.8	32.2	**100.0**	10.3	4.9	15.1
FY97-FY01	57.5	42.5	**100.0**	8.7	6.4	15.2
FY02-FY06	55.9	44.1	**100.0**	10.1	8.0	18.2
2006-07	64.8 (56,504.9)	35.2 (30,707.5)	**100.0** (87,212.4)	14.5	7.9	22.3
2007-08	69,422.7 (59.1)	48,023.9 (40.9)	**100.0** (117,446.6)	14.0	9.7	23.6
2008-09 (RB)	--	--	(135,380.0)	--	--	24.4
2009-10 (B)	--	--	(165,600.0)	--	--	25.9

Note: Figures in parentheses from 2006-07 (FY07) to 2009-10 (FY10) are in million Taka of income tax amount.

Sources: Computation based on the *Annual Report 2007-2008* of the NBR and *Annual Budget 2009-10*.

But the number of corporate taxpayers is very minimum in proportion to total income taxpayers (only 2.8 percent corporate taxpayers in AY 2007-08, see Table 5). Thus around 60 percent of total income tax is being paid by about 3 percent corporate entities.

Table 5: Type of Income Taxpayers in 2007-08

Assessment Year (AY)	Type of Income Taxpayers			
	Corporate Assessee	**Salaried Assessee**	**Other Assessee**	**Total Assessee**
2007-08	41,660	299,751	1161,295	1502,706
(% of total)	2.8	19.9	77.3	100.0

Sources: The *Annual Report 2007-2008* of the NBR.

6. Dimensions and Extent of Complexities in the Income Tax Laws

Adam Smith (1723-1790), who is known as the father of modern economics for his famous book titled *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), has stated his second maxim on taxation (*certainty*) as follows: "The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person" (see Smith, 1977: 1104).[3] When a tax system loses the certainty principle, it becomes complex. Another aspect of complexities is the sheer length of the Tax Code. Below is a brief enumeration of the dimensions and extent of these issues that create the complexities in the income taxation system in Bangladesh.

6.1 Length of Income Tax Code in Bangladesh: How lengthy?

In the original version of the Income Tax Ordinance 1984, there were 22 chapters, 187 sections and seven schedules. Then comes the regular and irregular changes over the years. The regular annual changes in the tax laws are made during annual budget placed and passed in June and the other changes made by the NBR under the authority of parent statutes. In this regard, the comment by Tim Cestnick (2007) can be mentioned: "In the world of tax, change is the only constant" (Cestnick, 2007: xix). As on July 1, 2009, the Income Tax Ordinance 1984 consists of 22 chapters, 243 sections and 8 schedules. From July 1, 1994 to June 30, 2002, there was another chapter (Chapter XVIIIA on "Settlement of cases", having five sections from section 152A to section 152E). This Tax Settlement office might be again set up after scrapping the Tax Ombudsman office, for which the Ministry of Finance has taken a move recently to annul the Tax Ombudsman office from the next fiscal year 2010-11 (*The Financial Express*, 8.12.2009).[4] Thus, in terms of number of sections, the Income Tax Ordinance is about one-third more voluminous from its original length.

The Income Tax Rules 1984 had originally 66 Rules, and now on July 1, 2009, it has 99 Rules. Thus, the Income Tax Rules 1984 has been increased by 50 percent in terms of number of rules. Out of the 99 rules, one rule (Rule 68 on "Modes of recovery of taxes", inserted on May 20, 2007) contains materials of about 51 pages (see NBR, 2009c, pages 191 to 241).

Another frequent statutory document is the Income Tax S.R.O. (although it is acronym for 'Statutory Rules and Order', but sometimes colloquially known as *Swift Route to Opulence*, when used by rulers for granting discretionary tax favours to their cronies, see HDC, 1999: 83). Its use is frequent and at the discretion of the NBR and for that reason, the updated volume is difficult to obtain. In the latest volume of 'complied SROs', Mr. Lal Bahadur Adhikary has published a 351-page document containing a total of 287 SROs prescribed from May 30, 1974

[3] The other maxims are: *first*, equity (the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities); *third*, convenience (every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it); *fourth*, economy (every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state (Smith, 1977: 1103-1105).

[4] The Parliament passed the Tax Ombudsman Act 2005 on July 10, 2005. The Presidential assent was given to the Act on July 12, 2005 and it was published in the Official Gazette as Act No. 19 of 2005 on the same day. On July 9, 2006, Mr. Khairuzzaman Chowdhury was appointed the first Tax Ombudsman for four years with immediate effect. On October 15, 2006, the Tax Ombudsman Act 2005 was made effective from 09-07-2006 [*vide* SRO No. 252-Ain-2006, dated 15.10.2006].

up to July 1, 2009. Of these SROs, 58 SROs have already been repealed and 16 SROs have been amended subsequently. Thus 229 SROs can be called effective, but since this not an official publication of the NBR, it is difficult to say, how many SROs are currently effective and we are not sure whether there are any further SRO prescribed after July 1, 2009 (see NBR, 2009d).

Other aspects of regulatory publications include other voluminous length of regulations, mainly to help the taxpayers and to ease the tax administration: (a) Income Tax Circulars (from 1999-2000 to 2009-2010, the volume was a 298-page materials); and (b) Explanations and Orders issued/given by the NBR (from April 4, 2000 to April 16, 2009, the volume was a 231-page materials).

Thus, the Income Tax Laws in Bangladesh is undoubtedly of sheer length. If we consider the full 4-volume latest publications compiled by Mr. Lal Bahadur Adhikary (see NBR, 2009b; 2009c; 2009d; 2009e), we find a voluminous printed material of 1645 pages including some past reference materials of interest and also some repealed materials.

6.2 Certainty Principle under the Income Tax Laws: How far certain?

The certainty principle suggested by Adam Smith (1776) for taxation in terms of the time of payment, the manner of payment, and the quantity to be paid, has been examined here to show how uncertain these issues are.

Time of Tax Payment: Certain?

For *income taxpayers*, there are four types of timing for tax payment as follows and hence, it might be affected by uncertainty:

- Pay-as-you-earn (PAYE) – Tax Deducted at Source (TDS) [sec. 48-63];
- Advance Income Tax (AIT), if total income exceeds Tk. 3 lakh through quarterly installments on the 15th day of September, December, March and June [sec. 48, 64-73];
- Payment of tax on the basis of return on or before the date of filing the return [sec. 74]; and
- Payment within the stipulated/extended time if required to pay as per notice of demand u/s 135.

For *entities deducting tax at sources*, there are also three types of timing for depositing the tax withheld as follows and hence, it is a question of appropriate deduction and then the compliance of deposit according to law:

- Employer with prior permission through quarterly installments on the 15th day of Sept., Dec., March and June [rule 13];
- Double-cheque method for 4 cases (supply of goods or execution of contract u/s 52, fees for professional or technical services u/s 52A, house property for house rent above Tk. 20,000 pm u/s 53A & u/r 17B or commission or fees for distribution or marketing of manufactured goods u/s 53E) [rule 14(2)]; and
- Within 3 weeks from the date of deduction [rule 13].

Manner of Tax Payment: Certain?

In case of manner of tax payment, there are also multiple options as follows and hence, it is a matter of difficulty on the part of the taxpayer/tax-deducting entities how to pay the due tax:

- Cash deposit to Treasury, if the payment does not exceed Tk. 10,000 [rule 26B];
- Pay order or demand draft or account payee cheque of a scheduled bank issued in favour of the Deputy Commissioner of Taxes (DCT) of the concerned taxes circle [rule 26B];
- Payment of tax on the basis of return on or before the date of filing the return [sec. 74];
- Payment on receiving the notice of demand [rule 26B];
- Payment through recovery by tax authorities [sec. 138-143; rules 68 and 69]; and
- Payment through adjustment of surplus income tax or other taxes [sec. 152].

Quantity of Tax to be Paid: Certain?

Probably this is the most uncertain part of the Income Tax System. Due to complex and numerous tax exemptions, tax deductions and other tax incentives subject to conditionalities, it is difficult to properly ascertain the amount of tax to be paid. Following are the factors of uncertainty in this regard:

Factors of uncertainties: Related to Return

According to Herman Wouk (1915-), Pulitzer Prize-winning American novelist, "Income tax returns are the most imaginative fiction being written today."[5] To a former Member of the NBR, the current Income Tax Return is too complicated to understand and fill up. One senior official from the C&AG (Comptroller & Auditor General) Office has commended that the Income Tax Return is over-burdened with information requirement.[6] The factors of complexities can be mentioned as follows:

- Total (taxable) income is to be classified into 10 heads (9 domestic heads and 1 head for foreign income), although 7 statutory heads for computational purpose [for corporate taxpayers: 6 statutory heads, except salary];
- Reporting the tax exempted income and tax free income [Item 18 on page 2];
- Tax computation [Item 13 on page 2] might be the most complicated things in some cases;
- Tax credit on investment allowances [Item 14 on page 2] might be difficult to obtain;
- Documents to obtain for any sort of tax benefits;
- Source of income (even if it is illegal) may not be raised if you pay tax thereon, but no illegal expense is allowable;
- If both husband and wife are taxpayers, then filling up the IT-10B and the IT-10BB might be an issue of emotional family accounting with respect to dividing the livelihood expenditures, the number of dependent members, the property under joint name, and so on; and

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[5] This tax quotation is available at http://quotations.about.com/od/moretypes/a/taxquotes1.htm; accessed 24.11.2009.
[6] These comments are made in the IBFB's stakeholders' meeting held on 18.11.2009.

- One information is also different in English version and Bangla version in the IT-10B [Item 15.(b) in IT-10B: "Number of dependent children/member of the family].

Factors of uncertainties: Others

Other factors have been discussed at the end of this section under the title "Other Areas of Complications."

Below is an overview of the extent of complexities in our income tax laws.

Say, you are a new taxpayer. You want to be an ASSESSEE (the very terminology used to refer to an income taxpayer). The initial condition is to obtain a TIN (Taxpayer's Identification Number) under section 184B of the Income Tax Ordinance 1984. You may not be an assessee, but willing to open a letter of credit (L/C) for the purpose of import or to apply for a bank loan of more than Taka 5 lakh or to apply for a credit card or to purchase and register a land located in city corporation, the deed value of which is more than Taka 1 lakh. You must have a TIN under section 184A without which you will not be allowed to proceed for this. How can you get this TIN? If you have no access to internet, you cannot be in a position to visit the website of the National Board of Revenue, the apex tax authority (www.nbr-bd.org) to be aware about the initial information to locate a tax office. Then you may directly go to the office of the NBR, which is not an accessible office without prior appointment. If you can clearly explain your objective, you may be allowed to visit the Help Desk of the NBR at Room No. 199 at First Floor working since 12 November 2007 to help the taxpayers. Then you might be asked to give answers to few queries: (1) Is the assessee related to a company (the company itself or any of its directors)? Then he will be directed to the specific tax circle under a tax zone according to the first letter of the name of the company (excluding M/S or The). (2) Is the assessee an employee? For Government employees, Zone-4 might be the broader office. For other employees, type of organization will determine the tax circle. (3) For non-corporate business, territorial classification is to be employed to identify the circle. (4) Is the assessee a professional? For jurisdictional purpose, doctors, advocates, tax advisers, film actors/actresses and radio/TV artists are treated as professionals and their circle is based on this status. (5) Is the assessee a specialized entity? For jurisdictional purpose, non-corporate hotels/restaurants, fast food/pizza shop, travel agents, manpower exporters, community centers, guest/rest houses, and Chinese restaurants are treated as specialized organizations and their circle is fixed accordingly. Thus, you may be ultimately successful to know your designated tax circle in a tax zone. But what is its address? Since the tax offices are located in rented buildings with Government prescribed maximum monthly rent, it might be a big question and only the knowledgeable tax officials can clearly give you the office address. Offices are usually based on Tax Zone located without any rule of distribution. If you ultimately arrive at the specific tax office, then you can apply subject to a number of other conditions (two copies of filled in forms, two photographs, copy of treasury chalan as a proof of deposit of Taka 1 thousand and an application for providing a TIN and a certificate thereon). The updated TIN application form is not yet printed by the NBR, so you might require to buy it from private sources. This follows the collection of Treasury Chalan (T.R. Form No. 6) and the filling up of its three copies along with the required information on Tax Circle and Tax Zone, Code No. [1-1141-0000-0111] and purpose of deposit [AIT for TIN] and then depositing the same in Bangladesh Bank or any designated Treasury Branch of Sonali Bank standing in a long crowded queue with a risk of facing a pickpocket. Then you might face the time-consuming behaviour of the staff in the tax office to get your TIN and TIN certificate, who might expect the speed money to expedite your task. For all these efforts, you may resort to a tax lawyer/practitioner, which is costly and also risky for possible fraudulent treatment. According to a press release of the NBR (dated 05.03.2009, available at www.nbr-bd.org, accessed 15.09.2009), the NBR has found 252 fake TIN Certificates out of 1548 related to January and February of 2009 and 574 fake TIN Certificates out of 3448 in 2008 (partial) with respect to TIN certificates submitted for car registration at BRTA (Bangladesh Road Transport Authority) and 179 members' TIN certificates are fake out of 648 members of the Dhaka Jewelry Association. So take the hassle to obtain a true TIN for lifetime.

Then probably the real complexities arise when you have to fill up the Income Tax Return form. For non-corporate taxpayers, the Return Form is one with number "IT-11GA". Income tax return form has been revised from assessment year (AY) 2008-09. The new return for non-corporate taxpayers (individuals and taxpayers other than company) is a composite form containing 3 Forms: IT-11GA (the Return Form having 3 Parts and 3 Schedules), IT-10B (Statement of assets and liabilities), and IT-10BB (Statement regarding particulars of life style)]. The salient items are as follows:

Page-1	:	[Part-I] Identification, particulars, namely, photograph, name and addresses, father's/husband's name, mother's name, status, date of birth, TIN, Circle/Zone, assessment year etc.
Page-2	:	List of documents enclosed
Page-3	:	[Part-II] Summary of income from different sources, total income, tax payable, tax paid, exempted income, tax paid last year, etc.
Page-4	:	[Part-III] Schedule-1: Details of Salary Income including exempted items Schedule-2: Details of House Property Income
Page-5	:	Schedule-3: Details of investment tax credit House Property Income Acknowledgement Slip
Page-6	:	Verification (Declaration of correctness) and signature Acknowledgement Slip
Page-7-8	:	Statement of assets and liabilities [IT-10B]
Page-9	:	Statement regarding particulars of life style [IT-10BB]
Page-10	:	Instruction.

Filling up the Return Form is complicated for an individual taxpayer, for several factors as follows:

- *So many heads of income:* Total (taxable) income is to be classified into 10 heads (9 heads for domestic income and 1 head for foreign income), although the income tax law has classified the income into 7 statutory heads for computational purpose. Some of this income might be ridiculously shown even under a loss based on final discharge of tax liability under section 82C. Some of the components of income under a head might be shown as "deemed income" or "deemed to be received income" without getting it in cash.

- *Difficulties in acquiring prior knowledge:* Reporting the tax exempted income and tax free income [Item 18 on page 2] is possible if you are aware about the Part A, Sixth Schedule and numerous SROs on exemption, some of which are prescribed under section 60(1) of the repealed Income Tax Act 1922, but still are valid.
- *Requirement of knowledge of the tax laws and practical demonstrative skill:* Tax computation [Item 13 on page 2] might be the most complicated things in some cases, because that is not a straight forward function. There are special tax rates subject to determination through a mathematical application in Second Schedule [for Capital Gains under section 31 and for windfall income under section 19(13)]. There might be income subject to withholding tax to be treated as a final discharge of tax liability under section 82C [or eventual loss, but you are not allowed to report a loss, since Government will not refund/adjust this tax], which is to be documented with proof. Then the residual income is subject to application of the tax rates prescribed by the Finance Act (usually proposed in the second week of June and passed on the last day of the concerned income year). Then the tax rebates on tax-free income [rebate at average tax rate on share of pre-tax income from a partnership firm or association of persons, where the firm/association has already paid tax thereon] and the rebates for enhanced income for very high taxpayers [10% tax rebates on the additional tax paid by those individual taxpayers paying tax at the highest rate of 25% preceding AY and disclosing more than 10% higher income than that preceding AY].
- *Timely investment in prescribed areas after fulfilling conditions:* Tax credit on investment allowances [Item 14 on page 2] might be difficult to obtain if you do not invest in designated savings/investment schemes during the income year.
- *Difficulties in collecting requisite documents:* You have to collect all the documents to obtain for any sort of tax benefits or to claim any deductions or exemption including the withholding taxes.
- *Differing treatment regarding illegal income and illegal expenses:* Source of income (even if it is illegal) may not be raised if you pay tax thereon, but no illegal expense is allowable.
- *Absence of family return and consequent emotional accounting:* If both husband and wife are taxpayers, then filling up the IT-10B and the IT-10BB might be an issue of emotional family accounting with respect to dividing the livelihood expenditures, the number of dependent members, the property under joint name, and so on.
- *Different information on forms in different language:* One information is also different in English version and Bangla version in the IT-10B [Item 15.(b) in IT-10B: “Number of dependent children of the family: Adult and Child” in English; “Number of dependent member of the family: Adult and Child” in Bangla].

The Corporate Tax Return [IT-11GHA] is applicable for companies with huge information covering almost the whole Annual Report. Following are some details of this return:

Part-I: Particulars of Assessee
Part-II: A. Statement of Income of the Company
B. Income tax payments of the Company
C. Particulars of Income/Expenses
Part-III: Particulars of balance Sheet
Part-IV: A. Statement of Withholding taxes (*see Chapter VII of Income tax Ordinance, 1984*)

B. Particulars of Shareholder Directors of the Company
C. Particulars of Bank Accounts
D. Particulars of Related Parties/Subsidiary and Associated Companies/Directors/ Managers

Verification (Declaration of correctness) and signature
Acknowledgement Slip

If a Company has a good accountant with sufficient tax knowledge, then probably the company and its directors may resort to that executive for tax-related matters and the life may not be a complicated one for tax.

The usual complications relating to income tax are normally for existence of indiscriminate exemptions, multiple tax rates (often graduated), and issuance of SROs outside the visible statutory boundary. Most of these things are claimed to be justified in the name of equity, which is essential but causing compliance cost.

Other Areas of Complications: Other areas of complications might be for following things:

1. Different perspectives, different meanings:

- Recipient vs. Payer [Employee vs. Employee; Depositor vs. Bank]
- Deduction by a tax paying entity vs. that by an exempted entity

2. Same thing clarified differently:

- Speculation business income vs. Capital gain from sale of shares of listed company
- Rented building space may or may not be subject to deduction by the tenant

3. Presence of unusual provisions:

- Withholding tax treated as final discharge of tax liability
- Prescribed rate of depreciation
- No depreciation on leased assets
- Maximum cost prescribed for depreciation purpose
- Depreciation not based on extent of use: Full depreciation in year of acquisition and no depreciation in year of disposal
- Distinction of revenue loss (deductible) and capital loss (not deductible) at the time of disposal of business/agricultural assets subject to depreciation
- Two capital expenditures allowed as fully deductible at the time of incurrence
- Fees for any “technical or consultancy” services [defined u/s 2(31)] treated as “Income from other sources” u/s 33 and fees for any “technical consultancy” services [defined as “professional services” under Explanation (a) to section 52A] treated as “Income from business or profession” u/s 28
- Limit for deductibility on certain business expenses

4. Absence of provisions:

- Investment vs. Speculation
- Definition of ‘capital loss’
- Amortization on intangible assets

5. Provisions only through SRO:

- Income tax due to ownership of a car [SRO No. 187-Ain/2009, dated 01.07.2009]
- Presumptive assessment for vehicles [SRO No. 171-Ain/2009, dated 30.06.2009 and SRO No. 173-Ain/2009, dated 30.06.2009]

6. Presence of unconstitutional provisions:

- Under section 19(13), any amount is received "by way of winnings from lotteries, crossword puzzles, card games and other games of any sort or from gambling or betting in any form or of any nature whatsoever" shall be deemed to be his income. Under sub-article (2) of Article 18 (Public health and morality) of our Constitution, the State shall adopt effective measures to prevent prostitution and gambling.

7. Ambiguous provisions:

- Title of Part B, Sixth Schedule is "Exemptions and Allowances for Assessees being Resident and Non-Resident Bangladeshi [see section 44(2)]. Is it applicable for "Resident Foreigner"?
- Is there any loss under the head "Income from house property" u/s 24?
- Is the deduction applicable for "Income from house property" u/s 25 for the whole house or only to the let-out portion?

8. Overlapping provisions for deductions from "Income from business or profession":

- Expenditure incurred in connection with visits abroad [u/s 29(1) (xxv), foreign travel [u/s 30(f)(ii) and u/r 65A], and overseas travel [u/s 30(k)];
- Perquisite for one employee [u/s 30(e)], the definition of which *excludes* "incentive bonus not exceeding ten per cent of disclosed profit of relevant income year" also for one employee [u/s 2(45)], "any expenditure by way of incentive bonus exceeding ten per cent of disclosed net profit" as expenditure for all employees [u/s 30(j)].
- Perquisite for one employee [u/s 30(e)], the definition of which *includes* the benefit of "foreign travels of one employee and their dependents for holidaying and recreation" [u/s 30(f)(ii) and u/r 65A], and both have separate prescribed limit.
- Profit-based computation, but different wording for "profit":
  - any expenditure exceeding ten per cent of the **profit** under the head of Head Office expenses by a company, not incorporated in Bangladesh under the Companies Act 1994 [u/s 30(g)];
  - any payment by way of royalty, technical services fee, technical know how fee or technical assistance fee exceeding eight per cent of the **profit** [u/s 30(h)];
  - any expenditure by way of incentive bonus exceeding ten per cent of the **disclosed net profit** [u/s 30(j)];
  - any expenditure in respect of "entertainment" to be determined by applying the prescribed rate (4% on first Taka 10 lakh and 2% on the balance) on "income, **profits** and gains of the business or profession (computed before making allowance in respect of expenditure on entertainment)" [u/s 30(f)(i) and u/r 65];

9. Deductions from "Income from business or profession" both generous and restrictive against normal accounting practice:

- Initial depreciation, accelerated depreciation, carried forwarded loss, full allowances on capital expenditure on scientific research and any educational institution or hospital established for the benefit of employees and their families and dependents or on the training of industrial workers;
- Restricted expenses on a number of items u/s 30 and no allowable deduction for certain profit-based expenses for losing entity

10. Conditions, conditions, conditions…..:

- Alternatives with wording of "whichever is lower" [e.g., 50% of basic salary or Taka 15,000 per month, whichever is lower, for cash house rent allowance to an employee u/r 33A]
- Alternatives with wording of "whichever is higher" [e.g., "sale proceeds" for the purpose of Third Schedule (Computation of Depreciation Allowance) means, where the asset is actually sold, the sale prices thereof or the fair market value, whichever is higher under paragraph 11(3)(a) of Third Schedule];
- Alternatives without wording of "whichever is higher or lower" [e.g., any sum representing interest credited on the accumulated balance of an employee in a recognized provident fund, in so far as it does not exceed one-third of the salary of the employee for the year concerned and in so far as it is allowed at a rate not exceeding such rate as the Board may, by notification in the official Gazette, fix in this behalf; *paragraph 25 of Part A, Sixth Schedule:* "Exclusions from Total Income"; see section 44(1)];
- Diversified wording to limit on an amount, e.g., "as exceeds taka two lakh" [u/s 30(e)], "exceeding eight percent of the profit" [u/s 30(h)], "not exceeding ten per cent of disclosed profit of relevant income year" [u/s 2(45)], "up to taka twenty five thousand" [para 22A, Part A, Sixth Schedule], "not exceeding twenty five thousand taka" [para 31B, Part A, Sixth Schedule], "shall not exceed twenty thousand taka" [e.g., proviso to para 13, Part A, Sixth Schedule], "does not exceed one-third of the salary" [para 25, Part A, Sixth Schedule], etc.

7. The Complexities in the Tax Laws – Why and how costly?

The argument in favour of the difficulty contained in the tax regulations might be understood from the following quote:

> People think taxation is a terribly mundane subject. But what makes it fascinating is that taxation, in reality, is life. If you know the position a person takes on taxes, you can tell their whole philosophy. The tax code, once you get to know it, embodies all the essence of life: greed, politics, power, goodness, charity. Everything's in there. That's why it's so hard to get a simplified tax code. Life just isn't simple. —Former IRS Commissioner Sheldon Cohen, quoted in Jeffrey H. Birnbaum and Alan S. Murray (1987), *Showdown at Gucci Gulf* (*vide* McCaffery, 2002, p. 112).

Slemrod and Bakija (2000) have mentioned, from the US perspective, the reasons responsible for making the tax system complex as follows: "The desire to achieve equity and fairness provides one set of reasons. Attempts to encourage certain activities deemed socially or economically desirable provide another. Sometimes, purely political factors appear to be responsible" (Slemrod and Bakija, 2000: 139).

In our income taxation system, the graduated tax rates for non-corporate taxpayers are for ensuring equity, exemptions and tax deductions are often provided for encouraging socially desirable activities. But many issues, particularly the imposition of restriction on amount and conditionalities for business tax deductions, might be purely for introducing 'expediency' and another undisclosed objective of raising the revenue with a pressure for achieving the tax target by tax circles/zones that is given through budget.

How the complexities are costly?

Collection costs (Tax Administrator's Costs): The complexities in the tax laws are also cost-incurring. Huge resource costs in terms of administrative costs (tax collection costs) are involved for these. The NBR's administrative costs were Tk. 5,705.2 million in 2007-08 to collect Tk. 474,356.6 of tax. Thus, average annual tax collection costs (per Taka 100 of tax) in 2007-08 was Tk. 0.51 for indirect tax and Tk. 0.60 for direct tax and hence a total of Tk. 1.20 for overall tax (including the NBR's Head Office costs). Although, over 2003-04 to 2007-08, the annual average tax collection costs (per Taka 100 of tax) was Tk. 0.56 for indirect tax and Tk. 0.75 for direct tax and hence a total of Tk. 1.31 for overall tax (see Table 6). Although the tax collection cost for direct tax is to some extent higher, but the fact that is that more that half of the income tax is being collected at sources (in 2007-08, 52.58 percent of total income tax was collected at sources; vide NBR, 2009a: 76).

Table 6: Collection Efficiency of Tax Administration

(Figures in million Taka except for 'Cost per Tk. 100 Taxes)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	FY04 to FY08 Average
Expenditure:						
Direct Taxes	471.5	491.2	581.0	692.1	731.0	593.4
Indirect Taxes	1,220.9	1,240.5	1,682.6	1,657.6	1,805.0	1,521.3
NBR Head Office	2,162.9	2,175.6	2,185.3	2,668.9	3,169.2	2,472.4
Total	**3,855.3**	**3,907.3**	**4,448.9**	**5,018.6**	**5,705.2**	**4,587.1**
Tax Collection:						
Direct Taxes	50,011.5	58,274.7	74,449.4	90,500.5	121,882.2	79,023.7
Indirect Taxes	211,926.2	240,769.9	265,797.1	281,692.7	352,474.4	270,532.1
NBR Head Office	n/a	n/a	n/a	n/a	n/a	n/a
Total	**261,937.7**	**299,044.6**	**340,246.5**	**372,193.2**	**474,356.6**	**349,555.7**
Cost per Tk. 100 Taxes:						
Direct Taxes	0.94	0.84	0.78	0.76	0.60	**0.75**
Indirect Taxes	0.58	0.52	0.63	0.59	0.51	**0.56**
NBR Head Office	n/a	n/a	n/a	n/a	n/a	**n/a**
Total	**1.47**	**1.31**	**1.31**	**1.35**	**1.20**	**1.31**

Sources: *Annual Reports 2003-04 to 2007-08* of the National Board of Revenue (NBR).

Compliance costs (Taxpayers' Costs): From the perspective of taxpayers, the costs of complexities are mainly related to compliance, which include the following:

Out-of-pocket costs:

- Direct monetary outlays for professional guidance
- Expenses for recordkeeping and 'supplies' (stationeries, files, etc.)
- Expenses for buying latest tax publications
- Cost of audits, appeals and lawsuits

Time spent by the taxpayers on their tax affairs

- Own time for preparing return
- For activities such as researching the tax law, meeting with an advisor, or arranging financial affairs to minimize taxes

Time spent and costs incurred by business entities (usually large corporate bodies)

- More time for corporate return and returns for directors
- Complex depreciation rules

- Alternative tax rates (say, for exporters)
- Jurisdictional differences for tax treatments (EPZ, Chittagong Hill Districts, etc.)

Non-monetary costs:

- Anxiety suffered by taxpayers concerned about getting their taxes done on time and done right; and
- Worrying about a tax audit.

These huge costs related to complexities can be considered as implicit taxes and only simplification can reduce or eliminate these costs also.

8. How to Eliminate the Complexities

8.1 Concerns

- Many of these complexities are beneficial for those who can exploit them.
- The livelihood of the tax lawyers and the tax practitioners is dependent on this complication of the tax code, because
    - most of the taxpayers are not willing to understand his own tax issues (which are not at all complicated) and
    - they have an unwillingness to face the perceived hassle and harassment in the tax offices.

8.2 Recommendations for Possible Remedies

Below is an enumeration of the possible policy recommendations to eliminate or reduce the complexities of the income tax system and to make the system simpler than before.

Sl.	Element giving rise to Complexities	Implication of the Complexities	Possible ways to overcome
1.	*Lengthy and voluminous nature of Tax Code and no official publication available*	Taxpayer willing to consult the tax code faces difficulty in finding an updated version of the tax code	Updated tax code with earlier amendments as reference should be available in the NBR's website (www.nbr-bd.org).
2	*Timing of tax payments*	Multiple options cause extra burden in terms of compliance costs.	Extending the scope of withholding taxes for real taxpayers,[7] there might be one second option, which is the payment before submission of return.
3	*Manner of tax payments*	Multiple options with physical barrier to locate	Allowing flexible cash or bank deposit in any scheduled bank along

[7] In many cases, tax is being withheld from persons who are not at all taxpayers (e.g., tax deducted by banks u/s 53F on interest payment to all the depositors, most of whom have no other income being students or non-earning family members).

Sl.	Element giving rise to Complexities	Implication of the Complexities	Possible ways to overcome
		the place of deposit, with limited number of places.	with introduction of on-line deposit system.[8]
4	*Uncertain amount of tax*	Hassle with tax authorities, uncertain higher tax after assessment, possible appeal and litigation and incidental costs	A help desk in tax office should be able to fill up the return quickly on having a list of prescribed set of documents to be submitted by a taxpayer.
5	*Form of the income tax return*	Lengthy, over-burdened with information requirement, difficulty in reconciliation due to ignoring the hypothetical deemed incomes arisen for tax purposes	A simplified one-page return with few heads of income should be prescribed for salaried and lower-income self-employed taxpayers
6	*Location of tax office*	Finding out the appropriate tax circle office is almost impossible for a new taxpayer	It should be fully centralized with online booth at different convenient locations; otherwise the present locations of the tax offices along with a full fledged instruction should be publicly available in a small flyer and online also.
7	*Withholding tax treated as final discharge of tax liability u/s 82C*	In many cases, tax is being deducted not on income or ultimate result might be a loss	It should be abolished except for cases of "income" only.[9]
8	*Complexities related to depreciation*	Separate computation of tax depreciation with prescribed rate, disregarding the useful life and extent of use	Third Schedule (for depreciation) should enumerate only the provisions of initial depreciation and accelerated depreciation; for finance lease the depreciation should be allowed for the lessee.
9	*Loss of sale of assets*	Distinction between capital loss and revenue loss without any prescribed guideline affecting the business communities	Loss should be treated as 'loss' without any distinction between revenue or capital loss; and should be allowed as tax deductible.
10	*Amortization on intangible assets*	Without any provision, if any business entity capitalizes 'intangible asset', it will face problem.	Provision of amortization should be introduced for the sake of tax revenue.

[8] Bangladesh Bank has already issued a notification on November 2, 2009 to allow the scheduled banks online transactions, which is expected to be the beginning of the electronic commerce (e-commerce) in Bangladesh (The *Prothom Alo*, 03.11.2009, pp. 1-2).

[9] Although, this is against the norm of income taxation, yet this is highly lucrative to taxpayers, since this reduces hassle with tax authorities and the taxpayers can feel the complacency that they are not tax-defaulter at least in these specific cases.

Few other recommendations in general can be as follows:

- Discretionary power of the tax authority should be eliminated and if it is necessary under any provision, the action should be in writing and subject to scrutiny whether the discretion is beyond the authority as per law.
- In case of an absence of any provision, it cannot be imposed as a logic, because only tax law can give the tax authority to impose an action.
- The benefit of any ambiguity in interpreting any provision must be given to the taxpayers.
- Refund system should be made automatic and quick.
- Burden of proof must lie on the person raising the complaint.
- Help desk should be responsive quickly and the answer to any taxpayer's query should be in writing and the written reply by a tax executive should not create a further hassle to the taxpayer due to any interpretation which might be contrary to the accepted meaning of the provision.

9. Concluding Remarks

If the recommendations delineated above can be implemented, the complexities can be reduced significantly. Then hopefully every taxpayer will handle his own tax affairs without any fear and taking any costly favour from others.

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