



Inequality We Fight

Our position on the eve of 54th Annual Conference of the World Economic Forum



TAX The RICH, NOT The Poor

Introduction

The inequality between the rich and the poor is increasing every day. Half of the world's population struggles to live a day with less than five dollars they earn, while the number of billionaires worldwide has doubled in the last ten years. Maybe it is possible for a poor family to live on less than five dollars a day, but they will be deprived of basic rights like education, health and entertainment. The more they are deprived of their basic rights, the less opportunity they have to reduce their poverty, which causes more deprivation. This is how they gradually go down more and more.

It is said that the rich use their talent and skills to become rich. We can't blame them for being rich. On the other hand, the poor cannot improve themselves due to their inefficiency, lack of effort and initiative, etc. But this idea is not correct. In most cases, it has been proven that the poor are getting poorer due to the process of the rich getting richer. Often, state policies (such as taxation) favour the rich. Because, in most cases, the policymakers are the representatives of the rich.

Sustainable Development Goals and Inequality

In 2001, the United Nations set the Millennium Development Goals to reduce global poverty by 2015. Later, the Sustainable Development Goals were set for the period of 2030. To implement these goals, various activities are undertaken, and much money is allocated. Many poor countries in the world, including Bangladesh, achieved success in several indicators. Unfortunately, due to various policies and practices, achieving that goal is very difficult today. It appears that inequality is increasing in most countries, including Bangladesh. Poverty alleviation is not possible without curbing the growth of inequality. Inequality in Bangladesh has now reached the highest level in its history.

Bangladesh is going to be a country of high inequality

Measuring inequality is now more important than measuring poverty. The Gini coefficient is an accepted standard for measuring income inequality in a country. A low Gini coefficient means less disparity between rich and poor in that country. The value of this coefficient is calculated between zero and one. A coefficient value of zero means there is no inequality, all people have the same income. The coefficient value is one means: one earns all the income, and none of the others earn any income. That means there is extreme inequality. A country is considered to

be highly unequal if it crosses a Gini coefficient value of 0.5.

In the fiscal year 1973-74, the Gini coefficient of Bangladesh was only 36.00. It took fifteen years (1988-89) to increase to 37.00. This means that though poverty was high in the country then, income inequality was relatively tolerable and did not increase much in the next decade and a half (1973-1989). However, this disparity has increased fastest in the last 12 years. In 2010, the Gini coefficient index was 0.458, which went further down to 0.483 in 2016. In 2022, it deteriorated to 0.499. That means Bangladesh is now going to be a country of high inequality.

As of 2022, the richest 10% of people in Bangladesh hold about 41% of the country's total income. Meanwhile, the poorest 10% of people own only 1.32%. Compared to 1973, the incomes of the richest have increased significantly, but the incomes of all other strata have declined. This means that the richest 10% of people are getting richer at a very fast pace, and the process of their getting rich at this extraordinary speed is increasing the poverty of the rest of society. As a result, income inequality is not only increasing, it is intensifying. Analyzing this data, it has been found that the income of the richest 8.5 million people in the country is 30% of the national income, while the total income of the poorest 85 million people (half of the country's population) is 19%. That means the income of only 8.5 million rich people is more than one and a half times that of 85 million poor people.

Taxation and inequality

Taxes are mainly of two types—direct and indirect taxes. Direct tax is when a person or organization pays the tax levied on them directly to the authority. Examples of direct taxes are income tax, tax levied on land or wealth, etc. The earners pay tax on their income at a percentage rate after a certain limit. On the other hand, indirect taxation is when a tax levied on one person has to be paid by another—for example, VAT or value-added tax. The imposition of tax on any manufactured good or service means that the tax is levied on the seller of that good, but the seller adds that tax to the product's price. Then, the tax is unfairly imposed on all of the buyers of that product, whether rich or poor.

Bangladesh's indirect tax rate was 67% in FY 2022, ultimately levied on the common people. The country's tax-to-GDP ratio is the second lowest in South Asia, currently at 8%. As a result, there is pressure on the government to increase tax collection from other sources. Less than 2% of people proactively self-filed income tax last year. For this reason, the government focuses more on indirect taxes to raise revenue.

Tax for equality and fairness

The government collects taxes and revenue mainly to run the state operation and help the poor and disadvantaged people. Rich people or corporate societies make profits from their trade. From that, they give a part to the government as tax or revenue. These taxes and revenues are the source of government income. A democratic state system provides education, health and other

services and social security programs from its income. Poor and underprivileged people get this help and use this to change their situation. This is how a state establishes equality and justice. However, as seen in many countries, the rich and corporate society evade taxes and low-income people or the poor are forced to pay indirect taxes in the form of VAT or other revenues. Because of this, discrimination in society is intensified.

How does an unequal and profit-oriented trade policy seek to maintain a regressive tax system?

The principle of the free market economy is that trade will be unhindered. And the core aim of capital is to ensure maximization of profit. Capital uses all kinds of ethical and unethical means to maximize profits. Taxes and revenues are considered major obstacles to profitability. That's why they use various tax evasion strategies, including Under or over-invoicing or false documentation of financial transactions during import-export, repatriation of profit or capital flight, showing loss in accounts, etc.

Some of the important negative effects of these are (1) the government is deprived of its revenue, thereby becoming dependent on indirect taxes to raise revenue; (2) poor people become burdened with increased living expenses, and they no longer receive support from the government; (3) commodity prices rise in the market; (4) Capital and profits are diverted abroad, resulting in economic crisis in the country.

Why do the rich pay taxes, not the poor?

The reasons why rich people and corporate society pay taxes are- (1) Rich people take many benefits from the state to expand their trade. They should pay regular taxes and revenue to continue those benefits. (2) The profit-making process in the capitalist system leads to increased poverty in other parts of society. So they have a moral responsibility towards those poor people. They can fulfil that responsibility only by paying taxes to the government. (3) An economic crisis occurs in the country due to profit repatriation and capital flight. Any economic crisis also allows some people to become explicitly rich. This process is endless. But in this process, the poor, women, tribal groups and underprivileged people of the society fall into an unspeakable crisis. Only a people-oriented and fair taxation system can protect people from these crises by establishing justice in a state.

World Economic Forum

The World Economic Forum is a forum of various countries, global financial institutions, and commercial corporations that organizes annual global conferences in favour of free trade worldwide. They provide various advice and assistance to the affected governments in resolving the economic crisis. However, they do not speak of equality and fairness. Their 54th annual conference will be held this month in Davos, Switzerland.

Fight Inequality Alliance

It is an alliance of conscious civil society around the world who, on the eve of various global conferences such as the World Economic Forum, highlight equality and justice to ensure the rights of the poor and disadvantaged. This time, on the eve of the World Economic Forum, their keynote is "Tax the Rich, NOT the poor". Only then will equality and justice be established in the world.

Our recommendation

As we have seen from time to time, Bangladesh's tax system has several positive aspects. For example, high tax rates on various luxury goods, including cars. This is a positive step. At the same time, there are negative aspects, such as the burden of VAT or Value Added Tax on the common people. Because of this, the gap and inequality between the rich and the poor has been increasing in Bangladesh over the last few decades.

We are recommending the following to build our nation based on equality and justice.

1. Paying taxes and revenue is only the responsibility of the rich. Establishing a balanced and fair tax system through legislation and enforcement, including preventing tax evasion, is important.
2. To reduce the tax burden on poor and disadvantaged people by gradually reducing all types of indirect taxes.
3. Reforming VAT and other revenues that create indirect tax opportunities and ensuring that businesses and corporations do not have the opportunity to pass those taxes on to buyers or consumers, irrespective of rich and poor.
4. To take other effective steps, including research and investigation, to prevent capital flight and profit repatriation.
5. Bangladesh is transforming from an LDC (Least Developed Country) to a middle-income country. But, from the experience of the past few decades, we know what kind of assistance the least developed countries need. Therefore, it is our desire that Bangladesh take a position based on equality and justice in the upcoming World Economic Forum and World Trade Organization Ministerial Conferences. Many times in the past, the government delegation of Bangladesh has been praised for taking a pro-people stance.