

1.15 Advantages and Disadvantages of indirect Tax.

- **Indirect tax:** When the impact of tax falls on one person and the incidence on another person, then the tax is called indirect tax.
- **Examples of indirect tax:** Sales tax, VAT, c
- **Advantages of indirect tax:**
 - It is very easy to pay.
 - It cannot be avoided by the taxpayers.
 - It is contributed by all people in the society.
 - It is very elastic for the taxpayers' categories.
 - It is used for the control of harmful goods.
 - It is applied on luxury goods.
 - It is used by the govt. to control the state economy.



Disadvantages of Indirect Tax:

- It is one kind of uncertain tax.
- It has some bad economic effects.
- It creates unfair profits.
- It is uneconomical.
- It cannot create civic consciousness.
- It does not satisfy the canon of equality.
- It changes the living standards by higher and lower rates of taxes.

1.16 State, in brief, the tax structure in Bangladesh. (2007, 2008)

The tax structure in Bangladesh

The tax structure in the country consists of both direct and indirect taxes. At present the tax revenues of Bangladesh is near about 85% of total govt. revenues. Of which 40% is direct taxes. The salient features of Bangladesh tax structure (system) are as follows:

Multiple tax system:

- **Taxes on income and profit:**
 - Income tax – company
 - Income tax – other tan company
- **Taxes on property and capital transfer**
 - Estate duty
 - Gift duty
 - Stamp duty
 - Narcotics duty
 - Land revenue
 - Registration
- **Taxes on goods and services**
 - Customs duties
 - Excise duties
 - Value Added Tax (VAT)
 - Supplementary duty

1.17 Distinguish between direct tax and indirect tax. (2007)

The differences between indirect tax and direct tax are listed below:

Indirect Tax	Direct Tax
(1) It is paid by other than the <u>assessee</u> .	(1) It is paid by the <u>assessee</u> .
(2) VAT is one kind of indirect tax.	(2) Income tax is one kind of direct tax.
(3) Taxable events are purchase, sale and production of goods and services.	(3) Taxable events are taxable income, taxable wealth.
(4) Levied and collected from customers but paid by the <u>assessee</u> .	(4) Levied and collected from the <u>assessee</u> .
(5) It can be shifted to another person.	(5) It cannot be shifted to another person.
(6) It is collected at time of sales or purchase.	(6) It is collected after the income year.
(7) It includes maximum people of a country.	(7) It includes specific people of a country.
(8) It does not depend on the earning ability of a person.	(8) It depends on the earning ability of a person.
(9) It is equitable.	(9) It is not equitable.
(10) It is not economical.	(10) It is economical.
(11) It is not progressive.	(11) It is progressive.

1.18 Discuss the objectives of taxation policy of a developing country like Bangladesh. (2007, 2014)

- The taxation policy has a major objective of raising govt. revenues.
- The taxation policy has another major objective of regulating people's consumptions.
- It has an objective of regulating state economy.
- Taxation can regulate productivity.
- Taxation can regulate imports and exports.
- Taxation can regulate inflation and depression.
- Taxation can regulate economic development.
- Taxation helps in capital formation.
- Taxing policy can increase employment opportunities.
- Taxing policy can reduce the economic disparities.
- Taxing policy can reduce regional imbalances.

1.19 Differentiate between Tax and Fee. (2010)

Tax	Fee
(1) Tax is not a service charge.	(1) Fee is a service charge.
(2) Tax is a compulsory payment.	(2) Fee is not a compulsory payment.
(3) Tax depends on income.	(3) Fee does not depend on income.
(4) Tax may be direct or indirect.	(4) Fee is always direct.
(5) Tax is imposed by only govt.	(5) Fee is imposed by service provider authorities.
(6) Tax is received by govt.	(6) Fee is received by service provider authorities.
(7) Tax is regulated by only govt.	(7) Fee is regulated by any authorities.

1.20 Classify Taxes on the basis of Impact and Incidence of Tax. (2010)

- **Direct Tax:** In this case, the tax is imposed on the person who also bears the burden thereof.
- **Examples of Direct Tax:** Income tax, wealth tax, estate tax, community tax etc.
- **Indirect Tax:** In this case, the tax is imposed on the person who shifts the burden of the tax to another person.
- **Examples of Indirect Tax:** VAT, custom duties, excise duties etc.

1.21 What is deemed income? Give five examples by referring the section per ITO 1984.

Deemed Income:

Deemed income means those incomes which are not actually received

by the assessee but the law treats as income received for income tax purpose. These incomes are treated at par with income received. Such incomes as are deemed to be received in Bangladesh.

Five Examples of Deemed Income:

- ❖ Any dividend declared or distributed by a company still is not received.
- ❖ Contribution to provident fund excess of one third of basic salary.
- ❖ Interest on Contribution to provident fund excess of one third of basic salary.
- ❖ Balance transferred to newly recognized P.F. from old unrecognized P.F.
- ❖ TDS at source that would be received in the income year.