

Comparison of taxation in the uk and bangladesh



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Introduction

Taxation: It is concerned with the tradition of a countries government acquiring monetary fund from its countries populace in order for them to fund their public services.[1]

For instance, taxation is used to build and maintain its public roads, public libraries, parks etc. Taxation is also used to support the countries security services like the police, army, etc.

Task 1

Taxation plays a crucial role for countries throughout worldwide. However, here we are going to discuss brief descriptions of “ Taxation in United Kingdom (U. K.)” and “ Taxation in Bangladesh”.

UK has a rather elaborate tax environment and it has several types of taxes, function and purpose, revenue law and practices. They are described below.

Function and Purpose of Taxation in Modern Economy in UK

Government’s tax policies in the UK are affected by the following factors

- Economic Factors
- Social Factors
- Environmental Factors

Economic Factors

Net position in connection with taxation and expenditure of the government, along with the borrowing protocol of its public sector has an influence upon the UK’s level of economic activities.

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Countries government generally prefers long-term planning which illustrates the capacity of the total resources of the economy which the government will allocate and the amount be given for the private sectors.

Demand for specific kinds of goods will be influenced. Different sectors level of employment along with different private sector supplier's profitability will be influenced by the changes in the demand level.

Tax policies are used by the government in order to inspire and demoralize specific kinds of activities.

Government believes that the latter taxes and duties reflect the additional costs for the entire country. Nonetheless, Government requires increasing fund in order to invest in particular area where there aren't any consumers upon which the essential taxes can be subjected to tax like: defense, law and order, overseas aid and also the expenditure required for operating the Government and Parliament.

Social Factor

It is usually considered by some as a " Fair" way to go about, while on the other hand other may think of it as an en masse " Unfair" way to do things.

For instance, some particular people in the free market are able to muster much larger quantity of income and capital in comparison to other people. Finally whenever the wealth is amassed it only leads to the growth of that wealth through the means of reinvestments of investment income that they gained. This ultimately ends up in the rich amassing more wealth and the poor getting even poorer, which leads to the economic scale being out of

balance; meaning that economic power mainly focused in the hands of few individuals.

Taxation policies are there to counteract the problem of economic scale being out of balance, which prevents the rich from getting richer and the poor from getting poorer.

There are different taxes which influences society.

Within “ Direct Tax” and “ Indirect Tax” many types of taxes fall under the categories.

Different point of view remains about “ equitable” even though nearly everyone agrees that taxation ought to be equitable or fair.

Environmental Factors

The movement of taxation system is relatively slow regarding the environmental concerns accommodation, especially in the areas of renewable and non-renewable energy sources and also global warming.

However, changes in the taxation system have been introduced in order to accommodate the environmental concerns.

Only the effects of the 3rd point will be directly be felt by ordinary people, while the others are going to be felt by those in charge of the business.

Overall structure of the United Kingdom (U. K.) tax system and Sources of Revenue Law and Practice are mainly superintended by the HMRC (Her Majesty’s Revenue and Customs).

Overall structure of the U. K. tax system

Taxation collections are formally imposed by the Treasury. Responsibility of administration of the Treasury falls under the Chancellor of the Exchequer. The role of governing for collecting tax is initiated by HMRC (Her Majesty's Revenue and Customs).

' Officers of the Revenue and Customs' are made known in the tax law as the personnel of the HMRC. Fundamentally, they are the one's duty-bound for overseeing the system of self-appraisal and acknowledging liabilities of taxation. ' Receivable Management Officers' are those officers who are responsible for collecting tax. They are provincial civil servants who are answerable for investigating number of taxes which are left unpaid specified to them by the " HMRC Accounts Office".

" Crown Prosecution Service (CPS)" - They give legitimate consultation and doctrine and also handles prosecutions of criminals which has been analyzed by the HMRC (Her Majesty's Revenue and Customs).

Tax appeals are noted by the Tax Tribunal which is comprised of 2 tiers.

Sources of Revenue Law

Generally, decree imposes the taxes. ' Statutory Instruments' ordains the etiquette as well as Acts of Parliament. Decree is made clear and augmented by case law.

HMRC (Her Majesty's Revenue and Customs) are also responsible for imposing the following points.

HMRC publications doesn't have the force of law, but few of the VAT briefings does wherever authority have been designated subsidiary to constitution.

United Kingdom (U. K.) tax system interacts with that of European Union (E. U.) as well as other countries.

European Union (E. U.)

Its members has a major influence on U. K. taxes, even though there aren't any prerequisite enforced upon its states (e. g., members of the E. U.) to step towards the typical taxation system or to coordinate their own unique system of tax. ' Directives' which are specific laws will be agreed by the states to enact which give for a familiar taxation code within distinct field of their own systems of taxation.

Value Added Tax (V. A. T) is without a doubt the most significant reference currently up-to-date. U. K. is duty-bound to accommodate its legislation in accordance with the guideline set forth in the E. U. mandate. Directives of Value Added Tax (V. A. T) will accept some laissez faire amongst its state members (e. g. set up taxation rates). There are only a handful of illustrations of Directives in the field of Direct Taxes. Its main interest in the matter will be associated with cross-border dividend, interest payments and also corporate reorganizations.

Nonetheless, being influenced by the provisions of the treaties of E. U., those states who are member must allow of privilege of transferal of workforce, wealth, as well as, the right to set-up métier anywhere interior of the boundaries of the E. U. These accord arrangements have a ' direct effect'.

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European Justice Court consistently pointed out that the policy of tax which victimizes non-residents is contradictory to the laws of European Union (E. U.), except in cases where there is powerful rationale regarding interest of the public.

Other Countries

United States of America (U. S. A.) along with several other countries has a treaty with the United Kingdom (U. K.) which is known as the ' Double Tax Treaty'. Incorporated within this decree are regulations which thwart earnings and benefits being taxed not just once but twice. Also, included within this decree, the law which forbids nationals from foreign countries from being discriminated (e. g. treating nationals with benevolence, while on the other hand treating the non-residents with prejudice). Additionally, statute exists which allows different Revenue administration to share intelligence.

The system of taxation of U. K. grants alleviation for taxes which are paid in foreign countries, even though there is no double tax relief.

Task 2

Tax Practitioner: They are the people who are being paid to prepare taxes every year.[12]

Tax Practitioner has several responsibilities and critical obligations.

Task 3

As, Mr. Abid's tax lawyer one can give couple of recommendations regarding his entitlement, exemptions and obligations for taxation in the United Kingdom (U. K.) tax environment.

First and foremost, Mr. Abid isn't currently a resident of United Kingdom (U. K.). However, his wife Mrs. Narida is an United Kingdom (U. K.) resident living in the United Kingdom (U. K.) currently. Mrs. Narida has accessories business in the United Kingdom (U. K.) and she is also helping her husband (i. e. Mr. Abid) business of selling accessories in the United Kingdom (U. K.) as his proxy.

Here, currently he is obligated to pay income tax and also corporate tax in both the countries due to the provision known as ' Double Tax Treaty' – due to the fact that he is not a resident of the United Kingdom (U. K.) as of yet. And for this instance, he won't get an exemption on income and gains; however, he would have gotten some exemptions if he was a resident of the United Kingdom (U. K.), but doing business outside the country.

It would be much easier for him to become a resident of United Kingdom (U. K.) because his wife is currently a resident of United Kingdom (U. K.). Once he becomes a resident of the United Kingdom (U. K.), he is required to be present in the country of United Kingdom (U. K.) for at least half-a-year/ or about six months (approximately 183 Days) or more. But, if he were to make commodious annual visit to the United Kingdom (U. K.) like for a time length of approximately 91 Days or more in a year for 4 or more perpetual years; then he will be considered as a resident of the country of United Kingdom (U.

K.), and will be entitled to pay taxes according to the rules and regulations of United Kingdom (U. K.) tax system.

Again, once Mr. Abid is a resident of the country of United Kingdom (U. K.), he is also entitled to pay Council Tax. His wife Mrs. Narida lives in a rented house with his mother whose age is around 70 Years. And so, when he becomes a United Kingdom (U. K.) resident, he may get an exemption on his Council Tax, based upon the fact that an aged person is also living with them. It is generally, better for large number of people to live together because depending on the size and type of people living in the property can be a powerful rationale for exemption like single person, or people living with children under the age of 18, or the disabled and pensioners are entitled to exemptions.

Next would be Inheritance Tax. Mr. Abid, 8 years in the past got a house as a wedding gift which was worth more than £ 310, 000. Mr. Abid inherited it from his wife. So, he has to pay Inheritance Tax. He may have gotten so exemptions but due to the fact he isn't a resident of the country of United Kingdom (U. K.), he is not going to get any kind of tax exemption.

Next is Capital Gains Tax. Mr. Abid will also have to pay Capital Gains Tax, once he sells the house which was given to him as a wedding present by his wife Mrs. Narida.

And now finally we come to Value Added Tax (V. A. T.). Value Added Tax (V. A. T.) is a system of taxation which is internationally practiced. So, no matter which country he/she is staying in they all have to pay Value Added Tax (V. A. T.) which also includes the country of United Kingdom (U. K.).

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Case 2:

“ Tax Non-Compliance” is mainly comprised of “ Tax Evasion” and “ Tax Avoidance”.

Generally, the distinction between “ Tax Evasion” and “ Tax Avoidance” is rather vague to say the least; however, there are some differentiations between them.

Here, in Case 2, at first Tanzila received property income of £ 5, 000 but accidentally entered the figure on her tax return as £ 500. While on the other hand, Mitu received property income of £ 7, 000 and deliberately declared £ 5, 000 on her tax return.

In both these cases, both of them have misled HMRC (Her Majesty’s Revenue and Customs) by providing wrong information. So, they both committed the crime of “ Tax Evasion”. However, there is a subtle difference between them.

In Tanzila’s case, while she did provide misleading information to the HMRC, she did not do so purposely; she entered the information wrong by accident. She didn’t mean to give the wrong information deliberately. And so, this will be treated as minor case of “ Tax Evasion” and will be dealt out of court on the payment of penalties. Because, there is no need to cause too much trouble for such unintentional mistakes.

While on the other hand, Mitu deliberately provided HMRC with false information. So, unlike Tanzila’s case this cannot be treated as case of minor human error. Here, she intentionally trying to evade tax which is a serious crime of “ Tax Evasion”, As such, Mitu will be subjected to criminal

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prosecutions, which might ultimately end up in her having to pay fines and/or imprisonment on conviction.

[1]<http://www.vocabulary.com/dictionary/taxation>

[2]http://en.wikipedia.org/wiki/Taxation_in_the_United_Kingdom

[3]http://en.wikipedia.org/wiki/Taxation_in_Bangladesh

[4]<http://www.investopedia.com/terms/d/directtax.asp>

[5]<http://www.investopedia.com/terms/i/indirecttax.asp>

[6]<http://www.investopedia.com/terms/i/incometax.asp>

[7]<http://www.investopedia.com/terms/c/corporatetax.asp>

[8]<http://www.investopedia.com/terms/i/inheritancetax.asp>

[9]http://www.investopedia.com/terms/c/capital_gains_tax.asp

[10]<http://www.thefreedictionary.com/council+tax>

[11]<http://www.investopedia.com/terms/v/valueaddedtax.asp>

[12]<https://answers.yahoo.com/question/index?qid=20101127121537AAXMjCR>

[13]<http://www.enotes.com/homework-help/what-roles-responsibilities-tax-practitioner-441765>

[14]http://en.wikiquote.org/wiki/Tax_noncompliance

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[15]<http://www.investopedia.com/terms/t/taxevasion.asp>

[16]http://www.investopedia.com/terms/t/tax_avoidance.asp

[17]<http://www.nouse.co.uk/2013/01/22/what-is-the-difference-between-tax-evasion-and-tax-avoidance/>