



Ministry of Local Government, Rural Development & Cooperatives
Local Government Division
Local Government Engineering Department (LGED)

3.1 Guidelines for Improvement of capability/efficiency of tax assessment

Project Coordination Office (PCO)
City Governance Project (CGP)

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1. Introduction

Rapid urbanization accelerated by industry led economic growth has been taking place in Bangladesh. Potential of economic growth in urban areas is worthy of notice. There are 335 Local Government Institutions which cover 8% of total geographical area of Bangladesh and 30% of total population, while accounting for 60% of total national growth. On the other hand, the negative impact of dramatic change in urban areas is observed. The negative impacts are because the functions of municipalities and city corporations prescribed in Local Government (Pourashava) Act 2009 and Local Government (City Corporation) Act 2009, which are very relevant to the demand of city dwellers and urban development, are not implemented in an appropriate manner. In order to improve the public services provided by urban local governments, several urban development projects are being or were implemented by Local Government Divisions (LGD) and local government and engineering departments (LGED) with financial assistance of different development partners and government's own funds. Based on the experiences gained through implemented projects, effective activities for improvement of urban governance have been formulated as a program that has been well accepted. The urban governance improvement programs have been implemented to ensure good governance of those urban local government institutions namely Paurashava for equal, social harmony and planned development. Initiating urban governance improvement, LGD and LGED with financial support of JICA commenced a project named City Government Project (CGP) in 5 City Corporations.

This guideline has prepared in recognition of the fact that Revenue from holding tax is essential for CCs to improve their financial status. Low holding tax receipts are caused by i) low capacity of the revenue sections in terms of both quality of staff and number of staff, ii) unsystematic assessment process (i.e. inadequate IT infrastructure, no linkage of building permission with the holding tax system), and so on. It, therefore, is essential that CCs improve capabilities to enlarge income from holding tax.

2. Justifications

Holding tax is a major revenue source of a City Corporation. But due to low capacity of the revenue sections in terms of both quality of staff and the number of staff and unsystematic assessment process as well as lack of proper coordination, cooperation and integration with assessment and billing section revenue collection scenario is very poor. The conventional system of Tax Assessment and billing process in the CC offices is paper-based, which is time consuming and labor intensive for Tax Assessor and Tax payer. Moreover, as it is inflexible, it causes delay in the tax assessment and collection process and is prone to abuse or corruption. Due to shortage of manpower and infrastructure, CC offices are also unable to meet the high demand for services from the growing construction and holding scenarios. Therefore, it has become imperative to put in place an innovative solution combining back-end automation with efficient services points to improve the quality and speed of services at the CC offices as well as to improve capabilities to enlarge income from holding tax.

3. Relevant Issues as described in ICGIAP

3.1 Task

Revenue from holding tax is essential for CCs to improve their financial status. It is important to enhance capacity of the revenue sections in terms of both quality (skills and knowledge) and quantity (number of staffs), and to establish systematic assessment process. The reform of tax

assessment should be carried out by following steps:

- Task 1: Deploy senior (high qualification) tax assessors who can play a role as trainer for tax assessors in staff level.
- Task 2: Increase the number of tax assessors and collectors in staff level (one assessor/collector per 1,000 holdings).
- Task 3: Initiate to use tax assessment manual/guideline for assessors prepared by PMO.
- Task 4: Conduct regular re- assessment holdings after 5 year interval
- Task 5: Introduce software for tax assessment database.
- Task 6: Create systematic link between “holding tax ID number” and construction registration. Holding tax ID (client ID) should be registered when construction registrations are processed.

3.2 Action by

Mayor , CEO and PCO

3.3 Time Schedule

Task 1 to 5: Within 1st batch of project

Task 6: by the end of 3rd year

3.4 Indicator

(1) 1st Performance Review

- i. A senior tax assessor, assessors, collectors deployed
- ii. Software for tax assessment database introduced

(2) 2nd Performance Review

Linkage system (holding tax ID and construction registration) created

4. Objectives

- To increase capacity of CCs to raise revenues from holding tax
- To create enabling environment for CCs to carry out proper tax assessment/collection procedure
- To register all missing holdings in the territory of CCs, and assess their value for holding tax purposes

5. Relevant Organizations, Stakeholders and their roles and Responsibility

5.1 Role of Project Coordinating Office (PCO)

- PCO will provide training in tax assessment/collection with tax assessors and collectors.
- PCO will engage an ICT Company as a subcontractor to develop *Holding Tax Assessment and Billing/Collection System* as a part of Integrated Financial Management System (IFMS).

- A subcontractor under PCO will install and set up *Holding Tax Assessment and Billing/Collection System* in the IFMS.
- PCO will monitor progress of interim tax assessment through reviewing quarterly progress reports submitted by CCs, and give advice to CCs.

6. Necessary Tasks and Procedure

6.1 Improvement of tax assessment capability

CCs should improve their capability of tax assessment through proper manpower assignment, utilization of ICT system, and standardized procedure of tax assessment.

- CEO and revenue section/department, in cooperation with a consultant under PCO, should prepare a manpower plan for tax assessment/collection for short and middle term. And then, CCs should allocate necessary budget from revenue account related to manpower.
- CCs should deploy senior (highly qualified) tax assessors who can play the role of training tax assessors at the staff level.
- CCs should increase the number of tax assessors and collectors at the staff level (one assessor/collector per 1,000 holdings), so that tax assessment and collection are smoothly carried out.
- Training for tax assessors and collectors will be provided by PCO
- PCO will install *Holding Tax Assessment and Billing/Collection System* as a part of Integrated Financial Management System (IFMS) to a revenue section in CCs. A revenue section/department in CCs should carry out daily transaction (please see Annex I in detail).
- Technical Cooperation Project (TCP) will prepare “tax assessment manual/guidance”. A revenue section/department will be able to determine annual valuation based on systematic and standardized procedures included in “tax assessment manual/guidance”.

6.2 Tax assessment carried out annually and collection increased

CCs should conduct interim tax assessment on an annual basis.

- A revenue section/department, in cooperation with a consultant under PCO, should prepare a plan for interim tax assessment. The plan should include; objectives, assignments of manpower to each ward, schedule, and how to identify missing holdings.
- A senior tax assessor who is newly deployed should lead a tax assessment team.
- A tax assessment team in a revenue section/department should identify missing holdings and bring them to assessment registration.
- Technical Corporation Project (TCP) will create GIS application system for tax assessment. A revenue section/department will be able to carry out tax assessment, including identification of missing households, in a systematic and efficient way.

6.3 Reporting and monitoring

CCs should carry out reporting and monitoring a regular basis, and continue the process even after the completion of the project.

- CEO, revenue section/department and accounting section should review progress of interim tax assessment in the CC monthly meetings.
- Revenue section/department should prepare quarterly progress reports, and submit to standing committee on Taxation and tax realization for their review.
- After review of the standing committee on Taxation and tax realization, CCs should submit quarterly progress reports to PCO.

6.4 Link holding tax ID and construction registration

CCs should create a procedure of linkage between the holding tax ID number (client ID) and building permission.

- Planning department in CCs should send a copy of building permission to a revenue section/department immediately after issuing building permission.
- A revenue section/department should list such buildings (holdings) with relevant information of building plan and file a copy of building permission, and then should record tentative holding tax ID number.
- Based on newly recorded holding tax ID number, CCs will be able to identify new holding and carry out tax assessment.

7. Implementation Schedule

Holding Tax Management is a part of IFMS which will be implemented in 1st Year.

8. Cost of Implementation (if necessary)

This cost is a part of IFMS development & Implementation Cost.

Annex I Holding Tax Assessment and Billing/Collection System

i) Outline

Holding Tax Assessment and Billing/Collection System is a sub-system for registration, assessment, billing/collection of holding tax in CCs. All relevant transactions, which are currently carried out in manual (e.g. registration, evaluation), will be computerized by this new system.

A prototype of the software of holding tax assessment has been developed and installed in RCC in the last year. And also the tax billing/collection software exists in the targeted CCs. However, in reality it is difficult to interface between two systems because an application of the existing billing/collection software is out of date. In consideration with the current IT environment, *Holding Tax Assessment and Billing/Collection System* should be newly developed through modifying and integrating the existing two systems.

ii) Functions

- To record all data/information related to holding tax management.
- To calculate and re-evaluate valuation of holdings.
 - In case that reduction/remission toward the final valuation is made through petition procedure in CCs, the system should keep records of both the final valuation and the amount of reduction/remission.
- To issue bills same as a previous format
- To recognise collection status from each tax payers (e.g. instalment, paid amount, arrears and others), and method of payment (cash payment or bank transfer). The system should have functions of swift tracking, reference, amendment, monitoring and other procedures.
- E-billing/e-payment
- To generate required reports

iii) Reporting

- Bills for subscribers
- Holding tax register
- A slip of received tax payment
 - A slip should be mentioned category wise amount (i.e. tax on buildings and lands, lighting rate, conservancy rate, and water rate). A slip should be issued monthly basis.
- Others (to be determined through requirement survey)