

Keep Private Universities out of tax-net

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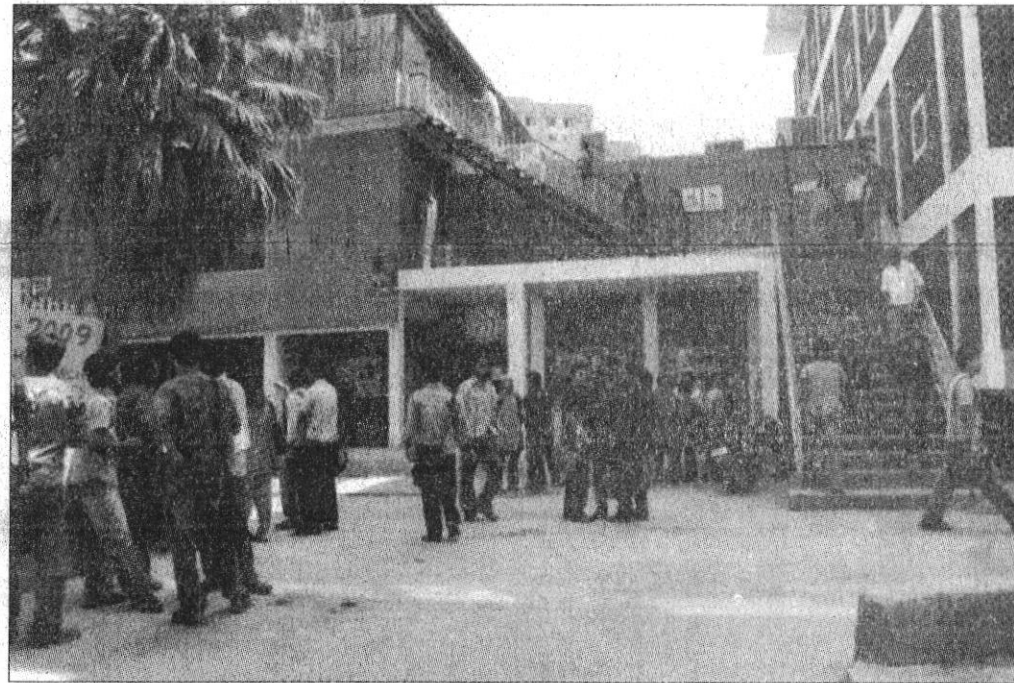
HIGHER education institutions including private universities have recently been developed in Bangladesh. These are well accepted by the society since its graduates are qualified and getting good jobs. Private universities are providing teaching services to more than 50% or specifically 53% students. Public universities can afford to provide its teaching service to less than 50% or 47% in particular. Its means that higher education culture in Bangladesh is fairly dominated by private (PVT) universities. We must have a great deal of respect to the recently developed PVT university culture in Bangladesh. As mentioned before, PVT universities are established for educational purpose only, not like a company such as BATC (British-American Tobacco Company) the objective of which is to make profits. In other words, PVT universities are not operated commercially as business organisations. There is no scope for business operations in the name of PVT universities. Profit and loss accounts are never drawn-up in private universities since it is not applicable by the Act of PVT universities. The purpose of PVT universities is to pursue higher education for the potential students in the country. In a similar spirit medical, dental engineering college and institute of Information Technology are established in the private sector of Bangladesh.

These institutions are not imposed with any corporate tax. Why the PVT universities should be taxed in a company style, which is a big issue and concern of the population in Bangladesh? Imposing taxes on PVT university is very discouraging for the expansion of higher education

in Bangladesh. Taxing on PVT university is unexpected and not wanted historically in the socio-economic-education-culture in Bangladesh. Certainly this kind of government action will have negative impact on university and parents of the students. Please note that PVT universities are fairly operated under the education direction of their Board members. Board members are educationist, politicians and affluent business individuals who can afford to donate in the service sector to help the government.

They help the government as a supplementary organisation since they are invited by the PVT university law. Many well-to-do families in Bangladesh do enjoy donating and supervising the same by themselves in such a noble profession including PVT university. Also, please note that they are promoting the PVT universities in a progressive fashion by investing the surplus fund, if any, in addition to their own fund. Questions arise, how these surplus fund of an education institution is being taxed by the government while it is not a part profit.

The government of Bangladesh needs to maximise its tax revenue by imposing taxes on several other sectors or in the sector other than the education sectors of PVT universities. It is worthwhile to mention that only 0.5% of population give taxes to the government. It means that the general tax culture is not yet developed in Bangladesh. Precisely speaking, the government can maximise its tax revenue by increasing the taxable area very easily, not by imposing any tax on educational institutions. PVT university Act of 1992 and amendment to this Act in 1998 does not have any provision for the



assessment of income or corporate tax on PVT universities. Therefore, imposing any tax on PVT university is simply illegal. Tax in PVT universities will indirectly tax its students and their parents. Because tax will increase the cost of education. The PVT universities will indirectly impose these costs on the student by increasing their tuition fees. This tax will erode the development and research

activities of the higher education institutions including PVT universities. Civilised society world-wide do not do it. We should not do it either. PVT universities should be exempted from both income tax and VAT as these institutions are running solely for educational purposes and not for making any profit. As mentioned before medical, dental and engineering colleges and other institutions imparting

education on Information Technology were not imposed any tax. PVT universities collect fees to meet the cost of education and do not sell degrees, diplomas or certificate like a business organisation. Students pay the fees. They may fail in the exam and will not get any certificate. Therefore PVT universities are not business organisations. Taxes are not imposed in SAARC countries or any-

where else in the world. Bangladesh is not an exceptional human society where we can impose any tax on PVT university.

The operational surplus fund of the non-government universities, if any, are utilised for the development, research and expansion of the university including the procurement of land, construction of buildings, expansion and modernisation of laboratories, up-gradation of libraries or research facilities, student amenities, payment of salaries to the faculty and the related expenses.

The surplus, spend in the form of capital or revenue expenses, can in no way be defined as profit. No part of it is paid or transferred or distributed directly or indirectly to the founders or members of the founding organisation by way of dividend, bonus or otherwise.

As mentioned before, exempted from taxation, the non-government colleges and universities provide medical, dental, engineering and Information Technology Education (ITE). It is, therefore, logical and very natural to extend the tax exemption to all non-government universities. Taxing non-government universities goes against the public interest as they are contributing to public welfare.

Private universities should therefore, be exempted from all kinds of tax, just like the medical, dental and engineering colleges and polytechnic institutes are exempted. The government should withdraw the tax imposed upon fixed deposit receipt (FDR) of private universities. If it does not withdraw this tax, private universities will not be able to build their fund for future development.

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