



# Fiscal Policy for Innovation and Growth and Current Trends in Tax Policy of National Board of Revenue (NBR) Bangladesh

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## Bangladesh Tax: Key Statistics

Registered income taxpayers	2.8 million
Income tax return filers	1.5 million
Total number of people pay taxes (including withholding tax)	4.0 million
Withholding tax (% of direct tax)	55%

VAT registration holder	0.75 million
VAT return filers	75,000
Importers	50,000

# Revenue Collection of Bangladesh

## Tax Revenue: FY 2016-17 (Budget)

	Amount (crore taka)	% of NBR Tax	% of Total Tax	% of Total Revenue
Taxes on Income and Profit	71,940	35.41	34.19	29.64
Other taxes and Duties	1,428	0.70	0.68	0.59
<b>Total Direct Tax</b>	<b>73,368</b>	<b>36.12</b>	<b>34.87</b>	<b>30.22</b>
Value Added Tax (VAT)	72,764	35.82	34.58	29.97
Customs Duty	22,494	11.07	10.69	9.27
Excise Duty	4,449	2.19	2.11	1.83
Supplementary Duty	30,075	14.80	14.29	12.39
<b>Total Indirect Tax</b>	<b>129,782</b>	<b>63.88</b>	<b>61.68</b>	<b>53.46</b>
<b>Total NBR Tax</b>	<b>203,150</b>	<b>100.00</b>	<b>96.55</b>	<b>83.69</b>
Non-NBR	7,250		3.45	2.99
<b>Total Tax Revenue</b>	<b>210,400</b>		100.00	86.67
Non-Tax Revenue	32350			13.33
<b>Total Revenue</b>	<b>242,750</b>			<b>100.00</b>



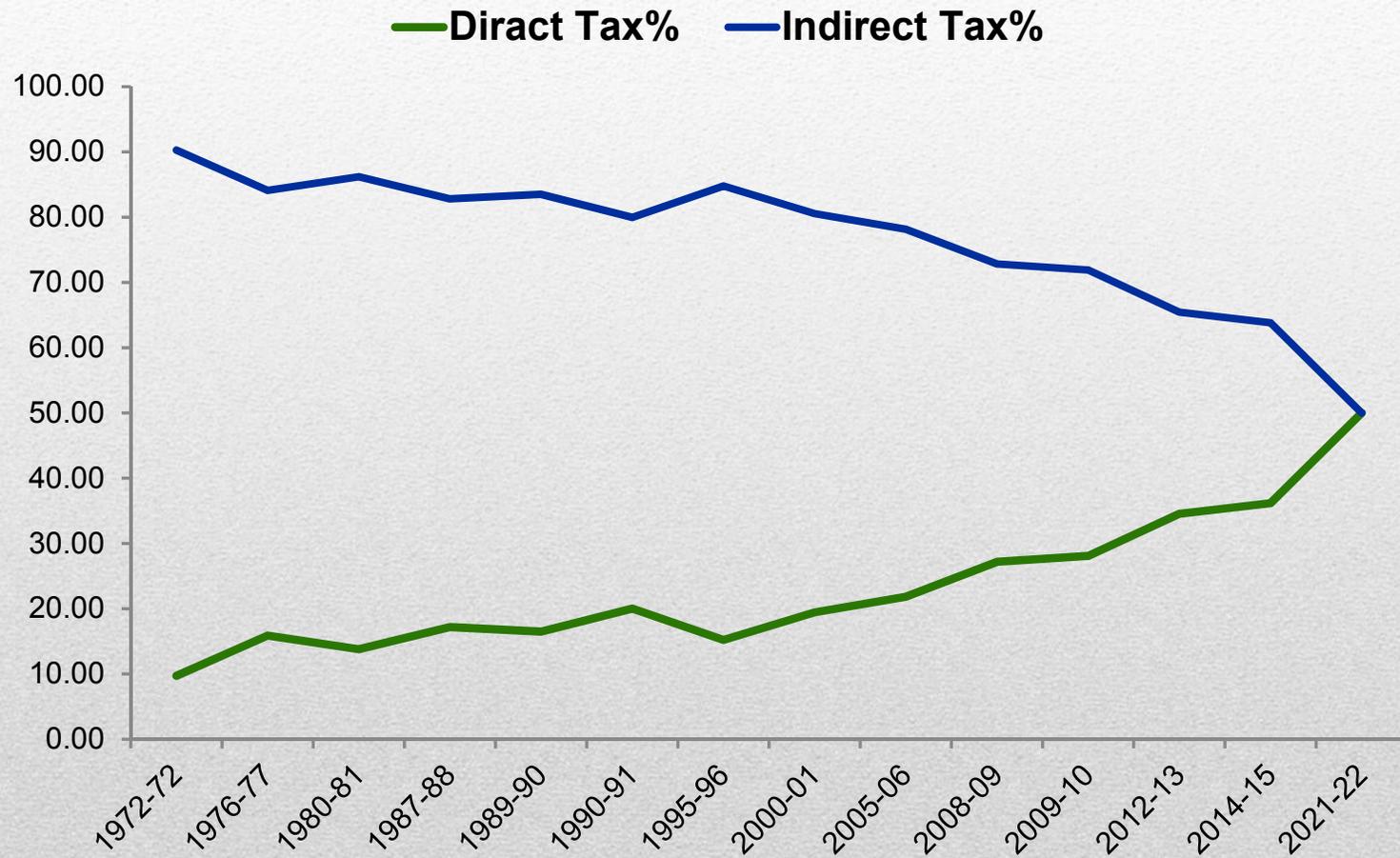
## NBR's Contribution in Total Revenue

FY	NBR Tax Revenue	Non-Tax Revenue	Total Tax Revenue	% of Total Revenue
2006-07	37,219	8,837	47,912	78%
2007-08	47,436	12,527	62,005	77%
2008-09	52,527	11,122	66,302	79%
2009-10	62,042	13,169	77,954	80%
2010-11	79,403	13,242	95,874	83%
2012-13	109,151	21,363	134,635	81%
2013-14	120,820	21,023	145,896	83%
2016-17*	203,150	32350	242,750	84%

## Direction of Tax Composition

FY	Direct Tax share (%)	Indirect Tax share (%)
1972-72	9.72	90.28
1976-77	15.90	84.10
1980-81	13.79	86.21
1987-88	17.20	82.80
1989-90	16.50	83.50
1990-91	20.03	79.97
1995-96	15.22	84.78
2000-01	19.44	80.56
2005-06	21.83	78.17
2008-09	27.17	72.83
2009-10	28.09	71.91
2012-13	34.55	65.45
2014-15	36.18	63.82
<b>2021-22</b>	<b>50.00</b>	<b>50.00</b>

# Direction of Tax Composition



## Tax Prospects

- Tax prospect is bright, given that NBR explore its potentials.

### Tax potential: Economic and social perspective

- Steady growth and growth prospect
  - Economy is on the take-off. Huge internal demand.
  - Projected to be N-11 economies.
  - Entrepreneurship development .
  - Export ; Bangladesh is now a global economic player.
- More contribution from manufacturing and service sectors and less dependence on agriculture in GDP (means, better scope for taxation)

## Tax Prospects

- Increased number of MNCs and Foreign Investment (MNCs: corporate governance and more transparent accounts, though they have transfer pricing issue)
- Demography
  - 160 million population (meaning taxpayer can reach up to 20 million)
  - Major population in 16-45 age group, meaning continuous supply of workforce
  - Low cost of labor, more international competitiveness and growth
- Urbanization (urbanization and tax compliance positively correlated)
- Changed attitude towards tax compliance

# Tax Prospects

## Tax potential: Tax Administration Perspective

- Tax policy reform
  - New VAT Act
  - Change in tax laws to close loopholes
  - Diagnostic reform: Withholding Tax Focus (Direct Tax)
  - Corporate focus in direct
  - Introduction of transfer pricing rules
  - Mandatory TIN and BIN registration in various activities
  - Added emphasis on direct tax (over the last few years, focus on direct tax has increased, and as a result, collection has also increased)

# Tax Prospects

## Tax potential: Tax Administration Perspective

- Tax Administrative reform
  - Various projects for strengthening tax administration capacity building in audit, intelligence, information and enforcement has
  - Automation in tax administration underway
  - Structural reorganization completed
  - Specialized units proposed
    - eTDS, Withholding Tax Unit, Tax Information Unit, International Tax Unit
  - Special emphasis on taxpayers service and motivation

## Innovation and tax policy

In this age of knowledge, innovation is key for sustainable economic development.

- NBR offers various tax benefits for innovation in various forms:
  - (a) Tax deduction for R&D expenditure
  - (b) Tax exemption for innovation related sectors and areas;
  - (c) Tax credit/rebate

## Innovation and tax policy

### Tax deduction for R&D expenditure (expenses allowed when computing business income)

- any expenditure on scientific research in Bangladesh
- any sum paid to a scientific research institute, or an association or other body having as its object the undertaking of scientific research;
- any sum paid to an approved university, technical school, college or other institution for the purpose of scientific research or technical training related to the class of business of the taxpayer

## Innovation and tax policy

### Tax exemption: (income exempt from tax )

- (a) Renewable energy (e.g energy saving bulb, solar energy plant, windmill);
- (b) Hi-tech park;
- (c) Information and Communication Technology village or software technology zone;
- (d) Information Technology (IT) park;
- (e) Energy efficient appliances;
- (f) Bio-fertilizer;
- (g) Biotechnology;

## Innovation and tax policy

### **Tax exemption: (income exempt from tax )**

- Any income derived from the business of Information Technology Enabled Services (ITES:

Digital Content Development and Management, Animation (both 2D and 3D), Geographic Information Services (GIS), IT Support and Software Maintenance Services, Web Site Services, Business Process Outsourcing, Data entry, Data Processing, Call Centre, Graphics Design (digital service), Search Engine Optimization, Web Listing, [document conversion, imaging and archiving including digital archiving of physical records

## Innovation and tax policy

### Tax exemption: (aiming at technology transfer)

- Income of foreign technicians in selected sectors (up to certain period)
- Tax treaties with 33 countries offering tax benefits to scholars



## **Innovation and tax policy**

### **Tax Credit/Rebate on income for contribution made by a taxpayer**

#### **Tax credit**

Donations/contribution to any national level institution engaged in the Research & Development (R&D) of agriculture, science, technology and industrial development.

#### **Tax rebate**

Donations/contribution to public universities



**Thank You**