



Reforming Tax Policy and Administration in Bangladesh

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Outline

- Main objectives of reform programs at NBR
- Major achievements of NBR
- Projection of NBR revenue
- Tax policy reform
- Tax administration reform
- Major challenges
- Concluding remarks



1. Main Objectives of Reform Programs at NBR

- Increase revenue productivity through enhanced taxpayer compliance
- Provide better services to taxpayers by introducing automated system
- Promote investment and employment opportunities
- Facilitate international and regional trade

2. Major Achievements of NBR



2.1. Past revenue collection efforts

With the exception of FY 2007-08 (an abnormal year), revenue target could be achieved only in FY 2009-10 during the period from FY 2001-02 to FY 2009-10 (Figure 1).

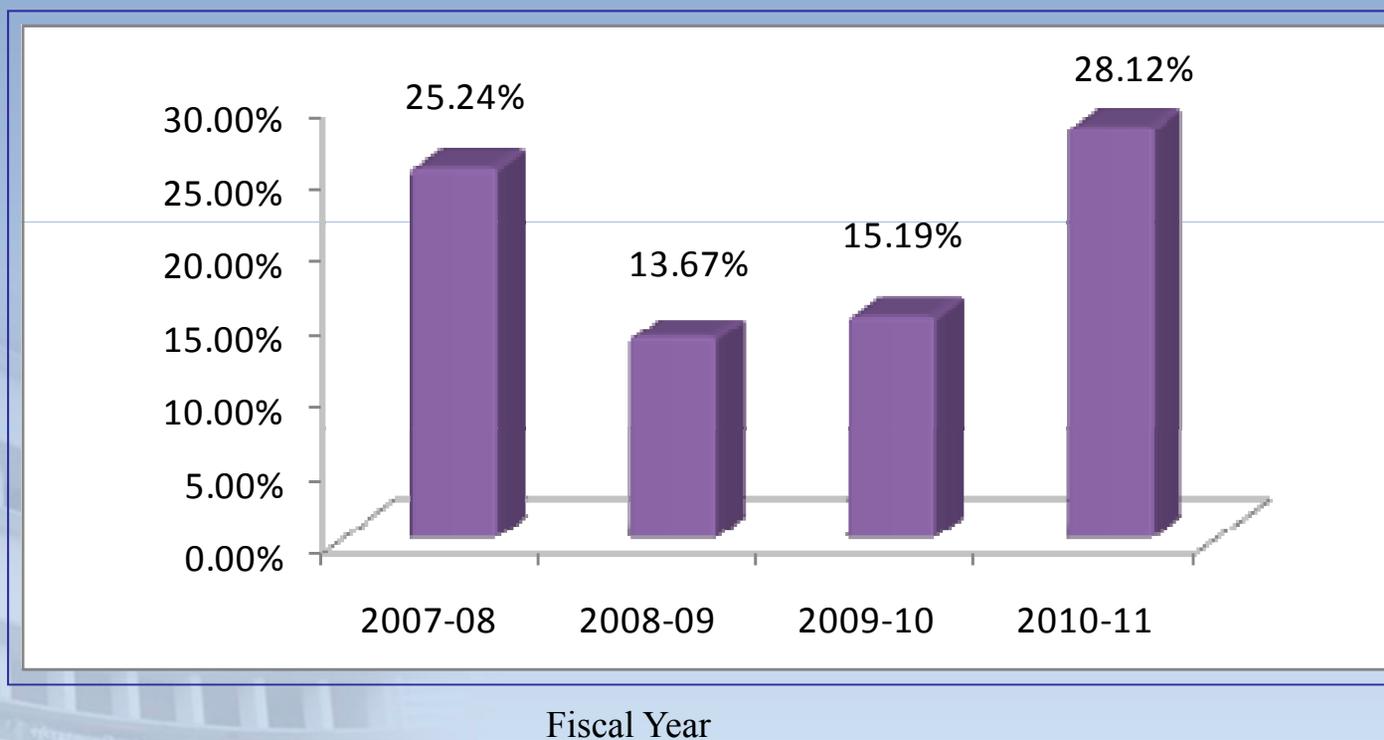
Figure1: NBR Revenue Deficit / Surplus



2.2 Current revenue growth (July-February)



Figure- 2: Revenue growth (July-February)



3. Projection of NBR Revenue



Table 1: Key Performance Indicators

Indicators	2009-2010 Actual	2010-2011 Original Target	2010-2011 Revised Target	Projection				
				2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Tax- GDP ratio	9.0	9.3	9.6	10.2	10.8	11.4	12.0	12.6
Share of taxes on income and profit in NBR revenue (%)	27.47	28.93	29.16	29.81	31.57	33.20	34.50	36.00
Share of taxes on domestic production in NBR revenue (%)	35.09	34.83	34.98	35.77	35.50	35.35	35.53	34.43
Share of trade taxes in NBR revenue (%)	36.83	35.22	35.22	33.72	32.22	30.72	29.22	27.72
Ratio of expenditure to tax collection (per Tk. 100)	0.74	0.72	0.72	0.70	0.65	0.54	0.49	0.47

4. Tax Policy Reform



4.1. Income tax policy

Reform measures taken/to be taken	Time frame
Consultation with stakeholders on the proposed property tax	Submission to Parliament in June 2011
Consultation on the draft ADR law	Submission to Parliament in June 2011
Draft direct tax code posted on the NBR website (www.nbr-bd.org) to elicit public opinion	Submission to Parliament in June 2012

4.2. Customs & VAT policy

Consultation with stakeholders on the draft VAT Act, 2011	Submission to Parliament in June 2011
Rationalization of import tariff structure	Submission to Parliament in June 2011

5. Tax Administration Reform



5.1. Income tax administration

Reform measures taken/to be taken	Time frame
Introducing taxpayer information and service centers on a trial basis	June 2011
Providing enhanced taxpayer services through spot assessment, tax fair etc.	Continuing
Tax calculator installed on the NBR website	Done
Introducing incentive based taxation system through tax cards, certificates etc. for enhancing tax payer compliance (a lesson for others)	Done
E-filing of income tax returns on a pilot basis (LTU and Zone-8)	Done
Strengthening of Central Intelligence Cell (CIC) for combating tax evasion	Continuing
Online TIN issue and linking TIN with national ID	December 2011



Holding Tax Fair: A Lesson for Others

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2 October 2010 Last updated at 01:39 GMT

Amazing success of Bangladesh's tax 'funfairs'

Two special fairs held this week in Bangladesh have proved hugely popular, but they are not for thrill-seekers.

The people who have voluntarily queued for hours at the events want to start paying income tax - in a country where hardly anyone ever does.

And the revenue-starved authorities are stunned by the idea's success, finds the BBC's Ethirajan Anbarasan in Dhaka.



People voluntarily queued for hours at the income tax funfairs to pay up, many for the first time

It was a not-so-fun-sounding fair, but the response was overwhelming.

In a country where fewer than 2% of the people pay income tax, it was a pleasant surprise for the National Board of Revenue (NBR) which

Done

•Source: BBC website

•**Amazing success of Bangladesh's tax 'funfairs': BBC (UK) 2 Oct 2010**

•**Bangladesh's taxman tries a different approach: The National (UAE): 3 Oct 2010**

5.2. Customs and VAT administration



Reform measures taken/to be taken	Time frame
Online VAT registration and return submission on a trial basis in LTU and Dhaka (South) Commissionerate	Done
Automation of Dhaka Customs House	Done
Limiting PSI activities to certain low-risk items in a bid to build capacity of customs officials	Done
All LC stations being brought under the ASYCUDA World system with Risk Management Module for online processing of declarations	June 2011
Separating tax policy from enforcement	June 2011
Online BIN issue and VAT return data entry	December 2011
Strengthening training and research capacity of NBR	June 2012



6. Major Challenges

- Low taxpayer compliance: Less than 1% of the population pay income tax. The compliance rate in case of VAT is 7%.
- Significant tax evasion exists (about 34% of tax collected and 3% of GDP in FY 2009-10, TIB 2011).
- Tax expenditures in the form of tax exemptions and incentives constituted 2.52% of GDP in FY 2005-06.
- The business process is mainly manually operated with little automation.



7. Concluding Remarks

- The government is committed to build Digital Bangladesh.
- We are developing a time-bound NBR modernization plan for reforming tax administration with a focus of building **Digital NBR by December 2013.**
- We are thankful to IMF for providing technical assistance, including most recently from policy reviews.
- We highly appreciate IMF technical assistance concerning the operationalization of the new VAT law.
- We urge upon IMF to continue technical assistance in implementing our reform agenda especially in **combating tax evasion.**