



*IMF Japan High Level Tax Conference for Asian and  
Pacific Countries*

## ***Emerging Tax Issues in Asian Countries***

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Tokyo Japan*

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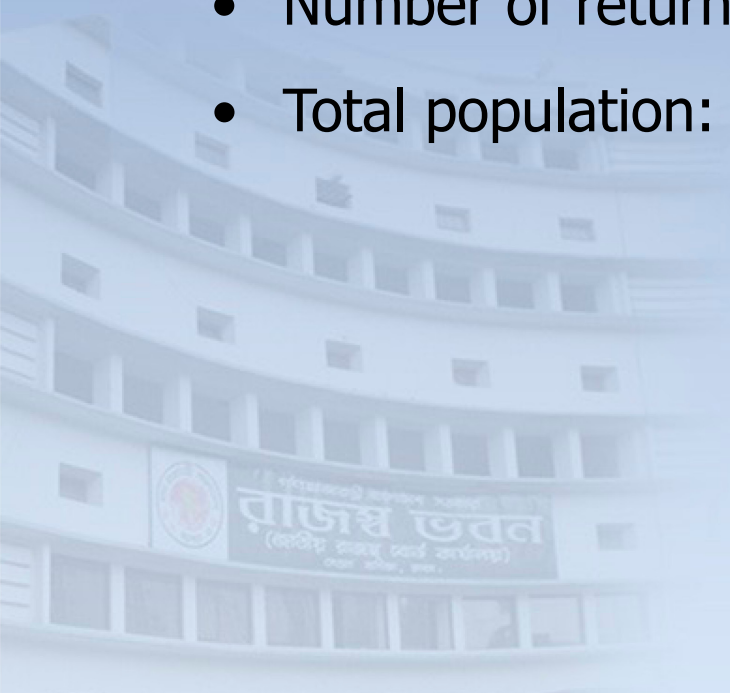
# Bangladesh: Basic Tax Information

- Revenue Agency: National Board of Revenue (NBR)
  - National Board of Revenue is the apex revenue collection agency of Bangladesh. NBR collects about 80% of the total revenue of Bangladesh from four major sources: personal income tax & corporate tax, value added tax, customs duty
- Tax as a % of GDP: 10%
  - In last three years, Tax-GDP ratio has been increased from 8% to 10%.
- Total tax collection (FY2010-11): 791 billion BDT (11.14 billion USD)



# Bangladesh: Basic Tax Information

- Direct Tax: 29%, Indirect Tax: 71%
- Number of registered taxpayers (direct tax): 3.5 million
- Number of return filers (direct tax): 1.2 million
- Total population: 160 million.





# Realities of and Key Challenges in Revenue Mobilization

- Bangladesh's tax-GDP ratio is very low compared to other countries.
- Less than 1% of the population pay income tax.
- Tax compliance is low and evasion is persistent.
- Various sectors is out of tax net due to tax exemptions.
- Tax management process is mostly manual
- Only one unit of Direct Tax (LTU) is working under functional model; other 31 units function under conventional model.



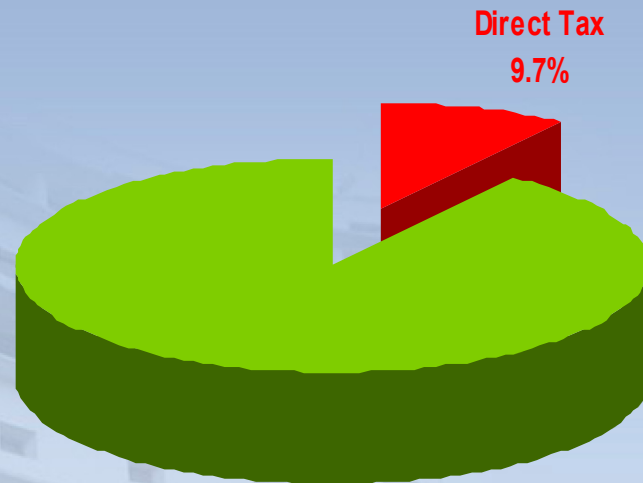
# Recent Trend in NBR Collection

- NBR has been enjoying robust growth in revenue collection over the last few years.
- Indirect tax still contributes lion's share of the total revenue, but the contribution of direct tax is gradually increasing.
- Direct tax has growing at a very healthy rate. In 2010-2011 FY, the direct tax enjoyed a 33.25% growth (one of the highest in Asia)
- The growth was possible thanks to a number of reform activities, including different innovative approach



# Changing Composition of Direct & Indirect Tax: 2010-2011

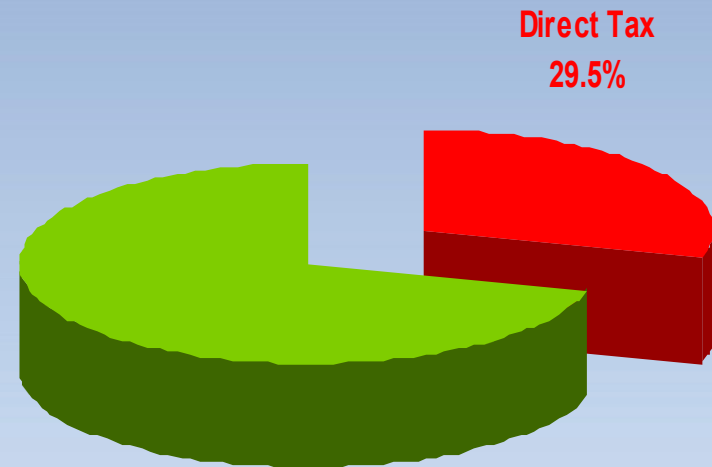
FY 1972-1973



Indirect Tax  
90.3%

Direct Tax  
9.7%

FY 2010-2011



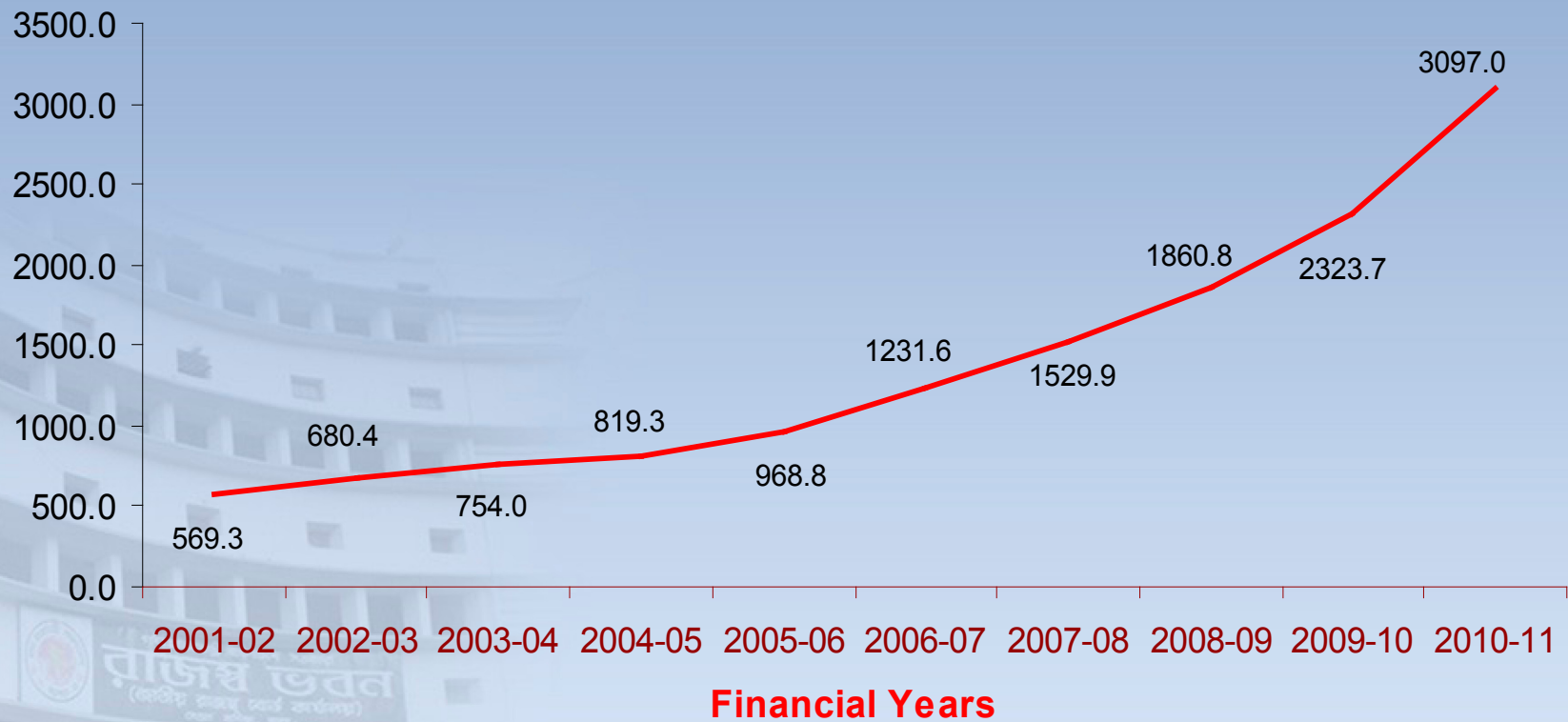
Indirect Tax  
70.5%

Direct Tax  
29.5%



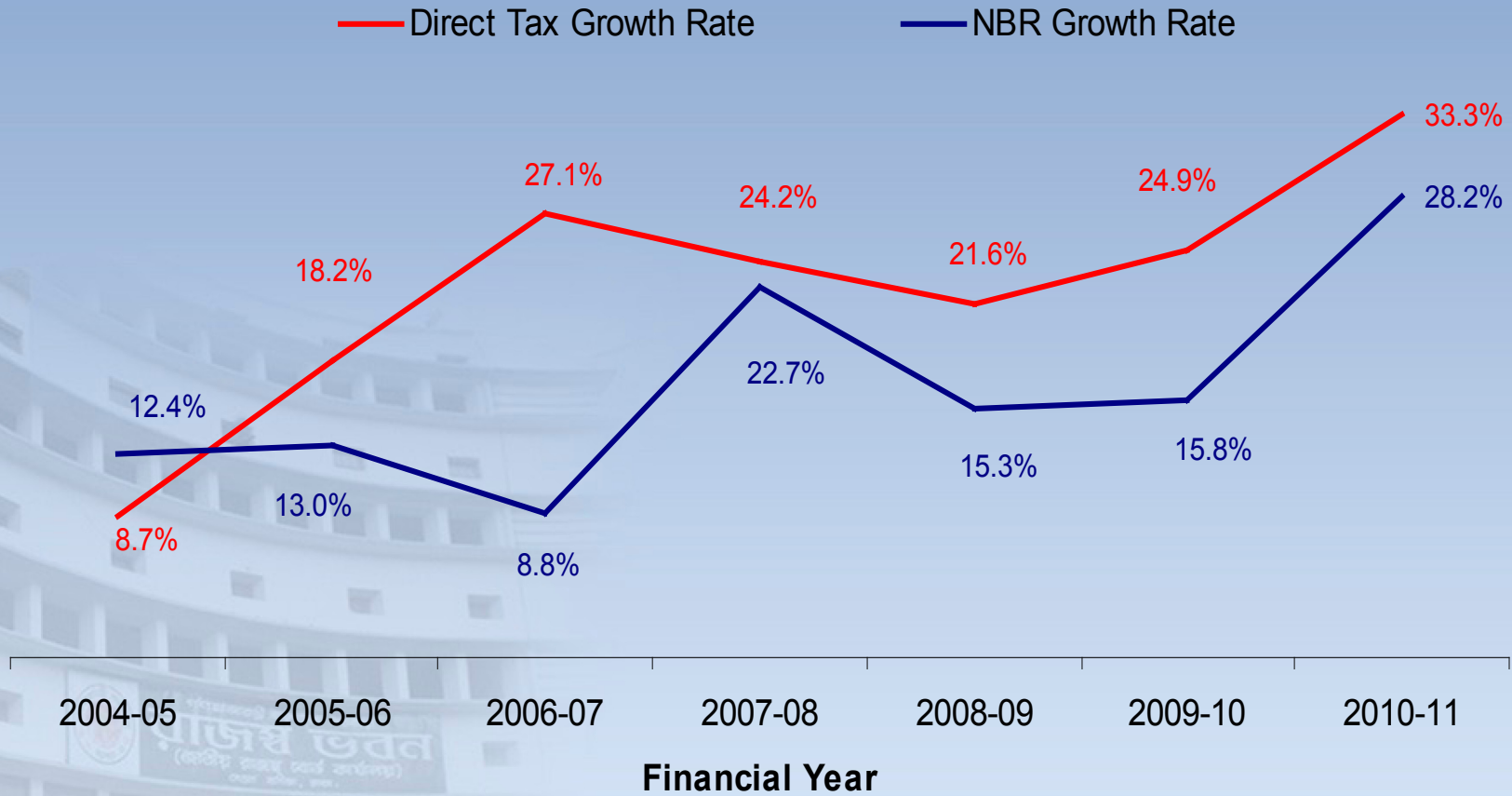
# Direct Tax Collection Trend

Collection of Direct Tax (million USD)





# Growth Rate: Direct Tax & NBR







# Challenges Ahead...

- Low Level of Compliance
- Narrow Tax Base, Tax Evasion Culture
- Tax Exemptions
- Existence of Shadow Economy
- Cash Transaction
- Complication in taxing real estate sectors
- Absence of property tax
- Cash Transaction
- International tax avoidance and evasion
  - Transfer mispricing
  - Business restructuring
  - Offshore transaction and financial schemes
  - e-transaction (e-commerce, e-banking)



# Reaching the Goal...

## Focusing on Two Areas:

### A. Tax Policy Reform, aiming at

- revenue mobilisation
- taxpayer's trust and confidence
- ensuring equity
- promoting industrialisation and employment

### B. Tax Administration Reform, aiming at

- enhancing efficiency and effectiveness of tax administration



# Reaching the Goal...

After a series of dialog with business community, professionals and other groups of taxpayers, parliamentary committee, civil society, media and other stakeholders, the NBR has formulated a comprehensive reform program: **NBR Modernization Plan 2011-2016.**

The modernization plan has been approved by the Parliament in FY 2011-2012.





# NBR Modernization Plan 2011-2016: Objectives and Strategies

With a view to better mobilize revenue, the NBR has formulated the Modernization Plan 2011-2016. The main objectives of the Modernization Plan are:

- Reach a tax-GDP ratio of 13% by 2016;
- Provide exemplary customer service to all taxpayers through a web-enabled tax administration from e-registration, e-filing of tax returns to e-payments/ refunds by 2016; and
- Reduce the tax pendency in the courts by 80% by 2016.



# Strategies of the NBR Modernization Plan





# Direct Tax Reform:Policy

Reform measures taken/to be taken	Time frame
Revising direct tax code to increase the efficiency and effectiveness of tax system.	Ongoing
Incorporating Alternative Dispute Resolution (ADR) related provisions in tax code	Done
Incorporating transfer pricing and other international tax anti avoidance provisions in tax code	Ongoing
Introduction of property tax in order to reduce income and wealth gap	Ongoing
Introduction of carbon tax to protect environment	Ongoing



# Direct Tax Reform: Tax Administration

Reform measures taken/to be taken	Time frame
Introducing taxpayer information and service centers	Ongoing
Providing enhanced taxpayer services through spot assessment, income tax fair etc.	Ongoing
Introduction of interactive online taxpayer service (for example, tax calculator in NBR website)	Done
Introducing incentive based taxation system through tax cards, certificates etc. for enhancing taxpayer compliance	Done
E-filing of income tax returns and E-payment of tax	Ongoing
Strengthening the Central Intelligence Cell (CIC) for combating tax evasion	Ongoing
Automation of TIN registration and linking TIN with national ID	Ongoing
Establishment of Audit, Investigation and Intelligence Unit at NBR	Done



# Direct Tax Reform: Tax Administration

## Other Reforms

- Number of field offices has been doubled.
- By the end of 2012, workforce is also expected to be doubled.
- Initiative has been taken to establish the Central Processing Center (CPC) at NBR to facilitate data gathering, storage and processing for tax purpose.
- Under workforce development program, increased numbers of tax officials are receiving training in different countries including USA, UK and other OECD countries, Thailand, Malaysia, and India.



# Innovative Approach for Tax Compliance

## Holding Tax Fairs

আয়কর মেলায় তৃতীয় দিনেও ব্যাপক সড়ো  
কর ক্যালকুলেটরে করদাতা নিজেই আয়কর হিসাব করতে পারবেন  
নিজস্ব প্রতিবেদক | তারিখ: ২০-০৯-২০১১



স্বয়ংক্রিয় কর ক্যালকুলেটরের মাধ্যমে এখন করদাতারা নিজেই আয়করের পরিমাণ নিরূপণ করতে পারবেন। গত বছর কর ক্যালকুলেটর চালু করা হলেও প্রচার-প্রচারণার অভাবে এর ব্যবহার খুব একটা হয়নি। তবে এবারের আয়কর মেলায় অনেক করদাতাকেই কর ক্যালকুলেটর ব্যবহারে আগ্রহী হতে দেখা গেছে। আর এ কাজে জাতীয় রাজস্ব বোর্ডের (এনবিআর) সহায়তা বুথের কর্মকর্তারা সহায়তা দেন।

মেলায় তৃতীয় দিনে গতকাল সোমবারও করদাতাদের ব্যাপক উপস্থিতি লক্ষ করা গেছে। কর ক্যালকুলেটরের মাধ্যমে করদাতা নিজের মোট আয় নির্দিষ্ট ঘরে বসিয়ে দিলে তাঁর করযোগ্য আয়করের পরিমাণ স্বয়ংক্রিয়ভাবে জানতে পারেন। যেভাবে ব্যবহার করবেন: জাতীয় রাজস্ব বোর্ডের (এনবিআর) ওয়েবসাইটে কর ক্যালকুলেটরটি সম্মিলিত রয়েছে। এনবিআরের ওয়েবসাইটের ঠিকানা হলো: [www.nbr-bd.org](http://www.nbr-bd.org)। কর ক্যালকুলেটরের ছকে আয়ের নয়টি খাত রয়েছে। খাতগুলো হলো: বেতন, সিকিউরিটিজের সুদ, বাড়িভাড়া, ব্যবসায়, কৃষি, ব্যবসায়ী উদ্যোক্তাদের লভ্যাংশ, শ্রী ও সন্তানের আয়, মূলধনি মুনাফা ও অন্যান্য খাতের আয়। তবে এসব উপখাতের মধ্যে বেতন ও বাড়িভাড়ার আয়ের বিস্তারিত উল্লেখ করতে হবে। আবার এসব আয়ের কোন অংশ বিনিয়োগ করা হলো, তা-ও বিস্তারিত থাকতে হবে।

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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.

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 organised the events to encourage people to pay up voluntarily.

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

- NBR has been organizing Income Tax Fairs for the last two years (2010 and 2011)
- Taxpayers can register, submit tax returns and get TIN certificate on tax fairs. In 2011, tax fairs was organized in seven divisions.
- The fairs have overwhelming response. More than 64000 taxpayers submitted returns and more 10000 taxpayers newly registered in tax fairs.



# Taxpayer Recognition Program

- Under the Taxpayer Recognition Policy of 2008, three highest and two longest paying taxpayers from each of the 64 districts and 6 city corporations are given social recognition (certificate, crest) at a state function.
- Under the national tax card policy of 2010, ten highest personal and ten corporate income taxpayers are accorded CIP status every year.



# Dispute Resolution in Taxation through ADR

- More than 20 thousand cases are lying with different courts involving about 20 thousand crore taka (US\$ 260 million).
- The Finance Act, 2011 has incorporated Alternative Dispute Resolution (ADR) provisions for dispute resolution in income tax, VAT and customs.
- By ADR mechanism, the NBR and taxpayers would be able to iron out their differences with the help and guidance of a referee called **facilitator**.
- The parties would retain their right to due court process where they do not agree.
- The NBR is going to operationalise the ADR mechanism on a pilot basis shortly.



# Taxpayer Information and Service Center

- A number of Taxpayer Information and Service Centers have been established.
- These centers provide answers to taxpayers' questions, assists taxpayers in preparation of tax returns, calculation of tax liabilities etc.
- The centers also provide remote service through mobile phone, internet etc.
- It coordinates taxpayer education programs at different organization levels.



# International Taxation: Reforms Mobilizing Revenue

- In 2011, a separate International Taxes division has been established headed by the Member (International taxes)
- International Taxes division has dedicated cell for dealing transfer pricing, money laundering and international tax avoidance.
- A transfer pricing and Anti Money Laundering Task Force has been established in January 2012 to combat international tax evasion in the manner of transfer mispricing and money laundering.
- International anti avoidance provisions are expected to be included in the Income Tax law by June 2012.

# Tax Gap and Evasion: Reforms in Tax Audit



Bangladesh experiences high tax gap. Tax evasion is persistent and exists in all levels of taxpayers. To reduce tax gap and combat tax evasion, NBR has stepping up audit activities. A number of reforms has been initiated in the area of tax audit including the following:

- In 2011, a separate Audit, Investigation and Intelligence division has been established headed by a Member (NBR).
- NBR has introduced desk audit, field audit, segment audit in all field offices (for the first time in NBR history).
- Non-filer/stop filers has been introduced to track 2.3 million non-filers and stop-filers.
- Audit risk determination procedure has been changed. A national committee, headed by Member (Audit, Investigation and Intelligence) has been formed to select tax return for audit based on risk factors.



# Tax Fraud and Evasion: Strengthening Central Intelligence Cell

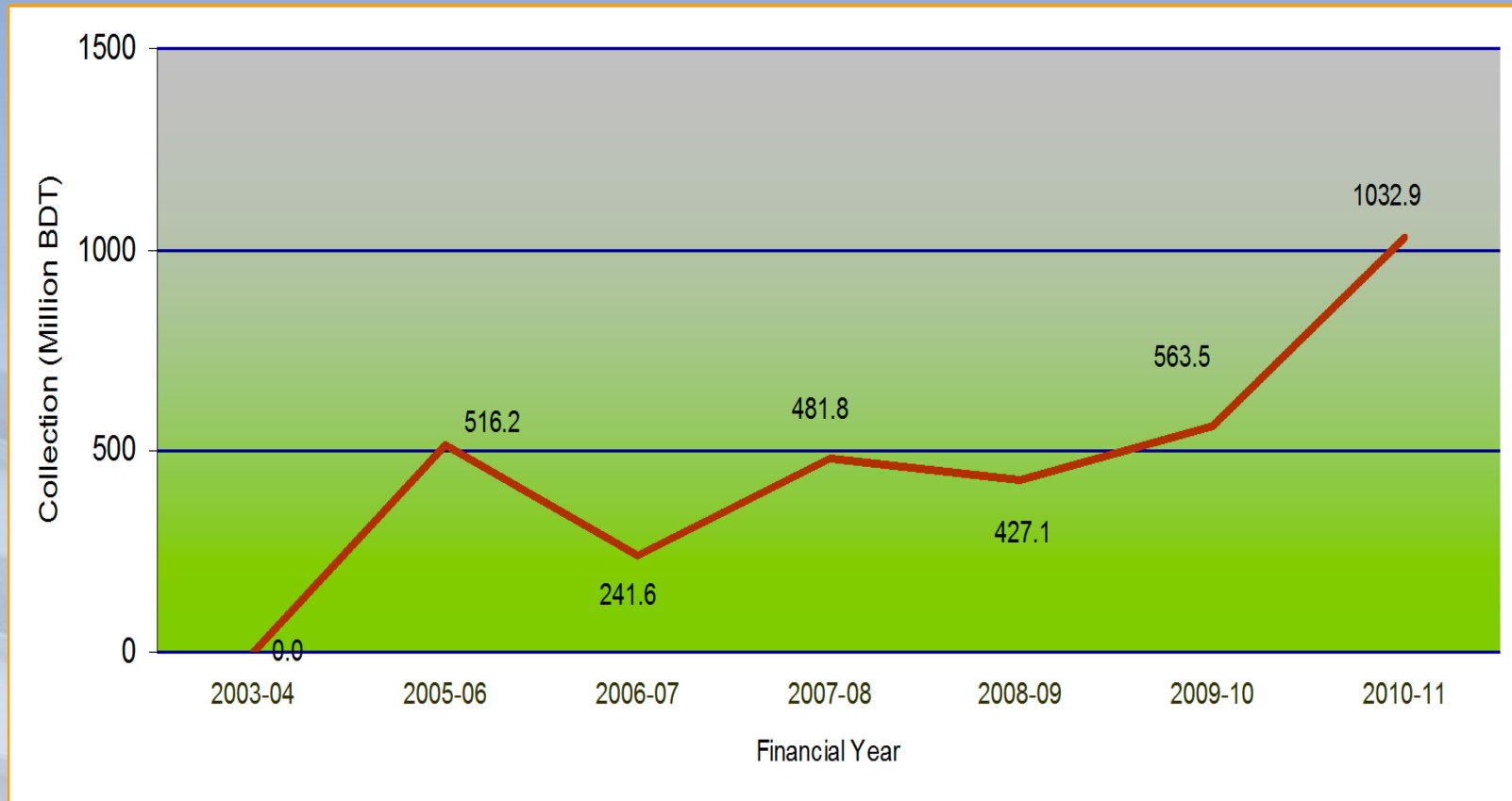
Combating tax fraud and evasion is a priority agenda of NBR. Central Intelligence Cell (CIC) was established in 2004 to step up intelligence and investigation activities.

- Central Intelligence Cell (CIC) works as an integrated unit (officials from Income tax, VAT and Customs work under the same umbrella)
- CIC performs tax intelligence function and investigate tax evasion and fraud cases in Income Tax, Customs and VAT areas.
- Activities of CIC have a huge impact on tax compliance.



# CIC: Performance in Figures

## Collection of Lost Revenue (Figures in million BDT)





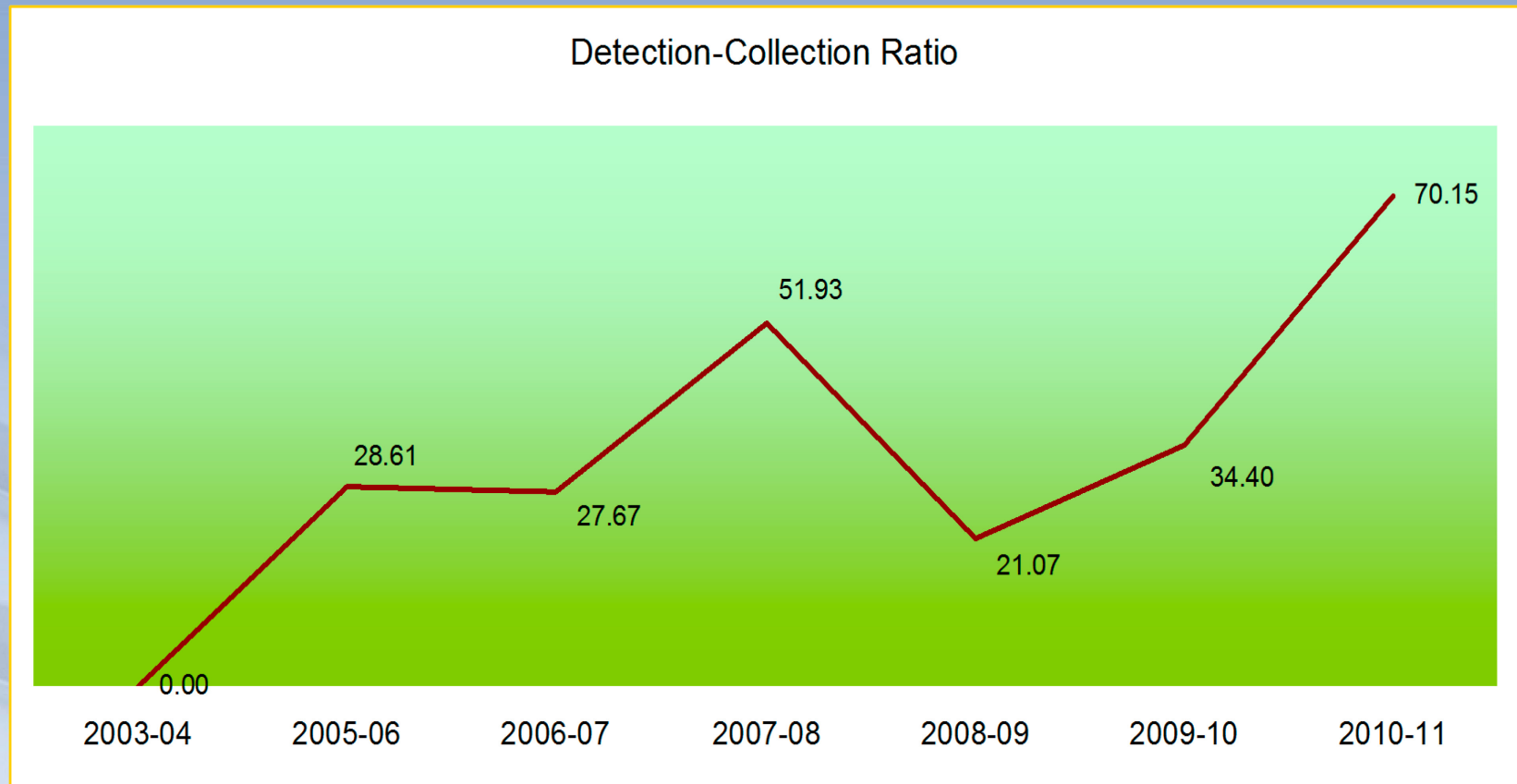


## CIC: Detection of Tax Evasion

Financial Year	Total Detection
2005-2006	1,805
2006-2007	873
2007-2008	928
2008-2009	2028
2009-2010	1,638
2010-2011	1,472



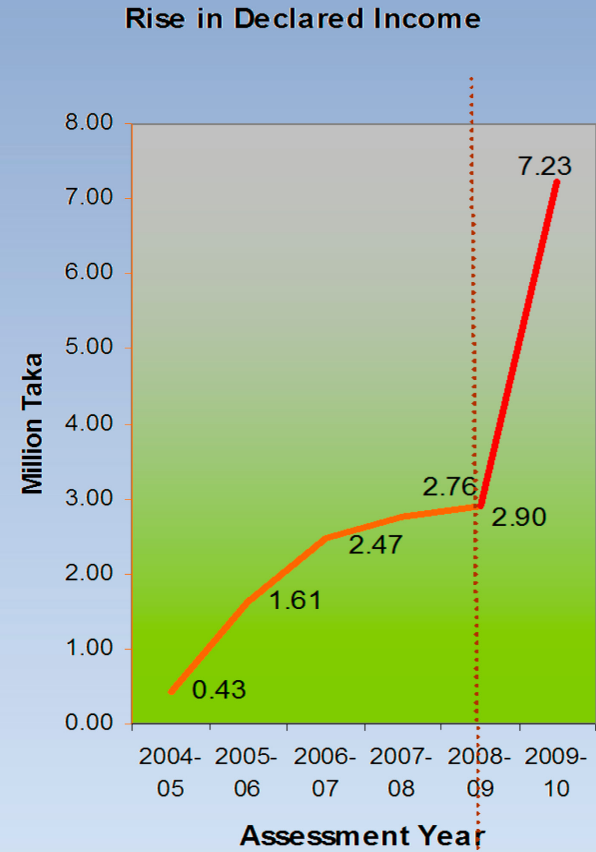
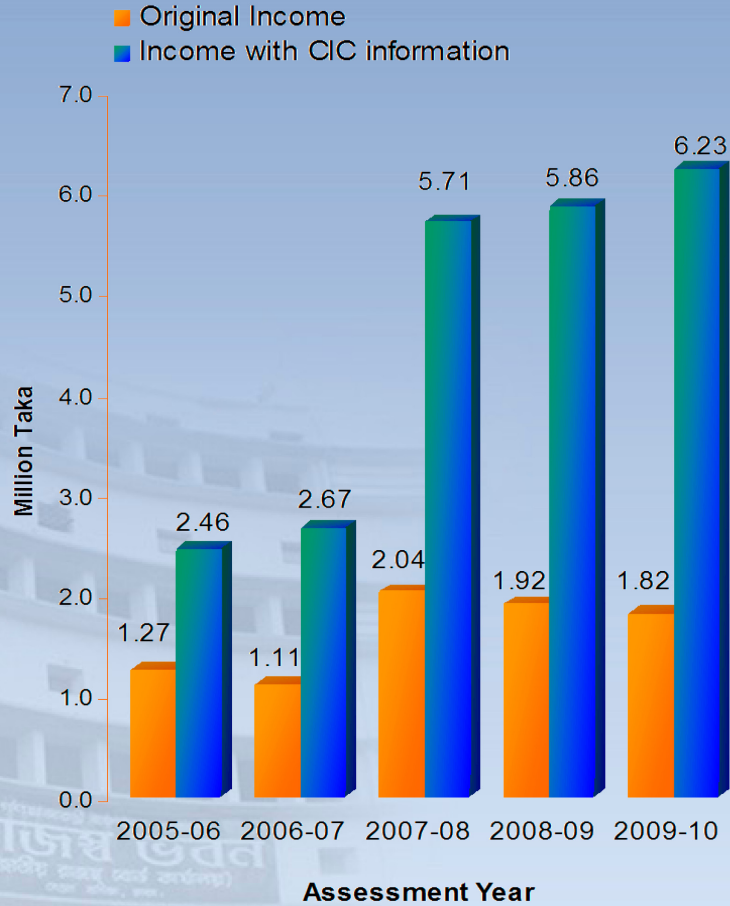
## CIC: Detection - Collection Ratio





# CIC: Impact Analysis

Taxpayer: 2010CIC01





## CIC: Challenges

- CIC is relatively new unit. It lacks technical ability in intelligence management and investigation, trained workforce and physical resource
- NBR has undertaken a number of reform initiatives for CIC:
  - Training of CIC officials in home and abroad
  - Establishment of forensic lab
  - Establishment of Criminal Investigation Unit within CIC



NBR aims at collecting due amount of tax from the taxpayers.

In gathering the due amount of tax revenue, NBR is committed to maintain the fairness and equity of the tax system and the transparency of its business procedure.

NBR is committed to meet the expectation of people of Bangladesh by delivering an efficient tax administration.



**Thank You**

