LIST OF ACRONYMS

ADP- Annual Development Plan
CSO- Civil Society Organization
CRAFT- The Capacity for Research and advocacy for fair taxation
ERD- Economic Relations Division
FBCCI- Federation of Business Chamber of Commerce & Industry
FTM- Fair Tax Monitor
GDP- Gross Domestic Product
IRD- Internal Resources Division
LTU- Large Taxpayers’ Unit
MoF- Ministry of Finance
NBR- National Board of Revenue
NGO- Non Governmental Organization
SD- Supplementary Duty
SoE- State Owned Enterprise
SUPRO- Campaign for Good Governance
Pourashava- Municipality
TT- Turn over Tax
VAT- Value Added Tax
Union Parishad- Lowest Tier of Local Government Institution
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The publication titled ‘Fair Tax Monitor 2017: Strive for Progressive Tax Systems in Bangladesh’ is one of the outcomes of project “Towards Pro-poor & Progressive Tax System in Bangladesh” that has implemented with the support of Oxfam in Bangladesh. With an aspiration to make Bangladesh’s tax system fair, equitable, transparent this report gives a broader overview on the overall tax system of Bangladesh, loopholes of current tax systems and identifies the potentialities of making tax systems more progressive and pro-poor friendly. In doing so, the study team employed exploratory study methodology based on secondary data and archival resources, also interviewed a wide range of stakeholders, including the grassroots people.

In a separate chapter, the report also synthesizes views and recommendation of district and division and national level stakeholder’s consultations so that issues and demand for a just and progressive tax system in Bangladesh gets proper academic interest and policy attention.

Hence, in implementing research activities as well as organizing local level stakeholder’s we would like to put on record the invaluable contributions of study consultants namely Md Shamsuddoha, Musharat Mehejabeen of CPRD and contributions of SUPRO Members namely Mr Abdul Awal, M A Quader for their inputs and review comments on the study; similarly we appreciate very useful coordination and support of SUPRO Secretariat colleagues namely Md Azmal Hossain and Mohammad Moazzem Hossain who worked tirelessly in organizing local as well as national level consultations.

We also would like to acknowledge the invaluable coordination and support of Dr Khalid, Economic Justice & Resilience Manager and Mehbuba Yasmin, Advocacy Coordinator of Oxfam in Bangladesh for their consistent follow-up and support in implementing project as well as reviewing the study report.

We have learnt much from the respondents of local level stakeholder’s and SUPRO district committee members, and without their help it would not have been possible to synthesize people’s views and perception on the tax system in Bangladesh. Our sincere gratitude for their presence in the consultations and for their useful recommendations to make a just and progressive tax system in Bangladesh.

S. M. Harun Or Rashid Lal
Chairperson

M A Quader
General Secretary
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EXECUTIVE SUMMARY

The Fair Tax Monitor (FTM) project was started in December 2014. The FTM project was developed by Oxfam Novib and Tax Justice Network–Africa in collaboration with partners and Oxfam Country Offices.

The Fair Tax Monitor’s overall goal is to strengthen the advocacy activities at the local and global levels. It provides an overview of national tax systems and identifies the main challenges they face. The tool provides reliable evidence for the advocacy and lobby work of our partners, which strengthens their position and increases their credibility as well as their influencing power.

The external environment influencing the tax performance of Bangladesh has changed remarkably as the country became increasingly integrated with the global economy during the 1990s. In recent years, the Government of Bangladesh has initiated some administrative and policy reforms in the tax system. An improved tax administration in association with some pragmatic policy initiatives has resulted in a modest improvement in the tax-GDP ratio of late. However, the performance is still unsatisfactory as compared to other countries at a similar stage of economic development.

The narrow tax base, widespread exemptions, and administrative inefficiencies are the main factors behind low tax-to-GDP ratio in Bangladesh compared to the neighboring/comparator countries. This also implies that tax reforms over the last decades could not bring about significant changes in Bangladesh’s tax efficiency and productivity. The most basic challenge has been the overall weakness of the policy framework, which is characterized by an enormous range of exemptions, incentives and special regimes.

Hence, attaining an optimal income tax system becomes critical for revenue generation required for accelerating growth and to improve the quality of life of the citizens. A long-term sustainable solution to enhance transparency, promote growth, improve tax compliance and thus to increase the tax to GDP ratio is a much desirable issue in the context of Bangladesh.

With an aspiration to make Bangladesh’s tax system fair, equitable, transparent and complied with the people’s aspiration this study has been undertaken to understand country’s overall tax system, its loopholes and potentialities so that the advocacy agendas are fabricated on solid research based knowledge.

Within FTM Common Research Frame Work methodology including: Progressive Tax System, Sufficient Revenues, Well governed tax exemptions, Effective tax administration, pro-poor government spending and accountable public finances and through employing exploratory study methodology based on secondary data and archival resources, the study generates information on six broader areas e.g. description of the tax system, distribution of the tax burden and progressivity, revenue sufficiency and tax leakages, effectiveness of the tax administration, government spending, and transparency and accountability. These clusters of topics were selected to best capture the complex character of tax systems in order to evaluate the fairness of a tax system.

The findings and policy recommendations presented here could be important to carry on future tax reforms and to make Bangladesh tax structure more broad based and equitable.
Study Context and Overview

Bangladesh is increasingly focusing on internal resources mobilization for its socio-economic development and meeting budgetary expenditures. VAT and Tax are the important sources of a country for mobilizing resources internally.

A tax system must be economically efficient, inflicting as little damage as possible on the economy. But there are huge challenges in regard to achieve progressive tax system and ensure tax justice. Considering these perspective SUPRO started working for a sound tax system in Bangladesh to minimize minimum losses of the country and logically economic improvement of Pro-poor and Progressive Tax System. SUPRO- a pioneer campaigning and advocacy organization- undertook strategies to facilitate grassroots activism in order to raise collective voices and influence policy makers and duty-bearers for introducing a fair taxation system that will prevent the tax evasions and reduce tax avoidance both at the individual and institutional level (including national and multinational companies). As a member of ‘Capacity for Research and Advocacy for Fair Taxation (CRAFT), SUPRO implemented a nationwide campaign titled ‘Promoting Tax Justice in Bangladesh’ from 2012 to 2014. Over the three years of project period SUPRO implemented research, advocacy, capacity building and public awareness on fair taxation that contributed to a better understanding of, and insight in tax issues in Bangladesh, providing a firm basis for both the civic education and advocacy campaigns to promote a fairer tax system.

The successful completion of the above project with solid outcome and impacts leveraged another project funding from Oxfam. Started in April 2017 the project “Towards Pro-poor & Progressive Tax System in Bangladesh” that aimed at creating a good tax atmosphere through mobilizing countrywide movements and sensitization programs.

While generating research based insights on the tax system in Bangladesh, this report also synthesizes views and opinion of a wide range of stakeholders, including the grassroots people, so that issues and demand for a just and progressive tax system in Bangladesh gets proper academic interest and policy attention.

Under the scope of this project SUPRO facilitated peoples’ concerns, reactions, and opinions on just and progressive tax system to the country’s tax administration and other policy stakeholders. Under the scope of the project SUPRO, so far, organized 24 districts and 8 divisional meetings which culminated to a National Dialogue held in December 2017.
The Project

Upon successful completion of multi-country flagship project ‘Fair Tax Monitor Bangladesh’ during 2013-2015, SUPRO implemented another project titled “Towards Pro-poor & Progressive Tax System in Bangladesh” starting from April 2017 to December 2017.

The overall objective of this project is ‘to create a good tax atmosphere through mobilizing countrywide movements and sensitization programs in next two to three years period’. The key project objectives are;

a. to reduce regressive pressure of VAT on mass people through exemptions on essential commodities so that it can minimize their livelihood cost,
b. to increase property tax and income tax through imposing and effecting existing laws maintaining transparency and accountability aspects, and
c. to minimize evasion of corporate tax

The broader strategic goal of this study is to contribute to a better understanding of, and insight in tax issues in Bangladesh, providing a firm basis for both the civic education and advocacy campaigns to promote a fairer tax system. Aligning with the stated broader aspiration, the study defines its very specific and target oriented objectives e.g.

- To identify main bottlenecks in the tax systems of focus countries
- To provide strong evidence-based support for country-level advocacy work
- To create a framework to compare tax systems of selected countries over time
- To contribute to the global-level advocacy on taxation through evidence-based tool showing relative fairness of selected tax systems

Study Objective and Methodology

The broader strategic objective of this study is to contribute to a better understanding of, and insight in tax issues in Bangladesh, providing a firm basis for both the civic education and advocacy campaigns to promote a fairer tax system.

Aligning with the stated objective, the study employed qualitative research approach to understand and analyze country’s tax system against the globally recognized just and progressive taxation criteria and indicators. In doing so relevant information and data are generated from the secondary and archival resources. Besides, a limited number of interviews are conducted to have updated policy scenarios and practices on country’s tax system, tax administration and on overall revenue structure.
TAX SYSTEM IN BANGLADESH: AN OVERVIEW

Institutional Arrangement for Revenue Generation

Like other developing countries, Bangladesh underscores importance of revenue generation to meet country’s revenue and development expenditures with a view to accomplishing some economic and social objectives, such as redistribution of income, price stabilization and discouraging harmful consumption. However, the revenue structure in Bangladesh is complex, centralized and with interaction/involvement of many agencies, department and ministries. All the generated revenues are directed to one basket i.e. Account No 1 of Bangladesh bank that afterward allocated/distributed through annual budgetary allocation, projects, schemes, block grants etc as if Ma Durga (known as Devi and Shakti in Hinduism, who believed in to have10 hands) is distributing Bhog among the devotees (KI Interview)¹.

On generation side, there are two broad categories of revenue; a) Tax revenue, which is again divided to NBR tax and Non-NBR tax, and b) Non-tax revenue. The following figure gives an overview on the institutional arrangement and sources of revenue generation.

The National Board of Revenue (NBR), the apex tax authority of Bangladesh, is administered under the Internal Resources Division (IRD) of the Ministry of Finance (MoF). The MoF has 4 Divisions, namely, the Finance Division (FD) the Internal Resources Division (IRD), the Banking Division and the Economic Relations Division (ERD). Each division is headed by a Secretary to the Government. Secretary, IRD is the ex-officio Chairman of NBR. NBR is responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh. Under the overall control of IRD, NBR administers the excise, VAT, customs and income-tax services consisting of 3434 officers of various grades and 10195 supporting staff positions.

The NBR sources includes customs duty, value added tax (VAT), supplementary duty (SD), excise duty, income tax, foreign travel tax, electricity duty, wealth tax (collected as a surcharge of income tax since fiscal year 1999-2000), turnover tax (TT), air ticket tax, advertisement tax, gift tax and miscellaneous insignificant taxes.

Other taxes, often referred as ‘non-NBR sources, include narcotics duty (collected by the Department of Narcotics Control, Ministry of Home Affairs), land revenue (administered by the Ministry of Land and collected at local Tahsil offices), Non-judicial stamp (collected under the Ministry of Finance), Land Registration fee (collected by the Registration Directorate of the Ministry of Law, Justice and Parliamentary Affairs) and Motor vehicle tax (collected under the Ministry of Communication).

¹ Towfiqul Islam Khan, Research Fellow, Center for Policy Dialogue-CPD, interviewed on 18.08.2015
A reasonably high threshold can help reduce the regressivity of VAT. It can also reduce the burden borne by the lower-income groups and ensure the equity of VAT.

Excise Duty

An excise duty is an inland tax on the sale, or production for sale. Such duty is considered as an indirect tax, meaning that the producer or seller who pays the tax to the government is expected to try to recover or shift the tax by raising the price paid by the buyer. At present, excise duty applies to only two items: bank deposits and domestic air ticket.

Though the share of excise duty is miniscule compared to other tax types but its share on total tax has been increasing; it was 0.48% in 2005 which increased to 1.35% in 2017. It has been found that the share of excise duty consisted less than 0.5% within 2005 to 2009; the upward trend started from 2010 and reached above 1% in 2016. Table 6 presents share (%) and volume of excise tax in total tax over a period from FY 2005-2017, while Figure 7 shows growth of excise duty share over the period.

The non-tax sources include dividend and profit, interest, administrative fees, penalty and forfeiture, services, rent and leasing, tolls and levies, non-commercial sale, defense, non-tax receipts, railway, post office department, T&T Board, and capital receipts etc.
**Tax Structure in Bangladesh**

Among the tax revenue sources, VAT shares the major portion (36.55%) followed by income tax (35.49%). Table 1 and the Figure 2 shows the share of tax revenue sources in FY 2014-15.

### Table -1: NBR Tax Structure in Bangladesh, FY 2014-15 (in Crore Taka)

<table>
<thead>
<tr>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax in Crore Taka</td>
<td>15349.85</td>
<td>17690.47</td>
<td>5252.42</td>
<td>40.63</td>
<td>38333.37</td>
<td>960.38</td>
<td>32290.13</td>
<td>15758.31</td>
<td>4.71</td>
<td>49013.53</td>
<td>87346.90</td>
<td>48525.00</td>
<td>868.11</td>
<td>49393.11</td>
<td>136740.01</td>
</tr>
<tr>
<td>% of Total</td>
<td>11.23%</td>
<td>12.94%</td>
<td>3.84%</td>
<td>0.03%</td>
<td>28.03%</td>
<td>0.70%</td>
<td>23.61%</td>
<td>11.52%</td>
<td>0.003%</td>
<td>35.84%</td>
<td>63.88%</td>
<td>35.49%</td>
<td>0.63%</td>
<td>36.12%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Source: Bangladesh Economic Review 2014-15 and National Board of Revenue 2013-14*

### Figure 2: Composition of tax in FY 2014-15

- **Income Tax**: 35.49%
- **VAT**: 36.55%
- **Supplementary Duty**: 15.36%
- **Import Duty**: 11.23%
- **Others**: 1.37%

*Source: Bangladesh Economic Review 2014-15*
A reasonably high threshold can help reduce the regressivity of VAT. It can also reduce the burden borne by the lower-income groups and ensure the equity of VAT.

**Excise Duty**

An excise duty is an inland tax on the sale, or production for sale. Such duty is considered as an indirect tax, meaning that the producer or seller who pays the tax to the government is expected to try to recover or shift the tax by raising the price paid by the buyer. At present, excise duty applies to only two items: bank deposits and domestic air ticket.

Though the share of excise duty is miniscule compared to other tax types but its share on total tax has been increasing; it was 0.48% in 2005 which increased to 1.35% in 2017. It has been found that the share of excise duty consisted less than 0.5% within 2005 to 2009; the upward trend started from 2010 and reached above 1% in 2016. Table 6 presents the share (%) and volume of excise tax in total tax over a period from FY 2005-2017, while Figure 7 shows the growth of excise duty share over the period.

In terms of external and local sources, the local sources dominate (36%) in the tax structure of Bangladesh (Figure 3). Due to trade liberalization, the proportion of taxes from import and export level has been declining; in FY 2014-15, it became 28% (Figure 4). In 1991 Bangladesh embarked on a major tax reform through the introduction of the VAT system. Simultaneously, significant reduction of import tariffs happened, which caused the small portion of share from export and import based taxes.

**Figure 3: Item-wise NBR revenue collection FY 2010-2015**


In terms of external and local sources, the local sources dominate (36%) in the tax structure of Bangladesh (Figure 3). Due to trade liberalization, the proportion of taxes from import and export level has been declining; in FY 2014-15, it became 28% (Figure 4). In 1991 Bangladesh embarked on a major tax reform through the introduction of the VAT system. Simultaneously, significant reduction of import tariffs happened, which caused the small portion of share from export and import based taxes.

**Figure 4: Composition of taxes in terms of external (export & import) and local sources, FY 2014-15**

Source: Bangladesh Economic Review 2014-15

Given the significance of the volume of revenue earned from tax revenue sources (directly administered by NBR), they always been came under public focus and security hence its organizational arrangement become more structured and efficient over the years.

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**Figure 4: Composition of taxes in terms of external (export & import) and local sources, FY 2014-15**

Source: Bangladesh Economic Review 2014-15

Given the significance of the volume of revenue earned from tax revenue sources (directly administered by NBR), they always been came under public focus and security hence its organizational arrangement become more structured and efficient over the years.
Tax burden basically imply on direct taxes to be borne by individual. While the indirect taxes e.g. VAT on any good or service affects the rich and the poor alike, the direct taxes may cause burden on certain income group. Hence to reduce tax burden, taxation regime should be diverse and broad based with of equitable balance of both direct and indirect sources.

On the other hand, the term "progressive" refers to the way the tax rate progresses from low to high, with the result that an individual on an average pays less than the person’s marginal tax rate. This also refers that people with lower income pay a lower percentage of that income in tax than do those with higher income. Unlike Indirect Taxes, Direct Taxes are linked to the tax-payer’s ability to pay, and hence are considered to be progressive.

Nevertheless, tax structure of Bangladesh is perceived to be regressive as it is heavily dependent on indirect tax; around 70% in 2017, which was about 64% in 2014. The gap between direct and indirect tax has been reducing from 2005, however the gap is seen further increasing since 2015. The share of indirect tax also found increasing in the recent years (Figure 5).

Figure 5: Ratio of direct and indirect taxes in Bangladesh, FY 2005-17

Source: NBR Annual Report 2013-14 and Bangladesh Economic Review 2017

However, to understand burden and progressivity of a tax system it is important to understand components of both direct and indirect taxes and their implementation integrity.

2. Prashant Prakash, Property Taxes Across G20 Countries: Can India Get it Right? 2013, CBGA and OXFAM India
Direct Tax

Direct Taxes comprise taxes from income tax and other taxes, sources of income tax can be classified on 7 categories, which are as follows:3

1. Salaries
2. Interest on securities
3. Income from house property
4. Income from agriculture
5. Income from business or profession
6. Capital gains
7. Income from other sources.

Rates of income tax are different for different income groups; also vary in individual and company level. While, in general, the slab for individual tax rate starts from Tk 2.50 lakh of income, but it is flexible for some groups in particular; women taxpayer, senior citizen, war-wounded gazette freedom fighters and challenged persons. The threshold of taxable income for women and senior citizen aging 65 years and above is 3.00 lakh; for physically challenged person 4.00 lakh; and for war-wounded gazette freedom fighters 4.25 lakh.

Table 4 shows the slabs of individual tax rate in FY 2017-18; this does not include special and differential tax rates of women, senior citizen of 65 years and above, retarded and gazette war-wounded freedom fighter and physically challenged people.

Rates of corporate income tax also vary from company to company on the basis of their types. Usually the agro-based industries enjoy facilities of low taxation in comparison to other manufacturing and service providing industries. Yet, a number of export oriented manufacturing industries e.g. readymade garments enjoy tax holidays and other advantages like low import tariff on imported materials. In 2015-16 FY the highest taxation (45%) has been imposed on cigarette manufacturing and non-publicly traded mobile phone companies. Certain agro-based industries e.g. horticulture and pisciculture that used to enjoy ‘zero’ taxation facilities and now changed with a minimum taxation at different slabs and on income balance. Table 3 shows tax rate of different companies for FY 2015-16.

Table 2: Individual Tax Rate

<table>
<thead>
<tr>
<th>Total Income (BDT)</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>On first, upto 2.50 lakh of total income</td>
<td>Nil</td>
</tr>
<tr>
<td>2nd Slab, 2.51 to 6.50 lakh</td>
<td>10%</td>
</tr>
<tr>
<td>3rd Slab 6.51 to 11.50 lakh</td>
<td>15%</td>
</tr>
<tr>
<td>4th Slab 11.51 to 17.50 lakh</td>
<td>20%</td>
</tr>
<tr>
<td>5th Slab 17.51 to 47.50 lakh</td>
<td>25%</td>
</tr>
<tr>
<td>6th Slab 47.51 and beyond</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: National Board of Revenue, Income tax at a glance 2017-18

---

Despite having a structured mechanism on corporate and personal income taxation, the country still lacks a systematic wealth tax mechanism. Yet there are provisions of imposing 10% surcharge on net wealth⁴, the threshold is TK. 2 crore and 25 Lakh of the price of net wealth in 2015-16. Table 4 presents different slabs of wealth along with percentage of surcharge.

---

⁴ Including land, real estate and financial assets minus liabilities
Table 4: Rate of surcharge on net wealth

<table>
<thead>
<tr>
<th>Price of net wealth</th>
<th>Rate of surcharge</th>
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<tbody>
<tr>
<td>Up to 2 crore 25 lakh</td>
<td>NIL</td>
</tr>
<tr>
<td>2 crore 25 lakh to 10 crore</td>
<td>10%</td>
</tr>
<tr>
<td>10 crore to 20 crore</td>
<td>15%</td>
</tr>
<tr>
<td>20 crore to 30 crore</td>
<td>20%</td>
</tr>
<tr>
<td>Above 30 crore</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Source: National Board of Revenue, Income tax at a glance 2015-16*

The revenue board in 2011 introduced the surcharge to collect more tax from the rich to ensure ‘progressive taxation’ under which the rich paid more tax. In that fiscal only 4,446 taxpayers reported to have over Tk 2 million worth of assets. Imposing 10% taxation, NBR earned Tk 446.20 million and in 2014-2015, the revenue board got Tk 2540 million wealth surcharge from 10,931 wealthy people.

The current practice essentially increases the marginal tax rate by additional 10% and amounts to distorting the incentive to work or to increase tax avoidance. In FY 2014-15, only 10,931 persons shown their net wealth above 2 crore in their income tax return, however the actual number of the wealthy people (with annual income more than 2.25 crore) would be much higher.

However, it is important to coverage of wealth tax net through identifying the persons having net wealth more than 2.25 crore, also need to increase the number of slabs of assets so that more number of wealthy people would come under the net of surcharge.

**Indirect Tax**

Indirect taxation is commonly used to generate tax revenue paid indirectly by the final consumer of goods and services while paying for purchase of goods or for enjoying services. It is broadly based since it is applied to everyone in the society whether rich or poor, hence indirect taxation can be viewed as having the effect of a regressive tax as it imposes a greater burden (relative to resources) on the poor than on the rich. In contrary to the direct tax, the taxpayer and the tax bearer are not the same person.

The indirect taxes are collected by the intermediaries from the person who bears the ultimate economic burden of the tax. The intermediary later files a tax return and forwards the tax proceeds to government with the return.

The major indirect tax Bangladesh includes, Value Added Tax (VAT), Excise duty, Trade Tax and Turnover Tax.

**Value Added Tax (VAT)**

The share of VAT is the highest in tax structure, about 37% in 2014 and 36.55% in 2015. The share of VAT found steadily increasing from 35% in 2005 to 39.44% in 2010 (Table 5). Despite remaining highest position, VAT failed to maintain momentum and has been declining; it became 36.55% of total tax in 2015 due to increase of share from all direct sources.

Table 5 presents percentage and volume VAT share over the period from 2005 to 2015, while figure 6 shows steady increase of VAT share with its percentage value.

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A reasonably high threshold can help reduce the regressivity of VAT. It can also reduce the burden borne by the lower-income groups and ensure the equity of VAT.

Excise Duty

An excise duty is an inland tax on the sale, or production for sale. Such duty is considered as an indirect tax, meaning that the producer or seller who pays the tax to the government is expected to try to recover or shift the tax by raising the price paid by the buyer. At present, excise duty applies to only two items: bank deposits and domestic air ticket.

Though the share of excise duty is miniscule compared to other tax types but its share on total tax has been increasing; it was 0.48% in 2005 which increased to 1.35% in 2017. It has been found that the share of excise duty consisted less than 0.5% within 2005 to 2009; the upward trend started from 2010 and reached above 1% in 2016. Table 6 presents the share (%) and volume of excise tax in total tax over a period from FY 2005-2017, while Figure 7 shows the growth of excise duty share over the period.

Under VAT Act 1991, a number of items enjoy exemption. Cottage industries are kept outside the VAT net. In general, VAT rate is 15%. Exported items and essential commodities are zero-rated to VAT. Some special sectors within the small industries category enjoy VAT exemptions and differential rates (truncated rates); these are 1.5%, 2%, 2.25%, 4%, 4.5%, 5%, 5.5%, 6%, 7.5%, 9% and 10%. Over the last two and half decades, the rules under the VAT Act 1991 have been revised and amended from time to time through a number of Statutory Regulatory Orders (SROs).

Currently, Bangladesh VAT system is one of the most inefficient in the world with the lowest VAT productivity. Only 60,000 firms pay VAT regularly out of nearly 700,000 companies; the number of firms that should pay value-added tax should be 3-6 lakh.

A study conducted by Nahida Faridy and Tapan K. Sarker (2011) using Household Income Expenditure Survey 2005 data found that overall the VAT in Bangladesh is regressive. It also found that the VAT burden in the lowest income range is 6.92%, which is extremely high given the

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8. Percentage of household income
fact that the VAT burden of the highest-income group is only 4.56%. The average effective VAT rate is 6.01%, which is also higher than that of the highest fourth income groups’ people. This means higher-income groups are bearing less of the VAT burden than the lower-income groups. Based on the findings, the study provides the following policy recommendations that could help design a better VAT system in Bangladesh. These are:

- VAT in Bangladesh could be made less regressive by making a distinction between luxury goods and necessity goods. The government could tax more heavily those goods that account for a greater share of expenditure of the better-off members of society.

- Extensive exemptions cause distortion and induce elements of tax evasion in the tax system. However, some exemptions are unavoidable. Hence, VAT exemptions in Bangladesh should be limited only to basic health services, public transport, agriculture and agro-based industries and government education.

- A reasonably high threshold can help reduce the regressively of VAT. It can also reduce the burden borne by the lower-income groups and ensure the equity of VAT.

**Excise Duty**

An excise duty is an inland tax on the sale, or production for sale. Such duty is considered as an indirect tax, meaning that the producer or seller who pays the tax to the government is expected to try to recover or shift the tax by raising the price paid by the buyer. At present excise duty applies to only two items: bank deposits and domestic air ticket.

Though the share of Excise duty is miniscule compared to other tax types but its share on total tax has been increasing; it was 0.48% in 2005 which increased 1.35% in 2017. It has been found that the share of excise duty consisted less than 0.5% within 2005 to 2009; the upward trend started from 2010 and reached above 1% in 2016. Table 6 presents share (%) and volume of excise tax in total tax over a period from FY 2005-2017, while figure 7 shows growth of growth of excise duty share over the period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Tax</th>
<th>Excise tax</th>
<th>% of total tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2990446</td>
<td>144.39</td>
<td>0.48</td>
</tr>
<tr>
<td>2006</td>
<td>3400243</td>
<td>161.15</td>
<td>0.47</td>
</tr>
<tr>
<td>2007</td>
<td>3721932</td>
<td>183.49</td>
<td>0.49</td>
</tr>
<tr>
<td>2008</td>
<td>4743566</td>
<td>214.33</td>
<td>0.45</td>
</tr>
<tr>
<td>2009</td>
<td>5252725</td>
<td>238.34</td>
<td>0.45</td>
</tr>
<tr>
<td>2010</td>
<td>7040311</td>
<td>347.49</td>
<td>0.49</td>
</tr>
<tr>
<td>2011</td>
<td>9505899</td>
<td>486.18</td>
<td>0.61</td>
</tr>
<tr>
<td>2012</td>
<td>10915173</td>
<td>660.36</td>
<td>0.69</td>
</tr>
<tr>
<td>2013</td>
<td>12051283</td>
<td>772.53</td>
<td>0.71</td>
</tr>
<tr>
<td>2014</td>
<td>13672398</td>
<td>822.39</td>
<td>0.68</td>
</tr>
<tr>
<td>2015</td>
<td>15551872</td>
<td>954.71</td>
<td>0.69</td>
</tr>
<tr>
<td>2016</td>
<td>15820317</td>
<td>1582.03</td>
<td>1.02</td>
</tr>
<tr>
<td>2017</td>
<td>14805371</td>
<td>1480.53</td>
<td>1.35</td>
</tr>
</tbody>
</table>

*Source: NBR Annual Report 2012-13 and Bangladesh Economic Review 2017*

Bangladesh’s revenue structure has been burdened by taxes from indirect sources for long time and usually characterized by heavy import and export duties. To cope with the challenge of globalization and market liberalization Bangladesh, like many other countries, has to reduce such duties and levies.

The share of import and export based tax in total tax has been declining; it was 73.98% in 2005 and became 31.68% in 2017 The major declined happened from the FY 2009; in 2009 it was 68.84% which reduced to 31.68% in 2017.

Table 7 presents share of trade tax (export and import) in total tax over the period from 2005-17, while figure 8 shows declining trend of the trade share during the period. Figure 9 shows share of different taxes/duties in trade tax, FY 2005-2017

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**Trade Tax**

Bangladesh’s revenue structure has been burdened by taxes from indirect sources for long time and usually characterized by heavy import and export duties. To cope with the challenge of globalization and market liberalization Bangladesh, like many other countries, has to reduce such duties and levies.

The share of import and export based tax in total tax has been declining; it was 73.98% in 2005 and became 31.68% in 2017 The major declined happened from the FY 2009; in 2009 it was 68.84% which reduced to 31.68% in 2017.
Extensive exemptions cause distortion. VAT in Bangladesh could be made less regressive by making a distinction between luxury goods and necessity goods. The government could tax more based on the ability to pay. Higher-income groups are bearing less of the VAT burden than the lower-income groups. Based on the Income Expenditure Survey 2005 data, it was found that the VAT burden of the highest fourth income groups' people is only 4.56%, which is also higher than that of the highest-income group. The fact that the VAT burden of the highest-income group is only 4.56% means higher-income groups are also reducing the burden borne by the lower-income groups and ensuring the equity of VAT.

The study provides the following policy recommendations that could help reduce the regressivity of VAT. It can also reduce the burden borne by the lower-income groups and ensure the equity of VAT.

Table 7: Share of import/export based tax in total tax, FY 2005-17

<table>
<thead>
<tr>
<th>Year</th>
<th>Import duty</th>
<th>VAT at import level</th>
<th>Supplementary duty at import level</th>
<th>Export duty</th>
<th>Total import &amp; export based taxes</th>
<th>Total Tax</th>
<th>% of total tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7912.13</td>
<td>12558.17</td>
<td>1853.48</td>
<td>0</td>
<td>22123.78</td>
<td>29904.46</td>
<td>73.98</td>
</tr>
<tr>
<td>2006</td>
<td>7825.43</td>
<td>13782.30</td>
<td>1563.42</td>
<td>0</td>
<td>23171.15</td>
<td>34002.43</td>
<td>68.15</td>
</tr>
<tr>
<td>2007</td>
<td>8154.76</td>
<td>17671.36</td>
<td>1196.63</td>
<td>0</td>
<td>27022.75</td>
<td>37219.32</td>
<td>72.6</td>
</tr>
<tr>
<td>2008</td>
<td>9601.42</td>
<td>20146.85</td>
<td>1753.85</td>
<td>0</td>
<td>2318.24</td>
<td>43689</td>
<td>66.41</td>
</tr>
<tr>
<td>2009</td>
<td>9371.23</td>
<td>24468.05</td>
<td>2318.24</td>
<td>0</td>
<td>3203.13</td>
<td>43689</td>
<td>68.83</td>
</tr>
<tr>
<td>2010</td>
<td>8997.12</td>
<td>10651.22</td>
<td>3203.13</td>
<td>0</td>
<td>4398.71</td>
<td>5205.01</td>
<td>35.22</td>
</tr>
<tr>
<td>2011</td>
<td>11566.05</td>
<td>12375.81</td>
<td>4398.71</td>
<td>0</td>
<td>5394.43</td>
<td>4344.43</td>
<td>33.08</td>
</tr>
<tr>
<td>2012</td>
<td>13268.07</td>
<td>13769.64</td>
<td>4398.71</td>
<td>0</td>
<td>6200.34</td>
<td>5257.40</td>
<td>29.6</td>
</tr>
<tr>
<td>2013</td>
<td>13227.55</td>
<td>14846.48</td>
<td>4398.71</td>
<td>0</td>
<td>6560.12</td>
<td>6560.12</td>
<td>27.57</td>
</tr>
<tr>
<td>2014</td>
<td>13540.82</td>
<td>15318.9</td>
<td>4398.71</td>
<td>0</td>
<td>7275.43</td>
<td>79403.11</td>
<td>28.04</td>
</tr>
<tr>
<td>2015</td>
<td>15343.38</td>
<td>17692.12</td>
<td>4398.71</td>
<td>0</td>
<td>120512.83</td>
<td>109151.73</td>
<td>29.06</td>
</tr>
<tr>
<td>2016</td>
<td>18016.58</td>
<td>20583.86</td>
<td>4398.71</td>
<td>0</td>
<td>136723.98</td>
<td>120512.83</td>
<td>31.68</td>
</tr>
<tr>
<td>2017</td>
<td>13488.29</td>
<td>16321.58</td>
<td>4398.71</td>
<td>0</td>
<td>155518.72</td>
<td>109266.99</td>
<td>33.08</td>
</tr>
</tbody>
</table>

Source: NBR Annual Report 2012-13 and Bangladesh Economic Review 2017

Figure 8: Trade tax as% of total tax, FY 2005-17

Source: NBR Annual Report 2013-14 and Bangladesh Economic Review 2017
The contribution of VAT is highest in total trade tax followed by import duty and supplementary duty, 47.14%, 38.96% and 13.83% respectively in 2017.

Secondly, it has been found from 2009 the contribution of VAT has been declining rapidly; from 67.67% to 47.14% in 2017;

Figure 9: Share of different taxes/duties in trade tax, FY 2005-2017

Turnover Tax

The contribution of turnover tax in total tax is very few; has declined from 5.71 crore in 2005 to 1.79 crore in 2017. (Table 8). It has been found that the share of turnover tax has been declining over the period, 0.019% in 2005 to 0.002% in 2017 (Figure 10). Turnover tax (TT) gives preferential provision to the small enterprises, which has annual turnover below Tk. 80 lakh, to pay turnover tax at a lower rate of 3 per cent. Under ‘turnover tax’ provision, an entrepreneur has to keep minimum ledger accounting that could reduce his administrative cost.10

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These have been considered only in the tax-exemption threshold for individual taxpayers; in the other areas of taxation, there is no different rate for women and men. In the exemption threshold for individual tax payers, there is different rate for women and men.

Gender Analysis on Taxation

Gender implications of taxation policy are a critical concern in country like Bangladesh, where number of problems affects the women mostly. Unequal property ownership, wage discrimination, unequal distribution of power within the household- these need to be taken into account in designing taxation policies.
Chapter Summary and Recommendations

Analysis in this chapter shows that the major reform in tax administration occurred in the 1990s in a democratic regime following along military rule in the country. However, there is study to measure the effect of democratic environment on the revenue administration and governance. Analysis also shows that the indirect taxes are still the primary source of generating internal resources and contributes the lion’s share in the overall revenue earnings of Bangladesh.

The direct tax administration is still outdated and based territorial/geographical administrative units. While withholding at sources has no central data base, there is no way for the tax administration to follow up on additional tax payments and also given the context the major recommendations are;

- Broadening of the taxpayers’ base and identify sectors. This will require monitoring of the ownership of all sizable physical and financial assets of taxpayers and determining the income generation out of those assets.

- Broadening of the tax revenue sources from traditional dependence on taxing financial institutions and a few large non-financial corporations. Tax administration has the tendency to increase tax incidence on existing and complying taxpayers and not work hard on identifying the new taxpayers by gathering information from multiple sources.

- Focusing on income from service providers and self-employed (who are difficult to tax).

- Treating all sources of income equally for the tax purpose without discrimination for the households. This would imply taxation of capital gains from land, real estate/housing, and stock market.

- The simplistic manner of imposing Wealth Tax in the form of an Income Tax surcharge of 10% should be abandoned and the NBR should move to develop a proper “Wealth Tax” or “Property Tax”. NBR has to build up its capacity for proper administration of property/wealth tax with proper study and identifying the right way to collect the tax, not simply by taxing the income tax in the form of a surcharge.

- VAT in Bangladesh could be made less regressive by making a distinction between luxury goods and necessity goods. Apply differentiated VAT rates in different sectors based on income tiers.

- VAT exemptions in Bangladesh should be limited only to basic health services, public transport, agriculture and agro-based industries and government education.

- Undertake reform measures to determine the true value of property and apply property tax.
REVENUE SUFFICIENCY AND TAX LEAKAGES

Among the sources, share of tax revenue is more than four-fifth of total revenue. In Bangladesh out of total revenue, tax revenue consisted of 80.63 to 84.88 percent between FY 2005-06 and FY accordingly. The share of non-tax revenue was above 19% between FY 2005-06 and FY 2011-12, which decreased to 15.12% in FY 2014-15 (Figure 11).

Figure 11: Share of tax and non-tax revenue in total revenue, FY2006 - 2015

![Graph showing share of tax and non-tax revenue in total revenue from FY 2005-06 to FY 2014-15]

Source: Bangladesh Economic Review 2014-15

2014-15 and the remaining came from non-tax sources. It has been observed that from FY 2011-12 to FY 2014-15, the share of tax revenue increased 80.96 to 84.88 and non-tax revenue decreased

Despite giving much effort in tax revenue generation, the tax system of Bangladesh is characterized by low tax as a percentage of GDP. Though tax to GDP ratio has increased from 7.5% in

Table 9: Tax-to GDP Ratio, FY 2006 to 2017

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-to</td>
<td>7.50</td>
<td>7.14</td>
<td>7.64</td>
<td>7.88</td>
<td>8.02</td>
<td>8.63</td>
<td>9.12</td>
<td>9.74</td>
<td>9.69</td>
<td>9.28</td>
<td>8.98</td>
<td>9.79</td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NBR Annual Report 2013 and Bangladesh Economic Review 2014-17
2005-06 to 9.79% in 2016-17, however in terms of revenue generation, the performance has been rather disappointing with the tax/GDP ratio still standing just little less than 10% mark, one of the lowest in the world. Table 9 shows trend of tax to GDP ratio from FY 2005-06 to 2016-17.

The tax resource collection in Bangladesh has been well below the level of most countries at a similar stage of economic and social development indicates the relative weakness of the tax system in Bangladesh relative to other countries in the region. This below-par resource mobilization impeded economic growth and social development. Until recently, the collection of tax revenue in Bangladesh has been low averaging less than 10% of GDP until FY17.

The narrow tax base, widespread exemptions, and administrative inefficiencies are the main factors behind low tax-to-GDP ratio in Bangladesh compared to the neighboring/comparator countries. This is noteworthy that still in Bangladesh the non-NBR sources and non-tax sources remained out of focus and untapped despite having significant potential of revenue generation. Therefore it is important give proper attention non-NBR and non-tax sources to diverse and expand tax coverage. Also efforts should be given to make SoEs more efficient and auditing of the income of state-run and state supported commercial enterprises run under different ministries.

**Tax Evasion and Avoidance**

Tax avoidance is the way to reduce tax through using the loopholes of law, while tax evasion does the same by violating the law. These have been taking place through understatement and concealment of taxable objects, property transfer, and so on. Tax evasion and tax avoidance incentive eliminate the 5 percentage points of tax GDP ratio which is about Tk. 400 billion (NBR2011). The absence of a participatory policy making process, lack of research into, and reform of, the tax system, short-term oriented and politically motivated tax policies, loopholes, anomalies and complexities of tax laws and policies are responsible for creating scope for tax evasion. Institutional weaknesses of the tax administration, lack of professional support for tax officials and inappropriate behavioral aspects of tax officials have undermined the efficiency of the tax policy implementation process, resulting in widespread tax evasion. During the compliance process, the absence of a tax culture among income taxpayers.

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11. Fiscal Management and Revenue Mobilization by Dr. Ahsan H. Mansur, Policy Research Institute of Bangladesh, Prepared as a background paper for the Seventh Five Year Plan
12. Towfiqul Islam Khan, Research Fellow, Center for Policy Dialogue-CPD, interviewed on 18. 08.2015
Illicit Wealth or Black-Money

The amount of unreported money is within 45 percent to 81 percent of gross domestic product in 2011 (MoF, 2011). Those who own the majority of the wealth and income of the country are still outside the network of taxation. According to both governmental surveys and the words of the Finance Minister, a large amount of the government’s money is unaccounted for. In economics or regular parlance, one would call this “black money.” A small part of this may be valid income, but because no tax has been paid on this for various reasons, it has now been listed as “undisclosed” income. One can be certain that the right epithet for this is “illicit” wealth, earned by theft, looting, corruption, fraud, aggression, and terror. This includes bribery, investment fraud, commissions, the expropriation of governmental or public property, extortion, the sharing of funds allocated for unfinished development projects, over- and under-voicing, and so forth. It is obvious that only the powerful can do this and that too with the support and encouragement of the administration. This is precisely why we keep hearing about the whitening of “black money” during the tenure of each government, but rarely see any effort to stop its source. It is because the administration and the owners of black money are the one and the same.15

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Chapter Summary and Recommendations

This chapter analysis shows disappointing feature as the tax/GDP ratio still standing just over 10% mark, one of the lowest in the world. The tax resource collection in Bangladesh has been well below the level of most countries at a similar stage of economic and social development, which indicates the relative weakness of the tax system in Bangladesh relative to other countries in the region. The tax net is too narrow; rate of tax avoidance along with tax exemption is high. Besides there is no effective measure to tackle illicit financial flow and curb black money. Given the context the major recommendations are:

- Make strong political decision not to allow whitening of “black money”.

- Strengthening and decentralization of the tax administration with professional tax officials and changing in the behavioral aspects of tax officials to the tax payers to tackle tax avoidance.

- Focus on non-NBR sources and non-tax sources as they have significant potential of revenue generation. Study and analysis on the non-NBR and non-tax sources to diverse and expand tax coverage. Also efforts should be given to make SoEs more efficient and auditing of the income of state-run and state supported commercial enterprises run under different ministries.

- Monitor the ownership of all sizable physical and financial assets of the taxpayers and determine income generation out of those assets

- Make best use of information technology in tax governance and information make public
EFFECTIVENESS OF THE TAX ADMINISTRATION

An effective tax administration is critical for revenue generation to contribute to the accelerating growth and to improve the quality of life of the citizens. A sound tax system means to remove complexity and limit the collection points for taxation, making the system more transparent, therefore, making the public more certain that everyone is paying what they owe, and which is more comfortable with the fairness of the system (Mazid, M.A 2015).16

Given the context the tax administration could be considered an efficient one if it a) achieves target of revenue collection, b) ensures minimum cost of tax collection, c) ensures higher efficiency score and d) ensures accountability and transparency to tax payers.

Against the criteria of being an effective administration, the NBR so far found achieving targeted amount of taxes for the period of 2005-2014. Table 10 shows target, achievement and growth of tax collection.

In FY 2008, 2010, 2011 and 2012 collection of taxes exceeded the target set by NBR, while in most of the remaining years achievement was above 90% against actual target. However since 2012 the tax collection rate is declining though achievement against target is still satisfactory. Figure 12 shows (%) of achievement in tax collection in the FY 2004-5 to 2013-14.

Table 10: Target, achievement and growth of taxes in terms of previous year in crore taka, FY 2005-14

<table>
<thead>
<tr>
<th>FY</th>
<th>Target</th>
<th>Revised Target</th>
<th>Growth in terms of previous year</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>32190.00</td>
<td>30500.00</td>
<td>12.75%</td>
<td>29904.46</td>
</tr>
<tr>
<td>2005-06</td>
<td>35652.00</td>
<td>34456.00</td>
<td>12.97%</td>
<td>34002.43</td>
</tr>
<tr>
<td>2006-07</td>
<td>41055.00</td>
<td>37479.00</td>
<td>8.77%</td>
<td>37219.32</td>
</tr>
<tr>
<td>2007-08</td>
<td>43850.00</td>
<td>45970.00</td>
<td>22.66%</td>
<td>47435.66</td>
</tr>
<tr>
<td>2008-09</td>
<td>54500.00</td>
<td>53000.00</td>
<td>15.29%</td>
<td>52527.25</td>
</tr>
<tr>
<td>2009-10</td>
<td>61000.00</td>
<td>61000.00</td>
<td>15.09%</td>
<td>62042.16</td>
</tr>
<tr>
<td>2010-11</td>
<td>72590.00</td>
<td>75600.00</td>
<td>23.93%</td>
<td>79403.11</td>
</tr>
<tr>
<td>2011-12</td>
<td>91870.00</td>
<td>92370.00</td>
<td>22.18%</td>
<td>95058.99</td>
</tr>
<tr>
<td>2012-13</td>
<td>112259.00</td>
<td>112259.00</td>
<td>21.53%</td>
<td>109151.73</td>
</tr>
<tr>
<td>2013-14</td>
<td>136090.00</td>
<td>125000.00</td>
<td>10.68%</td>
<td>120819.85</td>
</tr>
</tbody>
</table>

Source: NBR Annual Report 2013-14

Though, according to NBR report 2013-14, the cost of tax collection has been reducing but still there is scope to reduce the cost further. Currently NBR spends tk1.35 for 100 revenue collection. The cost of collecting direct tax is higher than indirect tax.

**Chapter Summary and Recommendations**

Though the tax administration is Bangladesh has been successful in achieving annual targets of tax collection but the cost for tax collection is still high. In terms of accountability and transparency, the tax administration seems to be less accountable to the tax payers and not transparent in decision making and sometimes seems to be reactive. Without transparency, the public will not be able to accurately assess how their money is being spent and thus be unable to hold their representatives appropriately responsible. On institutional aspect there has been limited effort and openness in data sharing across administrative units responsible for revenue collection. Hence recommendations are;

- Develop a central data base to follow-up on additional tax payments and also administer the withholding agencies
- Simplify tax rules to make them tax payer friendly
- Ensure enforcement of monitoring and accountable mechanism in a transparent way.
- Ensure openness, reliability and timeliness of tax related data
- Publish tax related data in a user friendly manner
- Formulation of tax policies should be backed by evidence based research
- Consultation with the business community for a progressive taxation
- Enhance capacity of the members of parliament on tax related policy and practices
- Empowering of Public Accounts Committee

FAIR AND PROGRESSIVE TAX SYSTEM: PEOPLES’ PERCEPTION AND POLICY INTERFACE

While generating research based insights on the tax system in Bangladesh, this report also synthesizes views and opinion of a wide range of stakeholders, including the grassroots people, so that issues and demand for a just and progressive tax system in Bangladesh gets proper academic interest and policy attention.

As mentioned earlier, under the scope of the project SUPRO organized consultation in 24 districts, 8 divisions level, 8 divisional consultations synthesizes views and opinion of local stakeholders on tax systems in Bangladesh. SUPRO also organized a national level consultation to facilitate grassroots’ concerns, reactions, and opinions on just and progressive tax system to the country’s tax administration and other policy stakeholders. The interface of policy stakeholders to the grassroots people has created a space for demanding a just and progressive tax system in Bangladesh. This Chapter provides a narrative on the local as well as national level consultations, along challenges impact and lesson learnt and the recommendations that are communicated to the national policy stakeholders.

District Consultations
District level consultations on Tax & VAT System were held in 24 districts; they are namely Noakhali, Kurigram, Kushthia, Shariatpur, Chuadanga, Jhenaidah, Tangail, Bogra, Comilla, Rajshahi, Dinajpur, Satkhira, Pabna, Netrokona, Mymenshingh, Natore, Barguna, Barisal, Sunamgonj, Lakshmipur, Chittagong, Jamalpur, Rajbari and Rangamati. The aim of those local level consultations was to educate people on tax system and policies and generate peoples’ perception on the fairness and progressivity of tax systems.

The consultations were well represented by the concerned Tax and VAT officials, civil society members, journalists, local
government Representatives, chamber bodies, Government duty bearers, NGO representatives, local elites, students, Minority groups, political person and citizens. It is to be mentioning here that there are 35 Tax and VAT Officers, 43 Government Officers, 67 students, 47 Chamber of Commerce Representatives, 123 journalists and 36 political persons attended in the Advocacy Meeting. Total participants were 1211, among them male 857 and female 354. All the participants are direct beneficiary.

Significant findings came from the event. Most of the participants expressed their opinion about direct and indirect tax. They also shared their practical experiences in line with Tax and VAT. Comparatively Tax Justice is not very usual issue in their daily life. But lively discussion was held. Significant points and suggestions emerged from the advocacy meeting.

**Divisional Consultations**

The Advocacy Meeting at the Divisional Level was held in 8 divisional cities namely, Dhaka, Chittagong, Rajshahi, Khulna, Sylhet, Barisal, Rangpur and Mymensingh. District Committees of the respective divisional cities was organized the divisional meetings. Total participants were 492, among them male 380 and female 112. All are the participants are direct beneficiary. The participants were concerned Tax and VAT Officials, Civil society members, Journalists, Local Government Representatives, chamber bodies, Government duty bearers, NGO representatives, local elites, students, Minority groups, political person and citizen. Total 27 Print & Electronics Media has covered the program news where Local dailies 11, National dailies 7, Online dailies 6 & Electronics level 3.

The divisional level meetings were very rich rather than district level due to presence of administrative higher echelon duty bearers and some where the respective constituencies law makers and other political elites. As a result, the meetings were so interactive. Commissioners of Tax and VAT officials in the respective region were also present at the meetings.
Challenges in Promoting Tax Justice: View of local level stakeholders

• Everybody pays VAT. Beggar also pays VAT. Rich and poor people buy food with same price. It is a state of inequality. State should develop VAT policy considering the lower economic category people to promote Tax Justice.

• Government takes opinion from businessmen and large Industrialist in developing or amending Tax-VAT rules. Other citizen left behind from this Tax-VAT discussion. People’s participation should be ensured while developing any rules-regulation regarding Tax-VAT.

• People pay Tax-VAT. But people do not know to what extent and how this Tax-VAT is used. Such as recently Pourosbava Tax has been increased, but the information was explored suddenly.

• In E-tendering process, Government invites application towards construction farm. An eligibility criterion is mentioned here that 3 to 5 years’ experience certificate in providing tax. In this process, many of the businessmen cannot participate individually due to having no experience certificate. They must participate jointly with Dhaka based large farm. Sometimes they participate jointly with India or China based farms. On the other hand, Govt. Officers do not face in getting tax certificate. Mr. Jamat Khan (Businessman, Rajshahi) expressed in this regard, “we are ready to pay tax. But in the E-tendering process, we participate by using the name of other party. We cannot pay Tax as because we use other person’s name. As a result, our earning remain black, we cannot do it whiten. It is urgently needed to solve how can I make my earning whiten and how can I pay my Tax in this process”.

• Business feature is not the same in 64districts. But the same amount of Tax-VAT is collecting from all districts. To promote area wise Tax Justice, district wise Tax should be collected based on the realistic business feature.

• Citizens under Local Government Institutions specially Union Parishad pay Tax directly to the Union Parishad, but register is not maintained properly here. There are no proper documents. There is no way to know is the Central Government receiving the Tax properly or not. It is also a challenge.

• Findings came out that there are 80 lakh business persons (Shop Business) over the country. Among them 50/60 lakh people have the ability to pay Tax. Govt. can take initiative to collect Tax from one crore peoples. But Govt. emphasis on VAT rather than direct Tax collection. Because VAT is easy to collect. That is why VAT is imposed towards the people with regressive way.

• Multinational company takes away billion dollars due to lacuna of laws and different treaties. They know that they
have no accountability towards people, towards parliament. There are several Standing Committees in Parliament to monitor state expenditure. The Standing Committee Chairperson is selected from ruling party. These Committees are basically inactive. So, there is no strong mechanism to monitor state expenditure. It is also a challenge in promoting Tax Justice. It is needed to reform and revitalize the committees.

- Influential person, industrialists take loan from Bank but they avoid Tax technically. At the same time poor people pay VAT but they do not get loan easily. It creates Tax injustice.

- There is an instruction towards all Ministers and Parliament Members to disclose their asset and provide Tax. But unfortunately, they do not pay Tax. If the state authority and public representatives evade Tax, it will be difficult to promote Tax Justice.

- The gaps in the new VAT law must be adjusted otherwise it won't provide any good results.

- Tax administration has few flaws in Bangladesh. Those who are paying Tax they have been used to facing problems when they are paying taxes. On the other hand, the real Tax evaders have been taken impunity within the loopholes of laws and administration has not been taken any punitive action against the Tax dodgers.

- Absence of National Integrated system on Tax Administration is one of the key barriers for revenue generation.

- Income Tax Law is very complicated. The law should be easily conceivable for general people.

## Key Recommendations

- It is important to increase direct tax net rather than increasing burden of indirect tax e.g. VAT. This is how a progressive tax system could be established and more expenditure would be possible on essential public services e.g. education, health and social protection etc.

- Tax administration has to be decentralized and appoint sufficient tax officials at the grassroots level and reduce bureaucratic complications to increase revenue generation from tax. It is also necessary to increase citizen awareness so that people pay VAT and Tax without fear and favor. Currently only 1% of country's total population pay income tax. Local government institutions could get involve in increasing tax net coverage.

- Duration of tax fair needs may be extended to bring more people under tax net. Also identify the real tax payers through proper survey and take necessary steps to collect. It is also recommended to make tax payers database.
• It is recommended to exempt VAT on essential ingredients for the lower income people. In doing so the less privileged area could be demarcated as VAT free. In the context of Tax justice, VAT policy has to be introduced considering livelihoods and lower income group.

• Government should take strong measures against tax evasion.

• One Stop Service Centre has to be established in Tax management. This not only will ensure proper implementation of law but also will increase peoples' awareness on tax system.

Impact of Local Level Consultations

During the time two events have been carried out which are project briefing event and district level and divisional level advocacy meetings. Some discerning results are achieved from the district and divisional level advocacy meeting which are describing below:

• 80% target participants were present in the Advocacy Meeting

• Advocacy Meeting has accomplished in 24 districts within two months and 8 divisional meetings within one month. It has a positive impact. People are discussing about the contemporary issue. They know about the issue from the event.

• Participants got knowledge about the Tax Justice concept. They express their opinion in the meeting about Tax-VAT situation relating to their life. They said that many things they did not think before. But this Advocacy Meeting is the platform which awakens them to rethinking the Tax-VAT as well as Tax Justice issue critically. They expressed that they will aware other people regarding the issue.

• Peoples are highly motivated through this advocacy program. They are getting clear idea on tax issues and concern.

• Local and national print and electronic media's have been covering the advocacy program for wider dissemination.

• Due to SUPROs interventions people re-assert their self-commitment to pay proper taxes and there is growing tendencies have developed on tax awareness and people fee encourage to pay more taxes.

• Awareness on Tax Justice issues have been increasing among citizens including civil society members, politicians, government officials, general peoples, businessmen, educations and the students'.

• Participants were so spontaneous in the discussion meetings. As per the participants opinion, it is a timely initiatives arranged by SUPRO
Lesson Learnt

- People become enthusiastic on any unusual issue like tax justice issue if the issue facilitation takes place lively and efficiently. Tax justice concept is accepted by all stakeholders and they have assured that they will involve with this tax justice movement.

- Organizing one district level advocacy programme is not sufficient to promote Tax Justice as a movement over the country.

- This type of awareness and advocacy program on Tax Issues should be organized in the district, upazila and union parishad level to encourage people to give taxes.

- The advocacy program on VAT and Tax issue is not generally organize by the respective government departments that’s why participants at the grassroots levels are appreciating this advocacy meeting.

- The advocacy program has to be spread at the grassroots level for wider dissemination of tax issues e.g Union Parishad, Upazila and Municipality levels.

National Consultation

Based on grassroots voices and recommendations SUPRO has organized the National Dialogue to disseminate people’s view.

State Minister for Finance and Planning M.A. Mannan, MP was the Chief Guest. Nazmul Haque Prodhon, MP, Quazi Rosy, MP and former MP Syed Moazzem Hossain Alal were also presented as the Special Guest. Dr. Mohammad Abdul Mazid, former Chairman, NBR, VAT Commissioner Md. Matiur Rahman was the expert panel discussants. President of Bangladesh Women Chamber of Commerce & Industry Selima Ahmad, Dr. M. Abu Eusuf, Dept. of Development
Hossain Alal were also presented as the Special Guest. Dr. Mohammad Abdul Mazid, former Chairman, NBR, VAT Commissioner Md. Matiur Rahman was the expert panel discussants. President of Bangladesh Women Chamber of Commerce & Industry Selima Ahmad, Dr. M. Abu Eusuf, Dept. of Development Studies, Dhaka University, Monjur Ahmed, former advisor FBCCI and Principal Quazi Faruk Ahmed was the panel discussants. Dr. Md. Khalid Hossain, Economic Justice & Resilience Manager, Oxfam in Bangladesh, Oxfam Bangladesh was present as guest speaker. S. M. Harun Or Rashid Lal, Chairperson of SUPRO was chaired the session.

General Secretary of SUPRO, M A Quader has given his welcome speech. KGM Faruque, NC Member of SUPRO has read out the keynote paper presentation. Dr. Md. Khalid Hossain on behalf of Oxfam in Bangladesh said, “Inequality has been increasing in our country. To prevent inequality we have to stop evading taxes.” “Law has to be enforced directly to get results. Social awareness and lobby has to be enhanced to popularize tax paying attitudes” said, Dr. Muhammad Abdul Mazid, former Chairman, NBR. Commissioner of VAT (LTU) Motiur Rahman said, Tax dodging due to loopholes of tax system. It must be controlled. In our country, creative peoples are used to get hinder when he or she wants to do some innovative job. Political commitment is very important. We have to enroll efficient people in Tax administration” Principal Kazi Faruque Ahmed said,” Accountability is absent in tax administration”. Former Advisor FBCCI said, “Tax paying money should be utilized very honestly and effectively. We must keep emphasize national development goals for actual development in our country”. Professor Dr. M. Abu Eusuf said, “Financial Year needs to be re-arranging to see real development and proper implementation of ADP otherwise tax payers money will go in wastage regularly”. Selima Ahmad, President, Bangladesh Women Chamber of Commerce and Industry said, “Economic Development, Social Inclusion and Natural inclusion is must for effective tax reform”. Tax Evasion is creating anarchy”. Former MP Syed Moazzem Hossain Alal said, Political Commitment is very essential. Wealth statement by the law makers have to be visualized, otherwise rule of law could not be ensured”.

During open discussion SUPROs Vice President Manju Rani Pramanik said, we need structural reform of tax system and it has to be pro-poor” . Zillur Rahman, SUPROs Campaigner from Gaibandha said, we have to be incorporated Taxpaying fear in RTI laws” . SUPROs treasurer Md. Mahbub Morshed said, we need to keep emphasize health and education sector and the regressive pressure on VAT has to be reduced or totally removed”.

Among the Special Guests, Quazi Rosy, MP said, we have to create a sound and healthy tax system so that people can have get more motivation to pay taxes” . Nazmul Haq Prodhan, MP said, rich peoples are evading taxes by any means, we need to find out them and keep pressure on the rich people so that they could not evade taxes at all”.

Chief Guest, M A Mannan, MP Hon’ble State Minister for Ministry of Finance and Planning said, “We have to prevent wastage of money. Civil society members will have to pay more attention how to spend tax payer’s money simultaneously” . Tax justice has to be established at all spheres of our society through strict monitoring”.

153 Civil society members, SUPROs District Campaign Committee members, journalists from print and electronic media, businessmen, academicians, SUPROs national council members were also present at the occasion. 8 vernacular daily newspapers, 4 English dailies, 8 online news and 5 electronics media have covered the news.
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Key Recommendations

- Country has to take necessary measures to stop tax evading and increase allocation to social service sector to reduce inequality between rich and poor. Along with enforcing tax rules and regulations, the tax authority should make tax system progressive and modern so that people with illicit mentality cannot evade taxpaying due to existing loopholes of the tax system.

- The tax administration should made accountable to earn people’s confidence, otherwise people will try to evade tax and will find loopholes in the existing system. Tax payer’s money should utilize in an honest and efficient manner.

- There is a common argument to make tax system pro-poor and ensure judicious utilization of tax payers’ money. It is also important reform considering economic development, social inclusion of the marginalized people.

- Wealth statement by the law makers have to be visualized, otherwise rule of law could not be ensured. We also have to prevent wastage of money. Civil society organizations should keep on campaigning for tax justice through strict monitoring on tax system and on public spending.
One of the basic concepts of designing and implementing an equitable taxation regime is ‘Broad Basing’ meaning that the taxes should be spread over as wide as possible section of the population, or sectors of economy, to minimize the individual tax burden. In Bangladesh while the wealthy and upper income group people often escape from the obligation of paying direct tax (e.g. wealth and income tax), the poor are increasingly made bound paying tax through indirect taxation system (e.g. VAT). Though the indirect taxes e.g. VAT on any good or service affects the rich and the poor alike, but this results unequal stress and burden to the low income group as many of them are they are already below poverty line and out of basic service facilities. This study reveals that the tax structure of Bangladesh is becoming increasingly regressive with more dependence on indirect tax; around 70% in 2017, which was about 64% in 2014.

Hence, it is important to make the tax system progressive while efforts also should be given to expand tax-net and counter the tax avoidance with strong legal enforcement of the tax rules and regulations through using the loopholes of law, while tax evasion does the same by violating the law.

Aside with briefly analyzing the tax system; distribution of tax burden and progressivity; revenue sufficiency and tax leakages; tax exemption; effectiveness and tax administration government spending etc., the report identifies the loopholes and anomalies and complexities of tax laws and policies are responsible for creating scope for tax evasion. The report also identified several issues like absence of a tax culture among income earners, inadequate taxpayer service, complexities and unfairness in tax estimation, negative image of the tax department etc. as the major driving forces for tax non-compliance.

The report underscores the importance of transparency and inclusiveness as the essential elements for a fair tax system. Hence the tax administration should ensure free flow of information to the citizen on how taxes are assessed, how much tax revenue is collected and how the revenue is used. In all aspect CSOs has a greater role especially in generating broad based political pressure-aligned with people’s views and expectation-to make tax policies and practices fair, transparent and pro-poor; however, CSOs should be given more space to raise critical concern on the tax system of Bangladesh.