

Quarterly Analysis on Government Revenue Receipts

April-June, 2016



**Research Department
Bangladesh Bank**

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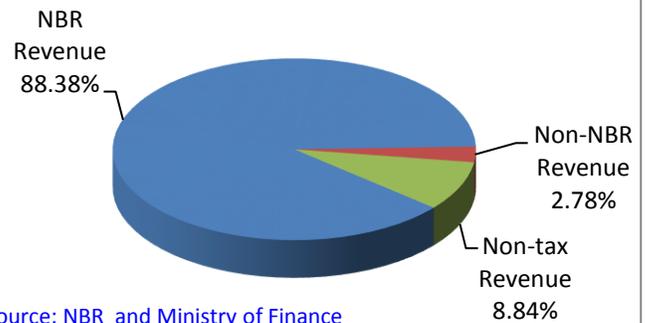
April-June 2016^P

A well balanced fiscal policy can play a very important catalytic role in maintaining macroeconomic stability, creating congenial environment for the rapid economic growth and reducing poverty and inequality. In that case, the aggregate management of Government's revenue is an important part of fiscal policy. Revenue receipt is increasingly playing a significant role in the government financing of Bangladesh. The contribution of Revenue Receipt is 97.29 percent in the revenue collection target for FY16 when it was targeted to cover 96.72 percent of FY15 budget. According to budget FY16, Tax-GDP Ratio and Revenue GDP ratio are 10.62 and 12.14 percent respectively. Considering the importance of revenue receipt, the tax base has been diversified significantly which is adding an extra impetus to the revenue collection of Bangladesh. Though the trend in annual revenue collection shows an upward movement, the quarterly scenario of revenue collection captures many other dimensions especially ups and downs of the revenue collection trajectory. The quarterly analysis of revenue collection potentially gives some insights to understand policy aspects of revenue collection in Bangladesh. An analysis on the revenue collection in April-June 2016 is given below:

The total (NBR+Non-NBR+Non-tax) revenue collection target for FY16 is Tk. 2,08,443.00 crore which is 13.93 percent greater than that of FY15. During the quarter April-June 2016 of FY16, the revenue collection stood at Tk. 56668.65 crore which was 31.36 percent higher than 43140.77 crore recorded in the same period of previous year.

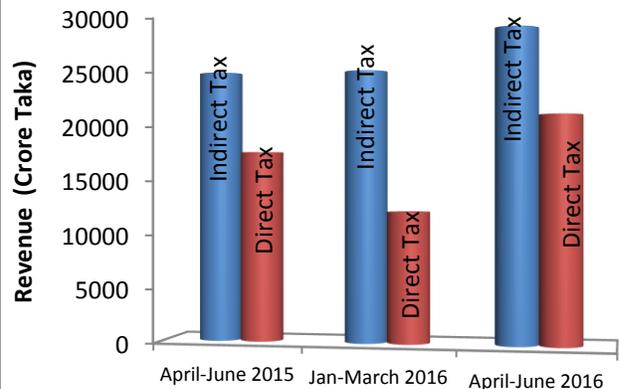
In FY16, the revenue collection stood at Tk. 180214.72 crore which was 86.46 percent of the annual target when the revenue collection of the same period of previous fiscal year was Tk. 157688.29 crore which was 86.19 percent of its annual target. The target achievement increased slightly by 0.27 percentage point in FY16 comparing with the FY15. However, the absolute amount of accumulated revenue collection increased by 14.29 percent. Source of revenue collection in Bangladesh can be divided into three major categories: NBR Revenue, Non-NBR Revenue and Non-tax Revenue.

Chart 1: Revenue Collection: April-June 2016



Source: NBR and Ministry of Finance

Chart 2: Quarterly NBR Revenue collection by category



Source: NBR

■ Indirect Tax ■ Direct Tax

^P Source of Data: NBR (Provisional)

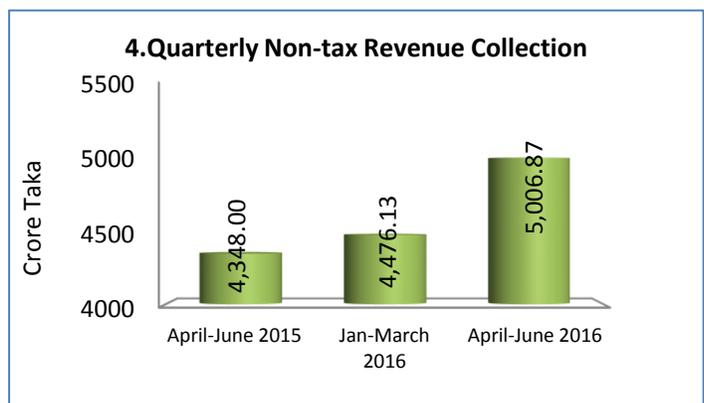
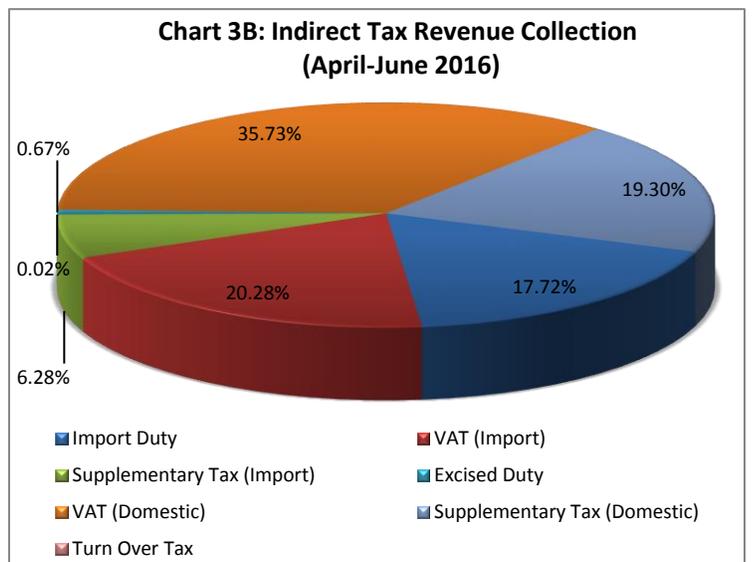
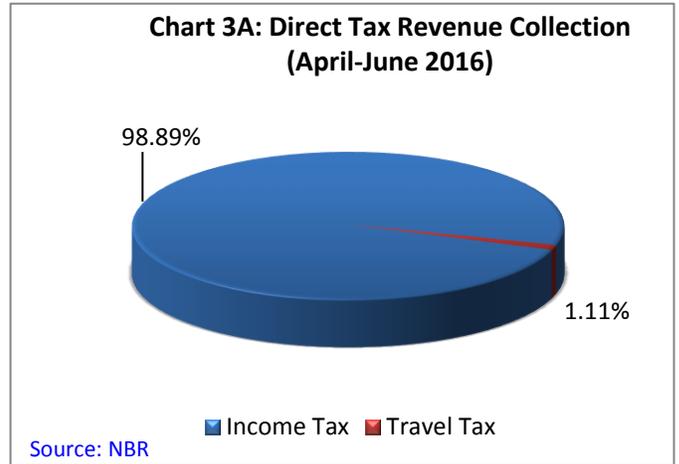
During April-June 2016, the total revenue collection stood at tk. 56668.65 crore where contribution of NBR Revenue, Non-tax Revenue and Non-NBR Revenue were 88.38 percent, 8.84 percent and 2.78 percent respectively (Chart-1). Total Revenue Collection during April-June 2016 was 31.36 percent and 16.39 percent higher than the revenue collection of the previous quarter's and the corresponding quarter of previous year respectively.

NBR Revenue Collection

Revenue collection by NBR during the quarter (April-June 2016) experienced an increase by 34.10 percent over the revenue collection of previous quarter and 16.77 percent increase over the same quarter of previous year. NBR revenue receipt mainly comes from two broad sources: Direct Tax and Indirect Tax (Chart 2).

Direct Tax Collection

Direct Tax is mainly comprised of income tax and travel tax. The contribution of direct tax in the revenue collection of April-June 2016 was 42.06 percent amounting to TK. 21065.68 crore which was 73.37 percent higher than that of previous quarter and also 18.90 percent higher than the collection of corresponding quarter of previous fiscal year. In the direct tax, contribution of income tax is 98.89 percent (Chart 3A).



Indirect Tax Collection

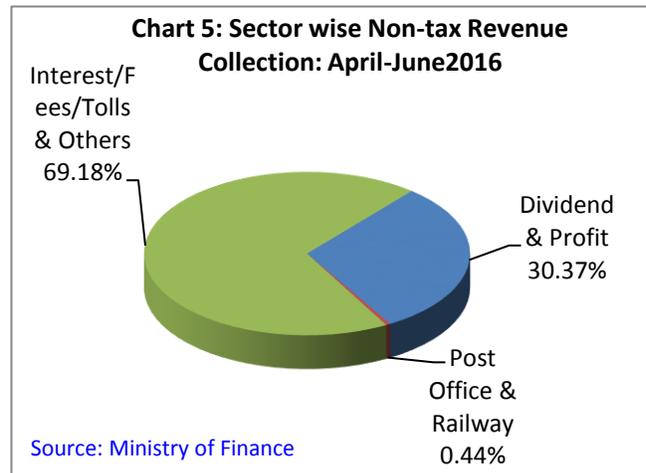
Indirect tax is comprised of different types of duties, VAT, supplementary tax, turn over tax etc. Indirect tax contributed 57.93 percent in the total NBR revenue collection of April-June 2016

amounting to Tk. 29020.57 crore which was higher by 15.17 percent and 15.28 percent than the collection of previous quarter and corresponding quarter of previous fiscal year respectively.

In indirect tax revenue collection, contribution of VAT (domestic) played a dominant role by recording 35.73 percent when VAT (import), Supplementary Tax (domestic), Import Duty and Supplementary Tax (import) contributed 20.28, 19.30, 17.72 and 6.28 percent respectively (Chart 3B).

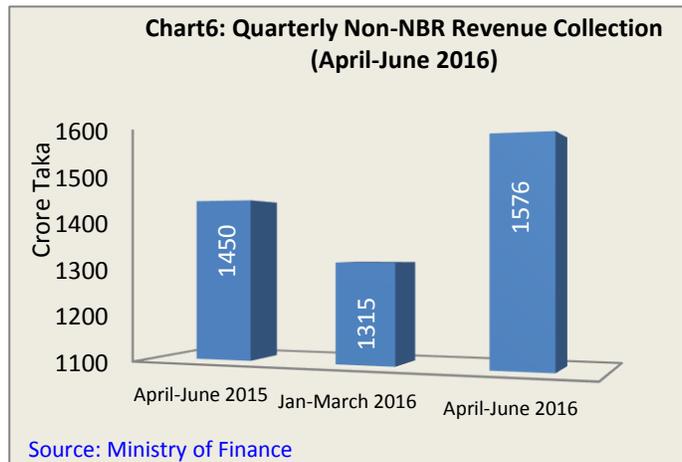
Non-tax Revenue Collection

Non-tax revenue is the second highest revenue earning source. The non-tax revenue collection in April-June 2016 was 5006.87 crore taka which was 11.86 percent higher than the previous quarter and also by 15.15 percent higher than the corresponding quarter of previous year. Dividend & Profit; Post Office & Railway; and Interest/Fees/Tolls & others are the components of Non-tax revenue collection which contributed by 30.37 percent, 0.44 percent and 69.18 percent respectively in the total non-tax revenue collection of April-June 2016 (Chart 5).



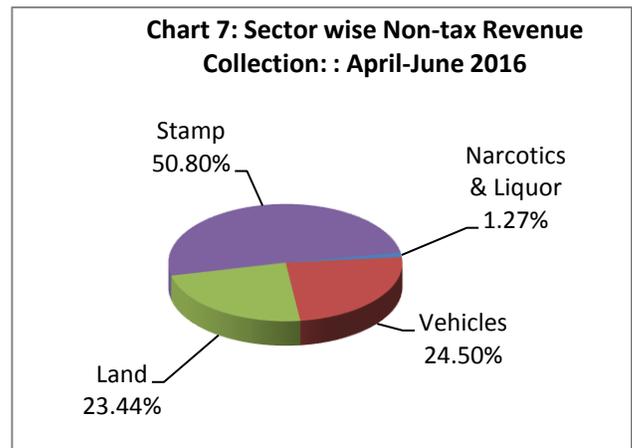
Non-NBR Revenue Collection

Non-NBR revenue is the third revenue earning source. The non-NBR revenue collection in April-June 2016 was 1575.54 crore taka which was higher than the previous quarter by 19.77 percent and also higher than the corresponding quarter of previous year by 8.68 percent. Stamp, Vehicles, Land and Narcotics & Liquour are the components of Non-NBR revenue collection which contributed by 50.80 percent, 24.50 percent, 23.44 percent and 1.27 percent respectively in the total non-NBR revenue collection of April-June 2016.



Recent policy measures taken by the government for revenue mobilization,

- Direct Tax Act 2011 has been effective since 1st July 2012 which includes income tax, gift tax, travel tax and wealth tax. The new act is tax-payer friendly and playing effective role in revenue mobilization.
- An effective initiative has been taken to increase the number of active taxpayers to 30 lakh within Financial Year 2018-2019 as part of expansion of tax net.
- Uniform amount of minimum Tax at Tk. 4 Thousand instead of diverse rates based on locations has been introduced.



In order to expedite revenue collection, additional measures are also necessary to actively involve all stakeholders of the collection process. For instance, by broadening tax base, Marking top taxpayers for intense monitoring, collecting revenue from economically well off zone, bringing new people under tax net and arranging periodic tax fair for creating awareness among the people about taxation etc may add an impetus for revenue collection.