

Quarterly Analysis on Government Revenue Receipts

January-March, 2017



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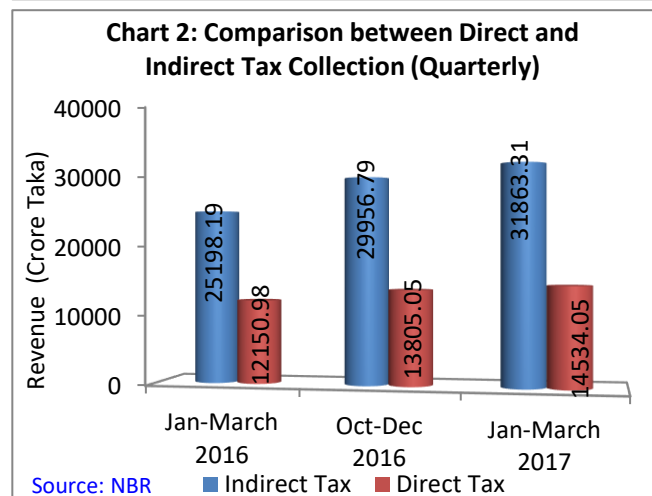
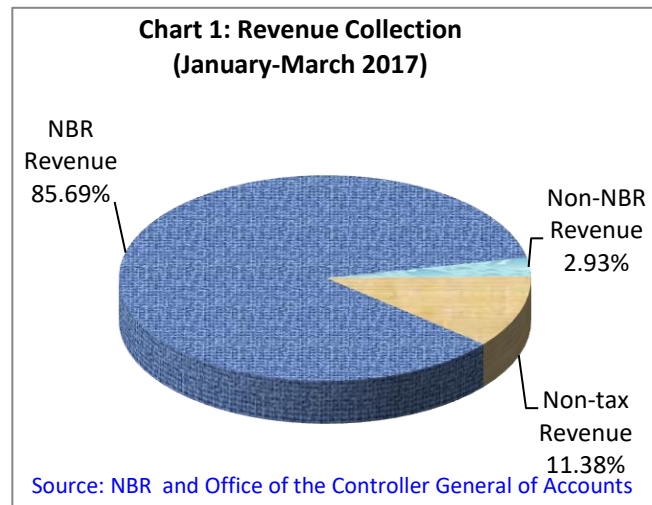
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Government revenue is an important tool of the fiscal policy and the opposite factor of government's spending which influence macroeconomic conditions of a country. Through fiscal policy, regulators attempt to reduce unemployment rates, control inflation, stabilizing business cycles and influence interest rates in an effort to control the economy. Revenue receipt is increasingly playing a significant role in the government financing of Bangladesh. In FY16, the Revenue Receipt was Tk. 171513 crore which was 96.7 percent of the target. According to budget FY17, total revenue is expected to be scaled up to 12.4 percent of GDP which was 9.9 percent in FY16. However, tax-GDP ratio is estimated to 10.7 percent in FY17 which was 1.97 percent higher than the previous fiscal year.

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. The quarterly scenario of revenue collection captures many dimensions of the revenue collection trajectory. The analysis of revenue collection potentially gives some insights to understand policy aspects of revenue collection in Bangladesh. An analysis on the revenue collection in January-March 2017 is given below:

Source of revenue collection in Bangladesh can be divided into three major categories: NBR Revenue, Non-NBR Revenue and Non-tax Revenue. The total (NBR+Non-NBR+Non-tax) revenue collection target for FY17 is Tk. 242752.00 crore which is 16.46 percent higher than that of FY16. During the third quarter of FY17 (January-March 2017), the revenue collection stood at Tk. 54146.22 crore which is 12.02 percent and 25.51 percent higher than Tk.48331.13



^P (Provisional)

Note: Source of Data: National Board of Revenue (NBR)
Ministry of Finance
Office of the Controller General of Accounts

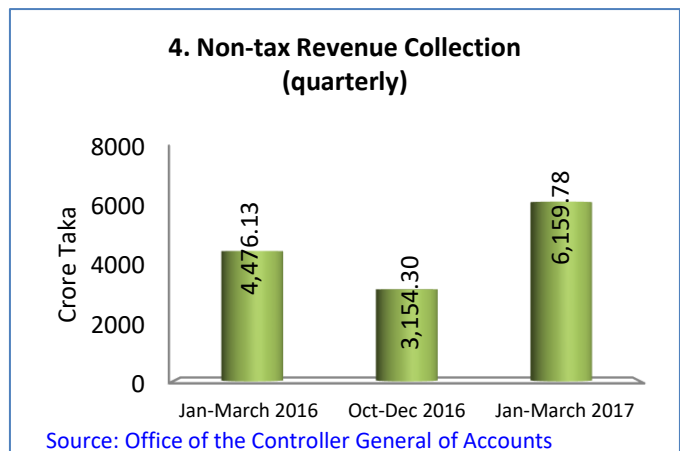
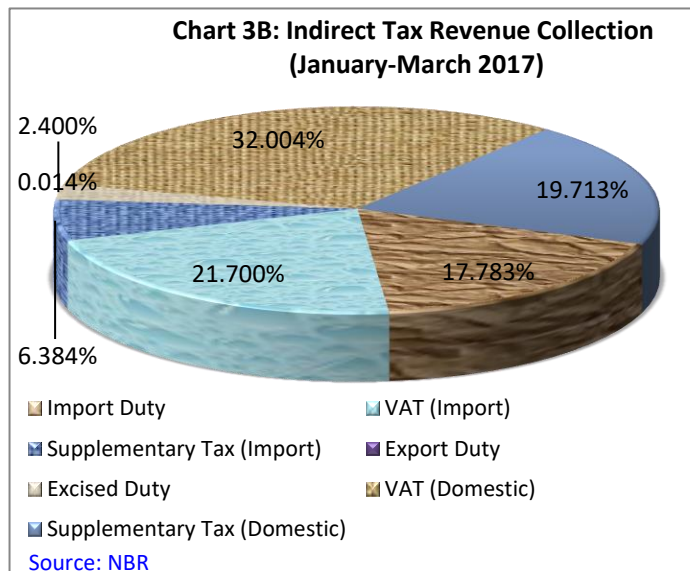
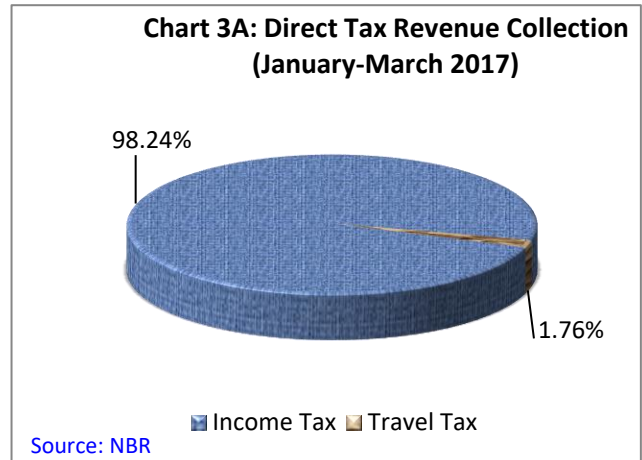
crore and Tk.43140.77 crore recorded in the previous quarter and the same period of previous year respectively.

In FY17 up to March, the total revenue collection stood at Tk. 147302.53 crore which is 60.68 percent of the annual target. It may be noted that the achievement increased slightly by 1.41 percentage point at the end of March 2017 as compared to the same period of the previous year. However, the absolute amount of accumulated revenue collection during July-March 2017 is 19.23 percent higher as compared to that of the same quarter of the preceding fiscal year.

Category-wise revenue collection are depicted in chart-1. During January-March 2017, the total revenue collection stood at tk. 54146.22 crore where contribution of NBR Revenue, Non-tax Revenue and Non-NBR Revenue were Tk. 46397.36 crore (85.69 percent), Tk. 6159.78 crore (11.83 percent) and Tk. 1589.08 (2.93 percent) respectively (Chart-1).

NBR Revenue Collection

Revenue collection by NBR during the quarter January-March 2017 experienced an increase by 6.02 percent and 24.23 percent than the revenue collection of the preceding quarter and the same quarter of the previous year respectively. 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. During January-March 2017, the contribution of direct tax in the total NBR revenue collection was 31.33 percent amounting to TK. 14534.05 crore which was 5.28 percent and 19.61 percent higher than the collection of the previous quarter and the corresponding quarter of previous fiscal year respectively. In the direct tax, contribution of income tax is 98.24 percent (Chart 3A).

Indirect Tax Collection

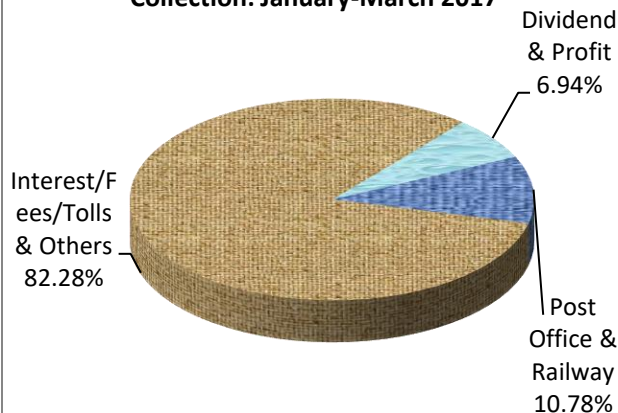
Indirect tax is comprised of different types of duties, VAT, supplementary tax, turn over tax etc. Indirect tax contributed 68.67 percent in the total NBR revenue collection during January-March 2017 amounting to Tk. 31863.31 crore which is higher by 6.36 percent and 26.45 percent than the collection of the preceding quarter and the corresponding quarter of previous fiscal year respectively.

In indirect tax revenue collection, contribution of VAT (domestic) played a dominant role by recording 32.00 percent while VAT (import), Supplementary Tax (domestic), Import Duty and Supplementary Tax (import) contributed 21.70, 19.71, 17.78 and 6.38 percent respectively (Chart 3B).

Non-tax Revenue Collection

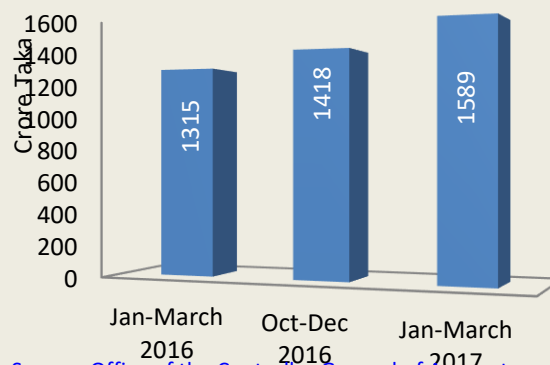
Non-tax revenue is the second highest revenue earning source. During January-March 2017, the non-tax revenue collection was Tk. 6159.78 crore which is 95.47 percent and 37.61 percent higher than the previous quarter of FY17 and the corresponding quarter of previous year respectively (Chart-4). During the period, Dividend & Profit; Post Office & Railway; and

Chart 5: Sector wise Non-tax Revenue Collection: January-March 2017



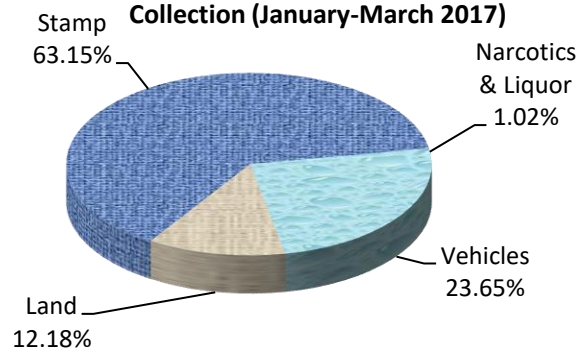
Source: Office of the Controller General of Accounts

Chart 6: Non-NBR Revenue Collection (quarterly)



Source: Office of the Controller General of Accounts

Chart 7: Sector wise Non-NBR Revenue Collection (January-March 2017)



Source: Office of the Controller General of Accounts

Interest/Fees/Tolls & others are the components of Non-tax revenue collection which contributed by 9.50 percent, 3.37 percent and 87.13 percent respectively in the total non-tax revenue collection (Chart 5).

Non-NBR Revenue Collection

Non-NBR revenue is the third revenue earning source. During January-March 2017, the non-NBR revenue collection was Tk. 1589.08 crore which is 12.07 percent and 20.80 percent higher than the previous quarter and the corresponding quarter of previous year by respectively (chart-6). Stamp, Vehicles, Land and Narcotics & Liquour are the components of Non-NBR revenue collection which contributed by 63.15 percent, 12.18 percent, 23.65 percent and 1.02 percent respectively in the total non-NBR revenue collection (Chart-7).

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.
- Effective measures have been undertaken to increase the number of active taxpayers to 30 lakh within Financial Year 2018-2019 as part of expansion of tax net.
- Taxpayer, who has a taxable income and belongs to any of the city corporations of Dhaka North, Dhaka South, or Chittagong have to pay Tk. 5000 as minimum tax. It is Tk. 4000 for taxpayers from other city corporations. And the rest of the taxpayers in the country have to pay Tk. 3000 as minimum tax is imposed.
- To ensure a minimum tax from companies and firms, a uniform 0.30 percent tax on gross receipts of more than Tk. 50 lakhs and all companies is imposed. Separate tax rates for cigarette, bidi, Zarda, chewing tobacco, gul, and other smokeless tobaccos producers at 1.0 percent, for mobile phone operators at 0.75 percent, and for all others at 0.60 percent is imposed.

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.