

Quarterly Analysis on Government Revenue Receipts

January-March, 2016



**Research Department
Bangladesh Bank**

The report has been prepared by Special Studies Division, Research Department, Bangladesh Bank (Central Bank of Bangladesh). Comments on any aspects of the report are highly welcome and can be sent to Ms. Farida Parveen, Deputy General Manager, Research Department, Bangladesh Bank. E-mail: farida.parveen@bb.org.bd or Mr. Md. Nur-E-Alom Siddique, Assistant Director, Research Department, Bangladesh Bank. E-mail: md.nurealom@bb.org.bd.

Report Preparation Committee

Chief Coordinator

Dr. Md. Akhtaruzzaman
Economic Adviser

Coordinator

Md. Abdul Awwal Sarker
General Manager

Team Members

Farida Parveen
Deputy General Manager

Md. Nur-E-Alom Siddique
Assistant Director

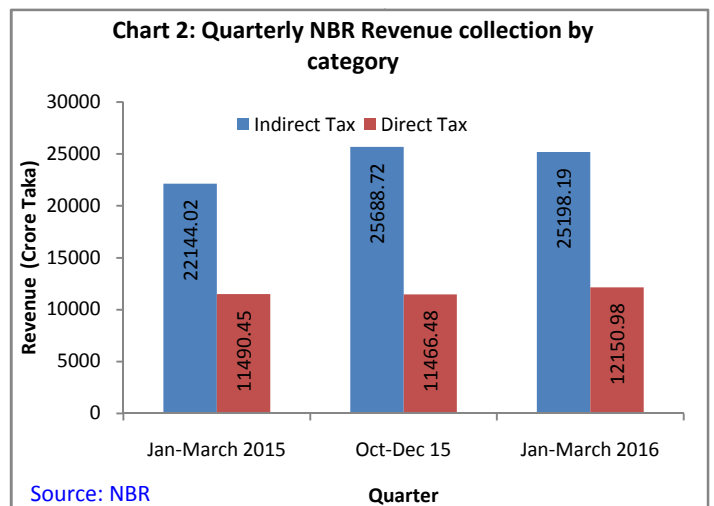
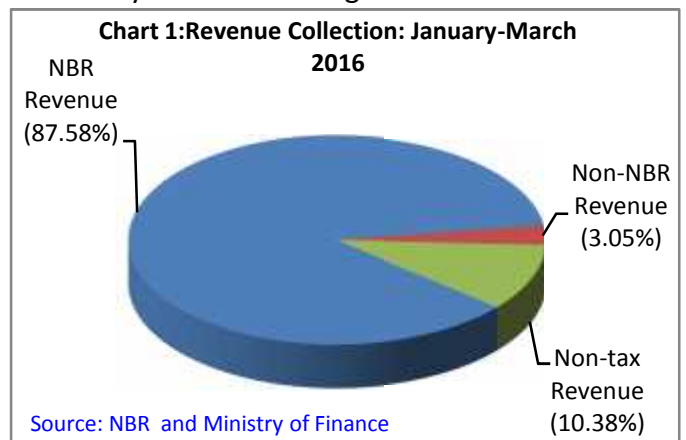
Quarterly Analysis on Government Revenue Receipts

January-March 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 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 we have an upward moving trend in the annual revenue collection, 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 January-March 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. In the third quarter (January-March) of FY16, the revenue collection stood at Tk. 43140.77 crore which was 10.75 percent higher than 38953.47 crore recorded in the same period of previous year.

During July 2015-March 2016 of FY16, the revenue collection stood at Tk. 123546.07 crore which was 59.27 percent of the annual target when the revenue collection of the same period of previous fiscal year was Tk. 108918.41 crore which was 59.53 percent of its annual target. Although the target achievement decreased slightly by 0.26 percentage point during July-March 2016 of FY16 comparing with the same period of FY15, but the absolute amount of accumulated revenue collection increased by 13.43 percent. Source of revenue collection in Bangladesh can be divided into three major categories: NBR Revenue, Non-NBR Revenue and Non-tax Revenue.



^P Source of Data: NBR (Provisional)

In January-March 2016, the total revenue collection stood at tk. 43140.77 crore where contribution of NBR Revenue, Non-tax Revenue and Non-NBR Revenue were 86.58 percent, 10.38 percent and 3.05 percent respectively. Total Revenue Collection during January-March 2016 was 4.97 percent and 10.75 percent higher than the revenue collection of the previous quarter's and the corresponding quarter of previous year respectively.

NBR Revenue Collection

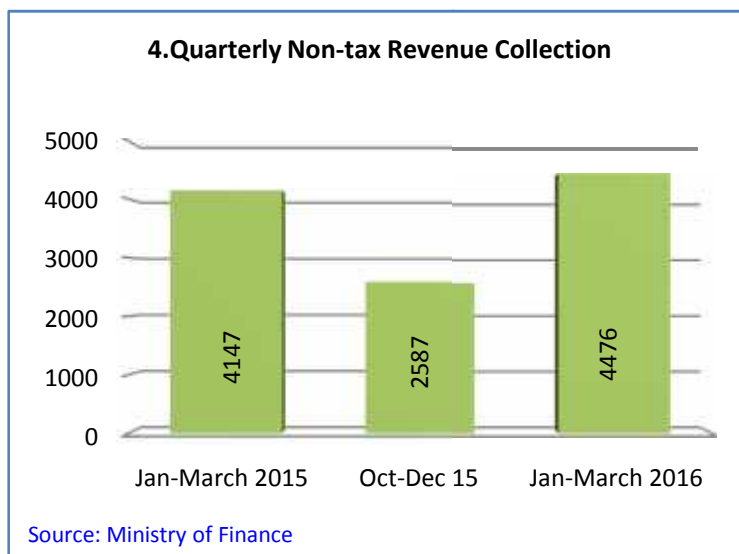
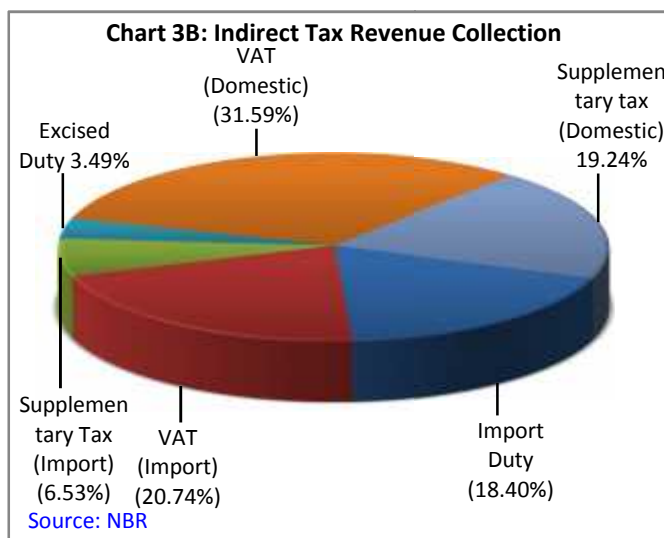
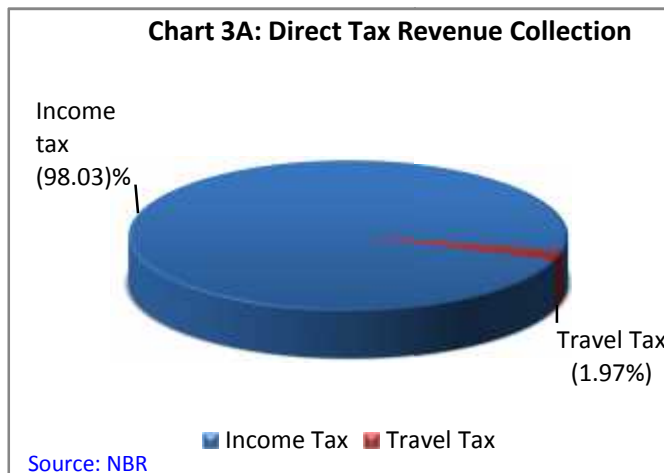
Revenue collection by NBR in the third quarter (January-March 2016) of FY16 experienced slightly increase (0.52 percent) over the revenue collection of previous quarter and 11.04 percent increase over the same quarter of previous year. NBR revenue receipt mainly comes from two broad sources: Direct Tax 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 January-March 2016 was 32.53 percent amounting to TK. 12150.98 crore which was 5.97 percent higher than that of previous quarter and also 5.75 percent higher than the collection of corresponding quarter of previous fiscal year. In the direct tax, contribution of income tax is 98.03 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 67.47 percent in the total revenue collection of January-March 2016 amounting to Tk. 25198.19 crore which



was higher by 13.79 percent than corresponding quarter of previous fiscal year and decreased by 1.91 percent than the collection of previous quarter.

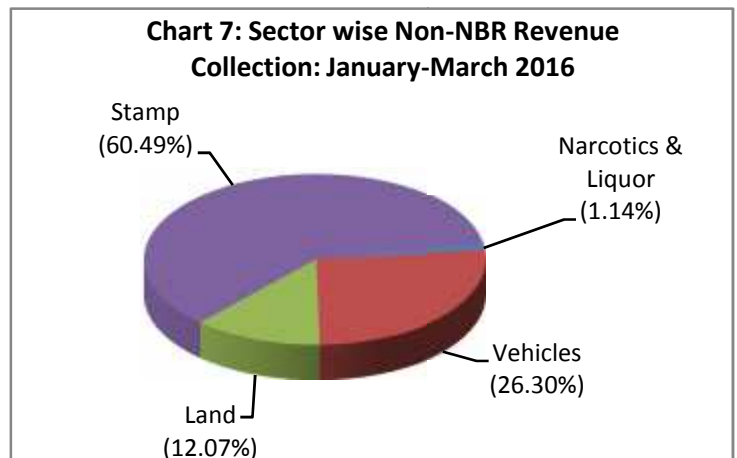
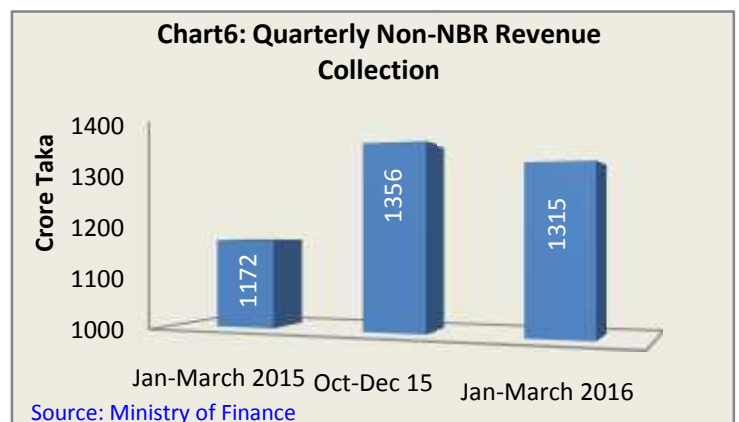
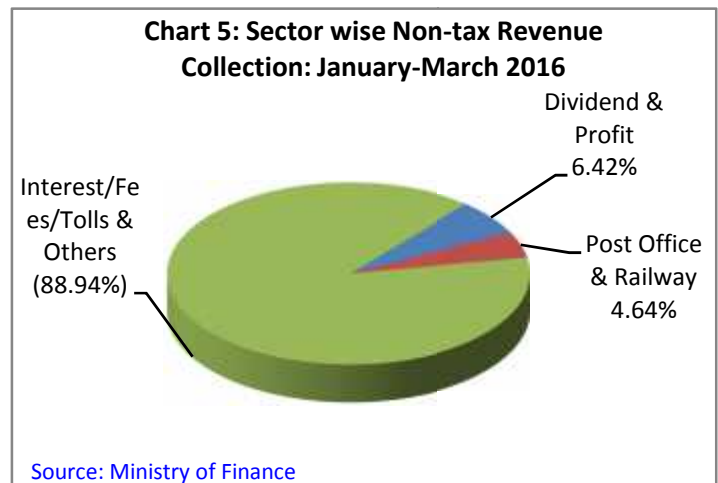
In indirect tax revenue collection, contribution of VAT (domestic) played a dominant role by recording 31.58 percent when VAT (import), Supplementary Tax (domestic), Import Duty, Supplementary Tax (import) contributed 20.74, 19.24, 18.40 and 6.53 percent respectively (Chart 3B).

Non-tax Revenue Collection

Non-tax revenue is the second highest revenue earning source. The non-tax revenue collection in January-March 2016 was 4476.13 crore taka which was 73.02 percent higher than the previous quarter and 7.93 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 6.42 percent, 4.64 percent and 88.94 percent respectively in the total non-tax revenue collection of January-March 2016 (Chart 5).

Non-NBR Revenue Collection

Non-NBR revenue is the third revenue earning source. The non-NBR revenue collection in January-March 2016 was 1315.46 crore taka which was higher than the previous quarter by 3.30 percent and higher than the corresponding quarter of previous year by 3.01 percent. Stamp, Vehicles, Land and Narcotics & Liquour are the components of Non-NBR revenue collection which contributed by 60.49 percent, 26.30 percent, 12.07 percent and 1.14 percent respectively in the total non-NBR revenue collection of January-March



2016.

Recent policy measures taken by the government for revenue mobilization,

- Direct Tax Act formulation is underway.
- Value Added Tax and Supplementary Duty Act, 2012 has been enacted which will be effective from July 2016.
- 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.