

Quarterly Analysis on Government Revenue Receipts

October-December, 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 Farida Parveen, Deputy General Manager, Research Department, Bangladesh Bank. E-mail: farida.parveen@bb.org.bd or Mr. Md. Nur-E-Alom Siddique, Deputy 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
Deputy Director

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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. 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. In FY16, the Revenue Receipt was Tk. 171513 crore which was 96.68 percent of the target. The achievement was 89.3 percent of the target for FY15. 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 10.73 percent in FY17 which was 8.76 percent in 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 October-December 2016 is given below:

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 first quarter of FY17 (October-December 2016), the revenue collection stood at Tk. 48331.13 crore which is 7.85 percent and 17.60 percent higher than Tk.44815.18 crore and Tk.41098.20 crore recorded in the previous quarter and the same period of previous year respectively.

In FY17 up to December, the total revenue collection stood at Tk. 93156.31 crore which is 38.38 percent of the annual target while it was 38.57 percent of its annual target at the end of December 2015. The achievement decreased slightly by 0.20 percentage point at the end of December 2016 as compared to the same period of the previous year. However, the absolute amount of accumulated revenue collection during the period under the report is 15.86 percent higher as compared to that of the same quarter of the preceding fiscal year.

Source of revenue collection in Bangladesh can be divided into three major categories: NBR Revenue, Non-NBR Revenue and Non-tax Revenue. During October-December 2016, the total revenue collection stood at tk. 48331.13 crore where contribution of NBR Revenue, Non-tax

^P (Provisional)

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

Revenue and Non-NBR Revenue were Tk. 43761.84 crore (90.54 percent), Tk.3151.30 crore (6.53 percent) and Tk. 1417.99 (2.93 percent) respectively (Chart-1). Total Revenue Collection during October-December 2016 was 7.85 percent higher than the revenue collection of the preceding quarter and the corresponding quarter of the previous year.

NBR Revenue Collection

Revenue collection by NBR during the quarter October-December 2016 experienced an increase by 20.11 percent and 17.78 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 October-December 2016, the contribution of direct tax in the total NBR revenue collection was 31.55 percent amounting to TK. 13805.05 crore which was 26.04 percent and 20.39 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 97.94 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 68.45 percent in the total NBR revenue collection during October-December 2016 amounting to Tk. 29956.79 crore which is higher by 17.56 percent and 16.61 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 33.37 percent while VAT (import), Supplementary Tax (domestic), Import Duty and Supplementary Tax (import) contributed 21.38, 19.19, 17.59 and 6.06 percent respectively (Chart 3B).

Non-tax Revenue Collection

Non-tax revenue is the second highest revenue earning source. During October-December 2016, the non-tax revenue collection was Tk.3154.30 crore which is 55.40 percent lower and 21.81 percent higher than the previous quarter and the corresponding quarter of previous year respectively. During the period, Dividend & Profit; Post Office & Railway; and Interest/Fees/Tolls & others are the components of Non-tax revenue collection which contributed by 6.94 percent, 10.78 percent and 82.28 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 October-December 2016, the non-NBR revenue collection was Tk.1417.99 crore which is higher than the previous quarter and the corresponding quarter of previous year by 7.90 percent and 4.57 percent respectively. Stamp, Vehicles, Land and Narcotics & Liquour are the components of Non-NBR revenue collection which contributed by 63.83 percent, 11.32 percent, 23.65 percent and 1.21 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.