

# Quarterly Analysis on Government's Revenue Receipts

October-December 2017



**Research Department**  
**Bangladesh Bank**

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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 appreciated and can be sent to E-mail: [sanaullah.talukder@bb.org.bd](mailto:sanaullah.talukder@bb.org.bd), or [md.nurealom@bb.org.bd](mailto:md.nurealom@bb.org.bd) or [rupok.chad@bb.org.bd](mailto:rupok.chad@bb.org.bd)

## **Report Preparation Committee**

### **Chief Coordinator**

Dr. Md. Akhtaruzzaman  
Economic Adviser

### **Coordinator**

Md. Abdul Awwal Sarker  
General Manager

### **Team Members**

Md. Sanaulah Talukder  
Deputy General Manager

Md. Nur-E-Alom Siddique  
Deputy Director

Rupok Chad Das  
Assistant Director

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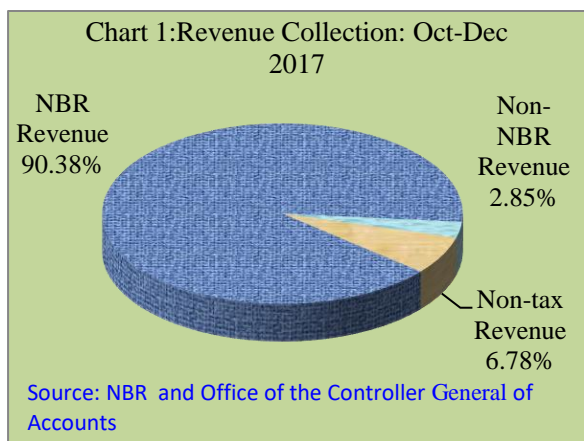
As a developing country, Bangladesh is increasingly focusing on mobilization of internal resources to improve socio-economic development and to cover budgetary expenditure through revenue collection from different sources. Due to having poor tax administration, weak tax policies and tax collection practices, Bangladesh struggles to meet its potential in mobilizing domestic resources. In this respect, for FY18 government has set its target for revenue collection amounting to Tk. 287990 crore which is 31.80% higher than the revised budget of previous fiscal year. According to the budget FY18, total revenue is expected to be 12.95% of GDP which was 10.16% in FY17. In addition, tax revenue is expected to be 11.55% of GDP in FY18.

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 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 FY18 is Tk. 287990 crore which is 18.64 percent higher than that of FY17 and 31.8 percent higher than that of revised budget target of FY17. During the second quarter of FY18 (October-December 2017), the revenue collection stood at Tk. 54955.99 crore which is 4.10 percent and 13.71 percent higher than Tk. 52,789.42 crore and Tk. 48331.13 crore recorded in the previous quarter and the same period of previous fiscal year respectively.

During October-December 2017, the total revenue collection stood at 19.08 percent of the annual target which is 0.83 percentage point lower than that of FY17.

Category-wise revenue collection is depicted in chart-1. During October-December 2017, in the total revenue collection, contribution of NBR Revenue, Non-tax Revenue and Non-NBR



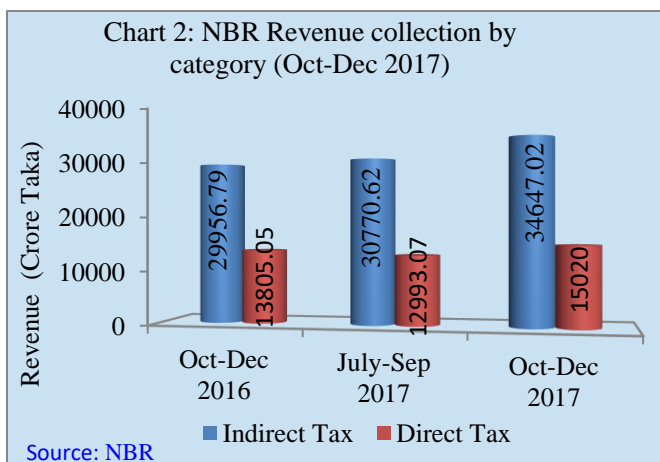
<sup>P</sup> (Provisional)

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

Revenue were Tk. 49667.02 crore (90.38 %), Tk. 3724.84 crore (6.78 %) and Tk. 1564.13 (2.85 %) respectively (Chart 1).

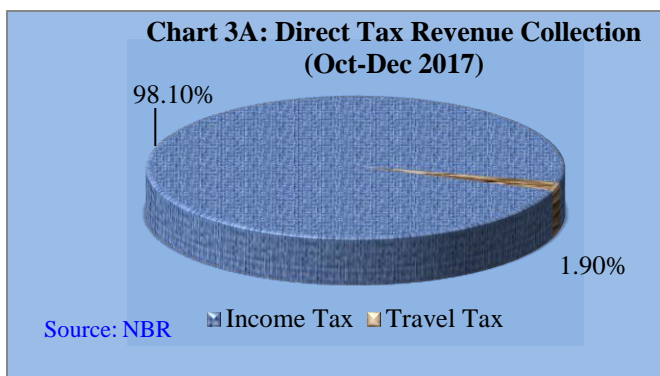
### A. NBR Revenue Collection

NBR revenue receipt mainly comes from two broad sources: Direct Tax and Indirect Tax. Revenue collection by NBR during the quarter October-December 2017 experienced an increase by 13.49 percent than that both of the previous quarter and the same quarter of the preceding fiscal year (Chart 2).



#### a. Direct Tax Collection

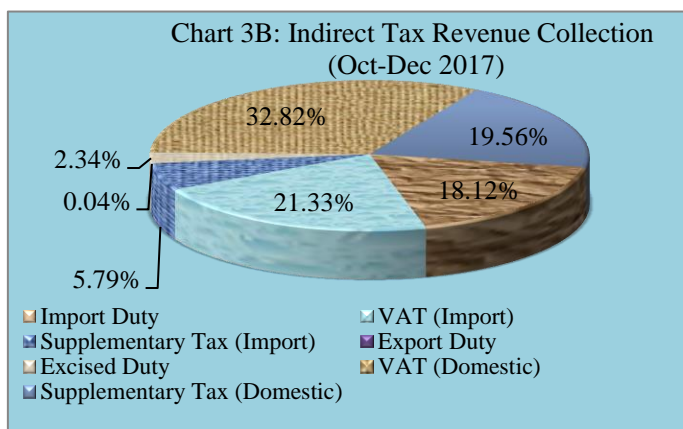
Direct Tax is mainly comprised of income tax and travel tax. During October-December 2017, the contribution of direct tax in the total NBR revenue collection was 30.24 percent amounting to TK. 15020.00 crore which was 15.60 percent and 8.80 percent higher than that of previous quarter and the corresponding quarter of preceding fiscal year respectively. In the direct tax, contribution of income tax is 98.10 percent (Chart 3A).



#### b. Indirect Tax Collection

Indirect tax is comprised of different types of duties, VAT, supplementary tax, turn over tax etc. Indirect tax contributed 69.76 percent in the total NBR revenue collection during October-December 2017 amounting to Tk. 34647.02 crore which is higher by 12.60 percent and 15.66 percent than that of previous quarter and the corresponding quarter of previous fiscal year respectively.

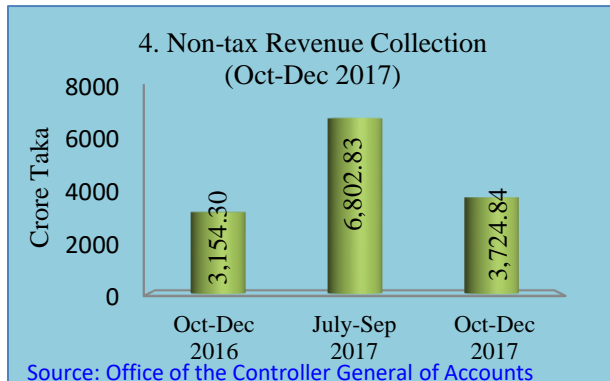
In indirect tax revenue collection, contribution of VAT (domestic) played a dominant role by recording 32.82 percent while VAT (import), Supplementary Tax (domestic), Import Duty and Supplementary Tax (import) contributed 21.3, 19.56, 18.12 and 5.79 percent



respectively (Chart 3B).

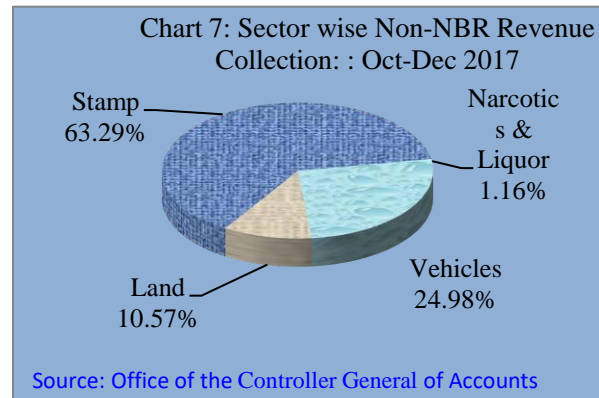
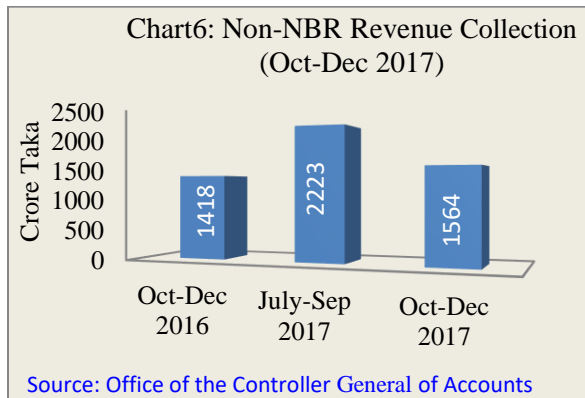
## B. Non-tax Revenue Collection

Non-tax revenue is the second highest revenue earning source among all the sources of revenue collection. During October-December 2017, the non-tax revenue collection was Tk. 3724.84 crore which is 45.25 percent lower than that of previous quarter but 18.20 percent higher than that of the corresponding quarter of previous fiscal year (Chart 4). During the period, Dividend & Profit; Post Office & Railway; and Interest/Fees/Tolls & others are the components of Non-tax revenue collection which contributed by 8.72 percent, 0.48 percent and 90.80 percent respectively in the total non-tax revenue collection (Chart 5).



## C. Non-NBR Revenue Collection

Among all the sources of revenue collection, Non-NBR revenue is the third revenue earning source. During October-December 2017, the non-NBR revenue collection was Tk. 1564.13 crore which is 29.64 percent lower than that of the previous quarter but 10.31 percent higher than that of the corresponding quarter of previous year (chart 6). Stamp, Vehicles, Land and Narcotics & Liquor are the components of Non-NBR revenue collection which contributed by 63.29 percent, 24.98 percent, 10.57 percent, and 1.16 percent respectively in the total non-NBR revenue collection (Chart 7).



## **Recent policy measures taken by the government for revenue mobilization**

The government has undertaken some important measures for revenue mobilizations during FY18. As there are no new initiatives during the quarter the measures taken for the whole fiscal year are mentioned as follows.

- To add a significant momentum in revenue collection, VAT Act 2012 has been effective from 1 July 2017
- 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.
- Direct Tax Act 2011 has been effective since 1<sup>st</sup> 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.
- 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 of the government in the this fiscal year, the ongoing reforms including automation of revenue collection process, reduction of tax exemption, expansion of tax administration and tax base will be strengthen. Additional measures are also necessary to actively involve all stakeholders of the collection process. For instance, 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.