

Quarterly Analysis on Government Revenue Receipts

October-December, 2015



**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

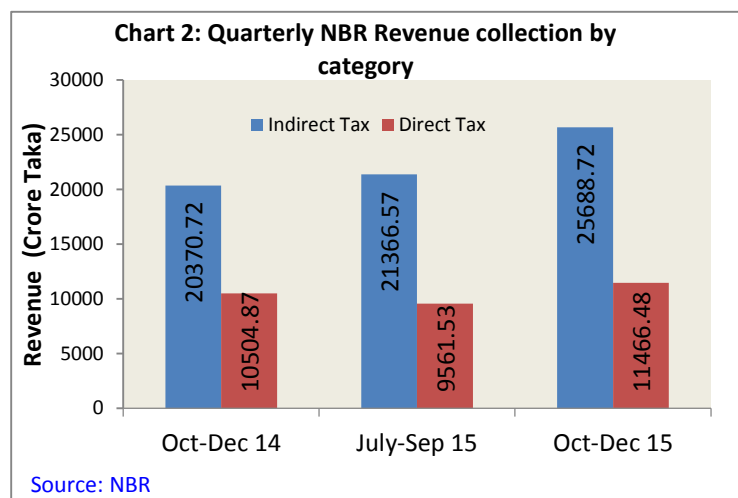
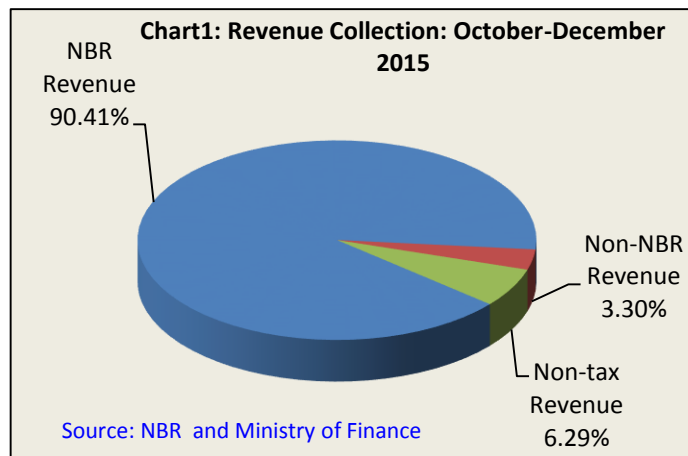
Md. Nur-E-Alom Siddique
Assistant Director

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Revenue receipt is increasingly playing an important catalytic role in the government financing of Bangladesh. The contribution of Revenue Receipt is 96.72 percent in the revenue collection target for FY15 when it is targeted to cover 97.29 percent of FY16 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 October-December 2015 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 second quarter (October-December) of FY16, the revenue collection stood at Tk. 41098.20 crore which was 20.34 percent higher than 34150.59 crore recorded in the same period of previous year. During July-December 2015 of FY16, the revenue collection stood at Tk. 80405.30 crore which was 38.57 percent of the annual target when the revenue collection of the same period of previous fiscal year was Tk. 69964.94 crore which was 38.24 percent of its annual target. So the target achievement increased slightly by 0.33 percentage point during July-December 2015 of FY16 comparing with the same period of FY15 and the absolute amount of accumulated revenue collection also increased by 14.92 percent. Source of revenue collection in Bangladesh can be divided into three major categories:

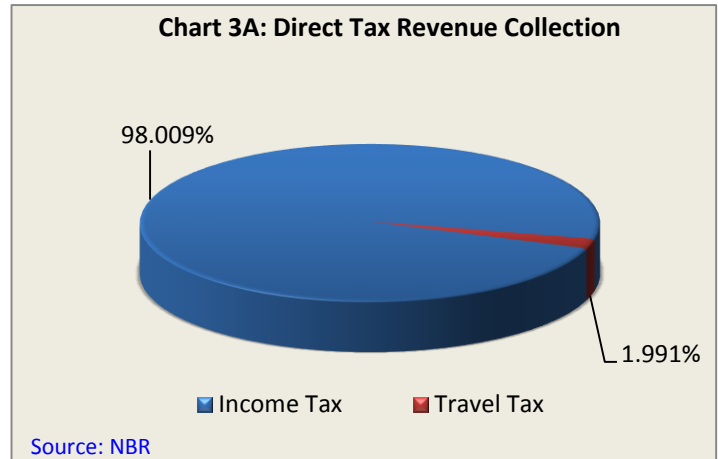


^P Source of Data: NBR (Provisional)

NBR Revenue, Non-NBR Revenue and Non-tax Revenue. In October-December 2015, the total revenue collection stood at tk.41098.20 crore where contribution of NBR Revenue, Non-tax Revenue and Non-NBR Revenue were 90.41 percent, 6.29 percent and 3.30 percent respectively. Total Revenue Collection in October-December 2015 is 20.34 percent higher than the revenue collection of corresponding quarter of previous year and 4.56 percent higher than the previous quarter's revenue collection.

NBR Revenue Collection

Revenue collection by NBR in second quarter (October-December 2015) of FY16 experienced 20.13 percent increase over the revenue collection of previous quarter and 20.34 percent increase over the same quarter of previous year. Revenue receipt mainly comes from two broad sources: Direct Tax and Indirect Tax (Chart 2).

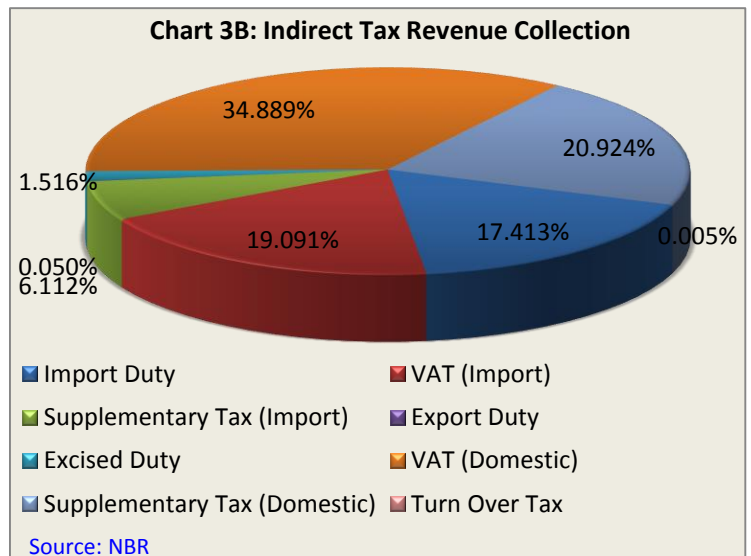


Direct Tax Collection

Direct Tax is mainly comprised of income tax and travel tax. The contribution of direct tax in the revenue collection of October-December 2015 was 30.86 percent amounting to TK. 11466.48 crore which was 19.92 percent higher than that of previous quarter and 9.15 percent greater than the collection of corresponding quarter of previous fiscal year. In the direct tax, contribution of income tax is 98.0 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 69.14 percent in the total revenue collection of October-December 2015 amounting to Tk. 25688.72 crore which was greater by 26.11 percent than corresponding quarter of previous fiscal year and increased by 20.23 percent than the collection of previous quarter.



In indirect tax revenue collection, contribution of VAT (domestic) played a dominant role by recording 34.89 percent when VAT (import), Supplementary Tax (domestic), Import Duty, Supplementary Tax (import) contributed 19.09, 20.92, 17.41 and 6.11 percent respectively (Chart 3B).

Non-tax Revenue Collection

Non-tax revenue is the second highest revenue earning source. The non-tax revenue collection in October-December 2015 was 2587.00 crore taka which was 62.96 percent lower than the previous quarter and 19.00 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 7.89 percent, 8.43 percent and 83.69 percent respectively in the total non-tax revenue collection of October-December 2015 (Chart 5).

Non-NBR Revenue Collection

Non-NBR revenue is the third revenue earning source. The non-NBR revenue collection in October-December 2015 was 1356 crore taka which was lower than the previous quarter by 2.80 percent but higher than the corresponding quarter of previous year by 23.16 percent. Stamp, Vehicles, Land and Narcotics & Liquor are the components of Non-NBR revenue collection which contributed by 60.32 percent, 28.32 percent, 10.18 percent and 1.18 percent respectively in the total non-NBR revenue collection of October-December 2015.

Chart 4: Quarterly Non-tax Revenue Collection

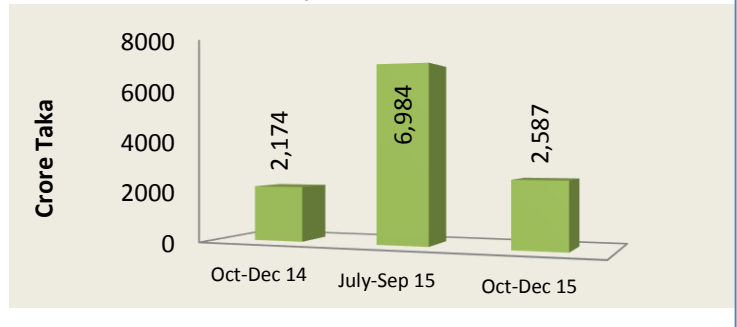
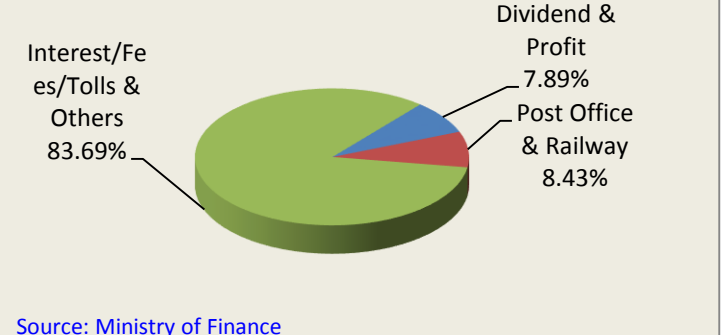
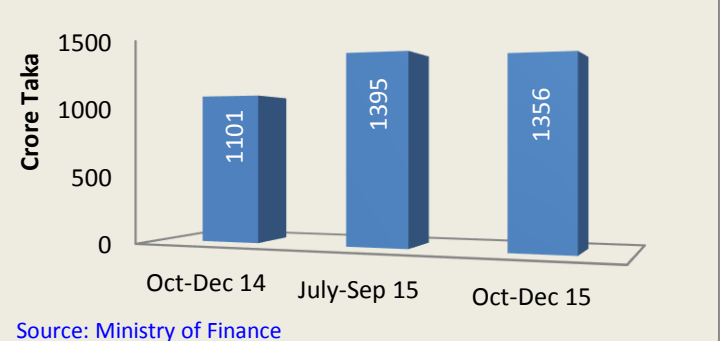


Chart 5: Sector wise Non-tax Revenue Collection: Oct-Dec 15



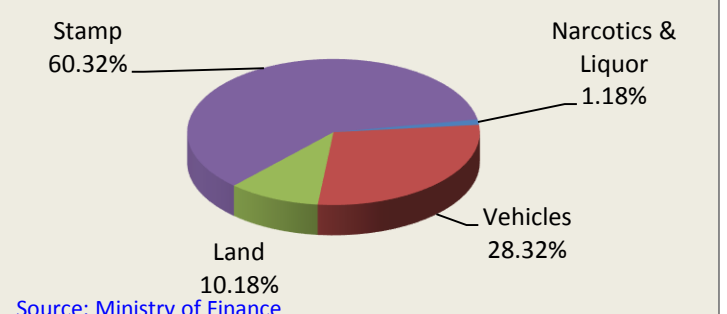
Source: Ministry of Finance

Chart 6: Quarterly Non-NBR Revenue Collection



Source: Ministry of Finance

Chart 7: Sector wise Non-NBR Revenue Collection: October-December 15



Source: Ministry of Finance

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, an extra effort is necessary from the 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 people about taxation etc may add an impetus for revenue collection.

