



Enforcement Trends and Compliance Challenges

Bangladesh Perspective

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NBR: Basic Tax Information

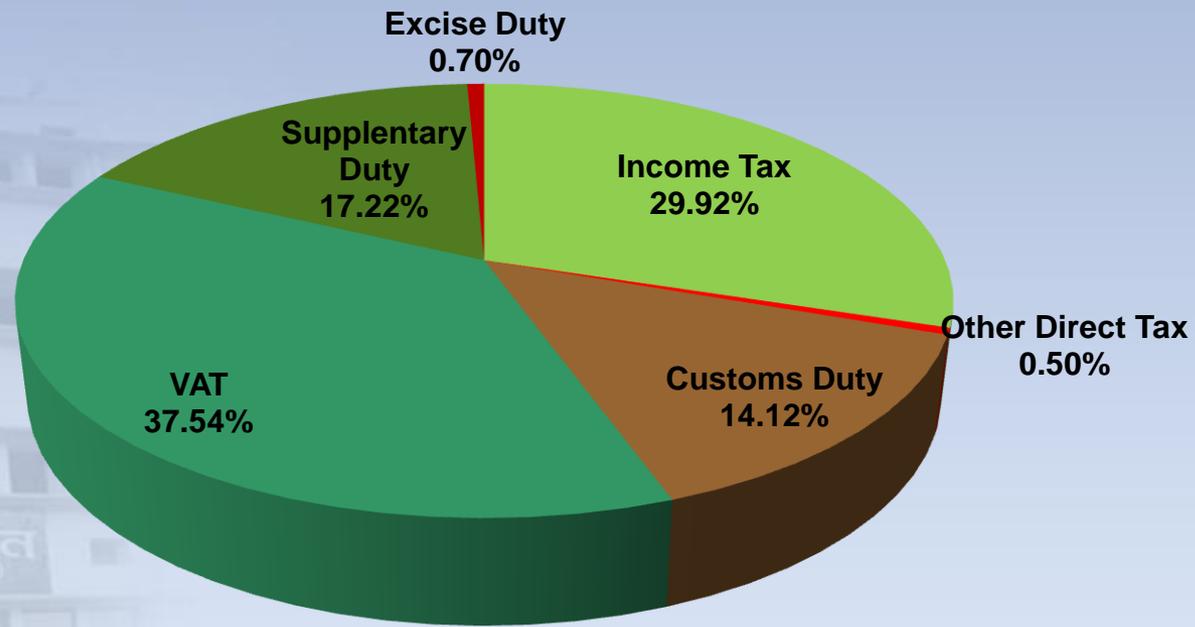
- Revenue Agency: National Board of Revenue (NBR)
 - National Board of Revenue is the apex revenue collection agency of Bangladesh. NBR collects about 80% of the total revenue of Bangladesh from five major sources: Personal Income Tax, Corporate Tax, Value-Added Tax, Supplementary Duty, and Customs Duty.
 - Direct Tax: 30%, Indirect Tax: 70%
- Tax as a percentage of GDP: 10.7%
 - Tax-to-GDP ratio has been increasing over the last few years.
 - In last three years, Tax-to-GDP ratio has increased from 8% to 10.7%.



Revenue Composition Of NBR

NBR collects taxes under four major heads: VAT, Income Tax, Supplementary Duty, and Customs Duty.

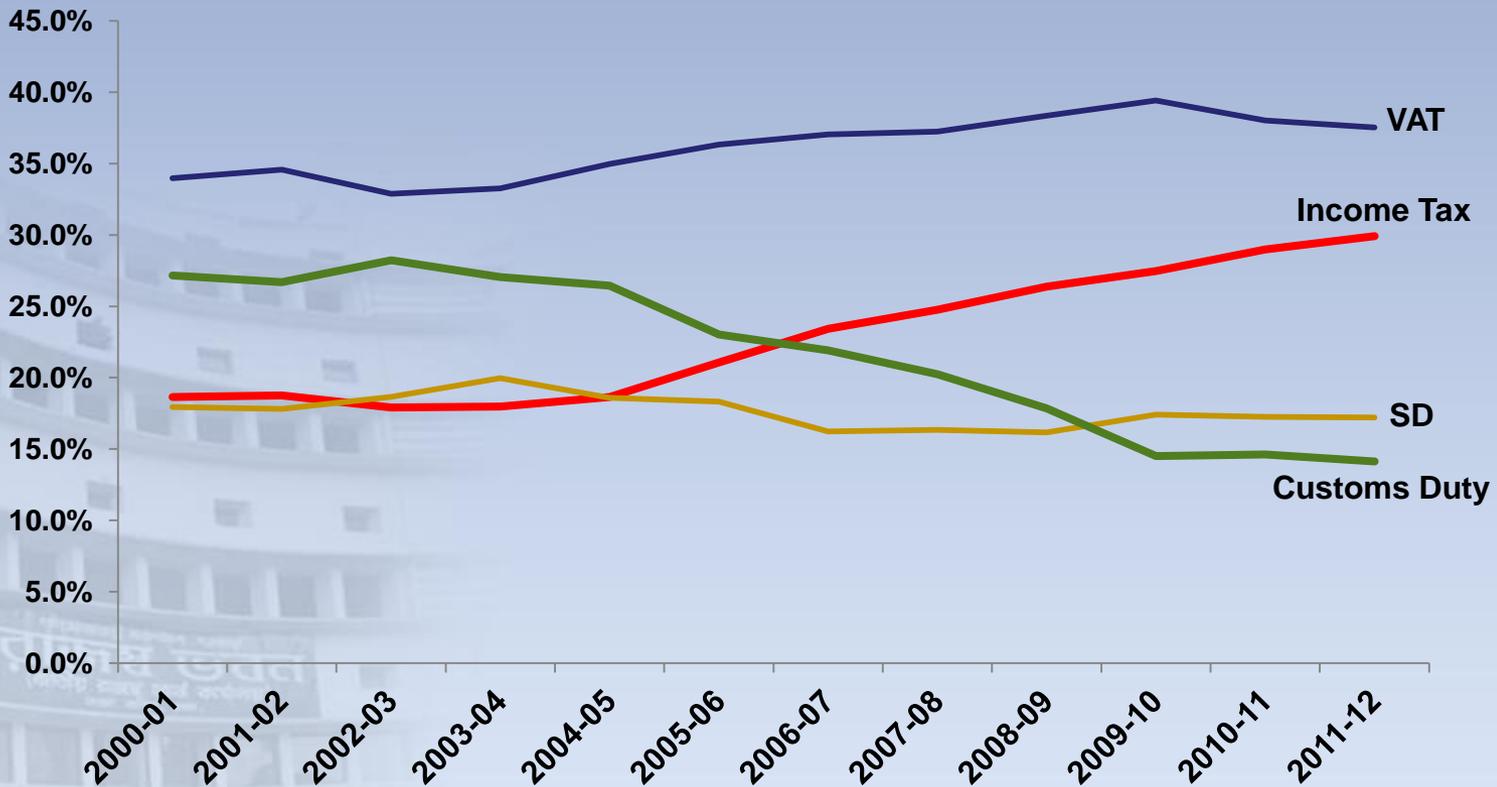
Collection by Tax Type: FY2011–12





Changing Revenue Composition Of NBR

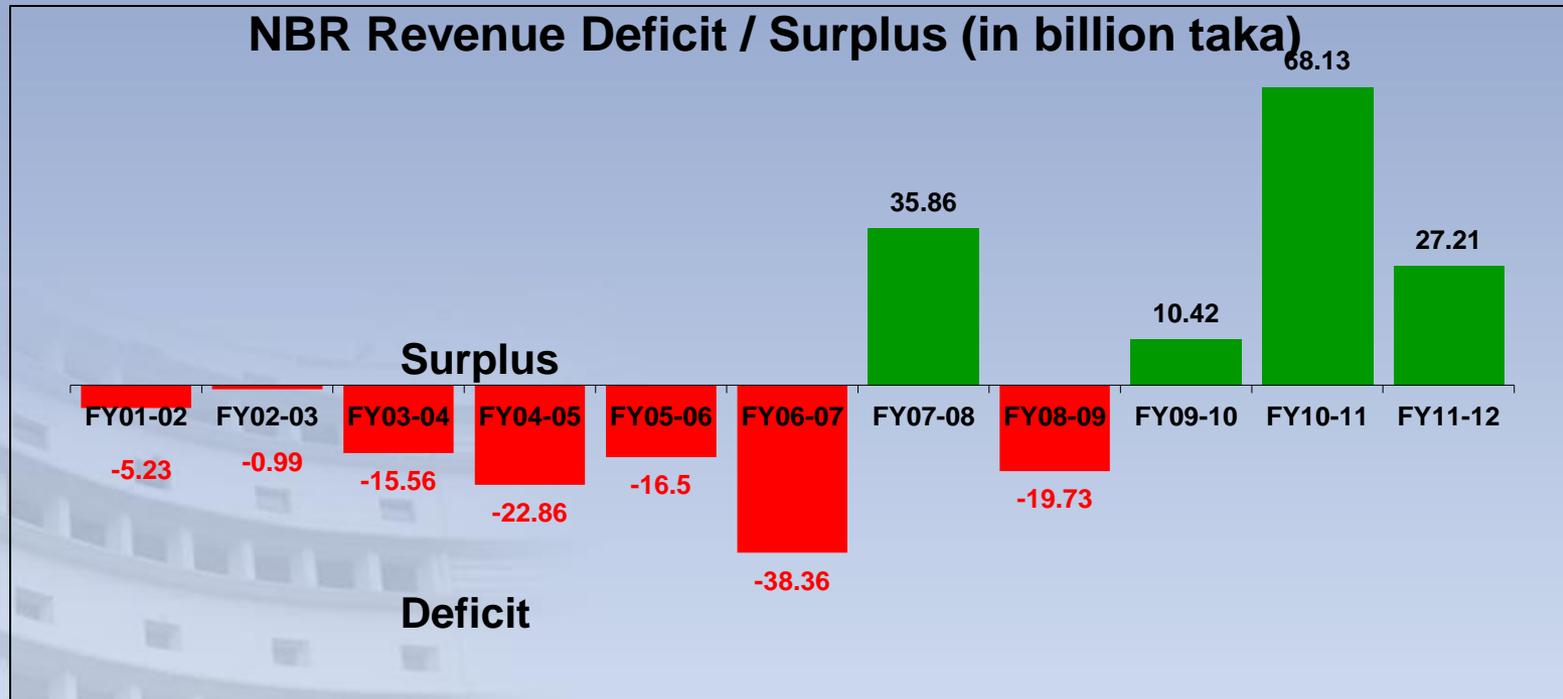
The contribution of each head (as % of total tax) has been changing over the years. The share of collection from Customs Duty is decreasing, while collection from VAT and Income Tax have been increasing.





Revenue Performance of the NBR

NBR has been enjoying a steady revenue performance over the last three years.



Revenue Target for FY 2012–13: 1123 billion BDT (\$13.69 billion)

Collection up to December 2012: 448 billion BDT

December: Point-to-point growth rate: **14.46%**



Tax Compliance Challenges

- Less than 1% of the population pays income tax
- The size of the informal economy is quite large
- Tax evasion is persistent
- Tax-related information is scarce due to limited use of IT in government and private sectors, and the lack of automatic data sharing with the NBR
- Various sectors are out of the tax net due to tax exemptions
- Tax management process is mostly manual
- Only one unit of Direct Tax (LTU) is working under the functional model; the other 31 units function under conventional model



Tax Compliance Challenges

Nature of noncompliance

Noncompliance falls broadly into four categories:

- Non-registration
- Non-filing
- Tax delinquency
- Disclosure of lower-than-actual income



Sources of Noncompliance

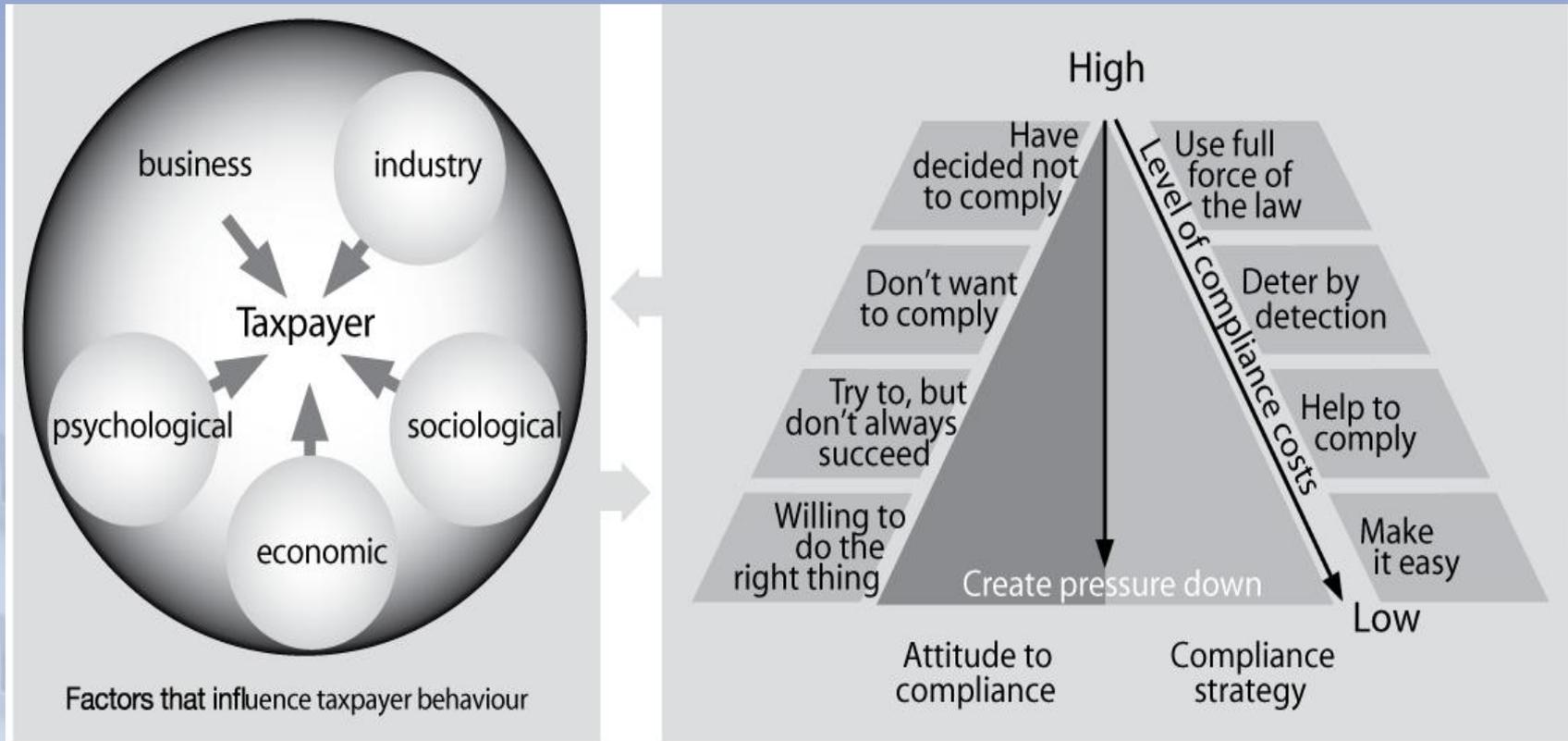
Awareness Gap: Taxpayers are not aware of the tax obligations and the consequence of noncompliance.

Support and Service Gap: Taxpayers do not have the proper environment for compliance

Motivation Gap: Taxpayers do not receive a psychological *premium* to disclose a higher income

Enforcement Gap: Taxpayers are habitual defaulters and are inclined to disobey tax laws

Tax Behavior and Tax Compliance Strategy



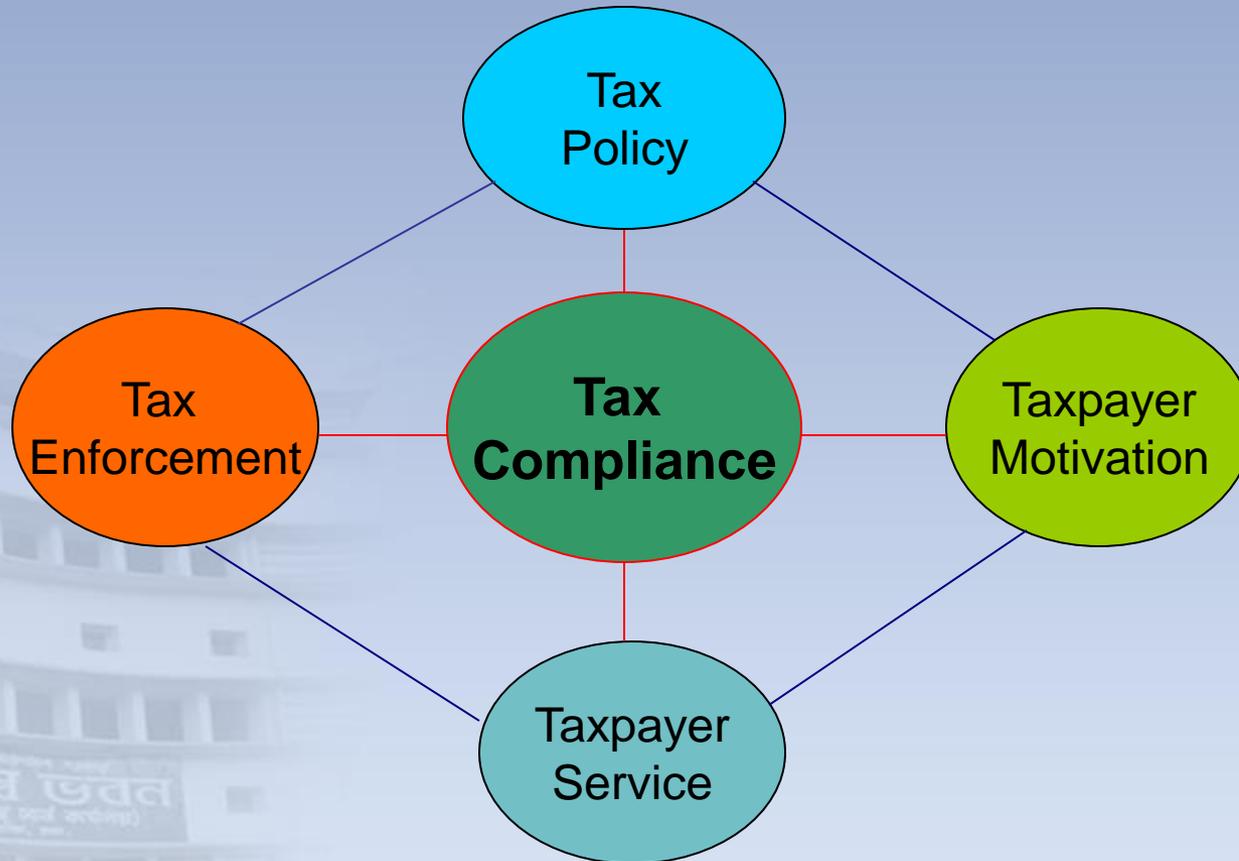
Source: OECD, 2004

NBR's Tax Compliance Approaches

Tax Compliance Framework



NBR's tax compliance action programs comprise four core areas:



NBR's Tax Compliance Approaches

NBR Modernization Plan and Nine Strategic Areas



Innovative Approach for Tax Compliance: Tax Awareness Program



- NBR observes National Income Tax Day on September 15 and National VAT Day on July 10 each year; NBR also organizes VAT Week to foster awareness about VAT
- Rally, processions, tax awareness workshops, and discussions are organized on these days
- Special drama on radio and television is broadcasted with the aim of building tax awareness among the people



Taxpayer Recognition Program

- Under the Taxpayer Recognition Policy (introduced in 2008), the three highest- and two longest-paying income taxpayers from each of the 64 districts and six city corporations are given social recognition (certificate, crest) at a state function.
- Under the National Tax Card Policy (introduced in 2010), the 10 highest personal and 10 highest corporate income taxpayers are accorded CIP status every year.
- NBR awards special recognition to the top VAT payers at the central and field level.
- In the years 2011–12, NBR awarded the nine top VAT payers at the national level and 125 top VAT payers at the district level under three categories—production, services and business—to encourage taxpayers to pay tax.

Tax Fairs

আয়কর মেলায় তৃতীয় দিনেও ব্যাপক সাড়া

কর ক্যালকুলেটরে করদাতা নিজেই আয়কর হিসাব করতে পারবেন

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স্বয়ংক্রিয় কর ক্যালকুলেটরের মাধ্যমে এখন করদাতারা নিজেই আয়করের পরিমাণ নিরূপণ করতে পারবেন।

গত বছর কর ক্যালকুলেটর চালু করা হলেও প্রচার-প্রচারণার অভাবে এর ব্যবহার খুব একটা হয়নি। তবে এবারের আয়কর মেলায় অনেক করদাতাকেই কর ক্যালকুলেটর ব্যবহারে আগ্রহী হতে দেখা গেছে। আর এ কাজে জাতীয় রাজস্ব বোর্ডের (এনবিআর) সহায়তা বুথের কর্মকর্তারা সহায়তা দেন।

মেলায় তৃতীয় দিনে গতকাল সোমবারও করদাতাদের ব্যাপক উপস্থিতি লক্ষ করা গেছে।

কর ক্যালকুলেটরের মাধ্যমে করদাতা নিজের মোট আয় নির্দিষ্ট ঘরে বসিয়ে দিলে তাঁর করযোগ্য আয়করের পরিমাণ স্বয়ংক্রিয়ভাবে জানতে পারেন।

যেভাবে ব্যবহার করবেন: জাতীয় রাজস্ব বোর্ডের (এনবিআর) ওয়েবসাইটে কর ক্যালকুলেটরটি সন্নিবেশিত রয়েছে। এনবিআরের ওয়েবসাইটের ঠিকানা হলো: www.nbr-bd.org। কর ক্যালকুলেটরের ছকে আয়ের নয়টি খাত রয়েছে। খাতগুলো হলো: বেতন, সিকিউরিটিজের সুদ, বাড়িভাড়া, ব্যবসায়, কৃষি, ব্যবসায়ী উদ্যোক্তাদের লভ্যাংশ, স্ত্রী ও সন্তানের আয়, মূলধনি মুনাফা ও অন্যান্য খাতের আয়। তবে এসব উপখাতের মধ্যে বেতন ও বাড়িভাড়ার আয়ের বিস্তারিত উল্লেখ করতে হবে। আবার এসব আয়ের কোন অংশ বিনিয়োগ করা হলো, তা-ও বিস্তারিত থাকতে হবে।

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Amazing success of Bangladesh's tax 'funfairs'

Two special fairs held this week in Bangladesh have proved hugely popular, but they are not for thrill-seekers.

The people who have voluntarily queued for hours at the events want to start paying income tax - in a country where hardly anyone ever does.

And the revenue-starved authorities are stunned by the idea's success, finds the BBC's Ethirajan Anbarasan in Dhaka.

It was a not-so-fun-sounding fair, but the response was overwhelming.

In a country where fewer than 2% of the people pay income tax, it was a pleasant surprise for the National Board of Revenue (NBR), which organised the events to encourage people to pay up voluntarily.

People voluntarily queued for hours at the income tax funfairs to pay up, many for the first time

- NBR has been organizing Income Tax Fairs for the last three years (2010, 2011, and 2012).
- The Tax Fair is a very innovative concept and a huge success.
- Taxpayers can register, submit tax returns, and get TIN certificates at tax fairs.
- The fairs are receiving an overwhelming response.



NBR's Enforcement Strategies

- NBR follows four enforcement measures:
 - Administrative Penalty
 - Interruption (e.g., freezing of bank accounts, stoppage of transactions)
 - Criminal Prosecution
 - Raising Risk Points (and the probability of being selected for audit)

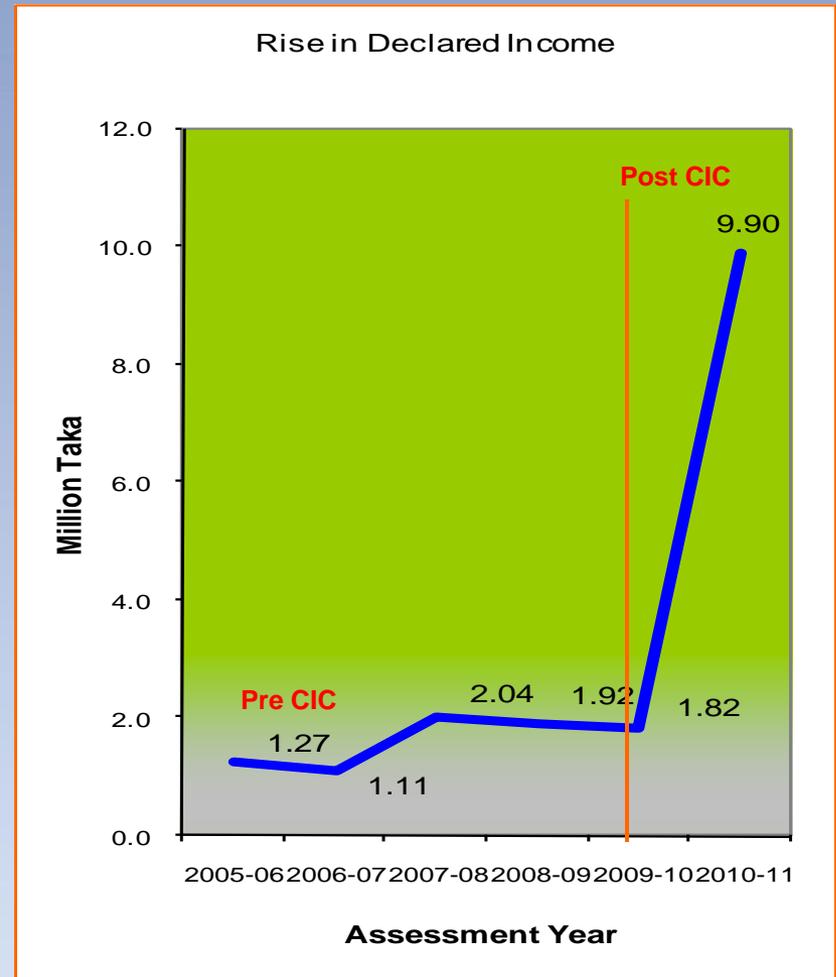
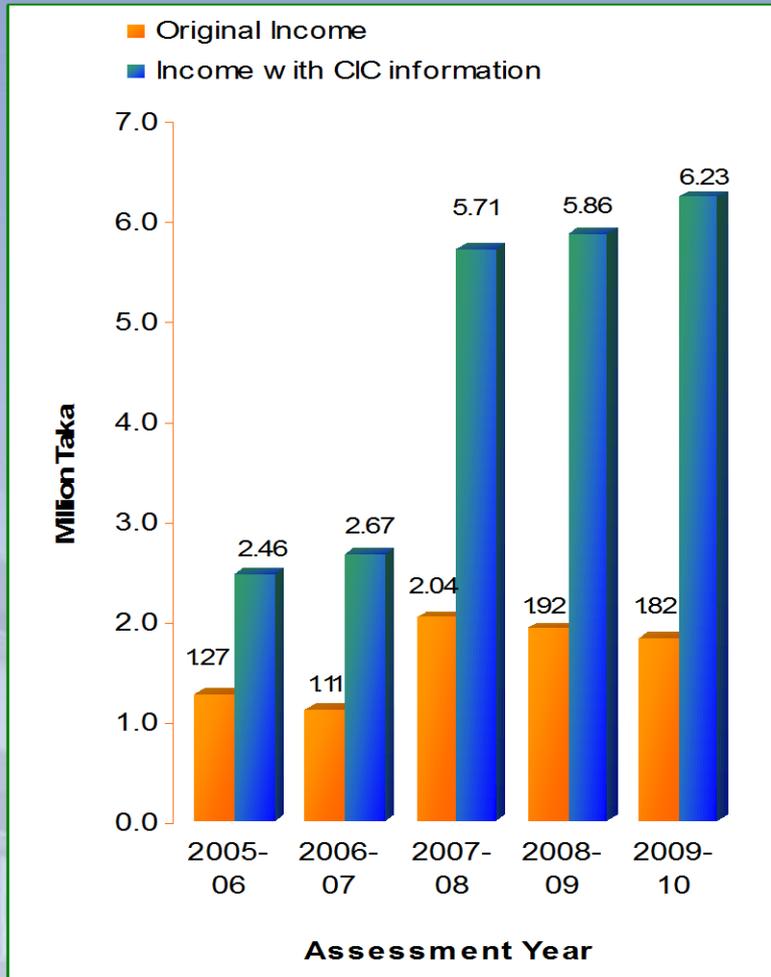


Trends in Enforcement

- NBR has been stepping up enforcement activities;
- In 2004, Central Intelligence Cell (CIC) was established to detect tax evasion and work as a striking force against tax crimes;
- Since its inception, CIC has conducted about 1,750 investigations related to tax evasion in income tax, VAT, and customs. The majority of the investigations have led to detection of tax evasion;
- A CIC in-house study reveals that most of the taxpayers, after facing the CIC, have disclosed significantly higher amounts of income in post-intervention assessment years.



CIC Impact: Case Study of a Taxpayer (Taxpayer 2010CIC02)*



*Taxpayer's information is protected by Bangladesh tax law. Therefore, a code number is used in place of the real TIN.



Trends in Enforcement

- In 2007, NBR first started prosecuting for tax offenses. Since then, the NBR has regularly prosecuted tax evaders;
- More than 100 persons have been prosecuted since 2007;
- In 2011, NBR established a separate Tax, Legal, and Enforcement Division to strengthen enforcement activities;
- Interruption measures, such as the freezing of bank accounts, stoppage of transactions, or non-clearance of goods from customs points are regularly employed to combat tax noncompliance;
- The drive of NBR towards tax enforcement has contributed to the recent steady growth of NBR tax revenue.



Thank You

