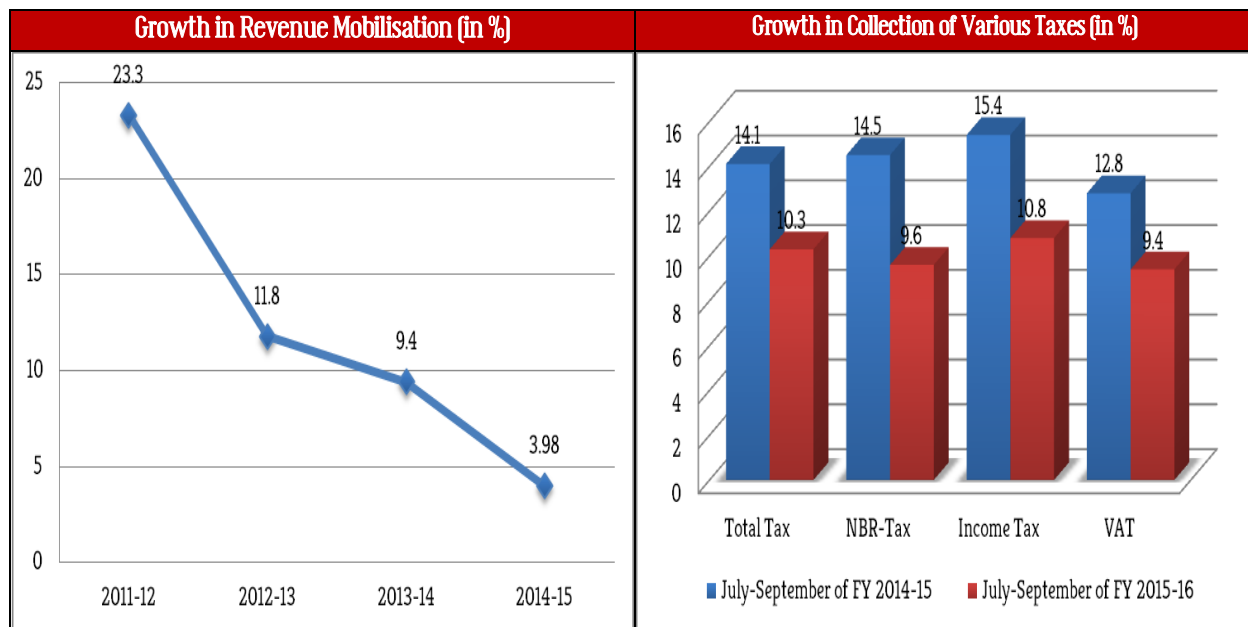


Bangladesh Economic Update  
**Revenue Mobilisation: Trends and Challenges**  
 November, 2015



Source: Unnayan Onneshan, *Revenue Mobilisation: Trends and Challenges*, Bangladesh Economic Update, Volume 6, No. 11, November 2015.

The Unnayan Onneshan (UO), an independent multidisciplinary think tank, in its monthly publication of Bangladesh Economic Update November 2015 reveals that declining rate of growth in total revenue collection since FY 2011-12 together with failure to achieve the potential of higher revenue mobilisation is likely to shrink development financing.

The research organisation finds that the rate of growth in revenue mobilisation has been on the decline since FY 2011-12. Actual mobilisation of total revenue grew by 23.3 percent in FY 2011-12, whereas the rate of growth decline in the subsequent years and stood at 11.8 percent, 9.4 percent and 3.98 percent in FY 2012-13, FY 2013-14 and FY 2014-15 respectively.

Furthermore, it is estimated that Bangladesh has the potential to increase the mobilisation of its revenue up to 22 percent of gross domestic product (GDP) whereas the total revenue mobilisation as percentage of GDP stood at 10.89 percent, 11.65 percent, 11.66 percent and 12.09 percent in FY 2011-12, FY 2012-13, FY 2013-14 and FY 2014-15 respectively.

The average revenue mobilisation as percentage of GDP during the last four years stood at 11.57 percent in Bangladesh compared to 19.4 percent in India, 18.9 percent in Nepal, 13.7 percent in Pakistan, and 13.4 percent in Sri Lanka, finds the UO.

According to the latest statistics, total collection of revenue during the first five months (July – November) of the FY 2015-16 has stood at Tk. 544.08 billion against the total target of Tk. 2084.43 billion. Taking account of the previous years' trend, the UO forecasts the total collection of revenue may fall short of the target by Tk. 375.91 billion in the current fiscal year.

The think tank shows that the rate of growth in collection of total tax revenue decreased by 3.8 percentage points during the period of July-September of FY 2015-16 compared to the corresponding period of FY 2014-15. In July-

September of 2015-16, the rate of growth in total tax revenue has become 10.3 percent whereas the rate was 14.1 percent during the same period of the previous fiscal year.

Of the total tax revenue, National Board of Revenue (NBR) tax revenue grew by 20.16 percent in FY 2011-12, 12.82 percent in FY 2012-13, 7.83 percent in FY 2013-14, and 11.25 percent in FY 2014-15 while Non-NBR tax revenue grew by 9.33 percent, 13.43 percent, 11.84 percent, and 4.64 percent respectively during the corresponding period.

The UO shows that the rate of growth in collection of NBR-Tax decreased by 4.9 percentage points during the period of July-September of FY 2015-16 compared to the corresponding period of FY 2014-15. In July-September of 2015-16, the rate of growth in NBR-Tax has become 9.6 percent whereas the rate was 14.5 percent during the same period of the previous fiscal year.

Taking account of the unsatisfactory performance in collection of income tax which is proposed to be the largest source of revenue and critical to the total revenue mobilisation, the think tank evinces that the rate of growth in collection of income tax decreased by 4.6 percentage points during the period of July-September of FY 2015-16 compared to the corresponding period of FY 2014-15. In July-September of 2015-16, the rate of growth in income tax has become 10.8 percent whereas the rate was 15.4 percent during the same period of the previous fiscal year.

The research organisation further demonstrates that the rate of growth in collection of Value Added Tax (VAT) decreased by 3.4 percentage points during the period of July-September of FY 2015-16 compared to the corresponding period of FY 2014-15. In July-September of 2015-16, the rate of growth in collection of VAT has become 9.4 percent whereas the rate was 12.8 percent during the same period of the previous fiscal year.

As regards the total non-NBR tax, the research organisation finds that the rate of growth in collection of non-NBR tax increased by 16.6 percentage points during the period of July-September of FY 2015-16 compared to the corresponding period of FY 2014-15. In July-September of 2015-16, the rate of growth in collection of non-NBR tax has become 21.3 percent whereas the rate was 4.7 percent during the same period of the previous fiscal year.

Referring to the higher interest payment due to deficit financing induced government borrowing from both domestic and foreign sources, the UO shows that total interest payment increased by 11.8 percent during July'15 compared to July'14 whereas it decreased by 30.83 percent during July'14 compared to July'13.

Higher interest payments result in increasing non-development expenditure every year leaving the government unable to allocate adequately for financing for development in the country, adds the think tank.

Urging for increasing strength and effectiveness of the tax administration, the UO suggests that the government must administer its fiscal management in a way that would broaden the taxpayers' base on the one hand and ensure the provision of necessary services to the citizens in return for their payment of tax on the other.