Good Governance in Bangladesh Taxation

Institutional capacity and frameworks conducive to good governance

Date: 26 April 2024
Good Governance

- Policy, legal and institutional framework
- Effectiveness
- Equity and Fairness
- Transparency and accountability
- Decentralization and participation in decision making
Policy, Legal and Institutional Framework

National Board of Revenue (NBR) is responsible for

- tax design and public consultations (round the year and especially at budget time);
- perform revenue and economic impact analyses;
- initiate, participate, and oversee manifestation of policy content during legal drafting processes; and
- negotiating tax treaties
Policy, Legal and Institutional Framework

• Finance Minister seeks approval of cabinet
  • tax design and policy content;
  • Draft legislation

• After Cabinet Approval, Finance Minister tables the Bill in Parliament

• Parliament takes almost a month for debates, discussions and passing the Finance Act;

• further public consultations take place during the time Bill takes to convert into Legislation
Clarity and Consistency

- **NBR is authorized by law to issue**
  - Circulars clarifying the Legal Provisions;
  - Clarifications sought by any stakeholders
Equity and Fairness

- **Progressive Tax Slabs are there**
  - Upfront exemption threshold up to .35 million Taka; ($3043)
  - Special exemption threshold for Women, Third Gender, Septuagenarians and otherwise-able persons
Compliance and enforcement mechanism

- **Tax, VAT and Customs Laws promote voluntary compliance**
  - Risk based audit mechanism established by legal framework; VAT and Income Tax)
  - Post Clearance audit mechanism has been introduced; (Customs)
  - NBR issues clear Tax Guidelines every year;
Combating Provisions undermining Good Governance

- **Tax, VAT and Customs Laws**-
  - Enacted in simple Bangla to avoid complexity and ambiguity;
  - Loopholes and Opportunities for Tax Evasion have been checked;
  - Suffer from weaknesses in Enforcement and Compliance- making non compliance cost higher than compliance cost.
Accountability Frameworks and Compliance Management

- **Internal Controls and Risk Management** -
  - Taxes Inspection Unit does the job of internal controls;

- **Grievance Redressal Mechanisms** - Officers are assigned and SOP is there.
Accountability Frameworks and Compliance Management

- **External Oversight Bodies** - Public Accounts Committee and Standing committee for Finance in Parliament
Accountability Frameworks and Compliance Management

• **National Integrity Strategy - NBR follows it very strictly.**
Accountability Frameworks and Compliance Management

• Annual Performance Agreement
Voluntary Tax Compliance

• Citizen Charter
Voluntary Tax Compliance

- Availability of Laws, Clarifications, instructions -

Double Taxation Avoidance Agreement

- Bangladesh & Vietnam
- Bangladesh & USA
- Bangladesh & UK
- Bangladesh & UAE
- Bangladesh & Turkey
- Bangladesh & Thailand
- Bangladesh & Switzerland
- Bangladesh & Sweden
- Bangladesh & St. Lucia
- Bangladesh & South Korea
- Bangladesh & Singapore
- Bangladesh & Romania
- Bangladesh & Oman
- Bangladesh & Poland
- Bangladesh & Philippines
- Bangladesh & Pakistan
- Bangladesh & Norway
- Bangladesh & Netherlands
- Bangladesh & Nepal
- Bangladesh & Myanmar
- Bangladesh & Morocco
- Bangladesh & Mauritius
- Bangladesh & Maldives
Voluntary Tax Compliance

- Appeal, Tribunal, ADR...
Digital Transformation

- E-filing, E-payment, E-TDS Environment, Hotline,...
Digital Transformation

- E-filing, E-payment, E-TDS Environment, Hotline, ...
Right to information

- To ensure right to information assigned officers are there
Ways ahead

• Overcoming Political and Institutional Resistance
• Overcoming Resource Constraints and Budgetary Limitations
• Overcoming Technological Challenges and Cybersecurity Risks
• Investing in Institutional Capacity
• Strengthening Enforcement and Compliance
• Promoting International Cooperation
• Embracing Digital Transformation
Thank You