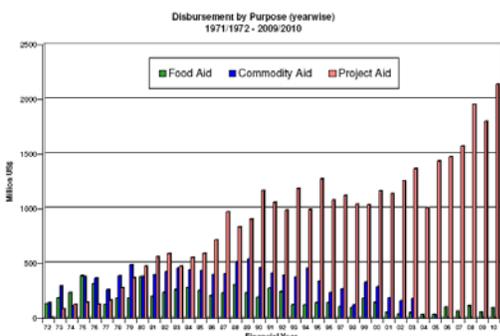


## Pre-Budget (2011-12) discussion paper Domestic resource mobilization vs. pro poor revenue strategy

### 1. Domestic resource mobilization through revenue collection is an important strategy in development finance.

Bangladesh is one of the poor countries. Though the IFIs (International Financial Institution) and other donors have been trying to give us a color of developing country, but the scenario is quite opposite in practically. Bangladesh is still prevailing high rate, about 50% of people are living with below standard and 40% of labors are either unemployed or underemployed. Per capita GDP is estimated 600 dollar but increasing trend of income inequality and due to its escalation, the asset is being accumulated under the grip of a few people those who are only 5% or not more than that. On the other hand, according to the World Bank (WB) definition of “developing country”, Bangladesh will have to achieve a target near about 4000 US\$ per capita GDP per annum. That means, achieving 4000 US\$ is a paradigm of reducing income inequality in the socio-economic environment of the community, poverty incident would be a minimum level and the country will have achieved a substantial level of standard in case of education and human development sector. But the question is raised, whether our country would be able to achieve the standard of middle income country overcoming these associated



obstacles after a certain period of time. Achieving the first stage middle-income country is required a rapid growth of GDP which is an output of huge investment in the sectors of education, human resource development, employment, agriculture and industry & infrastructure etc. Our government also recognized this strategy in their Vision-2021 and said that the Vision-2021 will require an investment at least 35% of GDP in next years, but concern is to mobilize of necessary resource. Our government has two options addressing the issue of resource mobilization. One of these is foreign source means, government can take loan from donors, banks or can arrange grants, and other source is revenue collection process, by which development finance would be possible. However, this is also a concern and challenge for our government whether it would be possible to attain the standard of middle-income country through foreign assistance.

Since the independence, Bangladesh has been receiving foreign aid as development support and most of those were as grant. Nevertheless, after 1980s, it has seen as a decreasing trend where loan or different types of development projects were introduced in ADP (Annual Development Program) under the SAP (Structural Adjustment Program). The analysis has shown that, Bangladesh had received foreign grant from donors as 8-9% of GDP in the decade of 1970-1980, but in 2009-2010

Fiscal Year	Grant	Loan	Total	GDP %
72-23	486	60	546	8%
79-80	650	572	1222	
89-90	765	1043	1808	6.7%
2001-02	190	1006	1196	3.6%
2008-09	37	1022	1059	3.5%
2009-10	88	1477	1565	1.6%

Source: Flow of External Resource-2009, BB Quarterly report, March-11

fiscal year, this figure is stand only 1.2 % GDP where grant is only 0.3% of total ODA (Official Development Assistance). Even the existing ODA is being received by our government those are tide with undue conditionalities and don't have any consistency with expectation of our country's development plan and actual need. These loans are sometime create problem for our government in setting the planning priorities and resulted the slow pace of ADP.

So that, it could be a better option, if government is able to ensure necessary resource mobilization through revenue process as domestic source, which might be a stable sustainable and effective strategy in development. Revenue process as domestic source will help the government and facilitate to set up the planning priorities that never would be possible with foreign aid. Resource mobilization through revenue process will also strengthen the government capacity to challenge the harmful conditions of foreign loans, government will able to keep her political commitment along with ensuring accountability in the different stage.

This is also true that the achieving the standard of middle income country is required huge FDI (Foreign Direct Investment) beside of government investment, because our country has not sufficient resource to invest, by which poverty will be reduce according to the Vision-2021. In that context, this is an important issue for our country to extend there tax-base for enhancing the revenue collection. Government can magnetize the FDI introducing favorable tax incentives to the investors. This will facilitate the employment creation and industrialization will be speed up. On the other hand, government gets the revenue through increasing tax-base.

People's participation in the development process is an essential pre-condition to ensure balanced growth and development for any country. So increasing revenue collection urges the effective people's participation in this process, which can be a supportive tool for accountability improve of our public representatives, those who are implementing the development activities using public resources.

## 2. Our Economy and the sectors of revenue collection

Bangladesh is very small country despite having a large number population but comparing with others in the context of geographic and domestic natural resources. According to the IMF (International Monetary Fund) assessment, economy of our country is 43<sup>rd</sup> largest which is current volume of GDP as 128.42 billion US\$ in the fiscal year 2010-11 period. Agriculture is still dominant sector in case of employment creation (60-65% of total employment is being created in the agriculture sector), but the contribution of industry and service sectors are appeared as increasing trend in the years. The analysis shown that, the contribution of agriculture sector is not remarkable in our revenue collection process. This is being happened due to existence of poor or marginal farming in this sector. Government didn't impose any tax in agriculture and its sub-sectoral activities considering the employment opportunity for poor. So it's very clear that, the revenue collection is mostly depended on the industry and service sector activities. Due to keeping this sector out of taxation, a few sub-sectoral economic activities like poultry, fishery, dairy and agro-processing industries are developed commercially and creating employment with profit, but there is a criticism that, people have invested their money in evading the tax rather employment.

## 3. Characteristics of our revenue system

As a developing or poor country, Bangladesh is being faced the dual challenges while undertaking fiscal adjustment policies. One arises from the increasing demand for public expenditures for infrastructure and social sector investment, and the other arises from the lack of capacity to raise revenue from domestic sources to finance the increased expenditure, primarily due to narrow tax base. To boost competitive capacity of the country in a rapidly globalizing world, the government has to invest a large portion of their revenue in building physical infrastructures. In addition, government also has need to spend a major portion of her development expenditures in providing social services to the poor such as health, education and other human resource development activities etc. The problem being faced due to weak institutional capacity of our revenue system especially lack of quality human resource, corruption and policy weakness. Here some characteristics of our revenue system are discussed;

### a. Weak institutional capacity with short of human resource.

The National Board of Revenue (NBR) is reformed as ever first in 1990 since independence. Through this reform, district wise circle offices were established along with deploying some human resource. The main objective was this reform to strengthen the instructional capacity and make them fit in introducing the new VAT (Value Added Tax) system in our taxation process. In 1991, there VAT was collected starting with an amount of 1230 million dollar and now in the fiscal year 2010-11, its stand as 10285 million dollar. Nevertheless there are no progresses or improvement is made over the period in congruence with the present speed of VAT collection and its necessary

demands. According to the information of NBR, the volume of taxation and its management is being increased where VAT paying industries and business holders 3200%, import activities are increased 471% export led activities increased 2054%, activities on bonded wire house increased 475% and simultaneously the collection of revenue are increased 620% over the decades. The circle offices in the district level still face and suffered lack of human resources in all stage of taxation which is hindering the revenue collection.

### b. NBR faces limitation in formulating their revenue policy

NBR has a significant limitation to formulate of their policy and procedures in case of effective revenue process in the context of our country. There has no authority to

Fiscal Year	Tax-GDP ratio
2004-05	8.60
2005-06	8.70
2006-07	8.30
2007-08	8.89
2008-09	9.00
2009-10	9.4
2010-11	10.0

Source: Bangladesh Economic Review-2010

NBR in designing of new particular policy to prevent the tax evasion or embezzlement by corrupt tax payer or

any tax officials. NBR can not able to prepare the target of revenue collection in national budget process and even not able to set any discriminatory tax rate independently, considering the base of different economic activity and outputs. In contrast, if we look to the IRAS (Internal Revenue Authority of Singapore), is authorized and can able to take any sort of decision and policy measures to achieve the revenue collection target. Canadian Revenue Authority (CRA) and US Revenue Bureau have official power to prepare new law and Act in the revenue collection process according their necessary and impose discriminatory tax rate also.

### c. Role of NBR is inadequate in national budget process

Meanwhile government has got approval their "Public Finance and Budget management Act-2009" from the parliament and specified the responsibility of NBR and ministry of finance about budget related issues. Under the above Act, NBR has started the pre-budget discourse with different lave of related stakeholder, but obstacle is being faced to formulate appropriate revenue policy for undue interfering and influence of vested interested groups. This is also observed that NBR is not empowered to ensure necessary resources for enhancing own institutional capacity despite of supplying huge resource in the national budget process and implementation. So it's quite clear that the revenue process will never get momentum any way, if the time-fashion measures are not taken in case of changing the administrative, human resource management and logistic structure. The weak structure of NBR is not able to provide the existing requirement of monitoring that ensure expected revenue collection. That's why, still we could not identified the potential sectors for revenue collection and thus fail to achieve the target of revenue

especially in the direct tax. The weak institutional capacity of NBR also creating some negative effect in our economy and revenue structure those are seen as prolonged phenomena and briefing shortly as following;

**d. Low performance in achieving the tax-GDP ratio**

Achieve the standard of sustainable development requires an uninterrupted resource flow in the development activities which can be possible only from effective revenue collection, because the revenue is one of the tools on which, government has particular control and can use according his plan. So a strengthened revenue system is imperative for our government as our country is poverty stricken and has need to huge investment in different sectors like health, education and other infrastructure issues, but the matter of frustration that, our revenue system is not so strong in considering of its collection performance. The quality indicator of measuring performance of our revenue system is Tax-GDP ratio which is very low, comparing with other poor and developing countries despite government has taken some initiatives in this regard. Analysis shown that the South Asian countries like India hold the Tax-GDP ratio is 17.7%, Sri Lanka 15.5%, Pakistan is 14.6% and Maldives 20,2% where Bangladesh is holding only 9.6% of Tax-GDP ratio. Government has prepared her Vision-2021 where said that the huge investment would be required at least 30-35% of GDP in next years towards achieving the growth target 8% at least by the year 2013. This investment would be possible almost, if the revenue collection increase 15% of GDP at least by 2013. So that there are worried to reach the targets of Vision-2021, that’s expressed by prominent economist.

There are many causes behind the existing low Tax-GDP ratio in Bangladesh. Among these, government don’t have any long term plan on revenue management, lack of particular law & Acts in prevention of tax evasion and embezzlement, punishment and spreading the underground economy, complecative taxation process which suffered the tax payers, tax exemption culture which is abusing as tax evading tool by a few frauds investors, lack of modernization in taxation especially custom auto motion and online taxation is didn’t take place yet properly, lack of governance and quality human resources are mentionable.

**e. The base of direct tax is not strong**

Less contributory role of direct tax is one of the major weaknesses of our revenue management. Bangladesh is being suffered low tax-GDP ratio due to less collection of direct tax comparing the indirect tax. The existing gain of

our revenue target depends on the indirect tax, specially VAT and import duties. The source of indirect tax is import duty, VAT, export duties and Turn-Over tax etc. Near about 70% of total revenue comes from the above tariff. On the other hand the source of direct taxes are salary (salary of the employee, personal income and profit from companies etc), travel tax and there are around 25% is being collected from this sector. On the fiscal year 1992–92, there are only 18% revenue income was collected from direct and last twenty years, the size of trade and industrialization increase vary rapidly but in fiscal year 2010-11 the expected income from the direct tax was 3.06 billion dollar which was 23.12% of the total revenue income. So it is observe that the collection from direct tax was not increase in a satisfactory level but analyzing the other developing country like Bangladesh, we can see that the contribution from direct tax is larger than indirect tax. From the source of national board of revenue we found that the number of tax payers (TIN holder) in Bangladesh are 2.7 million and among them 0.9 million are regular paying their tax. This means that, only one third of the TIN holder are paying the tax. The main reason is that the increase of false TIN holder, citizen are not getting the amenities from the state, lack of trust on the state about using their money, critical law and complexive process of tax assessment and collection, illegal collaboration with the tax collector for evading the tax or hide or not taking place exampolary punishment to the corrupt people of the tax department, automation, lack of e-governance , ignorance or motivation of giving tax among the citizen , Good governance and lack of interaction among the department of movement.

**f. Underground economic activities “A barrier for revenue collection”**

There is lot of causes for the weakness of our revenue collection in Bangladesh. Under ground economic activities is one of the main causes among the above. There are no particular study from our government even from NBR on the issue of under ground economic activities and its volume and impact. Nevertheless some outsource study is done on this issue, where it is mention that, there are 37% economic activities of total GDP is being run through the under ground economy (Kobir Hossain , Professor University of New Aurlaince). That’s why the income or profit being made from these activities is still remaining out of taxation process. In a study done by TIB (Transparency International Bangladesh) has shown that there are 3 billion dollar will be collected as tax in every year, if these activities would possible to take into account where this amount will stand around 34% of yearly revenue target and 3% of GDP.

The government in not doing that but giving some of the unethical business man to make there black money to white money every year either before or after the budget declaration which not making any significant change in the Fiscal policy. It’s provoked corruption and unlawful economic activities by which the under-ground economic is growing bigger. On the other hand by giving the access to the black money holder to make it white is allowing them to earn money in unlawful way. It is a matter of study and analysis that, the money transform form black to

Contribution of different Tax in Revenue		
Fiscal Year	% of Tax	
	Direct Tax	Indirect Tax
1991-92	18%	82%
1994-95	14%	86%
2000-2001	18%	82%
2004-2005	17.9%	82.1%
2008-2009	18.8 %	81.2%
2009-2010	20.8%	79.2%
2010-2011	22.6%	77.3%

Source: NBR

white is how much affective in the name of investment in industry or business which said by the government.

#### **4. Corruption in revenue management is one of the causes of low tax collection:**

Our complicated tax system inspired to adopt the illegal facility in case of both of tax collector and payer like tax assessment, export import duty complexity. That is why it could not be possible to achieve the desired growth in tax collection. There are two sides; one side is the tax officers those who are getting opportunity to abuse their power illegally and other side, tax payers avoid this complexity providing illegal facility to find out the way of tax evasion. A brief scenario is given on how to the tricky measures are being taken by the different level of stakeholders especially individual, companies, export-import duties and with collaboration of some unethical audit firms to evade the tax.

##### **a. Ways of tax evading in personal income**

- Government employees hide their original income, deposit their money or purchase asset or invest in foreign banks where tax-haven is being prevailed.
- A part of salary of non government employee show tax free like; medical, travel, fuel benefit etc.
- They are buying plot, flat, saving scheme, bond, and share business by name of family member, close relative, friends whom are not under tax.
- Business profit invests another business which is tax free, in fact false showing. All personal bank account transactions are not including in income return form.
- Black and illegal money dispatch to foreign bank and invest.

##### **b. Tax dodging ways in corporate and business sector**

- Show high production cost or expense of materials and service in the accounting ledger. Present or submit false voucher, high selling price with paid high discount etc.
- Maintain different ledger, money receipt and cash book use for same transaction for avoid tax. Sometimes present less profit and loss to avoid tax.
- Profit or income invest in another tax free sector or expense personally by showing development expenditure.
- Declare dividend more than 20% of profit for tax exemption which is actually fictitious
- Import under customs bond and hidden sell in local market but not export.
- Receive bank loan by name of company or business.
- To dispatch illegal money, import capital machineries by high price or over invoicing.
- To show less expense in buying and selling agreement (like; real estate, developer farm).
- Buying and selling without receipt. Money receives by company from buyer.
- To deny vat and income tax show less production and selling
- To paying of deny vat and income tax, showing damage a part of production and sales item.
- To show high price of production, ingredients, machineries and raw materials (like Clinic, hospital).

#### **5. Tax exemption facilities is a weapon of the tax evasion**

Since the period of independence, government has been providing tax exemption facilities to many entrepreneurs. It's being said that the tax exemption facilities will be contributory role in developing the pro-poor industrialization and creation of employment and increase the tax base, but the reality is that, there has a financial cost or value of this tax exemption that has to be heard by the government especially in exchange of losing huge amount of revenue in every year. On the other hand most of the entrepreneur and industrialists have been trying to evade of their tax through abusing this facilities which is resulted of depriving form the expected revenue earn in government fund. As per report of the NBR ((March 2011), due to the tax exemption facilities, Bangladesh government is losing her revenue income which is near about 2.52% of GDP in every year. Nevertheless our government has taken decision to expansion of tax exemption facilities up to 2013 especially on 18 nos of goods like garments product, Jute, medicine and melamine etc. As a result government may be looser of revenue loses near about 2.5 billion dollar by 2013.

Now, question is that how government will be capable to collect the revenue from this sector? According to the comments of Bangladesh government's Revenue Reform Committee (RRC) report (2003), "Exemptions and tax holidays have created a distorted production structure leading to large revenue losses". Experience says that, after the period of tax holiday, a company start showing its loss in its business accounts or to get revenue incentives or draw-back facilities the companies has started to transfer its profit in other business those are tax free (Investigative report, 2008 of ACC). It is unfortunate that, in Bangladesh still has no research to identifying the real impact of tax exemption. In the other hand it is also mentionable that, there are allegations against some CA farms to help of over look the tax evading issues of different companies and business activities. So, we think that in future there should be a specific direction for tax exemption facilities based on a economical analysis. But, government is changing its law without analysis of tax exemption, circulating of SRO in 2009 which has created for people to dodge the tax using tax holidays up to the fiscal year of 31<sup>st</sup> June 2011 in several sectors.

#### **6. Introducing VAT and its expansion in Bangladesh**

Value Added Tax (VAT) was introduced in Bangladesh from the 1st of July, 1991. This tax is levied, as a substitute for excise duty, on most of the goods and services which are now subjected to excise duty. It may be mentioned here, at the import stage, sales tax was abolished and VAT levied and collected in its place. However, for some initial administrative difficulties, a few selected commodities, such as, tobacco products, natural gas, petroleum products, etc., and also a few "services" remained within the purview of excise duty for some time. Now they are under VAT. Value Added Tax in Bangladesh is mainly confined to the import and manufacturing stages. In most of the countries of the

world where there is VAT it is compulsory in both wholesale and retail distribution of goods and services.

Bangladesh government has initiated Structural Adjustment Program (SAP) in 1985. Under this program, government has adopted the Tax Reform Program VAT act was designed and approved in 1991 through the national parliament. The objective of introducing VAT system in Bangladesh is to ensuring transparency in revenue system, stopping tax pilferage in the different layer of relevant production sectors and ensuring economic growth through mobilizing internal resources and finally increasing rate of tax- GDP as well.

In the very beginning, VAT were introduced especially some imported products and some business men who have a turn-over more than 1.5 million BDT in every year. Although in 1991, VAT was levied only on the 21 nos of products but now it covered almost all sort of product and goods. Because, the main objective of VAT is to increase govt revenue and imposing VAT in importing of consumer goods, production, and ensuring VAT in wholesale to retail level. As a result, now a days we have no products without VAT.

### 7. New VAT act “An way to adopt expansionary VAT net”

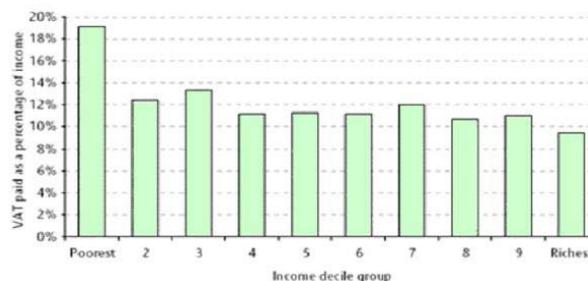
IMF (International Monetary Fund) has imposed the condition to our government to revise the existing VAT act and Bangladesh government has already revised and formulated new VAT act. According to the source of NBR, a team from IMF is staying in Bangladesh to support the government in formulating the new VAT act for the year of 2012-2013. They will give their comments in the new VAT act (draft) which will be implemented from the next fiscal year. So far, there are 31 new amendments are brought in the proposed new VAT act (Draft) (Protham Alo: 15.05.2011) which objective is to increase the area of VAT net as well as achievement the targeted of government revenue collection. There is a possibility to increase VAT net and amount of VAT under this new VAT act. In our country, the VAT is being levied @ 2-15% with a different variation rate which is imposing on the different level of production, sale, import, retail and wholesale goods. The existing rate of VAT is quite higher comparing the other developing countries. In Singapore, the VAT is being levied @ 5% maximum, Thailand 7%, Indonesia, Myanmar, Lebanon, Vietnam and south Korea they have imposed @ 10%, New Zealand 12%, and in Nepal, there are VAT is being imposed @13% at the different level of goods. VAT is not being imposed on the essential goods in the poor and developing countries considering the livelihood of poor people, but the scenario is opposite in Bangladesh. Our government has imposed VAT all sort of daily essential goods like rice, wheat, oil and also planned to expand the VAT net at the retail level in rural areas which ultimately resulted of create a hardship of our poor people.

### 8. VAT’s impact on price management

There are no studies or any research conducted on what sort of impacts are created on the pricing system either increase or decrease the price due to imposing the VAT on

goods. In this regard, IMF has conducted a study on 29 no of countries in 1985 especially those have introduced VAT. According to their report, there were no price increases in 27 countries and only two have increased the price after VAT levied, but question is that the changing of price doesn’t depend on the impose of VAT and it’s

Figure 10.1. VAT paid as a percentage of net income



proportionate change of price system only, rather depend on the context of market stability, purchase power of people, stable condition of demand and supply side and the situation of good governance. In view of the these conditions, Bangladesh and like other poor and developing countries are being faced an weak and fragile marketing system where a stable pricing system is very difficult to maintain due to fluctuation of demand and supply system. So that it might not be possible to say confidently that the new VAT will not increase the price.

VAT will contribute to increase the price of goods due to its imposed in the different stage of production even any sort of non-productive transaction with goods and the final tax burden will go to the consumers ultimately, but the consumers will not be entitled to get the benefit of tax draw-back system of government as the consumers are not registered with NBR. Institute of Fiscal Studied-UK (IFS) has conducted a study on the price effect of VAT where they made a comment that the VAT is always regressive for poor people indeed, because this type of indirect tax impinging the poor people and their livelihood in poor and developing countries, because the poor peoples spend their most of the income behind the essential goods than rich people. They also able to show that the poor people are paying VAT as double than the riches in UK due to imposed VAT.

### 9. Our recommendations enhancing the revenue following pro-poor revenue strategy

#### a. Reform of NBR and stop corruption should be the highest priority for our government.

It’s true that, due to weak organizational structure, man power shortage and unskilled human recourse is the factor of low collection of revenue in the country. It’s also true that, due to huge corruption in existing system, govt is not getting her expected revenue. So that reformation of govt revenue sector especially reform of NBR is not link with only the infrastructure and human recourse development. Govt should take appropriate measure to control the corruption from this sector indeed. A study of TIB on transparency and accountability of revenue sector has shown that ‘In the last 35 years, the amount earned (illegally) by the NBR officials is equivalent of total one year’s national budget. It shows that what are the amount has illegally earned (corruption) by this sector’s official.

We do believe that, if government stop corruption rightly then revenue collection will be increase up to 20 – 25%. To increase revenue collection govt has currently developed its infrastructure as it is an important factor for it. Increasing human resource in double has been proposed in the new reform proposal which is expecting to implement in the next year. But, unfortunately there are no clear cut points on reformation of VAT act, and simplifying of existing taxation process.

#### **b. Government will have to expand the direct tax net**

In Bangladesh, there is a little contribution of direct tax (only 22.6%) in our revenue collection, but in the other developing countries, it is much higher than us. For example, India is collecting around 33% of their revenue, Sri Lanka 31.3% and in developed countries are collecting more than 70% of their revenue. So that if we want to increase govt revenue must go for increasing direct tax too. Due to corruption in the country, our 37% of total GDP is running through Under Ground Economy. Govt must put all thus activities under the process of tax system and then it will be possible to achieve the targeted revenue collection in upcoming years.

#### **c. Government could establish a separate unit for tax inquiry**

In our revenue system, the responsibility of tax-base identification, tax assessment and its collection is being carried out or completed by the same official person. As a result it creates a procrastinating situation and also creates a scope of corruption that resulted to make slow pace of revenue collection. So that, if we want to bring the dynamism in our revenue management along with increasing the collection of tax will be required to establish the separate unit on tax-base identification, assessment and the process of tax realization indeed. In that process one who is responsible for identification will never engage with other activities like assessment or realization. We think that the new proposal will help us to decrease the corruption in the taxation system.

#### **d. We must stop imposing VAT on the daily essentials**

As per IMF direction, our government has reformed the VAT act towards impose in all daily essentials and expansion of VAT net at retail level which will help to increase the tax collection. This attempt will create pressure to the poor people in their livelihood in the long run that will increase inequality and poverty in the society. So, government should impose VAT considering the view of economic justice. In that cases, there should be more VAT could be imposed on consumer goods of reach people who are living in the society. Government should not go for imposing VAT in the daily essentials of poor people.

#### **e. Resume the Tax Ombudsman**

Government has placed the tax-ombudsman act 2009 in the parliament and has postponed its all sort of activities. This decision is not praiseworthy because, government has done this without bringing any reform in existing law and acts. Due to absent of tax-ombudsman, government has

been depriving her expected revenue, on the other hand people and tax payers might faced hassle and injustice by the corrupted NBR officials. It's mentioned that the abolishment of tax ombudsman is not seen any justification where other neighboring countries are trying to set up the tax-ombudsman for their different sector base economic activities.

This is self-contradictory for our government that the tax ombudsman is abolished as this is an inactive institution and costly administration. If this logic is applicable to the other government sector, would be abolished with same way? Here we want to mentioned that, despite having less human resource, this institution have settled down the complain in total 304 allegation out of 334 up to the year of 2006-2009. So that the abolishment of tax ombudsman will provoke the corruption in revenue system and also make hindrance the election pledge of our government to ensure transparency and accountability. So we request to our government to review their decision and resume the tax ombudsman in the sake of tax justice.

#### **F. Government should reduce her non-development expenditures and ensure the effectiveness of the public expenditures**

Though, it's not related directly with government revenue collection but very much link with the quality of revenue expenditure. Because, it is true that, it would be possible to ensure necessary domestic resource mobilization in the development program, if government able to reduce the non-development expenditure. In every year a large figure of govt revenue income is being expenses in the public administration which resulting to borrow loan from internal and external sources that can not be accepted by poor countries like Bangladesh. In the fiscal year 2010-11, government has spend around 10 billion dollar behind the sector of non-development which is 82% of our total revenue earned and the trend was remained same in the previous years. So we think that, government should review the non-development expenditures and try to save resources to finance in the development activities independently.

Source:

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