



**INTERNATIONAL  
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**Fiscal Affairs  
Department**



**Bangladesh**

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*A Draft Plan for  
Implementing the New Value-Added Tax*

January 2013

**John Brondolo, Debra Adams, John Ryan,  
Paul Tregillis, and Steve Vesperman**

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**John Brondolo, Debra Adams, John Ryan,  
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**ACRONYMS**

ADR	Alternative Dispute Resolution
ARO	Assistant Revenue Officer
ASYCUDA	Automated System for Customs Data
BIN	Business Identification Number
COTS	Commercial off-the-shelf software
ECF	Extended Credit Facility
EFT	Electronic Funds Transfer
FAD	Fiscal Affairs Department (of the International Monetary Fund)
GO	General Order
HQ	Headquarters
IMF	International Monetary Fund
IT	Information Technology
IVR	Interactive Voice Response
LTU	Large Taxpayer Unit
NBR	National Board of Revenue
PABX	Private Automated Branch Exchange
PCA	Post Clearance Audit
SD	Supplementary Duty
SO	Standing Order
SRO	Statutory Regulatory Order
TT	Turnover Tax
VAT	Value Added Tax

## PREFACE

In response to a request from Bangladesh's National Board of Revenue (NBR), a mission from the International Monetary Fund's Fiscal Affairs Department (FAD) visited Dhaka during the period December 5–19, 2012 to advise on issues in tax administration. The main purpose of the mission, which was financed by the Government of Japan, was to assist the NBR in drafting a plan for introducing the new value-added tax law.

The mission was headed by Mr. John Brondolo (senior economist, FAD) and included Ms. Debra Adams (IMF regional tax administration advisor) and Messrs. John Ryan, Paul Tregillis, and Steve Vesperman (FAD external advisors). The FAD team worked in consultation with a mission from the Fund's Asia and Pacific Department headed by Mr. David Cowen (mission chief). It benefited from the guidance and support that was provided by Ms. Eteri Kvintradze (IMF resident representative) and the staff of the IMF resident representative office.

During its visit, the mission met with Messrs. Md. Ghulam Hussain (Chairman, NBR), Jahangir Hossain (Member VAT Policy, NBR), Firoz Shah Alam (Member VAT Implementation and Information Technology, NBR), and Hussain Ahmed (Member, Board Administration). Productive technical discussions were held with the VAT Implementation Team including Messrs. Dr. Mohammed Abdur Rouf (first secretary), Hasan Mohammed Tarek Rikabdar (second secretary), Mohammed Hashmat Ali (second secretary), Mosiur Rahman (second secretary), Mohammed Shafiqur Rahman (senior system analyst), and Abdul Awal Biswas (senior programmer).

Issues concerning the coordination of technical assistance were discussed with Ms. Teresa Koh (Country Director, Asian Development Bank), Ms. Tracey Marie Lane (Senior Economist, World Bank), and Mr. Arbind Modi (Regional Tax Advisor, International Finance Corporation) along with staff from the Asian Development Bank, International Finance Corporation, and World Bank.

This report, which has been reviewed and approved for release by IMF headquarters, represents the final version of the aide-memoire that the mission had submitted to the NBR on December 19, 2012. It consists of an Executive Summary and the following five sections: (I) Context; (II) Organization, Staffing, and Management; (III) Operational Programs; (IV) Information Systems; and, (V) Implementation Issues.

## EXECUTIVE SUMMARY

**This reports sets out a plan for implementing Bangladesh’s new value-added tax (VAT) law by July 1, 2015.** If effectively implemented and administered, the new law has the potential to substantially increase tax revenue, facilitate business operations, and reduce non-compliance.

**To realize the full potential of the new VAT, the implementation plan envisages combining the new law with a substantial strengthening in VAT administration.** Administration will be strengthened by modernizing the VAT Wing’s organizational and staffing arrangements, VAT administrative processes, and VAT information technology systems.

**Implementing the new VAT entails many challenging technical tasks.** These include rationalizing the current organizational arrangements, re-designing the VAT administration processes, acquiring and configuring a new computer system, recruiting and training new staff, and educating taxpayers, their advisors, and the public on their obligations under the new law.

**Designing the technical tasks and putting them into operation will require strong support from NBR leadership and sufficient numbers of staff.** A VAT Steering Committee, comprising senior NBR staff, should be appointed to oversee and support the new VAT administrative arrangements. The VAT Implementation Team will require at least 15 full-time staff to design and implement the new administrative arrangements.

**The technical tasks will require substantial investments.** Expenditures on information technology systems and infrastructure will be among the biggest investments. A highly preliminary estimate is that funding in the amount of about US\$ 33 million will be required to implement the VAT and modernize its administration. The VAT Implementation Team will need to validate and finalize the cost estimates, recognizing that without strong organization and guidance, these costs could quickly escalate.

**The acquisition and support of the VAT information systems should be outsourced.** The NBR has very limited capacity to manage the complex information technology initiatives that will be critical to the operation of the new VAT law. The most practicable way of overcoming these limitations would be to outsource to private sector vendors the acquisition of the VAT information system as well as its operation and support for an initial period of one–two years.

**The outsourcing arrangements would entail the issuance of contracts to at least two private sector implementation partners.** One partner would deliver a new VAT information technology system based on commercial off-the-shelf software (instead of developing a new system from scratch). The second partner would provide and maintain voice and data networks; computer hardware; and a central Data Center, Processing Center, and Contact Center as well as operate and support the three centers for one-two years. The outsourcing contracts would provide for knowledge transfer to enables the NBR to take responsibility for operating and maintaining

the system—if it should eventually wish to do so—and extend the VAT law’s provisions on the confidentiality of taxpayer information to the outsourced provider.

**The implementation timetable is achievable but very tight.** Although the VAT law does not commence until July 2015, a number of important preliminary activities (such as registering businesses and issuing to them a new business identification number) must commence as early as December 2014. This means that some key preparatory tasks—including the procurement of new information technology systems and services—will need to be completed by the end of 2013 if the initial deliverables are to be ready when needed.

**To achieve the timetable and ensure that the new VAT is successfully launched, the finalization of an implementation plan by March 2013 necessitates that the NBR:**

- Appoint the VAT Steering Committee by early January 2013.
- Finalize the cost estimates for VAT implementation by mid-February 2013 and by end-February 2013 secure funding commitments from either the government and or donor partners.
- Finalize the VAT implementation plan, for which the core issues are set out in Section V of this report, by end-March 2013 consistent with commitments to the IMF under the current three-year Extended Credit Facility arrangement.
- Take a decision by end-March 2013 to outsource the acquisition of an existing VAT information system based on commercial off-the-shelf software.
- Take a decision by end-March 2013 to outsource the responsibility for providing: computer hardware; voice and data networks; and a central Data Center, Contact Center, and Processing Center as well as operating and supporting the centers for an initial period of one-two years.
- Assign to the VAT Implementation Team, under the direction of the VAT Policy Member and the guidance of the VAT Steering Committee, the full responsibility for delivering all implementation tasks and by end-March 2013 provide the team with 15 full-time staff to carry out its work.
- Assign to the VAT Member Implementation and Information Technology and the VAT Member Audit and Intelligence the responsibility for maintaining “business as usual” for the existing VAT; once the new VAT enters into effect, these two Members should be responsible for all aspects of the new VAT administration and many of the Implementation Team members transferred to work under them.
- Facilitate the appointment of the IMF’s resident VAT advisor by mid-February 2013, including by providing the advisor with accommodations and assigning counterparts.

## I. OVERVIEW

### A. Context

1. **Parliament has enacted a new value-added tax (VAT) law that will enter into effect on July 1, 2015.** The new VAT law, which was approved in November 2012, is the centerpiece of the government's tax reform program and represents the most significant change to Bangladesh's tax system in many years. It has the potential to substantially improve the performance of the VAT if properly implemented and effectively administered.

2. **The existing VAT law suffers from many shortcomings.** It generates relatively little revenue compared to the VATs in other countries, both developed and developing. The tax is harmful to economic growth by taxing different sectors at different effective rates and, thereby, distorting production and consumption choices. And it relies on outdated administrative practices which are burdensome for businesses to comply with and for the NBR to apply.<sup>1</sup>

3. **To address these shortcomings, the new VAT law has been designed with four goals in mind:**

- To substantially increase the amount of government revenue that is available to pay for important public sector investments and priority social expenditures.
- Significantly facilitate the operation of businesses by making it cheaper and easier to comply with the VAT law.
- Considerably enhance the NBR's capacity to identify and deal with non-compliant taxpayers.
- Provide the basis for a modern, disciplined, and service-oriented VAT administration.

4. **Achieving the above goals requires a substantial strengthening of VAT administration.** The new VAT will fall far short of expectations if the new law continues to be administered using the current outdated and ineffective methods. From this perspective, the introduction of the new law provides both an opportunity and a need for modernizing the way the VAT is administered.

5. **In this context, this report sets out a plan for implementing the new VAT law and modernizing VAT administration.** The implementation plan (henceforth referred to

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<sup>1</sup> The weaknesses of the existing VAT law and its scope for improvement are described in detail in the IMF technical assistance report *Bangladesh: Implementing a New Value-Added Tax* prepared by J. Brondolo, D. Adams, G. Holland, D. Jenkins, R. Millar and J. Ryan, June 2011.

as the *draft Plan*) consists of four key features in that it (1) explains how the new VAT will be administered; (2) describes all of the key deliverables that need to be designed and implemented by the time the law enters into effect on July 1, 2015; (3) includes a timetable of key tasks and milestones; and (4) identifies the resource requirements for introducing the new law.

6. **Before presenting the key features of the draft Plan**, it is worth first describing the key changes that have been introduced in the new VAT legislation and the main improvements that are contemplated to the VAT administration as summarized in the next two subsections.

### **B. Key Changes in the VAT Law**

7. **The new VAT law differs from the previous one in many important aspects.** The new law provides for three taxes: a creditable 15 percent VAT that is chargeable by businesses with taxable sales above Taka 8 million, a non-creditable 3 percent turnover tax that applies to businesses with taxable sales between Taka 2.4 million and Taka 8 million, and a supplementary duty of varying rates that is chargeable on sales of specific goods and services. While the provisions for the turnover tax and supplementary duty will continue to be essentially the same as under the current law, the VAT will undergo major changes (Box 1) that are intended to increase revenue, facilitate business, and improve compliance.

8. **The new law would increase tax revenue.** The revenue increase will be generated not by raising the VAT rate, which remains unchanged at 15 percent, but instead by considerably broadening the tax base. Under the new law, all economic sectors will be brought within the scope of the VAT under which tax will be paid on the basis of *actual transactions values* instead of highly reduced and arbitrarily negotiated *approved values* that are currently embedded in the tariff schedules (for manufactured goods) and truncated bases (for services and the trading sector) under the existing law. In addition, the VAT base will be further expanded by substantially reducing the long list of exempt goods and services that are provided for under the current law. Previous IMF reports have estimated that these changes could increase the tax yield by nearly two percentage points of gross domestic product.

9. **The new law would facilitate business and promote economic growth.** In contrast to the previous law, the new law allows registered taxpayers to claim a credit for VAT paid on all inputs to the extent they are used in the course of a taxable activity and clarifies the conditions under which taxpayers may claim a refund. Many burdensome features in the existing law have been removed by abolishing the requirements for taxpayers to receive price approvals from tax officers, deposit VAT in the government treasury in advance of making supplies, and attach to the VAT return copies of individual VAT invoices and payment confirmations. And the new law also provides a second, lower threshold (at Taka 2.4 million) below which small businesses are completely exempted from registering for

and charging both the VAT and turnover tax. Taken together, these and other changes will greatly reduce the tax burden and compliance costs faced by taxpayers and, thereby, create an environment that is more business-friendly and conducive to economic growth.

10. **The new law would reduce the scope for businesses to avoid paying VAT.** Several important provisions that have been added to the new law would strengthen the NBR's powers to detect and deal with non-compliant taxpayers. The powers of VAT officers to request information from taxpayers have been enhanced and clarified. The NBR's collection enforcement powers have also been enhanced by allowing the NBR to impose a lien on the property of a tax debtor, recover tax arrears from company directors, and allow tax debtors to pay their arrears in installments for up to 12 months (only six months under the existing law). In addition, taxpayers must deposit 10 percent of a disputed tax before they can file an appeal.

11. **Achieving the above goals will require the existing VAT administration to be completely modernized.** A strengthened VAT administration is crucial to ensuring that the new VAT is applied in practice as intended by the law. The measures for improving VAT administration are described next.

#### **Box 1. Key Changes in the New VAT Law**

- ✓ *Coverage*—The new VAT will apply to all sectors, including import, manufacturing, services, and distribution.
- ✓ *Registration*—registration thresholds have been changed, a second lower threshold has been established below which businesses are exempted from VAT and turnover tax, allowance for group registration of branches with provision for separate registration, and a list of registered persons is required to be published.
- ✓ *Taxable value of supply*—the VAT is imposed on the actual sales price instead of arbitrary tariff values or truncated bases; taxpayers are no longer required to have prices and input-output coefficients approved by tax officers and the restrictions on price discount have been eliminated.
- ✓ *Input tax credits*—the new VAT law provides for much broader use of input tax credits by making creditable all taxed inputs to the extent they are used to make taxable supplies compared to the old VAT which placed severe restrictions on input tax credits.
- ✓ *Calculation method*—the amount of VAT due in each reporting period is based on the invoice-credit method where the amount of tax to be paid equals VAT charged on sales (and other positive adjustments) minus VAT paid on inputs (and other negative adjustments).
- ✓ *Timing for remitting VAT to government*—the new VAT law allows tax to be remitted to government when the tax return is due and eliminates the current requirement for manufacturers and some service providers to remit VAT before shipping goods or providing services.
- ✓ *Refunds*—explicit rules are now provided for carrying forward and refunding excess VAT credits.

- ✓ *Arrears collection*—the new law vests the NBR with some additional powers to recover tax arrears, including the authority to freeze a tax debtor’s bank accounts, place a lien on the tax debtor’s property, and hold company directors liable for paying unpaid taxes.
- ✓ *Appeals*—under the new VAT law, taxpayers will be able to access an Alternative Dispute Resolution system. They will also be required to pay 10 percent of a disputed tax before being entitled to file an appeal.
- ✓ *Exemptions and Supplementary Duty*—the number of exempted goods and goods subject to the supplementary duty have been substantially reduced under the new VAT law.
- ✓ *Special arrangements*—include advance tax on imports, withholding of VAT by certain categories of taxpayers from their suppliers, and special schemes for supplies of residential premises, telecommunications, and alcohol and tobacco products (for supplementary duty).

### **C. Planned Improvements to the VAT Administration**

12. **Substantial improvements in VAT administration are planned to support the implementation of the new VAT law and its ongoing operation.** All aspects of the VAT administration will be improved, particularly the organization and staffing arrangements, core administrative processes, and information systems (Box 2). By combining the new VAT law with a modernized VAT administration major gains in VAT performance will be achieved.

13. **Headquarters organization.** The draft Plan contemplates strengthening the VAT Wing headquarters’ capacity at supporting and monitoring the field offices. This is to be achieved by rationalizing the responsibilities of the three Members, increasing their staff, and organizing the staff into functional units that report to the Members. Headquarters will develop a balanced set of performance measures for evaluating the field offices—based on revenue collection, tax administration results, taxpayer satisfaction, and employee satisfaction—and headquarters units will be responsible for developing systems and procedures to support VAT officers in the field.

14. **Field office organization in Dhaka and Chittagong.** The network of field offices will also be strengthened and their responsibilities clarified. In Dhaka and Chittagong, the Commissionerate offices (including the Large Taxpayer Unit) will be responsible for all aspects of VAT administration and their staff will be organized into units based on tax administration function. In these locations, the Division and Circle offices will be responsible for administering the turnover tax only and will have no role in the VAT. A crucial aspect of these new organizational arrangements is that VAT officers will no longer be assigned a range of taxpayers for whom they perform multiple administrative functions; instead, officers will be assigned to functional units where they will perform a limited range of specialized functions for all taxpayers.

15. **Field office organization outside Dhaka and Chittagong.** In all other Commissionerates, VAT (and turnover tax) administration will continue to be a shared

responsibility of the Commissionerate, Division, and Circle offices. This approach is intended to minimize disruptions in these areas. As in Dhaka and Chittagong, tax officers at the Commissionerate and Division offices will not be assigned a range of taxpayers but instead will be assigned to functional units where they will perform specialized functions.

16. **Processing Center, Data Center, and Contact Center.** The draft Plan provides for the establishment of three new organizational units: (1) a Processing Center to process tax returns, and other taxpayer documents; (2) a Data Center where the technology systems reside and taxpayers' records will be stored; and (3) a Contact Center to respond to taxpayers' queries about the tax law and the status of their accounts. By centralizing the responsibility for these high volume activities, the field offices will be freed up to focus on higher value activities such as taxpayer services, audit, and enforcement.

17. **Staffing.** More than 500 new staff will be recruited for assignment to the VAT Wing. The draft Plan envisages that priority for allocating these staff will be given to the Commissionerates in Dhaka (including the Large Taxpayer Unit) and Chittagong. This approach is intended to create in the most revenue productive areas the critical mass of tax officers needed to achieve significant gains in VAT administration. Additional staff will be allocated to VAT headquarters as well as to those Commissionerate and Division Offices outside of Dhaka and Chittagong where justified by their VAT revenue potential and workload volumes. The Circle offices would not be allocated additional staff.

18. **VAT administration processes.** The introduction of the new VAT law will be accompanied by the modernization of the core processes for administering the law. These involve the NBR's methods for registering taxpayers, processing and accounting for their tax returns and tax payments, and assisting and auditing taxpayers. In each of these areas, the existing processes would be streamlined, automated, and brought in line with good international practice. By doing so, taxpayers will be given a substantially higher level of service and assistance to help them to better understand and comply with their obligations under the new VAT law. At the same time, those taxpayers who fail to comply with their obligations will be subject to a higher degree of scrutiny and enforcement using modern risk-based methods.

19. **Information systems and technologies.** Automation will play a critical role in improving VAT administration. A new information technology system, based on commercial-off-the shelf (COTS) software, will be acquired to support core VAT processes. The system will be run on a centralized platform that will be accessible by all offices and will be designed to exchange information with other NBR systems. It will provide a range of electronic services to taxpayers, support tools to tax officers, and reporting capabilities to managers. In addition, modern telephony technology will be deployed at the Contact Center, scanning technology at the Processing Center, and a queuing system at the larger Commissionerate offices. The draft Plan envisages that the acquisition of a new VAT system as well as its initial operation and maintenance will be outsourced.

### **Box 2. Main Features of the New VAT Administration**

- ✓ The VAT Wing headquarters and field offices will be rationalized and their staff substantially increased.
- ✓ At the field office level, the VAT will be administered by the Commissionerate and Division offices where staff will be assigned to functional units; individual tax officers will no longer have end-to-end responsibility for a range of taxpayers.
- ✓ A new VAT information technology system will be acquired to support core VAT administration processes and a central Processing Center, Data Center, and Contact Center will be established.
- ✓ VAT administration will be based increasingly on electronic transactions and the volume of paper submissions greatly reduced.
- ✓ VAT and Turnover Tax taxpayers will be re-registered and issued a new business identification number.
- ✓ Taxpayers will receive a much higher level of service and assistance, including access to a centralized Contact Center, a small business advisory visitation program, and a variety of electronic services.
- ✓ Taxpayers will be given a range of tax return filing options, including electronic filing.
- ✓ Paper VAT returns will be accepted at face value at the Commissionerate, Division, and Circle offices; completeness and accuracy checks will be performed at the Processing Center.
- ✓ Field offices will scan or fax the paper VAT tax returns to the Processing Center where they will be entered into the central computer system and posted to the taxpayers' account (and no paper returns will be retained by the NBR).
- ✓ Taxpayers will also be given a range of payment options, including electronic funds transfer.
- ✓ Payment confirmations will be sent electronically from the treasury bank to the Data Center where they will be posted automatically to taxpayers' accounts.
- ✓ Efficient arrangements will be established for processing, reviewing, and paying VAT refunds.
- ✓ A much greater emphasis will be placed on identifying and dealing with taxpayers who fail to register, file, and pay on time.
- ✓ Audit coverage will be substantially expanded and audit methods improved by increasing the number of auditors, centralizing the selection of audit cases using risk-based methods, and training auditors in modern VAT audit methods.
- ✓ A balanced set of performance measures will be used to evaluate each Commissionerate and linked to an incentive scheme.
- ✓ Customs will collect VAT on imports.

## D. Summary Implementation Plan

20. **The main elements of the draft plan are set out here and elaborated on in the subsequent sections of this report.** It provides for (1) a description of how the VAT will be administered program-by-program; (2) a description of the main deliverables; (3) a timetable; and (4) an identification of the resource requirements.

21. **Programs.** A VAT administration is built around a standard set of administrative programs. These include registering taxpayers, assisting taxpayers with queries on the tax law and the status of their accounts, processing tax returns and payments, processing refund claims, auditing tax returns, recovering delinquent tax returns and late tax payments, and resolving disputes. For each of these programs, the draft Plan describes its organizational and staffing arrangements, administrative processes, and information systems that are to be introduced in administering the new VAT (refer to Sections II-IV). Major innovations and changes are to be introduced in all of these areas.

22. **Deliverables.** The deliverables entail the systems, procedures, and activities that are needed to put the new VAT law its operational programs into operation. These are described in detail in Section V and include designing new VAT administration processes, acquiring and configuring a new VAT information system, recruiting and training staff, and educating taxpayers on their obligations under the new law. A disciplined and sufficiently staffed VAT implementation team will be needed to ensure the timely completion of the deliverables.

23. **Timetable.** The draft Plan spans the three-year period of December 2012 to December 2015 and provides for three phases: planning, development, and implementation. It is broken down into streams of deliverables and for each deliverable identifies the tasks that are to be undertaken and their timing for completion. A detailed timetable is set out in Appendix IX for which the broad timeframes are as follows:

- *Phase I Planning* (December 2012 to March 2013)—provides for the initial planning activities leading up to the approval of the implementation plan by the finance minister by end-March 2013.
- *Phase II Development* (March 2013 to March 2015)—entails designing and developing the new VAT administrative apparatus, including its organizational and staffing arrangements, administrative processes, and information systems.
- *Phase III Implementation* (December 2014 to December 2015)—provides for a phased introduction of the new VAT administration with some initial systems being launched in December 2014 six months prior to the introduction of the new law, the core VAT systems becoming operational when the new law enters into effect on July 1, 2015, and the full VAT system becoming operational in December 2015 some six months after the law enters into effect and continuing to mature thereafter.

24. **Resources.** Three types of resources will be required to implement the draft Plan: funding, staffing, and technical assistance. The preliminary estimates indicate that the project will require funding in the range of approximately US\$ 33 million for investments in IT systems, infrastructure, taxpayer outreach, and training. At least 15 staff will be assigned to the VAT implementation team and an additional 500 tax officers (with, possibly, another 200 officers later) will be allocated to the VAT Wing’s headquarters and field offices. Technical assistance support—in the form of a resident VAT advisor, resident information technology advisor, and various short-term advisors—will also be required throughout the life of the project. While the IMF will provide the resident VAT advisor and, possibly some short-term advisors, support from other donor partners will be needed for the other technical assistance.

25. **Steering Committee and Implementation Team.** The draft Plan assumes that the VAT Implementation Team will be given full responsibility for designing and developing all aspects of the VAT implementation and the new VAT administration. The team will be headed by the Member of VAT Policy with oversight by the senior level VAT Steering Committee. The Steering Committee will serve as the vehicle by which other stakeholders in the new VAT, both inside and outside of the NBR, will have input into the direction of the VAT reforms.

26. **Maintaining business as usual.** The VAT Member Implementation and Information Technology and the VAT Member Audit and Intelligence the responsibility for maintaining “business as usual” for the existing VAT. Once the new VAT enters into effect, these two Members should be responsible for all aspects of the new VAT administration and many of the Implementation Team members transferred to work under them.

## II. ORGANIZATION, STAFFING, AND MANAGEMENT

27. **Enhancements to the VAT Wing’s organization, staffing, and management arrangements will provide the foundation for implementing the new VAT and strengthening its ongoing administration.** In preparing the draft Plan, upfront decisions should be taken on the high level design of the organizational structure, the allocation of the planned staff increase across different levels of the VAT organization, and the measures that will be used for monitoring the operations of the VAT administration.

### A. Headquarters Organization and Staffing

28. **The draft Plan envisages strengthening the headquarters VAT Wing’s capacity to support and monitor field operations.** This will require headquarters to give much greater attention to setting and monitoring targets, developing programs and procedures, and providing technical guidance to the field offices.<sup>2</sup> To carry out these functions, the VAT Members’ responsibilities will be rationalized, their staff levels increased, and the staff organized into functional units that report to the Members.

29. **The proposed national headquarters structure for the VAT Wing is set out in Appendix I.** As can be seen, the new structure maintains the same number of members; however, their functional responsibilities have been organized into more logical groupings with a dedicated unit established for each major function. This approach will provide the organizational focus and critical mass of staff needed for the Members to more effectively manage and support national programs.

30. **Member VAT Policy.** The responsibilities for this Member will continue to include VAT legislation, policy and VAT exemptions. In addition, the Member will also become responsible for managing the national programs involving VAT appeals, responding to taxpayers’ queries and requests for rulings on the application of the VAT law, and providing technical guidance on legal issues to the field offices. Organizing these functions in this way will help to ensure consistency in decision making and technical advice.

31. **Member Operations and Information Technology.**<sup>3</sup> This Member will be responsible for overseeing the delivery of national programs for VAT and Turnover Tax registration, returns and payment processing, taxpayer accounting, taxpayer services and collection enforcement (tax arrears and non-filers). In each of these areas, functional units will be created and assigned clear accountability for developing and monitoring national

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<sup>2</sup> The terms “field offices” refers to the Commissionerate, LTU, Divisions, and Circle Offices and “field operations” to the activities carried out by the field offices.

<sup>3</sup> Formerly known as Member Implementation and Information Technology.

programs in their areas of responsibility. This will entail developing operational plans that set targets for the Commissionerate offices, designing procedures manuals and other support tools, and providing technical guidance on complex issues. This Member will also continue to have responsibility for managing the existing information systems. However, the VAT Implementation Team will be responsible for *acquiring* new information systems to support the introduction of the new VAT law. After implementation, this Member will have ongoing responsibility for the new IT systems.

32. **Member Audit and Intelligence.** This Member's portfolio will include audit and fraud investigation as well as risk-based case selection. As with the other members, specialized units will be created to develop national plans, systems and procedures, and technical advice for delivery by the field offices. A key responsibility of this portfolio will be to select audit cases using an automated risk-based system and assigning these cases to the field offices for action. Another new aspect of this portfolio involves the Revenue Analysis function which entails analyzing revenue patterns and identifying unusual trends.

33. **Staffing.** This new structure will require an increase in Headquarters staffing levels. The Member VAT (Policy) under this structure will require a workforce of 25 (currently 14), the Member VAT (Audit and Intelligence) will require a workforce of 34 (currently 20) and the Member Operations and Information Technology will require a workforce of 26 (currently 17). Some changes to the current rotation policy—which requires mandatory rotation of staff every two to three years—may also be necessary to ensure the specialist areas in the VAT Wing do not lose highly experienced officers with essential expertise need to maintain continuity of operations.

### **B. Field Office Organization and Staffing**

34. **The field offices will also be rationalized and strengthened to support the new VAT.** The draft Plan envisages a substantial increase in the number of staff assigned to the field offices, thereby allowing them to have much greater focus on audit, collection enforcement, and taxpayer services. This re-focusing on key compliance activities will be reinforced by the creation of a centralized Processing Center and Contact Center to perform certain high-volume activities (such as returns processing, payment processing, and telephone enquiries) on behalf of the field offices. Crucially, field office staff will no longer be assigned a range of taxpayers for whom they perform a broad range of functions, which is inherently inefficient and subject to collusion. Instead, field office staff will be organized into units based on tax administration function where they will perform a limited set of specialist functions for cases assigned to them by the new VAT information system.

35. **Two different organizational set ups will be established depending on the location of the Commissionerate.** In Dhaka and Chittagong, the Commissionerates will be responsible for all aspects of VAT administration while in other locations VAT administration will be a shared responsibility between the Commissionerate and Division

Offices. This approach is intended to focus the new organizational arrangements on the most revenue-productive Commissionerates—where the changes can be expected to have the biggest impact and more easily be managed—and minimize disruptions to other Commissionerates.

### **Dhaka and Chittagong field organization**

36. **The Commissionerate Offices for Dhaka and Chittagong will be responsible for the delivery of VAT registration and taxpayer services, audit, and collection enforcement (refer to Appendix II).** Activities to be undertaken within each of these three functional units will include:

- *Registration and Taxpayer Services:* This unit will provide both office and field based assistance and support to taxpayers. It will include a walk-up counter staffed with taxpayer service specialists who will accept registration forms,<sup>4</sup> VAT returns and other documents (for forwarding to the Processing Center) as well as respond to queries from taxpayers. The unit will also be expected to actively provide taxpayer services, including by delivering a program of small business advisory visits to taxpayers at their place of business. These visits will be crucial to helping taxpayers understand their obligations under the new VAT law.
- *Audit:* This unit will perform both comprehensive audits and single-issue audits, including VAT refund, input tax credit checks, and registration checks. Cases will be assigned to auditors by the headquarters case selection system, based on complexity of the cases and the skills of the auditor.
- *Collection Enforcement:* This unit will enforce the collection of tax arrears and the recovery of late tax returns. This work will involve contacting delinquent taxpayers by phone, letter, and field visits to make arrangements to pay outstanding debts and file late tax returns as well as taking more severe legal actions—such as issuing liens and levying bank accounts—for those taxpayers who continue failing to comply.

37. **Large taxpayer unit (LTU), Directorate of Audit, and Commissioner Appeals.** These unit will continue to have end-to-end responsibility for their existing functions. However, the LTU will be strengthened by increasing their staffing and further developing their capacity.

38. **Division Offices.** These offices will have shared responsibility with the Circle Offices for turnover tax administration whereby the Division Offices will responsible for the

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<sup>4</sup> The taxpayer services staff at the Division office may also be responsible for “proof of identification” tasks as may be required by law before a new registrant can be issued a business identification number.

relatively complex tasks and the Circles for the more routine tasks. The Division Offices will be organized into two functional areas with the following responsibilities:

- *Registration and Taxpayer Services:* This unit will provide a counter service to accept tax returns and registration forms, forward the returns and forms to the Processing Center using fax or scanning technology, and respond to taxpayer queries. They will receive and forward VAT tax returns if submitted to them by taxpayers, but will direct VAT registrants to the Commissionerate or the Contact Center for any VAT-related queries.
- *Audit and Enforcement:* This unit will conduct simple audits of tax taxpayers (including to determine whether or not their turnover is sufficiently high to warrant registration for VAT), issue tax assessments against those turnover tax taxpayers who fail to file a tax return (using indirect methods to establish the liability), and apply more severe enforcement actions against those taxpayers who fail to pay.

39. **Circle Offices.** These offices will conduct registration checks aimed at identifying businesses that engage in taxable sales without having registered for the turnover tax, educating turnover taxpayers on their obligations, and assisting them to maintain simple books of account. The Circle Offices would also perform basic enforcement activities in relation to turnover taxpayers such as reminding late filers to submit their tax returns and late payers to pay their arrears, and coordinating with the Division Offices to undertake more severe enforcement action against recalcitrant taxpayers who continue to ignore their turnover tax filing and payment obligations.<sup>5</sup>

40. **Staffing.** It will be important to ensure that the field offices are assigned a sufficient number of staff and that these staff are allocated in appropriate proportions to each tax administration function. The staff will be allocated to field offices using a three-step process for estimating workload: (1) identifying quantifiable measures of workload for each major task carried out by the various units; (2) calculating the average amount of staff time that is required to complete each task; and (3) setting targets for amount of work to be completed within certain timeframes. On this basis, the number of staff can be estimated by multiplying the targeted workload to be completed times the average amount of time to complete the work. In applying this methodology, it is expected that the largest portion of new field staff

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<sup>5</sup> Over the medium-term, the Plan envisages merging the Circle Offices with the Division Offices. The growing availability of electronic services will make the Circle offices increasingly less viable and increasingly more inefficient.

will be allocated to the highly revenue-productive Commissionerates in Dhaka (including the LTU) and Chittagong.<sup>6</sup>

### **Field office organization in other locations**

41. **In locations outside Dhaka and Chittagong, VAT administration will be a shared responsibility between the Commissionerate and Division Offices while turnover tax administration will be split between the Division and Circle Offices (Appendix III).**

42. **Commissionerate Offices.** The Commissionerates will be responsible for the more complex VAT administration tasks, leaving the Division Offices to perform the more routine VAT tasks. Activities to be undertaken within the Commissionerate's three functional units will be:

- *Registration and Taxpayer Services.* This unit will provide both office and field based assistance and support to taxpayers. It will include a walk-up counter to accept registration forms, VAT returns (for forwarding to the national Processing Center) and sight identity documentation. It will also provide VAT taxpayers with face-to-face advice on queries about the VAT law and the status of their accounts (e.g., how much they owe, the reasons why they may have been sent a demand notice, etc.). This unit will also undertake small business advisory visits to provide assistance to VAT taxpayers at their place of business
- *Audit.* All complex and high risk audits will be carried out by this unit. These will include comprehensive audits involving multiple VAT issues and accounting periods as well as large tax liabilities and refund claims. The headquarters Audit section will assign the cases to the Commissionerate using automated risk-based systems. Individual cases will be allocated to specific auditors based on the complexity of the case and the skills of the auditor.
- *Collection Enforcement.* This unit will carry out arrears management and non-filing control activities. This work will involve contacting taxpayers by telephone and letter to make arrangements to file delinquent tax returns and pay outstanding debts. The unit will also be responsible for taking more severe enforcement actions against those delinquent taxpayers who fail to respond to the initial reminders and warnings.

43. **Division Offices.** The Division Offices will have responsibilities for both the VAT and the turnover tax. For the VAT, they will carry out the relatively routine administrative

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<sup>6</sup> Rules of thumb for allocating staff across tax administration functions commonly allocate about 30–50 percent of staff to the audit function, 10–15 percent to debt management and late filer control, 20–25 percent to taxpayer services, 10 percent to basic processing tasks, and 10 percent to other functions (including appeals).

functions while the Commissionerates will handle the more complex tasks. For the turnover tax, the Division Offices will carry out the relatively complex functions leaving the less complex ones to the Circle Offices. As in Dhaka and Chittagong, Division Office staff will be organized into two units:

- *Registration Taxpayer Services.* This unit will provide a walk-up counter service to accept VAT and turnover tax forms and forward them to the Processing Center. It will answer taxpayers' queries on the turnover tax and, when possible the VAT, referring more complex questions to the Commissionerate. The unit will also make advisory visits to taxpayers' premises to explain their obligations under the VAT law and how to comply with these obligations.
- *Audit and Enforcement.* The Division Offices will examine turnover tax taxpayers as well as conduct less complex and less risky VAT audits (such as those involving a low amount of tax liability or refund claim, a single tax issue, or a single accounting period). They will also have collection enforcement responsibility for non-filing and late payment of turnover tax and VAT cases up to a certain value above which the case will be handled by the Commissionerate.

44. **Circle Offices.** These offices will be responsible for routine turnover tax issues such as those involving registration checks to identify taxpayers who have not registered, educating tax taxpayers on their obligations and how to maintain simple records, and routine follow up on low value non-filing and late payment cases. The Circle Offices will have the capacity to receive tax returns, and scan and fax them to the Processing Center.

45. **Staffing.** Staffing will be determined based on workload methodology described earlier. As in Dhaka and Chittagong, priority for the allocation of new field staff will be given to the Commissionerates then to Division Offices where possible. There should be no increase in Circle Office staff.

### **C. Data Center, Processing Center and Contact Center**

46. **The VAT organization will also include three new units:** a Data Center, a Processing Center, and a Contact Center.

47. **Data Center.** This unit will be the central repository for all of the electronic records of each VAT (and turnover tax) taxpayer. Taxpayer data stored at this center include registrations, payments and VAT return information. The unit will have responsibility for archiving data, system maintenance activities and ensuring business disaster procedures are in place. The draft Plan envisages that the Data Center will be outsourced to an external service provider who will deploy a small number of staff to operate the center.

48. **Processing Center.** The establishment of a centralized Processing Center will handle the increased number of electronic and paper submissions; in so doing, it will provide for

major efficiency gains in processing, much greater flexibility in meeting seasonal demands, upwards scalability as more forms are filed electronically, and increased control and security over the receipt and processing of key administrative documents. The Center is expected to require a workforce of about 30–50 staff who will be organized into units based on the following functions: (1) receiving, keying, and processing scanned and faxed tax returns and registration applications; (2) resolving errors; (3) reconciling and adjusting liability and payment postings on taxpayer accounts; and (4) reconciling Treasury tax receipts against payment postings on taxpayer accounts.

49. **Contact Center.** This center will primarily be responsible for responding to taxpayers' queries on the status of their accounts and the application of the law as received by telephone, letter or email. With the introduction of the new VAT legislation, the Center will be an essential vehicle for handling the expected, significant increase in taxpayer demands for advice and assistance with the new VAT legislation.<sup>7</sup> In carrying out its work, the center is expected to require about 40 staff<sup>8</sup> who will be structured on a two-tier basis:

- Tier 1 staff will handle all basic VAT queries such as where to file a tax return, how to pay tax, and the status of refund claims.
- Tier 2 staff will handle more complex queries such as how to complete a VAT return, how to set up a set of accounts for a business, how does a particular provision in the VAT law apply to a specific transaction.

#### **D. Performance Measurement**

50. **A balanced set of measures will be formulated to monitor and evaluate the performance of the field offices.** In line with good international practice, the measures will be based on (1) revenue collections; (2) tax administration results (refer to Appendix IV); (3) taxpayer satisfaction (as measured through periodic surveys) and (4) the innovation and learning of the organization (as measured by the increase in capability of staff and information technology systems).

51. **Each of the three VAT Members will establish performance measures for their areas.** The Performance and Monitoring units will be responsible for compiling and analyzing the results for monthly review. Headquarters would be responsible for following up on Commissionerates not meeting a performance measure while the Commissionerates would be responsible for following up with units under their jurisdiction. The first year of

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<sup>7</sup> The Contact Center will not be responsible for requests of a highly technical nature or an official ruling. Questions of this type will be sent to the relevant unit under the headquarters VAT Policy Member.

<sup>8</sup> Contact Center staff will be supported by a web-based *scripting tool* providing a hierarchy of questions and answers that will assist in resolving a taxpayer's query.

operation will establish baseline measures which can then be used to set improvement targets for subsequent years.

52. **An incentive scheme should be linked to the successful achievement of key performance measures.** This will be crucial to focus all levels of the organization on achieving key business outcomes. Ideally, an incentive scheme would provide financial benefits at the team level; however, if this is not possible under the civil service regime then the NBR will need to identify other types of incentives that are linked to achievement of performance measures.

### III. OPERATIONAL PROGRAMS

53. **The effective implementation and ongoing administration of the new VAT will require a complete modernization of the core VAT administration programs.** The draft Plan should include upfront decisions on the key changes to the existing administrative programs that are needed to increase revenue collection, facilitate business operations, and improve taxpayer compliance.

#### A. Registration

##### Program definition

54. **The registration program is responsible for placing on the taxpayer register every entity that makes taxable supplies above the registration threshold.** To support the introduction of a new tax, registration entails identifying and contacting every business that might make sales subject to VAT, turnover tax or supplementary duty, providing them with a registration form and instructions, and compiling information from the completed forms into the taxpayer register.<sup>9</sup> Each registered (or enlisted) entity will be issued with a unique business identification number (BIN), an associated registration certificate and a package of publications (a “registration kit”) that explains their obligations under the law. The taxpayer register must be continuously updated for new taxpayers, changes to the registration information of existing taxpayers and de-registration of inactive taxpayers.

##### Program description

55. **The current VAT and turnover tax registers are out of date and do not provide an accurate estimate of the expected number of taxpayers.** Preliminary estimates show that there will be approximately 200,000 VAT registrants and 50,000 businesses enlisted for turnover tax. The estimated number of taxpayers is an important statistic for planning purposes and further analysis is required.

56. **There will be changes to the registration rules.** Under the new VAT, every business required to be registered shall have one single registration for all of its operations, including branch operations. Where branch units maintain separate records and accounts, they may have a separate registration. In addition to the general registration of businesses, NBR will maintain a record of all businesses identified as a “withholding entity” and will require all VAT consultants to apply for a license.

57. **A new Business Identification Number (BIN) will be issued to all registered taxpayers.** The BIN will be a unique number and will no longer contain any identifiers or

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<sup>9</sup> The information typically includes basic identification data (e.g., name, address, telephone number) and other relevant information for VAT administration (industry, economic sector, type of tax obligations, filing periods).

changeable attributes, for example, including digits that link the taxpayer to a particular geographical VAT office. NBR will be required to publish a list of all registered persons.

#### *Re-registration exercise*

58. **A re-registration exercise will be undertaken based on the current VAT register.** Due to the inaccuracy of the current register, a targeted re-registration exercise will be run. Potential taxpayers will be split into the following two groups:

- **Group 1:** Taxpayers that regularly file VAT returns under the current VAT system will be automatically registered for the new VAT. This automatic registration will be based on their declared annual turnover meeting the new registration threshold. These taxpayers will be notified of their VAT registration and new BIN and provided with a registration kit, including guidance material about the VAT, their obligations and rights, and how to access more information about the VAT.
- **Group 2:** Taxpayers that are inactive or have not filed a VAT return in the 6 month period before the commencement of the re-registration exercise will be contacted to invite them to apply for VAT registration or turnover tax enlistment. This group will be provided with a registration kit that includes a registration application form, instructions for its completion and submission, and other guidance material. Appendix V sets out a list of the typical VAT forms and publications that will need to be developed, including the registration forms.

59. **The re-registration exercise will be supported by a general taxpayer service and education program.** The program will make use of a variety of broadcast, print and electronic media to inform the general public of the requirement to register, as well as provide registration and information kits, telephone support lines to assist relevant members of the public to determine if they should be registered. In addition, follow up reminders will be made to those Group 2 businesses who do not respond to the initial invitation to register.

#### *Ongoing registration*

60. **Taxpayers will be able to register using an on-line application process.** The first administrative step in the registration process is to ensure sufficient controls are in place to allow only legitimate businesses to become registered. The planned on-line process will facilitate business and support the establishment of an accurate taxpayer register. The process will be developed to eventually include on-line verification of the required supporting documents, including proof of identity and trade license. VAT registration certificates and turnover tax certificates will be automatically generated by the system, thus removing the need for businesses to visit the tax office during the process. Initially, however, the requirement for an applicant to present their supporting documents for physical verification by a tax officer may continue. For those taxpayers who prefer not to use the on-line service,

paper applications will be handled by VAT Commissionerate, Division Offices and Circle Offices, and scanned or faxed to the Processing Center. Turnover tax enlistment applications will be similarly scanned or faxed by Circle offices to the Processing Center.

61. **The computerized taxpayer database must then be kept up to date.** Over time, there will be significant changes to the taxpayer register as new registrants are added, others are deleted and there are regular changes to the profile information held for all registrants. Taxpayers are legally obliged to inform the VAT Wing about changes to their information, but two proactive approaches to maintaining the database will also be adopted: (1) *automatic refreshing*, whereby registration information is confirmed every time there is any contact with the taxpayer, for example, during inquiries or audit; and (2) *selective refreshing*, whereby a sample of registrants will be contacted each year for the sole purpose of confirming their date registration details is up-to-date.

62. **The VAT Wing will carry out regular programs to identify non-registrants.** There will continue to be businesses that do not register but who should and the VAT Wing will employ a range of approaches to identify these businesses, including physical survey of streets and markets, cross matching of third party data, for example, from tax invoices, and using other sources of information, including the media, internet etc to identify unregistered businesses with taxable sales above the registration threshold.

## **B. Taxpayer Services and Education**

### **Program definition**

63. **The taxpayer services and education program will be designed to assist taxpayers to understand and comply with their obligations under the VAT.** A comprehensive range of taxpayer service initiatives will be introduced focusing on explaining the administrative aspects of the VAT and supporting taxpayers to comply with their obligations. The program's aims will be to inform taxpayers, facilitate registration, encourage voluntary compliance and support the implementation process by ensuring that businesses are ready and able to manage their VAT affairs. The taxpayer services and education function is not only important for the period of VAT implementation, but will have a continuing organizational focus after the VAT is operational.

### **Program description**

#### *Taxpayer communications and outreach*

64. **A comprehensive communications program will be launched.** It will be delivered through a wide variety of media channels to disseminate important messages and information in a staged approach to initially raise awareness and then impart specific knowledge about the VAT. The program will cover a range of stakeholders, including the general public as

well as VAT agents and consultants, and will work to achieve high levels of registration, enlistment and ongoing voluntary compliance. It will include:

- General guidance booklets to explain the VAT in detail, including taxpayers' obligations. Appendix V to this report lists a suggested range of basic VAT publications to be developed as part of the communications program.
- Clear and easily followed registration and enlistment forms and instructions. Appendix V to this report lists the main forms that will be developed.
- Sector specific guides to explain the operation of VAT in special sectors, for example, importers.
- Articles for trade publications and associations explaining how the VAT will apply to that particular trade.
- Briefings for targeted groups, including taxpayer types, specific sectors, politicians, the general public etc.
- Seminars and conferences—VAT Wing to provide speakers at suitable events.
- An up-to-date NBR website providing all available information on the VAT.
- Use of SMS messaging for targeted messages.
- Media campaigns through newspaper, radio and television spots to impart targeted information at selected times during the implementation process, for example, for the re-registration program.

#### *Advisory visits program*

65. **A program of small business advisory visits will provide assistance and advice to taxpayers in advance of the implementation of the VAT.** In a systematic, national program, tax officers will visit taxpayers in their places of business for the purposes of answering questions about the VAT, reviewing and advising on the business' record keeping practices and providing information about their obligations and rights under the VAT. The program will be targeted at smaller businesses that it is anticipated will need the most assistance to prepare for the VAT, but any business will be able to request an advisory visit. The aim will be to include up to 30 percent of the small VAT taxpayers in the program.

#### *Inquiries program*

66. **An inquiries program will respond to questions from taxpayers received by telephone, in writing or in person.** The communications and advisory visit programs will

provide the primary methods for taxpayers to access information. However, there will be some businesses that require additional help to resolve their specific VAT technical and administrative issues. The national Contact Center will handle telephone inquiries from across the country using a single access telephone number. The Contact Center will also be the primary location that responds to taxpayer inquiries submitted by email and letter. This national approach will ensure that (1) taxpayers from every location, urban or remote, will have the same ease of access to information about the VAT; (2) there will be consistency in the advice provided to all taxpayers; and (3) taxpayers will have confidence that they will receive accurate and timely advice. Each Commissionerate and Division Office will respond to in-person VAT inquiries at a walk-up counter.

67. **The taxpayer services and education program initiatives will not cease with the introduction of the VAT.** There will be a shift towards proactive communications campaigns targeted at addressing common non-compliance issues, for example, encouraging on-time return filing. The advisory visit program will continue to be available for newly registered small businesses on an ongoing basis and will be delivered by VAT taxpayer service staff. The Contact Center will carry on its role of handling taxpayers' telephone and written inquiries centrally and the walk-up counters will handle in-person inquiries.

### C. Tax Returns, Payments, and Accounts Management

#### Program definition

68. **This program will be responsible for supporting the filing of tax returns, payment of tax and maintenance of a taxpayer account.** Computer-based systems will receive, process, store and retrieve all tax returns and related documents. Similarly, the system will receive and process tax payments, deposit revenue daily, and store and retrieve related documents. In addition, the system will capture any notices of tax determination made by the VAT Wing that establish an additional tax liability for a particular taxpayer.

#### Program description

##### *Tax return processing*

69. **A range of return filing options will be provided.** A new VAT return form will be designed to include VAT and supplementary duty, while a separate turnover tax return form will be available. To reduce the number of face-to-face interactions between taxpayers and tax officials, return filing options will concentrate on the use of electronic systems. An on-line filing system will allow the electronic submission of returns directly to the VAT Wing's national Processing Center and generate confirmation that the return has been received by NBR. Taxpayers will still be able to file paper returns, which can be faxed directly to the Processing Center using a national fax number for data capture. Alternatively, the returns can be taken to the VAT Commissionerate, Division Offices or Circle offices where they will be

scanned or faxed to the Processing Center for data capture. The taxpayer will use the fax confirmation or a confirmation from the tax office that the return has been formally received by NBR. Turnover tax returns will be accepted at the Circle Offices using a similar process.

70. **VAT returns will be accepted at face value, processed, and stored centrally.** Under the self assessment process, there will be no physical checking by an officer of the VAT returns in the presence of the taxpayer and no paper copies of returns will be retained by the VAT Wing. Electronic and paper-based returns will be processed by the Processing Center where they will be subject to validity checks and identified for correction if needed. The Processing Center will have the authority to correct obvious errors on the returns and will issue a notice to the taxpayer of these changes. The Center will also contact taxpayers directly to follow up on non-obvious errors, or the issue will be referred to the Commissionerate or Division office to undertake follow up action. The return data will be used to update the accounts of taxpayers, generate management information and work flow reports and will then be stored.

71. **The documentary burden at the time of return filing will be dramatically reduced.** Taxpayers will no longer be required to submit any supporting documents, such as tax invoices or treasury challans, with their VAT or turnover tax returns. This change, combined with the availability of on-line return filing, will significantly reduce the taxpayers' compliance burden.

#### *Tax payment processing*

72. **A range of payment options will be offered.** To facilitate the smooth payment of VAT, taxpayers will have the option to make their tax payments through electronic means, including NBR's existing e-payment gateway. The intention is to upgrade the gateway to include the option of payments made directly from bank accounts through electronic funds transfer (EFT), which will be the VAT Wing's preferred payment route. These electronic payments will generate electronic treasury challans, and, as noted above, in a further reduction in the compliance burden, taxpayers will no longer be required to submit copies of their treasury challans as proof of payment of tax. Turnover tax taxpayers will also be able to use the e-payment gateway to pay their tax due and the current system of paying any tax due at the bank will also continue for the VAT and turnover tax.

73. **The treasury bank will be responsible for automatically notifying the NBR of the receipt of tax payments.** As the electronic payment system is further developed, the treasury bank will send electronic payment confirmations to the Data Center, where they will be posted to the taxpayers' accounts. The implementation of this process will depend on the strengthening of the banking systems' electronic capacity in the lead up to VAT implementation. All tax payments made by any payment routes will be recorded to the master files of the taxpayers and there will be a centralized reconciliation of the payments credited to the taxpayers' accounts and the tax actually deposited in the treasury.

### *Taxpayer accounts*

74. **A central taxpayer account will be maintained to provide an up-to-date, accurate view of each taxpayer's account status.** With the removal of the old VAT Account Current system, the computer system will contain individual taxpayer accounts that record every VAT liability and VAT payment related to the taxpayer. This will include details of VAT and turnover tax returns filed, including supplementary duty and withholding tax amounts, notices of tax determinations made by NBR, interest and penalties levied, payments made by the taxpayer and refunds issued by NBR. This information will be maintained in a modern accounting database that will perform all balancing operations. All data posted on an individual taxpayer account will be viewable by the Commissionerate, Division and/or Circle office responsible for that particular taxpayer.

## **D. Refund Management**

### **Program definition**

75. **The refund management program will establish efficient arrangements to process and pay VAT refund claims.** Refund entitlements arise when a taxpayer has a surplus of input tax credits over VAT liabilities in a tax period and are a routine part of VAT administration. Regular exporters will be in a recurring refund position as their sales are zero-rated and they will rely on the refund mechanism to recover the VAT paid on their business inputs. Businesses that are not regular exporters may also find themselves in a refund position, but will be required to carry forward their excess credit for 6 months, offsetting it against any liabilities that arise over that period, before being eligible to claim a refund of any remaining credit. Also, there are special rules for refunds for the diplomatic community and international organizations.

### **Program description**

76. **VAT refunds will be managed and monitored centrally.** Taxpayers may "claim" a refund using the standard VAT return form. In a further step to reduce the taxpayers' burdens, no supporting documents will be required to be submitted at the time of filing a return form on which a refund is claimed. The Processing Center will capture and identify all VAT refund returns, which will be routed for further risk analysis as set out below.

77. **Refund management will be driven by risk-based systems.** Since a thorough, physical review of each refund is not an effective utilization of VAT resources, the VAT Wing will rely on a comprehensive set of system checks as part of tax return processing. The computer system will set and apply appropriate risk parameters for refund processing, including risk factors such as a taxpayer's previous compliance history and the amount of

claim. To protect the revenue, the parameters will be set with the aim to audit every first significant refund. Refunds will be classified as follows:

- Low risk refunds will be sent for immediate payment, although these may still be subject to post-refund audit action. These claims may include those submitted by regular exporters who have proved themselves highly compliant.
- Medium risk refunds will be sent for telephone verification. Processing Center or Contact Center staff will review the claim details and contact the taxpayer by telephone requesting further information about the claim. These cases can be escalated to high risk based on the outcome of the verification.
- High risk refunds will be sent to the respective Commissionerate office for pre-refund audit. These cases may be subject to a desk audit or a field audit, both of which will focus only on the facts of verifying the refund and not a broader examination of the taxpayer's affairs.

78. **VAT refunds will be paid out of a Treasury general account.** There will be no annual appropriation to a special account earmarked for VAT refunds. The VAT Wing will pay the refunds and will have to work with the Treasury to ensure any required amendments are made to the treasury rules to ensure appropriate systems are in place to pay the first refunds due under the new VAT law. All VAT taxpayers are required to have a bank account and the VAT Wing will look eventually to pay all refunds by bank transfer (EFT). This will, however, require the establishment of appropriate banking systems and, in the interim, refunds will be paid by check.

## **E. Audit and Investigation**

### **Program definition**

79. **The new VAT will provide for an effective audit and investigation program to ensure that non-compliance is detected and corrected.** The VAT audit program will aim at preventing revenue loss and deterring further non-compliance. In addition, during the early stage of implementation, the program will be aimed at educating and assisting taxpayers. The audit program will achieve these aims by being fully risk-based and adopting appropriate levels of audit coverage using a range of different audit methods.

### **Program description**

80. **The VAT audit program will be delivered through a national VAT audit plan.** The audit plan will include the following features:

- Coverage—which establishes the number of taxpayers that should be audited or investigated and the types of examinations to be conducted by each Commissionerate, Directorate of Audit, Intelligence, and Investigation, and the Central Intelligence Cell. Many VAT administrations aim for a 25 percent coverage rate.
- Selection—which will select audit cases using risk-based systems.
- Methods—which will determine the scope and duration of the audit.
- Staffing and training—which will determine the staff resources needed to implement the audit program, the skills base and the type of training to be provided.
- Monitoring—which will provide the management systems for monitoring the audit program (including assigning targets, developing time-standards, performing quality review and ensuring prompt collection of additional tax assessed).

81. **Several parts of NBR will be involved in the design and delivery of the VAT audit plan.** The plan will be developed and monitored centrally at the VAT Wing headquarters under the Member Audit and Intelligence. For the plan delivery, routine audits will be undertaken by the audit functions at each of the Commissionerate offices and the LTU for large taxpayers. The Directorate of Audit, Intelligence and Investigation will continue to be responsible for investigations of national significance, including more serious evasion cases, many of which will be identified by the Commissionerate or LTU audit programs and escalated for the attention of the Directorate. The current role of the Central Intelligence Cell will continue under the new VAT, maintaining responsibility for investigating the most serious evasion cases across all taxes.

*Two-phase audit program roll out*

82. **The audit program will be rolled out in two phases.** With the introduction of the new VAT in a business community inexperienced with full self-assessment and still learning the new law, some allowance must be made in the early stages of the VAT for honest errors made by taxpayers. Early audits will therefore focus on education and assistance rather than full scale enforcement. The two-phase audit program will cover:

- **Initial Phase (Year 1):** The audit program will consist of mainly control visits. These audits will be of short duration, allowing for a high percentage of coverage and high visibility, which will be important during the early days of the VAT. The audits will focus on taxpayer assistance as well as compliance. The initial audit phase will also include verifying the VAT refund claims.
- **Second Phase (Year 2 onwards):** The audit program will considerably broaden audit coverage by increasing the number of auditors and employing a broader range of audit types. The aim will be to optimize both revenue protection and the deterrent

effect of audit. High visibility will be maintained among the taxpaying community and non-compliance will be detected and corrected on a timely basis.

*Audit and investigation case selection*

83. **Audit and investigation cases will be selected using a fully risk-based automated system.** The audit section at the VAT Wing will be responsible for risk assessment and audit case selection, adopting a structured methodology based on compliance risk. The aim will be to select those taxpayers that are the most likely to be non-compliant and to yield higher audit adjustments. Risk assessment will be done in an objective manner, using a centralized computer-based function and a risk engine will be developed to identify revenue risk using a series of rules and parameters. The system will collect and analyze information from a range of internal and external data sources and intelligence, including from tax returns, payments, refunds, taxpayer registration data (e.g., type/nature of business) and taxpayer compliance histories. In addition, cross checking of other data, including from customs, will be carried out and a range of standard ratios applied to the data to identify potential high risk cases.

84. **Cases will be centrally assigned for examination.** The proposed level of audit coverage for specific taxpayer segments and the appropriate audit method to be employed, based on the risk identified for the individual case, will also be factored into the process to generate the list of cases for audit. Audit cases will then be automatically assigned to the relevant Commissionerate office, the LTU or the Directorate of Audit, Intelligence and Investigation for action. There will be a gradual improvement in data collection and management over time and the risk engine will grow in sophistication year on year.

*Audit and investigation methods*

85. **A variety of audit methods will be employed.** The VAT Wing will have insufficient resources to undertake many comprehensive VAT audits, which would look at every aspect of a taxpayer's VAT accounts over a series of tax periods. In order to maximize the use of scarce audit resources, a range of different types of audit will be used, including desk verifications, registration checks, VAT refund audits, issue-oriented audits, period audits, comprehensive audits and tax fraud investigations.<sup>10</sup>

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<sup>10</sup> More detail on these audit methods is provided in Box 1 (page 31) of the IMF technical assistance report *Bangladesh: Implementing a new Value-Added Tax*, op.cit.

## F. Collection Enforcement

### Program definition

86. **The collection enforcement program focuses on ensuring taxpayers file their VAT returns and pay tax due on time.** The program will identify all cases of late filing and late payment, initiate the necessary follow-up actions and ensure that sanctions are consistently applied. The VAT return filing rate is currently very low and the VAT Wing will aim for a significantly higher level of return filing under the new VAT.

### Program description

#### *Management of non-filers*

87. **Non-filing will be automatically identified for each tax period at the Processing Center.** The computer system will track which taxpayers are expected to file returns and by which date. If a return is not received on time, the system will generate an electronic list of late filers for the period and this case work will be automatically allocated to the relevant Commissionerate office. Basic risk-profiling will be used to prioritize the assignment of case work, for example, persistent non-filers may be allocated a higher priority. Circle Offices will follow up on turnover tax non-filing cases.

88. **Consistent follow-up actions will be applied in all cases.** The routine application of enforcement actions will be a fundamental requirement to ensure that non-compliant taxpayers do not gain any advantage over those compliant taxpayers who regularly file their returns and pay any tax due. The collection enforcement program will operate under a combination of computer-generated notices and personalized attention, depending on the level of non-compliance and the taxpayer's compliance history. Follow-up actions for late or non-filing will include using softer enforcement measures such as automated notices that can be system generated and telephone contact. The actions will be employed in a standardized step-by-step approach, designed to initially encourage and then force the taxpayer to file the return. The VAT law provides for monetary penalties for the failure to comply with filing requirements and these will be automatically applied.

89. **When no return has been filed, the VAT Wing has the power to determine the tax due.** Once the initial enforcement steps are exhausted and the taxpayer has been given the opportunity to be heard, the VAT Wing can determine the tax due. The amount of this determination will be based on the taxpayer's historical VAT return data available in the taxpayer's account in the computer system. The aim is to encourage the taxpayer to file his outstanding return, thus establishing his true VAT liability. In addition, the determination will allow the VAT Wing to establish a tax liability on the non-filer's taxpayer account, payment of which can then be formally enforced. If a taxpayer accepts and pays such a determination, it is usually a sign that the tax amount is too low, which may generate an audit

case. Persistent non-filers will be deemed high risk within the audit case selection process and will have a higher likelihood of being selected for audit.

### *Management of arrears*

90. **Non-payment of taxes will be addressed with the same automatic identification and follow up of cases as for the non-filer cases.** The collection program will also use the automated system to identify any taxpayer accounts that show amounts of unpaid taxes. These arrears cases will be subject to basic risk-profiling, for example, to identify the largest and/or newest cases, and then a list of arrears cases will be generated and allocated to the Commissionerates. Tax liabilities that are not paid on time or in full will be subject to interest, calculated by the system. Collection staff will also work to ascertain the taxpayer's ability to pay, make arrangements for payment, including payment by installment, and monitor progress. The audit function will also play a role in gathering information on the taxpayers being audited that have arrears, including details of bank accounts and assets.

91. **Escalating powers of enforcement will be employed against the least compliant taxpayers.** The new VAT Act provides the NBR with some enhanced enforcement powers, including the power to freeze a debtor's bank account, create a preferential lien over a defaulter's properties and hold company directors responsible for unpaid taxes. Before such serious powers are used, an enforcement visit will be made to the taxpayer's premises to discuss the payment of the arrears. Other enforcement powers, many of which reflect those available for the current VAT system, include deduction of tax from money of the defaulter under the control of VAT, customs and income tax wings, placing demands on financial institutions, preventing supplies taking place from business premises, preventing the clearance of imports and sealing business premises. Some of these powers involve extremely serious measures and a set of formal procedures will be developed to govern their use, including instructions on the circumstances in which the different can and should be used.

92. **Existing VAT arrears will be proactively managed in the lead up to the new VAT.** Once the VAT implementation date has passed, it will be important for resources to be focused around the compliance management of the new VAT register. To allow for this, a concerted effort will be made to take stock of the current VAT arrears and determine an appropriate strategy to manage the arrears. The aim will be to categorize the debt into those amounts for which it is possible to collect and those amounts which, based on an agreed set of formal criteria, are deemed uncollectible and which can be written off.

## **G. Appeals**

### **Program definition**

93. **The appeals program will manage the various stages of VAT appeal available to taxpayers.** The administration of VAT will involve the issuing of notices following the

determination of tax by tax officers and taxpayers will have the right to appeal against these notices. The stages of appeal allow for independent review of the objections lodged by the taxpayer and the appeal process will uphold, vary or set aside the tax determination, decision or order in question. The new VAT Act provides for a broadly similar range of formal mechanisms for resolving disputes as those available in the current VAT system.

## **Program description**

### *Appeals processes*

94. **Three main levels of VAT appeal will be available.** The Commissioner (Appeal) VAT will handle initial appeals lodged within 90 days of the date of service of a decision or order and will dispose of cases within six months.<sup>11</sup> The next level of appeal is to the Appellate Tribunal, with cases to be lodged within 90 days of service of the decision and disposal required within 1 year. From the Appellate Tribunal, a case concerning a question of law can be taken to the High Court Division of the Supreme Court.<sup>12</sup> At each stage of appeal, the taxpayer is required to pay 10 percent of the tax under appeal.

95. **The recently introduced Alternative Dispute Resolution (ADR) process will continue to be available under the new VAT Act.** In addition, to the traditional three levels of appeal, an ADR process is also offered, under which a taxpayer can apply to a facilitator to have a dispute resolved. The intention is to offer the possibility of an alternative system to resolve disputes, thereby replacing litigation with other procedures that are more flexible and less burdensome for the taxpayers as well as more cost effective for the VAT Wing. Taxpayers will be encouraged to use the ADR process as a way to resolve their cases promptly, without reverting to the Appellate Tribunal or High Court Division.

96. **NBR will introduce a centralized appeals case information management system.** It is important that the VAT Wing continuously tracks information about pending and resolved cases to identify any problems areas in the functioning of the appeals program. The case management system will collect data concerning individual cases under process and monitor their progress through the appeals system, as well as provide general statistical data on all pending and resolved cases.

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<sup>11</sup> Commissioner (Appeal) VAT is authorized to handle appeals against decisions or orders issued by officers of the rank of Additional Commissioners or below. Appeals against decisions or orders issued by officers of the rank of Commissioner or Director General or officer of similar rank may be lodged at the Appellate Tribunal.

<sup>12</sup> Subject to the relevant provisions of the Code of Civil Procedure and the Limitation Act 1908.

### *Clearing backlog of cases*

97. **A concerted effort will be made to clear the backlog of cases before the introduction of the new VAT.** The aim will be to ensure there are only a small number of open cases at the time of introduction of the new VAT. To assist in clearing the backlog, NBR will work to staff the newly created Commissioner (Appeal) posts and ensure the positions are adequately supported with internal resources. The administration of the Appellate Tribunal and the High Court Division are outside the jurisdiction of NBR, but it is hoped that the two newly established Appellate Tribunal benches will be staffed and operational within a short time. In addition, NBR will consider further ways to speed up the disposal rate of cases, including:

- Analyze the type of cases that are stalled—starting date of the appeal, the type of tax, tax period, tax amount and main topics in dispute.
- Identify any common elements in these cases that might allow a joint solution. The solution may be reachable administratively or may require legislation.
- Consider a general offer to settle cases in court through a one-time reduction in the penalties where the taxpayer withdraws the complaint.
- Consider introducing a specialized tax force to help the judiciary resolve cases in a speedy manner, but with appropriate technical care.

## **H. Customs Programs**

### **Program definition**

98. **Under the customs program, the Customs Wing will play a vital role in the effective introduction of the VAT and its staff will be prepared for the implementation.** Although the day-to-day functions for VAT taxpayers will be administered by the VAT Wing, VAT and supplementary duty on taxable and dutiable imports will be assessed and collected by customs at the time goods enter into Bangladesh. The importer is liable to pay the VAT on taxable imports and supplementary duty on imported dutiable goods, with the VAT and duty being collected in the same way as customs duty. The VAT will be calculated on the value of the goods as determined for the collection of customs duty under the Customs Act, including any amount of customs duty, supplementary duty or other tax payable on the import. Exports of goods and certain specified services will be zero-rated for VAT purposes.

### **Program description**

99. **Customs staff will form an essential part of the VAT communications program.** In the lead up to the new VAT, importers and exporters are likely to have questions about

how the new VAT will affect their international trade activities. As these traders are likely to interact with customs more frequently than with the VAT Wing, it is important that front-line customs staff understand the principles of the new VAT and are able to handle such inquiries.

**100. The customs' trader register for importers and exporters in ASYCUDA will be updated to link with the new business identification number (BIN) that will be issued to VAT registrants and enlisted turnover tax taxpayers.** The VAT and Customs Wings will coordinate to ensure that the customs register will be kept up-to-date to reflect any changes in the VAT register of BINs.

**101. The tariff will be updated to adopt the legal and technical changes contained in the new VAT Act.** The Act contains a new list of items eligible for VAT exemption at import and a list of goods and services subject to supplementary duty upon importation. The customs tariff will be updated to automatically apply these changes from the date of introduction of the VAT. In addition, customs' systems will be ready to collect advance tax at a rate of 3 percent on taxable imports made by any VAT registered or turnover tax enlisted person. This advance tax on import is now creditable under the VAT and so the VAT Wing will need access to up-to-date details of these payments from the customs system.

**102. Customs valuation decisions form the basis of the VAT administration of imports into Bangladesh.** Since VAT at import is levied on the customs assessable value, Customs will work to improve the accuracy of customs valuation, including the establishment of a database of market values for the highest risk tariff items.

**103. Customs data will be a crucial element in the success of the VAT audit program.** Much of the VAT collected by customs will subsequently be claimed as input tax credits on VAT returns filed with the VAT Wing. VAT staff will rely on customs documentation for the purposes of verifying the accuracy of reported import and export transactions. For the VAT audit function, access to up-to-date import and export data is a basic requirement. This includes lists of regular importers, individual taxpayer import and export data, including details of advance tax paid during import, and any relevant risk profiles. Ideally, information exchange between the Customs and VAT Wings will be automatic and electronically based.

**104. The customs post clearance audit function (PCA) will be strengthened to support the VAT.** Given the importance for the VAT base of accurate customs assessment, improvements will continue to support the development of the PCA function to the point where it is extensive and robust. Consideration will be given to joint PCA and VAT audits both to improve compliance and to reduce the inconvenience to taxpayers of duplication.

#### IV. INFORMATION SYSTEMS

105. **The introduction of new information systems and technologies—that are aligned with the organizational reforms and changes in operational programs described in the previous two sections—are another integral element in the draft Plan.** Before finalizing the draft Plan, upfront decisions need to be taken on whether the IT systems are to be (1) acquired from a vendor based on commercial off-the-shelf software instead of being developed from scratch and (2) operated and maintained by an outsourced provider for at least an initial period of one-two years.

##### A. Key Features

106. **The draft Plan provides for the deployment of a modern VAT administration computer system that will be separate from but compatible with other NBR information systems.** While a single integrated tax information system supporting both the income tax and VAT would be the preferred solution, it is recognized that this approach is not feasible given the timeframe required to implement the VAT and the number of other IT systems that are currently under development.<sup>13</sup> In addition, the systems that are currently being developed have not been designed to provide the full set of functionalities needed to effectively administer the new VAT law nor are they being developed on the basis of a comprehensive blueprint. Consequently, the draft Plan provides for a new VAT information system that has the capacity to exchange information with the future income tax system and to incorporate the income tax if the NBR management eventually decides in favor of a single integrated system to support all domestic taxes.

107. **The VAT information system should be based on commercial off-the-shelf (COTS) software.** A COTS system is an existing software package that is purchased from a provider or their agent. The software comes with a range of applications that have been designed around generic tax administration functions. The packages also enable more advanced functions such as analytics, reporting, workflow and document management. COTS products are often a lower cost option to in-house development and are preferred where organizations have limited internal IT skills. While COTS products provide ‘ready to use’ capabilities for revenue and taxpayer accounting, they require configuration and some customization of return processing, registration, and relationship management.

108. **The information technology system should be run on a centralized platform to which all tax offices as well as the Contact and Processing Centers will have access.** The COTS software will be housed and maintained in a central Data Center where the supporting hardware for the system will reside. While the systems and data are run on this central

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<sup>13</sup> Systems are currently being developed to support the income tax and the existing VAT. As mentioned in this report, neither of these systems is appropriate for supporting the new VAT law.

platform, access must be available to staff in the various locations of the NBR VAT Wing. Therefore, a data network will be provided to ensure the safe and secure connectivity between this centralized platform in the central Data Center and the VAT headquarters, Commissionerate, Division Offices and Circle Offices.

109. **The development, operation, and maintenance of all IT systems should be outsourced to the private sector.** The current level of information technology skills in the NBR is not broad enough to cover all of the information technology skills needed to support the development, operation, and maintenance of the technology needed for the new VAT legislation. Therefore, the draft Plan envisages that a new VAT system will be acquired from a COTS vendor and that its operation and maintenance will be outsourced for at least an initial period of one-two years.

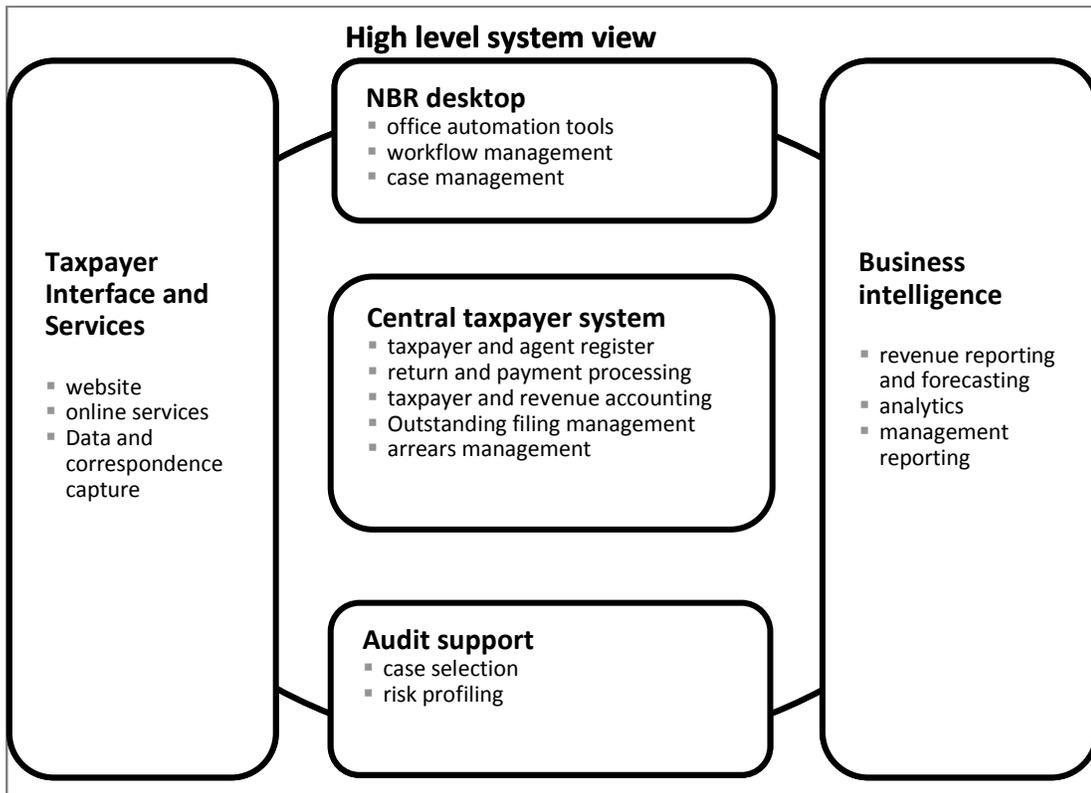
110. **An external IT advisor should be recruited and assigned to work with the VAT Implementation Team.** As part of the technical assistance needed from donor partners, this advisor will assist the Implementation Team in all phases of procurement of the implementation partner; mapping business architecture to the COTS application and hardware requirements; fit-gap analysis of the functional and technical capabilities of the COTS products; and development lifecycle methodology and management.

111. **The ongoing development of interim VAT applications should not extend beyond March 2013.** The VAT Wing is currently developing a number of applications that offer a limited range of functionalities for VAT administration but are not being developed on the basis of an overall blue print for a comprehensive system. To ensure the successful implementation of the new COTS-based IT system, further development of these interim applications should not proceed beyond March 2013. Continuing to develop them beyond this date would divert necessary resources from the future COTS-based system and would not generate significant benefits for administering the current VAT law.

## **B. Systems and Applications**

112. **A VAT information system is made up of a range of applications which interoperate to support all aspects of VAT administration.** The information technology to support a modernized VAT administration comprises a range of functions which are summarized in Figure 1. More detailed information on each of these components is set out below and in Appendix VI.

Figure 1. High Level System View



### Central Taxpayer System

113. **Taxpayer register.** This application records and maintains a listing of all taxpayers and the relevant tax types (VAT, turnover tax and supplementary duty).<sup>14</sup> The register must support update processes and capture not only business name but also other key background information on the business that is relevant to VAT administration.<sup>15</sup> The current Business Identification Number will be replaced with a new number which should not include any embedded information that is subject to change.<sup>16</sup> Making some information from the register available to the public via an online service—such as business name, business identification

<sup>14</sup> An application to license intermediaries, such as tax agents, will be developed and maintained. The intermediaries should be given their own unique intermediary identifier. Further, this application must be able to link the intermediary with the taxpayers they represent and generate reports about the number and type of taxpayers represented.

<sup>15</sup> For example, contact information, economic sector, industry, related entities, whether or not the business is required to withhold VAT from its suppliers, filing frequency.

<sup>16</sup> One weakness with the current identification number is that it includes embedded information on the taxpayer's Commissionerate, Circle or tax type which may change and require the issuance of a new number, thereby severing the common thread that ties together taxpayer's historic information.

number and whether the business has VAT or turnover tax registration—will provide a valuable service to other businesses and promote compliance with the law.

114. **Return processing.** Each tax return, received either electronically or on paper, will be processed by this application. Data provided in the tax return will be validated and the liability calculated for posting to the taxpayer account. Where anomalies are detected, a work item will be created for action (via the workflow system) by staff in the central processing center. To ensure the integrity of the refund process, a risk rating engine will select those refund claims that will require an audit either before or after the refund has been paid.

115. **Payment processing.** This system will receive tax payments information for crediting to the taxpayer account. Payments from the banks to the central bank must have details of the taxpayer's business identification number, tax type the payment covers and the relevant payment period to enable the information to be communicated to the NBR and properly credited. Where this information is missing, a suspense account will be created to hold credits until the taxpayer from whom the payment has been received is identified.

116. **Taxpayer account.** Each registered taxpayer requires an account to be created in the VAT information system.<sup>17</sup> This account will record all debits and credits for the taxpayer for the designated period. Where a taxpayer has more than one tax type (for example, a VAT and a supplementary duty) then a separate account needs to be created for each tax type. The amount of the tax liability, as declared on the tax return and validated through the return processing component, is posted to the taxpayer's account and any payments received are credited to the account. The account will also record any penalties or other adjustments that may have been incurred. The VAT withholding amounts will also need to be reported and paid by the withholder but credited to the account of the VAT taxpayer from whom the amount was withheld.

117. **Revenue accounting.** This application will reconcile payments received and deposited with payments credited to taxpayer accounts. It will provide the important daily reconciliation of cash received to payments credited. This will ensure the financial integrity of the accounting system and provide assurance that the system credits equal cash received.

118. **Arrears management.** This application will periodically review the taxpayer account to identify taxpayers with outstanding and overdue tax liabilities. The system also establishes what action should be initiated against the tax debtor, for example whether a letter should be issued, a phone call made or a firmer action taken. An interface with the case management system will be required.

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<sup>17</sup> The taxpayer account is a register of all taxes assessed and paid by each taxpayer, and the balance between the two. It is not a bank account.

119. **Outstanding filings management.** This application will periodically review information in the taxpayer register and returns processing data holdings to identify those taxpayers' filings that are outstanding. The system also establishes what action should be initiated against the taxpayer, for example whether a letter should be issued, a phone call made or a firmer action taken. An interface with the case management system will be required to assign and monitor cases allocated to collection officers.

### **Taxpayer Interface and Services**

120. **The Taxpayer Interface and Services modules cover a range of services for taxpayers and deal with both inbound and outbound communications between the taxpayer and the NBR.** Inbound services support the ability to receive forms and payments from taxpayers in various forms as well as the receipt of correspondence from taxpayers. The system also provides for outbound communications from the NBR through both electronic and paper channels. The NBR website provides a range of information services to assist taxpayers in understanding their obligations and answer frequently asked questions.

### **NBR Desktop**

121. **Case management.** Cases selected through the case selection function will be distributed electronically to staff for their follow up.<sup>18</sup> This system will record case details, provide a case history, and facilitate the updating of actions and notes. Management information reports will be available to provide details on the number of cases (open and closed) as well as case age and type. The case management system will support appeals, audit and debt teams.

122. **Workflow management.** The workflow system will route work of a simple nature to staff for action. This will include processing exceptions and the escalation of work from contact centers to other staff in the NBR.

123. **Office automation tools.** To support staff to operate in the modernized NBR then office desktop tools such as word, excel and email should be available from their desktop.

### **Audit Support**

124. **Audit activities will be supported by the Audit Support system.** The selection of cases for audit will use risk-based methods drawing on information provided by the taxpayer

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<sup>18</sup> A case may involve any type of interaction between the NBR and the taxpayer such as an audit, an enforcement action, an advisory visit.

and third parties. Selected cases are distributed to audit staff for action through the case management system. Results recorded in the case management system are maintained to evaluate the effectiveness of selection and results.

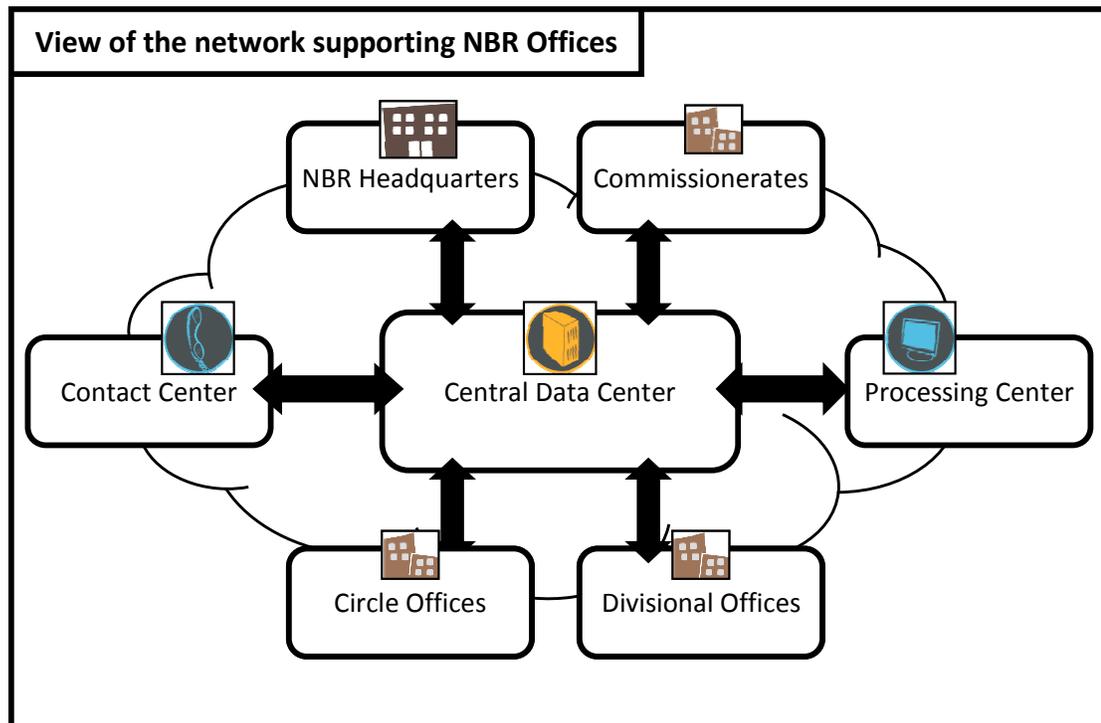
### Business Intelligence

125. **Business Intelligence systems provide insight into the state of the VAT administration.** Utilizing the full range of data captured and maintained in the various modules. The system also provides for the capture and analysis of third party data (or data captured for income tax purposes). This system will also allow for risk profiling of taxpayers to influence the type of actions taken by the NBR. Information in this system is used to generate revenue reports and generate revenue forecasts.

### C. Infrastructure

126. **A range of technologies will support the new VAT.** A view of the technology network supporting the NBR is provided in Figure 2. This sets out the various organizational units and their connection to each other and the central Data Center where the new system will operate. NBR officers will access data, receive and action work, and update taxpayer records from their computers via a closed wide area network to provide security. The voice and data networks that are required to facilitate such closed networks are generally sourced from a telecommunications provider.

**Figure 2. View of the NBR Infrastructure**



127. **Central Data Center.** A tax agency's data center is a specialized facility that stores taxpayer data and houses the servers on which various software applications run to allow the data to be accessed. The center will also have gateways to manage the internal and external requests for data as well as the email exchange server.<sup>19</sup> The center's various components allow the interfacing of its sub-systems through an application integration layer.<sup>20</sup> Data centers can be designed under different configurations, including being housed in facilities which serve multiple government agencies and/or private sector organizations. In deciding the appropriate data center operation, the VAT Implementation Team will consider data access, security risks, and government regulations. A small number of staff is required to maintain the daily operations which are generally available 24 hour by seven days a week.

128. **Firewall technologies are also located in the Data Center.** This technology is designed to protect the data stored in various databases from malicious attacks.

129. **A secondary data center is necessary for disaster recovery purposes.** In the event of a temporary or prolonged outage of the data center, a second data center needs to exist so that the operations of the NBR can continue until the services of the primary data center have been restored.

130. **Processing Center.** The Processing Center must have computer terminals for access to central systems and other functions performed by staff in these centers. In addition, scanning technology will be required to image data on paper tax return forms received. No payment capture technology will be required since individual payment confirmations will be received electronically from the treasury bank or central bank.

131. **Contact Center.** These centers will need computer terminals to access applications in the central data system. In addition, call center technology—such as interactive voice response (IVR), call management queuing and distribution and outbound call management—is needed. Separate servers will be required for this technology. In addition, a PABX and telephone handsets and headsets must be provided. If this service is outsourced then the service provider may supply the supporting technology. An information support application is needed to support the contact center staff with details of frequently asked questions and process and procedures for responding and taking action on taxpayers' enquiries.

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<sup>19</sup> An internal email system for the NBR is required which will support an address format of first name.secondname@nbr.gov.bd.

<sup>20</sup> Application integration is the process of linking applications which typically cannot communicate with one another to automate business processes while at the same time avoiding having to make changes to the existing applications or data structures. It is an integration framework composed of a collection of technologies and services which form a middleware to enable integration of systems and applications across an organization.

132. **NBR Headquarters, Commissionerate Officers (and LTU), and Division Offices.** All staff at these offices will need computer terminals to access the various applications; to receive and action work; and receive management reports. To support these computers a local area network must be established with a server to support the network. A link is needed to provide the data access to the central data center and to other offices. Scanners, faxes and printers will also be required. Where tax officers are operating predominately in the field (outside NBR premises) than mobile computing support needs to be provided.

133. **Circle Offices.** A limited number of computer terminals to access the various applications will be needed in the Circle offices. To support these computers a local area network for the headquarters must be established with a server to support the network. A link is needed to provide the data access to the central data center and to other offices. A scanner, fax and printer will also be required.

134. **Buildings and electricity supply must be capable of supporting the information technology and systems.** Modern information technology requires continuous supply of electricity and good air conditioning. Data centers must have both these aspects catered for. Ideally, buildings which accommodate NBR staff should be air conditioned.

#### **D. Support**

135. **The NBR will require a range of information technology assistance to deploy, operate, and maintain the various information systems and technologies.** The provision of hardware, voice and data networks, and the VAT information system will span different providers of services. These services will not only cover the initial development and installation, but also the ongoing maintenance. Currently, the NBR's information technology skills are not sufficiently broad to meet the demands expected for both development and maintenance of the new system. Consequently, external assistance must be acquired to deliver the technology outcomes.

136. **The approach for procuring outsourced service providers should consider at least two providers.** It is generally better to have a single provider who takes on the role of providing and managing all elements required. However, it is more likely that two providers will be needed: (1) one to deliver, implement, and provide initial support for the COTS system and (2) another to (a) deliver and operate the Processing Center, Data Center, and Contact Center and (b) to provide voice and data networks; and (c) provide and maintain computer hardware (desktops, printers and faxes) as well as maintain the COTS product after the two year support by the COTS provider has expired.

137. **Once the systems are deployed, ongoing maintenance will be required.** This will require a workforce to maintain the systems and introduce any changes needed. The workforce should be sourced externally and should be done as part of the procurement of the implementation partner. The management of this work will also need to be resolved.

138. **Mitigating the risks of outsourcing.** The decision to outsource systems *development and maintenance* means that it can be difficult to bring the development and or maintenance functions back into the NBR organization if later deemed necessary. This risk can be mitigated to some extent by ensuring that the development and maintenance teams are staffed by a mixture of both NBR and the outsourced provider staff (this issue is further discussed in the next paragraph). Another potential problem of outsourcing the *operation* of the NBR's information system involves confidentiality issues pertaining to the access to and sharing of taxpayer data with private vendors. This risk can be addressed by ensuring that the outsourcing contract extends the VAT law's confidentiality requirements and associated penalties for violations to both the outsourcing provider and its employees. Further safeguards would be provided by building into the information systems appropriate controls and audit trails governing the access to and use of taxpayer information.

139. **NBR's future role in operating and maintaining the VAT information system.** Given the NBR's very limited capacity in the information technology area, the NBR would necessarily have to rely on an outsourced provider to *operate and maintain* the future VAT system at least an initial period of one-two years.<sup>21</sup> If the NBR wishes to eventually take responsibility for operating and maintaining the system after the initial period then the outsourcing contract would need to clearly specify the implementation objectives, management roles and responsibilities of the NBR and the implementation partner, knowledge transfer to the NBR, and that the NBR will become the primary provider for maintenance and changes to the system within a specified period of time. In addition, a senior NBR official (either selected internally or recruited for the task) and a sufficient number of NBR staff would need to work closely with the outsourced provider to understand the development activities and eventually assume responsibility for maintaining and operating the system post implementation.

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<sup>21</sup> Although the NBR may eventually take responsibility from the outsourced provider for *operating and maintaining* the VAT system, the actual *development* of the VAT system should be outsourced to a vendor based on commercial off-the-shelf software as described in this report.

## V. IMPLEMENTATION ISSUES

### A. Implementation Organization and Governance Arrangements

140. **A Steering Committee of key stakeholders, chaired by the NBR Chairman will be established to oversee the implementation of the new VAT law.** The committee will have appropriate membership at Member level from the VAT and Customs Wings, a senior representative from the Ministry of Finance and a senior representative from the business community. The IMF resident VAT Advisor would be an observer on the committee. The committee would meet monthly. Its role and responsibilities are set out in Appendix VII.

141. **An Implementation Team will be established led by the Member VAT Policy with at least initially 15 experienced NBR staff who will be released from their other duties.** This team will be responsible for undertaking all the key tasks required to ensure the effective implementation of the new VAT law. It will be organized so that individual or teams have clear responsibility for ensuring specific deliverables and tasks are completed within the implementation plan timeframes (Appendix VIII). The following is the suggested initial allocation of responsibilities for the first three quarters of 2013:

- Rules, orders and technical guidelines.
- Information technology and contract procurement.
- Operational processes and training.
- Organizational design and staffing.
- External publicity and communication.
- Project management and secretariat.

142. **The Implementation Team will adopt a project management approach to ensure effective implementation of the new VAT law and the accompanying organizational, staff, operational and automation changes.** Detailed project plans with timelines will be developed identifying the tasks, resources and time frame for completion for all major deliverables. Implementation team members will be allocated responsibility for specific tasks and will report regularly on the progress being made to complete the task.

143. **To ensure a strong focus on the implementation of the new VAT, responsibility for putting in place all elements of the implementation plan will rest with the Implementation Team reporting through the VAT Implementation Steering Committee.** Once the law has been implemented, responsibility for the ongoing administration of the new VAT law and the management of the new technology to support the new administrative processes will pass to the NBR VAT Wing Members and the

Commissionerates as described in Section II. In the meantime, the NBR VAT Wing Members and the Commissionerates will need to focus on administering the current VAT law. A handover process will be developed by the implementation team.

## **B. Implementation Tasks and Deliverables**

**144. Successful implementation of the new VAT law will require completion of the following major deliverables in a timely manner:**

### **Rules and legislative orders**

**145. The effective operation of the new VAT law will require the development of a comprehensive set of Rules which are easily accessible to staff and the public.** The new VAT Act contains many sections which require the Board to prescribe the manner and form in which the law is to operate. The Board will do this by way of its power to make Rules under the new VAT Act. The Implementation Team will identify all sections of the Act which require further detail to be prescribed, and then develop appropriate Rules to provide that detail. In undertaking what is a significant piece of drafting work, the Implementation team will prioritize the Rules required to enable other implementation work to be undertaken. These Rules will then need to be approved by the Board and published in such a way that both staff and taxpayers and their advisors will be aware of and have easy access to them.

**146. To provide staff with effective guidance on the operation of the new VAT law and new administrative procedures it will be necessary to review all the current VAT Statutory Regulatory Orders (SROs), Standing Orders (SOs) and General Orders (GOs) to ensure consistency with the new law.** The current SROs, SOs and GOs issued by the NBR provide detailed guidance to staff and taxpayers on the operation and administration of the existing VAT law. With a new law and a modern approach to VAT administration, it will be necessary to revise all these existing orders. All SROs which grant exemptions for particular imports or supplies should be repealed. Given the sheer number of orders, the most effective mechanism for dealing with this issue is to repeal all existing orders and then issue the appropriate new ones. For transitional purposes, the Implementation Team should prepare a list of orders currently in force, a timetable for their repeal, and a list of current orders which can be usefully redrafted for use under the new law.

**147. NBR will draft a set of technical guidelines which will be easily available to the public, preferably on line, to provide assistance to taxpayers in how to apply the new VAT law and rules to specific business situations and in relation to specific industries.** It will also be necessary to provide more detailed technical guidance for taxpayers in relation to how the Act will operate in relation to the specific circumstances relevant to various industries and business situations. The process of identifying what further written technical guidance is required will be undertaken in consultation with taxpayers, their advisors and industry associations.

## **Organizational Change**

148. **The new organizational arrangements referred to in Section II will need to be fully in place by January 2015 when the NBR commences registering taxpayers under the new VAT law.** The strengthening of the headquarters functions under the three Members can start to be put into place as soon as possible. The establishment of the central Data Center, Processing Center and Contact Center will need to be in place and operational by December 2014. The new arrangements for the Dhaka and Chittagong Commissionerates will need to be broadly in place by January 2015 although there will continue to be some further development of these arrangements over the next twelve months. To guide the detailed design work by the Implementation Team, the draft Plan should include a high level organizational chart for the VAT Wing's headquarters and network of field offices (including the Processing Center, Data Center, and Contact Center) as well as a description of the responsibilities to be carried out by each organizational unit.

## **Staffing**

149. **A staffing plan will be developed to ensure that all newly recruited VAT staff are allocated in line with the new organizational arrangements and changes to operational processes so they are in place and ready to support the implementation of the new VAT law.** The NBR has a major recruitment exercise for Assistant Revenue Officers underway with the Public Service Commission which is expected to have a large number of new staff ready to commence work in early 2014. These newly recruited staff should be allocated to NBR VAT organizational units based on the following priorities: first, increase the headquarters staff to in particular strengthen their ability to effectively plan and supervise the various functional areas across all Commissionerates; second, ensure the Large Taxpayer Unit is appropriately staffed to maximize the compliance levels of the largest taxpayers; and finally, allocate staff to Commissionerates on the basis of their existing staffing, expected workloads, and the amount of tax to be collected.

## **Accommodation**

150. **It will be important to have sufficient accommodation of an appropriate standard available for the Commissionerate offices in Dhaka and Chittagong to support the increase in staff, the new functional arrangements and the use of automation by NBR.** The accommodation should be of a standard to allow appropriate use of computer and telephony technology by staff to enable them to undertake their work. The Commissionerate offices should also be fitted out in modern office layouts with appropriate furniture and fittings to allow staff to do their jobs and to appropriately interact with taxpayers.

## **Operational Programs**

151. **A set of documented new administrative processes for the major operational programs will be developed to reflect the move towards automation, functional specialization and best practices in modern VAT administration.** It is expected that the new operational programs will take into account changes described in Section III of this report. This documentation of the administrative processes will provide detailed guidance to staff in how to do their jobs and will also be the basis of the training provided to staff. Process manuals for each major operational program will be available to staff on line. Quality assurance procedures will be established to ensure that staff are following the procedures set out in the manuals. To guide the detailed design work by the Implementation Team, the draft Plan should include descriptions of the key changes that are to be introduced to the existing administrative programs.

## **Information Technology Requirements**

152. **The NBR will put in place a fully integrated tax administration computer system that supports the new administrative processes and will be operational at the time the new law and processes come into operation.** To this end, the NBR will seek to obtain a COTS product appropriately configured to fit the new VAT law and administrative processes. There will be a gradual release of the various computer modules with various modules only being implemented as they are required. The objective being to allow the maximum time possible for the NBR to fully implement the new system to enable it to manage the significant change management issues. The IT will exchange information with the Customs and Income Tax systems.

153. **Information technology will also be needed to support three national centers for processing and storing taxpayer information and responding to taxpayer queries.** A Processing Center will process tax returns and other submissions from taxpayers and third parties. A Data Center will house the computer hardware necessary to run the tax administration information system and store all the taxpayer and third party data. A Contact Center will serve as the first point of contact for all VAT telephone, electronic and paper taxpayer enquiries. All three centers will use state of the art technology to support their operations.

154. **All staff in the Commissionerate offices will be provided with modern networked desktop computer hardware and office software to enable them to maximize their effectiveness.** In addition Division and Circle Offices will be provided with a number of networked computers sufficient to support the work they are required to do. Printers and other computer peripherals linked to the personal computers via the network will be provided in the various offices based on the number of personal computers. Staff will also be provided

with access to a suite of modern office word processing, spreadsheets, and presentation software via these personal computers.

### **Information Technology Procurement Program**

155. **The acquisition and ongoing operation of all information technology and their associated hardware and software, which includes the three centers, required for the operation of the new VAT will be obtained from the private sector through a series of tenders.** Such an approach reduces the implementation risk for NBR who have minimal experience in developing and managing major information systems. The procurement program would be undertaken in two major tranches with the first branch being for the tax administration system (COTS system) and the second tranche including the following five components: (1) data and voice network, (2) office hardware and software; (3) a central Data Center; (4) a central Contact Center; and, (5) a central Processing Center. It is envisaged that one outsourced provider will be selected to deliver the COTS system and a second provider will deliver the other five components as well as operate and maintain the three centers for an initial period of one-two years. As described in Section IV of this report, the outsourcing contracts would provide for knowledge transfer to enable the NBR to take responsibility for operating and maintaining the system—if it should eventually wish to do so—and extend the VAT law’s provisions on the confidentiality of taxpayer information to the outsourced provider.

156. **To undertake such an important and complex IT procurement program and to ensure that the various solutions are fully integrated with each other the NBR will need to obtain some specialist support and assistance.** The following are the suggested specialist expertise that the NBR will require to support their staff in undertaking this IT procurement program:

- Specialists in each of the six major IT segments mentioned above to help develop the functional specifications for each tender.
- A procurement specialist with experience in procurement to assist the NBR run this procurement program.
- An IT specialist with expertise in the operation of IT systems in large organizations to ensure that the equipment, software and services provided by the providers under the various procurement contacts are fully integrated.

### **Staff Training**

157. **All VAT Wing staff will be provided with appropriate training and support to enable them to undertake their roles given the changes to organizational structure, administrative processes and use of information technology.** The training is to delivered

and support made available to enable staff to apply the new VAT law, use the new technology and carry out their work using the new administrative processes in line with the implementation timetable. The training should be tailored to specific groups of staff based what they need to do their job and delivered on a 'just in time' basis so that staff can apply what they learned as soon as possible after undertaking the training. A range of 'on the job' support arrangements including access to on-line manuals and training material will be put in place to continue to provide assistance to staff on how to apply the new law, use the new technology and work in accordance with the new administrative processes.

158. **It will be necessary to train the Customs Wing staff in the customs aspects of the new VAT.** The new law will have some impact on the work of the Customs Wing but it will be considerably less than for the VAT Wing. Customs Wing staff will be provided with a basic overview of the new law and how it differs from the existing law. A two or three day training course for all Customs staff should be sufficient to do this.

### **External Communication and Education**

159. **In the period leading up to the commencement of registration, the NBR will undertake an initial public information campaign to provide taxpayers and the general public with broad awareness of the key changes arising from new VAT law and when it would come into effect.** The key elements of the campaign would involve newspaper advertising, information seminars run by the NBR for the businesses and accountants and tax advisors and some general leaflets distributed to business organizations and advisors.

160. **A specific campaign will be developed for tax advisors and consultants to make them both familiar with the new law, the changes to administrative processes that will impact on their clients and to encourage them to become licensed under the new VAT Act.** Tax advisors represent an important group who can inform and influence the broader taxpayer community so it will be important to have a specific campaign aimed at them. The new law also makes provision for the registering of Tax Agents who will act for overseas companies and for licensing tax consultants who will provide advice to local taxpayers. This campaign should start up to 12 months before the new VAT comes into effect.

161. **From the period just prior to the commencement of registration up to six months after the law comes into effect, the NBR will undertake a major communication and education campaign focused on VAT taxpayers, their advisors and the public.** This will involve a major media and public relations campaign alerting businesses, their tax advisors and the public to the new law and their obligations under the law. Initially the focus will be letting businesses and their tax advisors know of the need to register or enlist, even those currently registered and enlisted. This will be followed by a broader campaign making businesses, their tax advisors and the public aware of the changes arising out of the new law and what they need to do to comply including preparing and lodging returns and paying tax.

## Staff Communication and Engagement

162. **VAT staff will be kept fully informed of and engaged in the implementation of the new VAT law and new VAT administrative process.** This will involve regular communication to staff about the changes and ensuring that their concerns about the implementation are taken into account. This will need to commence as soon as the implementation plan has been finalized.

### C. High Level Timetable

163. **The draft Plan provides a period of two and half years for the implementation of the new Act by July 1, 2015.** A number of major activities need to commence within the next few months, particularly those relating to the acquisition and implementation of new technology and the establishment of a central Data Center, Contact Center and Processing Center. The following are the key implementation milestones:

VAT law passed by Parliament	November 27, 2012
Implementation finalized, and signed off by Finance Minister	March 31, 2013
Tender for VAT tax administration system	June 2013
Tender for Other IT Support, Data Center, Processing Center, Contact Center	October 2013
VAT tax administration system vendor selected	December 2013
Newly recruited VAT staff allocated to headquarters, LTU & Commissionerates	February 2014
Other IT Support, Data Center, Processing Center, and Contact Center vendors selected	May 2014
Data Center commences	August 2014
VAT headquarters and Commissionerate new organizational arrangements in place	December 2014
NBR staff and Contact Center staff trained	December 2014
IT System Registration module operational	December 2014
Contact Center commences	December 2014
Processing Center commences	January 2015
Commence VAT Registration	January 2015
Commence Advisory visits	January 2015
First VAT returns available	June 2015
New VAT law commences	July 1, 2015



#### D. Resource Requirements

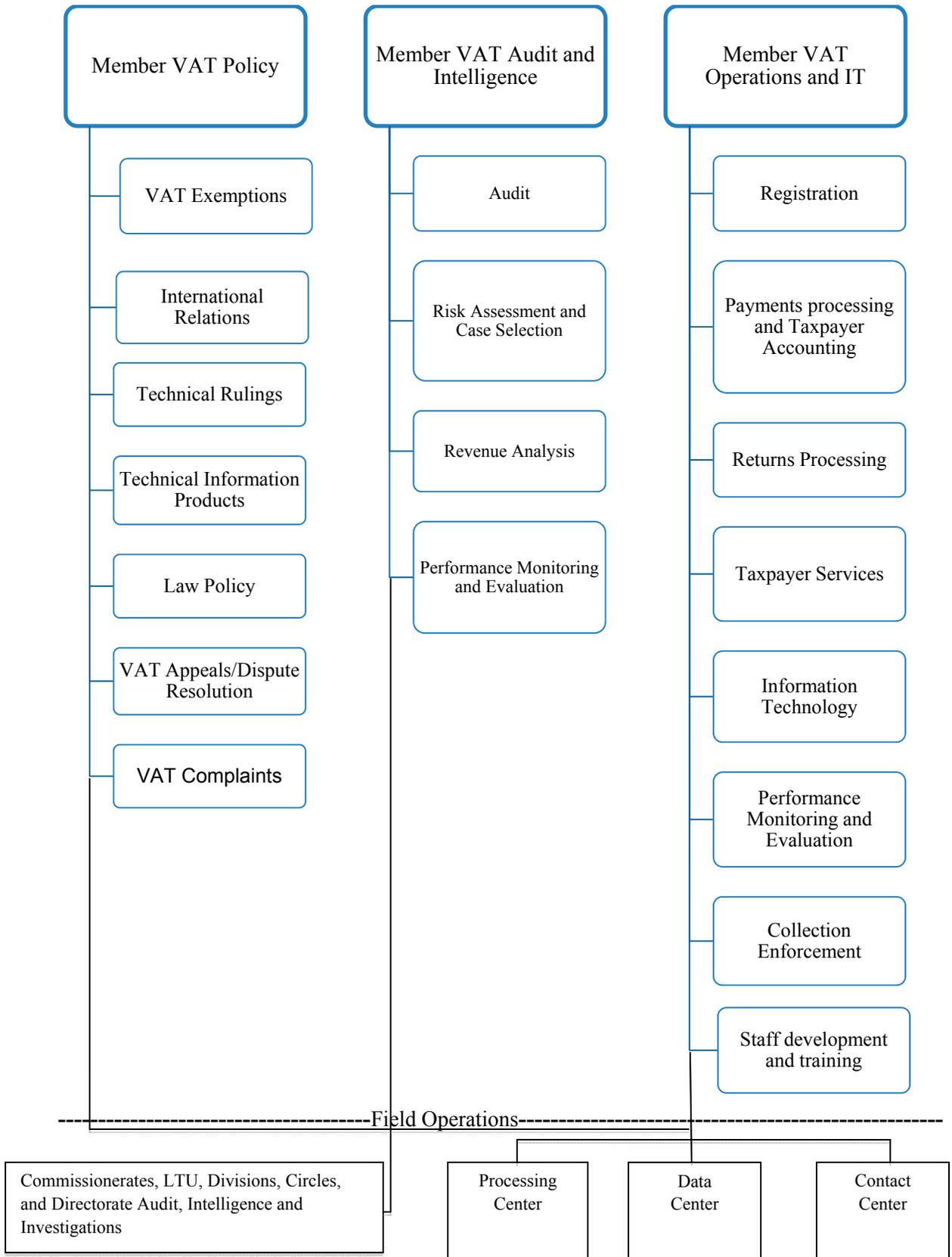
165. **There will be major financial resource costs involved in the implementation of the VAT.** The implementation of the VAT has a range of implementation deliverables which will require additional financial resources. Those additional financial resources will need to come from either the Government of Bangladesh. There are four key areas requiring additional financial costs: information technology requirements to automate NBR's VAT administration including a central data center, a processing center and taxpayer contact center; taxpayer and public communication and advertising; accommodation fit out upgrade; and staff training.

166. **It is estimated that about US\$ 33 million in funding will be required to support VAT implementation.** This estimate assumes that the NBR will outsource the provision of its technological requirements—including the establishment of a central data center, processing center and taxpayer contact center—which will lower initial capital outlays but increase the recurring costs. The initial costs associated with this approach will be those associated with obtaining expert support for the development of the contract specifications and the running of the procurement process itself. The cost estimates are set out in the table below. It should be emphasized that these estimates are highly preliminary and need to be refined by the Implementation Team as it prepares the final version of the implementation plan during the next three months.

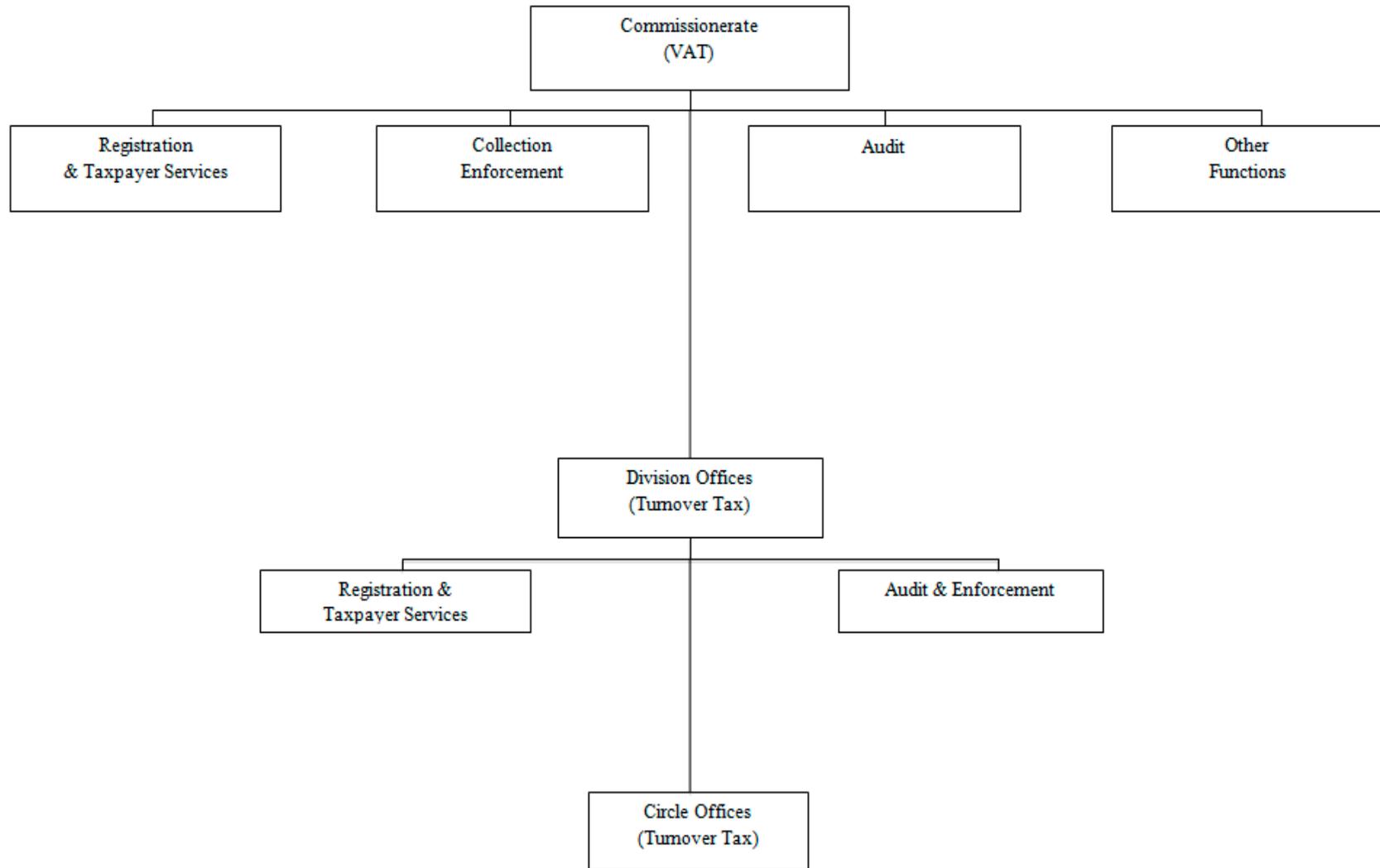
<b>Deliverable</b>	<b>Cost Over Three Years (US \$ millions)</b>
Tax Administration IT System ( including Data Center)	12.0
IT Data and voice network	2.0
IT Desktop Hardware and software	6.0
Processing Center	1.0
Taxpayer Contact Center	1.0
Office fit-out and renovations	1.0
Taxpayer advertising campaign	6.0
Training costs ( venue hire and materials)	4.5
<b>TOTAL</b>	<b>33.5</b>

167. **Technical assistance resources will be provided by the IMF and other donor partners.** The major area of focus for technical assistance will be in relation to (1) a resident VAT advisor to assist the NBR in the overall management of VAT implementation; (2) a resident information technology expert to advise on all aspects of the IT systems, including the development of functional specifications and hardware requirements; (3) various short-term tax administration advisors to support operational process design; and (4) assistance with undertaking IT procurement, staff training and support, and external communications. A preliminary schedule of technical assistance activities is set out in Appendix X which will be subject to donor resource constraints. While the IMF will provide the resident VAT advisor and, possibly some short-term advisors, support from other donor partners will be needed to finance the other assistance.

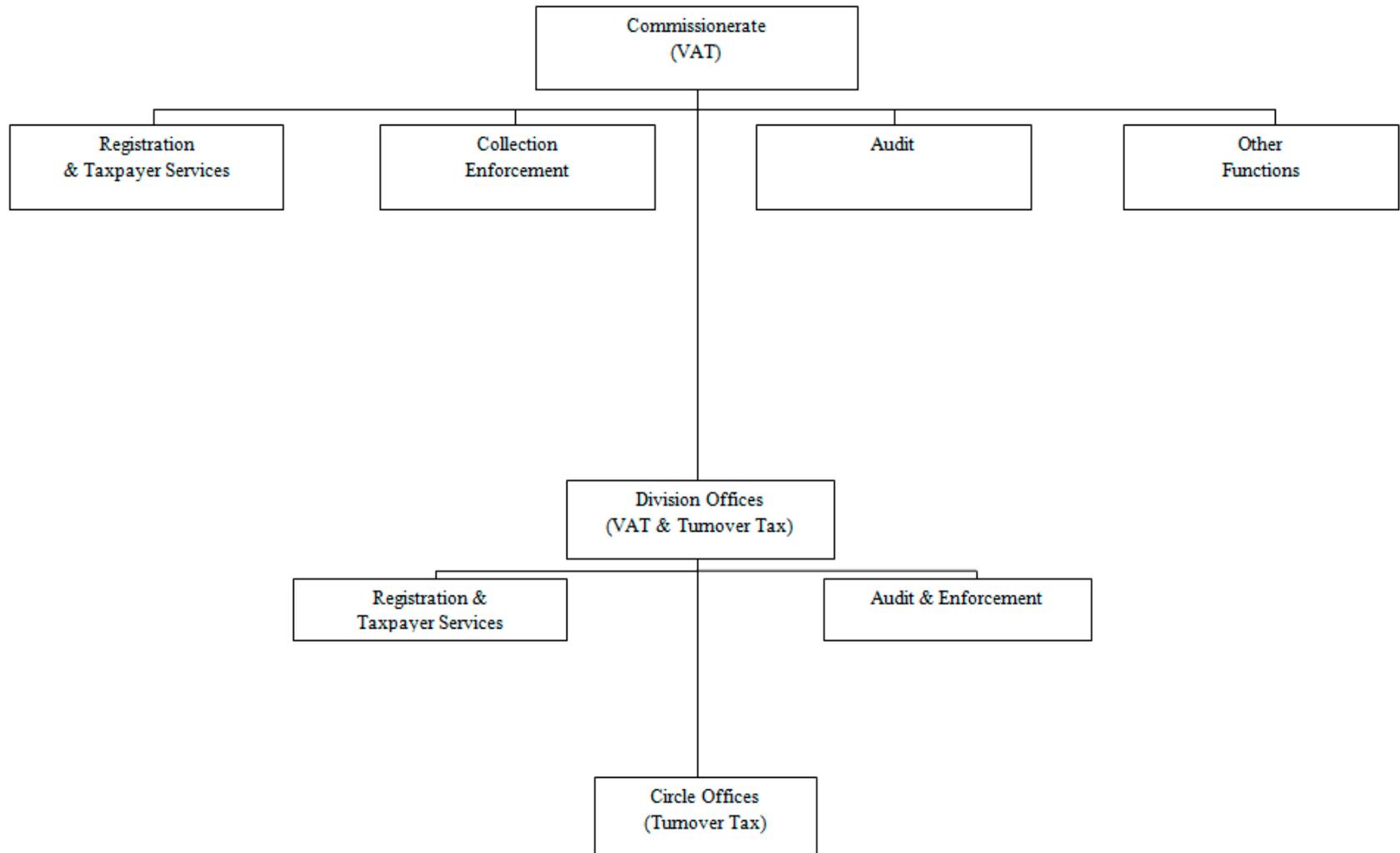
**Appendix I. VAT Headquarters Organization**



## Appendix II. Field Organization: Dhaka and Chittagong



### Appendix III. Field Organization: Other Locations



## Appendix IV. Common Tax Administration Performance Measures

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<b>Overall Measures</b>	
Total Net Revenue Collected	Total revenue collected (all revenue collected, including enforcement revenue collected, but excluding refunds). Break out by tax type (VAT, TT, SD).
Total VAT Wing Budget	Total budget expenditures for VAT Wing
Ratio of Budget Cost to Collections	Total revenue collected divided by total budget.
Tax Payment Compliance	Percentage of taxpayers who pay taxes owed by due date. Break out by tax type (VAT, TT, SD) and taxpayer type.
Tax Filing Compliance	Percentage of known registrants who file returns by due date. Break out by tax type and taxpayer type.
Tax Reporting Compliance for Audited Returns	Percentage of tax as originally filed compared to final tax after audit, objections, appeals and tax court. Break out by tax type and taxpayer type.
<b>Returns Processing Measures</b>	
Total Returns Filed	The total number of tax returns filed by tax type.
Total Registrants	The total number of registrants by taxpayer type.
Total New Registrants	The total number of new registrants by taxpayer type.
Percent of Returns Filed Electronically	The percentage of total returns filed that are filed electronically. Break out by method of electronic filing used (in person, via internet, by telephone, etc.) and tax type.
Percent of Payments Received Electronically	The percentage of total tax payments received that are paid electronically. Break out by method of electronic payment used.
Return Processing Timeliness	The average amount of time it takes to process a return from date of filing. Break out by type of return.
Total Number of Refunds Issued	The total number of refunds issued by type of tax refund and taxpayer type.
Average Refund Processing Timeliness	The average amount of time it takes to process and issue a refund from date of filing. Break out by type of tax refund and taxpayer type.
Return Processing Accuracy Rate	The percentage of returns processed without error. (Requires system for checking accuracy of processing.)
Payment Processing Timeliness	The average amount of time it takes between receipt of revenue/payment and transfer to the Treasury.
Payment Processing Accuracy Rate	The percentage of payments that are processed without error. (Requires system for checking accuracy of payments.)
<b>Taxpayer Services Measures</b>	
Number of Taxpayers Assisted	The total number of taxpayers assisted by VAT Wing taxpayer services units. Break out by service method (phone, walk-in, e-mail, and in writing.)
Number of Tax Guidance Requests Completed	The total number of taxpayer guidance requests completed. Breakout by taxpayer type.

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Service Timeliness	The average amount of time it takes to complete a taxpayer service request. Broken out by service method.
Service Quality	A measure of the quality of service provided to taxpayers. Requires method for assessing quality of service.
<b>Service Officers</b>	
Total Number of Taxpayers Counseled/Monitored	The total number of taxpayers who were counseled/monitored by account representatives and general service officers. Break out by type (account representative vs. general service officers).
Number of Completed Risk Assessment Reports	The total number of risk assessment reports completed by account representatives and general service officers. Break out by type.
Ratio of Account Representatives/General Service Officers to Taxpayers Counseled/Monitored	The ratio of account representatives/general services officers to taxpayers counseled/monitored.
Taxpayer Satisfaction	A measure of the level of satisfaction of taxpayers with factors such as the quality, timeliness, fairness of the service/assistance provided. Requires survey development.
Risk Assessment Quality	A measure of the quality of the risk assessments completed. Requires either a method for reviewing a sample of completed risk assessments or a method for gathering feedback directly from auditors who use the risk assessment in conducting an audit.
<b>Examination/Audit Measures</b>	
Total Exam Revenue Recommended	The total value of the additional tax assessments recommended by audit. Break out by type of audit (refund, income) and taxpayer type.
Total Revenue Protected	The total value of fraudulent/invalid refund or claim requests that were protected from payment by VAT Wing.
Average Exam Revenue Recommended per Audit	The average value of the assessments recommended per audit. Break out by type of audit and taxpayer type.
Percentage of Recommended Assessments Agreed to by Taxpayers	The percentage of assessments that are agreed to by taxpayers and not disputed to Objections or Appeals.
Average Length of Audit	The average amount of time it takes to complete an audit. Breakout by type of audit.
Average Auditor Time Per Audit	The average amount of auditor time spent per audit. Requires method for compiling amount of time applied by auditor(s) to each audit.
Audit Case Quality	A measure of the average quality of audits completed. Requires method for reviewing a sample of audits for quality against a set of standards.
Audit Taxpayer Satisfaction	A measure of the level of satisfaction of

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	taxpayers with factors such as the quality, timeliness, fairness of the audit process. Requires survey development.
Percentage of Audit Cases Objected/Appeals	The percentage of completed audits that are appealed or objected.
Percentage Upheld by Audit/Objections	The percentage of audits appealed/objected that uphold the audit recommendation.
<b>Arrears Collection</b>	
Total Enforcement Revenue Collected	The total revenue collected through enforcement actions.
Average Age of Collection Inventory	The average age of each collection module/account in inventory.
Total Collection Inventory	The total value of accounts in collection inventory.
Total Collection Accounts Resolved	The total number of collection accounts that were resolved. Breakout by type (full pay, partial pay, closed non-collectible.)
Number of Delinquent Tax Returns Secured	The total number of past due returns that were obtained as a result of enforcement actions.
Collection Case Quality	A measure of the average quality of audits completed. Requires method for reviewing a sample of cases to determine quality against a set of standards.
Collection Taxpayer Satisfaction	A measure of the level of satisfaction of taxpayers with factors such as the quality, timeliness, fairness of the service/assistance provided. Requires survey development.
<b>Appeals</b>	
Number of Appeals Cases Closed	The total number of cases closed by Appeals.
Average Time of Appeals Cases Closed	The average amount of time it takes to complete a case after it enters Appeals inventory.
Percentage of Appeals Cases Disputed to Tax Court	The percentage of Appeals cases that are disputed to tax court. Break out by tax court outcome (sustained, overturned).
Appeals Case Quality	A measure of the average quality of Appeals cases completed. Requires method for reviewing a sample of cases to determine quality against a set of standards.
Appeals Taxpayer Satisfaction	A measure of the level of satisfaction of taxpayers with factors such as the quality, timeliness, fairness of the Appeals process. Requires survey development.

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## Appendix V. Illustrative List of Forms and Guides for VAT Implementation

### Forms

1. Registration application (including for turnover tax enlistment).
2. Supplementary details for registration— to capture details of individual directors, partners, members of joint ventures etc.
3. Application for (or cancellation of) separate branch unit registration.
4. Notification of changes in registration information.
5. De-registration application (including for turnover tax).
6. Application for VAT consultant license.
7. Notification of insolvency or receivership.
8. VAT return—including VAT, supplementary duty and tax withheld at source.
9. Supplementary form for tax withheld at source.
10. Turnover tax return.
11. Claim for refund by members of diplomatic community or international organizations.

### General guidance

1. Basics of VAT.
2. VAT and the consumer.
3. Should I be registered?
4. Guide to completing your VAT return and paying VAT.
5. VAT guide for small businesses.
6. Keeping records and accounts.
7. What is a tax invoice?
8. VAT advisory visits.
9. What to expect during a VAT audit.
10. How to appeal against a VAT decision.
11. Guide to the turnover tax.

### Specific guidance

1. Claiming VAT refunds.
2. Making exempt supplies.
3. VAT for importers and exporters.
4. VAT for withholding entities.
5. VAT for agents and consultants.
6. VAT for non-resident businesses.
7. Detailed VAT guide for large taxpayers, accountants, etc.
8. Specific guides for other sectors, e.g., construction, building and property, development, financial institutions, manufacturers of items subject to supplementary duty, non-governmental organizations, travel agents and tour operators.

## Appendix VI. High Level System Capabilities

At a high level, the new VAT will require the following systems functionality:

### 1. Taxpayer registration capability that can:

- ✓ Maintain a national tax identification number for all VAT taxpayers.
- ✓ Maintain internal referencing to ensure the validity of these identification numbers.
- ✓ Capture and store specific registration details for different tax types in a ‘whole of client’ view.
- ✓ Offer “on-line” taxpayer self-service, both to establish and maintain appropriate registration details.
- ✓ Integrate the registration system with all other core business functions, e.g. returns and payment processing, so that registration details are stored and maintained once, but reused by other systems.
- ✓ Deregister taxpayers and archive information in such a way that it can be restored.
- ✓ Allocate one identification number for a legal entity, but enable branches of an entity to be linked.
- ✓ Generate registration management information, e.g. registrations by entity type, by region, by sector, by industry and a comprehensive audit trail of any accesses or adjustments made.

### 2. Agent registration capability that can:

- ✓ Maintain a national unique identifier for agents and consultants.
- ✓ Maintain internal referencing to ensure the validity of these identification numbers.
- ✓ Deregister agents and archive information so that it can be restored.
- ✓ Generate registration management information.
- ✓ Enable the linking of the agent to the taxpayers that they represent.

### 3. Payments processing capability that can:

- ✓ Capture identification number, tax type, payment period, payment type, and payment amount.
- ✓ Update these details into the taxpayer and revenue accounts automatically.
- ✓ Automatically interface with external payment method options, e.g., banks, “e”-payment.
- ✓ Reverse payment data and manage any re transmissions of payments data.
- ✓ Have the ability to process a payment to a suspense account if taxpayer details are not known.

Generate management information that enables (1) payments reconciliations; (2) revenue reports; (3) payment statistics; (4) report on suspense account activities; and (5) a comprehensive audit trail of any accesses or adjustments made.

### 4. Returns processing capability that can:

- ✓ Process returns for all VAT types.
- ✓ Support fully the principles of self-assessment or official assessment for processing returns, including (1) check taxpayer identity against the taxpayer registration system; (2) record date

of lodgment; (3) acceptance of the tax liability declared by the taxpayer; (4) perform arithmetical calculation based on the data in the return; (5) compare information submitted against information held within the database for the taxpayer e.g., withholding credits; and (6) storage of tax return data in the database.

- ✓ Ability to be configured easily to cater for new tax types or changes to existing taxes.
- ✓ Ability to receive returns electronically.
- ✓ Ability to generate electronic receipt for electronic returns.
- ✓ Process amended tax returns or assessments.
- ✓ Raise unilateral assessments where a return has not been lodged if appropriate.
- ✓ Produce management information on quantity of returns received, and a comprehensive audit trail of any accesses or adjustments made.

**5. Taxpayer and revenue accounting capability** that can:

- ✓ Develop and maintain a set of accounts for each taxpayer.
- ✓ Account for all debits and credits for all tax types in a 'whole of client' view.
- ✓ Enable all tax types to be recorded in the same style of account.
- ✓ Allow proper identification of all information passed to it from the payment and returns processing systems.
- ✓ Calculate due dates for incoming transactions.
- ✓ Allow for default assessments to be made.
- ✓ Allow for amendments to be made via reassessments, account adjustments, transfers, etc.
- ✓ Allow online enquiry to all details of a taxpayer's account.
- ✓ Allow with appropriate security, taxpayers to view their account via web access.
- ✓ Calculate and impose late/nonpayment penalties and charge interest if appropriate.
- ✓ Structure the account details so that details can be clearly identified between tax, penalties, interest, while being able to present all the taxpayer's account balances across all tax types.
- ✓ Age debts.
- ✓ Generate a statement of account, in either paper form or in electronic form for a particular tax type, or consolidated for all tax types.
- ✓ Offset credits and debits within a tax type and across tax types.
- ✓ Provide for a variety of accounting transactions, e.g., debits, credits, transfers, refunds, penalties, payments, reversals adjustments, write offs etc.
- ✓ Produce management information on overall account status, general ledger for the NBR and a comprehensive audit trail of any accesses or adjustments made.

**6. Outstanding filing capability** that can:

- ✓ Determine whether a return for a particular tax type should be expected from a taxpayer. This includes a 'nil return'.
- ✓ Determine the due date for all return types according to the VAT legislation and rules.

- ✓ Allow an extension to the due date for lodgment of a return if the NBR approves a taxpayer's request.
- ✓ Automatically generate a demand for the return after a nominated period, after the return has not been filed.
- ✓ After a determined period, automatically issue a stronger worded demand if the return has still not been filed or other treatments according to risk.
- ✓ If after a further determined period and the return is still outstanding, allocate the case for manual follow up via the case management system.
- ✓ Manual follow up may involve the issuing of a unilateral assessment or if the case warrants, possible prosecution for failure to file the return.
- ✓ Generate management information reporting on how many returns were expected, how many were received, how many are still outstanding, the age of the outstanding returns, for each Commissionerate and Division, and be able to consolidate this information on a national basis. A comprehensive audit trail of any accesses and adjustments made is also required.

#### **7. Arrears management capability** that can:

- ✓ Detect cases where there is a debt outstanding and payable.
- ✓ Automatically generate a demand for payment of the debt after a nominated period when the payment was not received, or has been made late.
- ✓ Report all outstanding debts by taxpayer, so that coordinated action can be taken across all debts owed by the taxpayer in a 'whole of client' view.
- ✓ After a further period, automatically issue a stronger demand for the debt to be paid or other treatment determined by risk. Automatic retention of a taxpayer's debt history must be updated to the database.
- ✓ If after a further determined period and the debt is still outstanding, allocate the case for manual follow up via the case management system.
- ✓ Debt cases should be ranked for manual action based on risk assessment criteria, e.g., size of debt, age of debt, number of revenue types involved, taxpayer history etc.
- ✓ Support for collection of outstanding debts by installments.
- ✓ Provide for the ability for cases to be cleared via approved write off processes.
- ✓ Support the compilation of local and national debt collection plans.
- ✓ Generate management information on level and composition of debt, the volume of new debt, the amount of debt collected and the amount written off, the age of debt, the number of taxpayers who are in debt, status of cases allocated via the case management system, and a comprehensive audit trail of any accesses and adjustments made.

#### **8. Case management capability** that can:

- ✓ Handle all types of workflow that lends itself to be managed as an individual case, e.g., a taxpayer audit, a taxpayer debt, an outstanding return and providing complex advice to taxpayers.
- ✓ Prioritize cases to be created and allocated to predetermined risk assessment criteria.
- ✓ Electronically assign cases by a supervisor to case officers on the basis of relative priority.

- ✓ Record case details, with the majority of this recorded at the time of case selection.
- ✓ Present the history of other cases involving the same taxpayer.
- ✓ Recording of actions taken and date.
- ✓ Generate standard letters and notices as initiated by the case officer.
- ✓ Record case notes in free text.
- ✓ Permit re-allocation of cases.
- ✓ Record time to action cases and maintain status of case, e.g., pending, closed etc.
- ✓ Notify supervisors if cases are not being resolved in a timely manner.
- ✓ Retain and retrieve case history indexed by the taxpayer identification number.
- ✓ Generate determined management information for all case types, such as cases created, cases closed, cases still outstanding, and maintain a comprehensive audit trail of accesses and adjustments made.

**9. Workflow management capability** that can:

- ✓ Handle all types of workflow that lends itself to be managed as a task, e.g., a processing exception, responding to taxpayer correspondence, and escalating actions from a contact center.
- ✓ Electronically assign work items to an officer based on functional area and skill of the officer.

**10. Audit Support capability** that can:

- ✓ Conduct financial analysis of return and other data to automatically select cases for audit.
- ✓ Prioritize selected audit cases based on predetermined risk management criteria.
- ✓ Allocate cases for manual action via the case management system.
- ✓ Provide information for the preparation of the annual audit work plan.
- ✓ Provide tools to assist with audit activities, e.g., software that can analyze taxpayer accounting records, links to other 3<sup>rd</sup> party information, and the ability to work remotely from a taxpayer site.
- ✓ Record audit activities and results.
- ✓ Update risk data according to outcomes of audit.
- ✓ Generate determined management information on success rate of audit cases selected, changes to selection criteria and maintain a comprehensive audit trail of any accesses and adjustments made.

**11. Taxpayer Services capability** that can:

- ✓ Support the development of taxpayer services products.
- ✓ Provide NBR VAT staff with access to rulings database, public information, standard questions and answers for frequently asked queries.
- ✓ Ensure information, downloadable forms and transactions available via the NBR website are accurately maintained.

- ✓ Allow interaction from the taxpayer by email and through the website (with proper security) allow taxpayers to complete transactions and view their account and other details on line.
- ✓ Receive and record taxpayer correspondence which is then managed via the workflow/case management capabilities.
- ✓ Receive and record taxpayer disputes, appeals, objections and amendments which are then managed via the workflow/case management capabilities.
- ✓ Generate a defined set of management reports with an automated comprehensive audit trail of any accesses and adjustments made.

**12. Revenue Reporting and Forecasting capability that can:**

- ✓ Report on all revenue assessed across all tax types, nationally, by office, by sector and by industry and have the ability to analyze information to further levels if required.
- ✓ Enable real time reports to be generated by NBR officials.
- ✓ Track revenue collection against predetermined budgets for specific tax types and for the revenue as a whole.
- ✓ Create and maintain revenue forecasting models that can determine ‘what if’ scenario planning outcomes for tax policy budget changes, and for determining the possible result of a specific NBR intervention work activity.

**13. Analytical capability that can:**

- ✓ Receive and assemble data from multiple sources (including all NBR data).
- ✓ Cater for multiple views of data with multi-indexing capability.
- ✓ Provide analysis tools for risk assessment, trend analysis, “what-if” scenario analysis etc.
- ✓ Generate pre-defined reports.
- ✓ Respond to requests for ad-hoc reports and analysis.

Access to various compartments of the system/groups of taxpayers should be determined and controlled by role-based security permissions, if possible, linked to the HR system.

Additionally, non-functional requirements such as performance parameters, network operations, expected volumes etc. will need to be described or estimated.

## Appendix VII. VAT Implementation Steering Committee

### Purpose:

The Steering Committee will provide overall guidance on and oversight of the VAT implementation plan and will have the following responsibilities:

- Approve the draft implementation plan for consideration and final approval by the MOF.
- Approve any major variations to the plan.
- Monitor implementation plan progress.
- Provide direction and guidance on significant issues to the implementation team.
- Ensure adequate resources (personnel and finance) are provided to enable the project objectives to be achieved.
- Ensure that there is effective coordination between the implementation team and other NBR units or external departments or agencies.

### Decision Making Authority

The Steering Committee will have authority to make all decisions that affect the implementation of the new VAT law.

### Length of Term

The Steering Committee will operate from now until December 2015 after the new VAT law comes into operation.

### Membership

**Chairman:** NBR Chairman

**Deputy Chairman:** Head VAT Implementation Team (VAT Member Policy)

**Members:** Chairman NBR, Member VAT Policy, Member VAT Audit, Member VAT Implementation and Administration, Member Customs, Secretary Department of Finance, Representative Chamber of Commerce

**Observers:** IMF VAT Advisor

**Secretariat:** Implementation Team Secretariat

**Attendance Policy:** Members will make every effort to attend all committee meetings in person. Where they are unable to attend as a result of having to deal with other urgent matters of importance they may with the permission of the chair send a substitute who has sufficient authority to act in their name. Members will be bound by the decisions taken by their substitutes.

**Confidentiality:** All committee papers will be confidential unless the Committee chair gives permission for the broader dissemination of a paper.

**Records Policy:**

A copy of the agenda, meeting papers and minutes of each meeting will be retained in an electronic folder maintained by the Secretariat.

**Roles and Responsibilities**

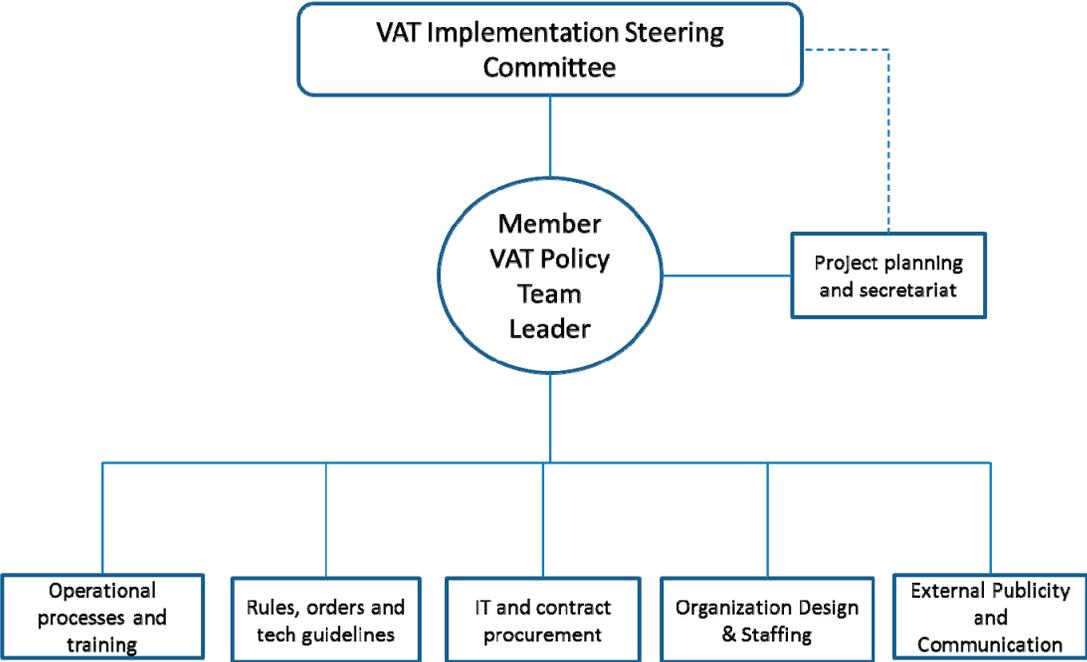
***Chair:*** Set the meeting agenda, ensure the effective operation of the meeting and sign off the minutes of each meeting once approved by the next meeting of the committee.

***Deputy Chair:*** Support the chair and take over chairing the meeting when the chair is unavailable.

***Members:*** Attend all meetings, come to the meetings prepared by having read through the agenda and all meeting papers prior to the meeting, contribute to the discussion and decision making at the meeting.

***Secretariat:*** Distribute the agenda and meeting papers to steering committee members at least three days prior to the meeting. Take minutes of the meeting and distribute to the members after the meeting in a timely manner.

**Appendix VIII. VAT Implementation Organization Chart**



## Appendix IX. Detailed Implementation Timetable

Bangladesh VAT Implementation Plan December 2012		2012		2013				2014				2015				2016	
ID	Task Name	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2
0	<b>VAT IMPLEMENTATION TIMELINE</b>																
1	<b>1 Legislation</b>																
10	<b>2 Subsidiary Rules and Orders</b>																
11	<b>2.1 Rules</b>																
12	2.1.1 Draft rules																
13	2.1.2 Consultation																
14	2.1.3 Ministry of Law review																
15	2.1.4 NBR approves																
16	2.1.5 Rules sent for gazettal																
17	2.1.6 Rules gazetted																
18	<b>2.2 Revise Orders</b>																
19	2.2.1 Draft revised SROs, GOs and SOs																
20	2.2.2 NBR approves revised SROs, Gos and SOs																
21	2.2.3 Publish revised SROs, Gos and Sos																
22	<b>2.3 Technical Guidelines</b>																
23	2.3.1 Identify difficult area of law requiring clarification																
24	2.3.2 Draft guidelines clarifying difficult areas of the law																
25	2.3.3 NBR approves guidelines																
26	2.3.4 Publish guidellines																
27	<b>3 Implementation Plan</b>																
28	3.1 IMF mission prepares draft implementation plan																
29	3.2 Plan presented to NBR chairman																
30	3.3 Review and finalise implementation plan																
31	3.4 Plan presented to Steering Committee for sign off																
32	3.5 Plan presented to Minister of Finance for approval																
33	<b>4 Staff Communication and Engagement</b>																
34	4.1 Develop staff communication and change management plan																
35	4.2 Commence staff consultation and engagement																
36	<b>5 Organizational and structural issues</b>																
37	5.1 Design new organisational structure for VAT																
38	5.2 Calculate number of taxpayers and expected workloads under new VAT law																
39	5.3 Determine broad approach to processing expected workloads																
40	5.4 Calculate staff numbers and requirements by function and level																
41	<b>6 Accomodation</b>																
42	6.1 Accommodation - assess needs, secure and fit-out																
43	6.2 Secure furnishings and equipment																
44	<b>7 Operational Design</b>																
45	<b>7.1 Processing procedures design</b>																
46	7.1.1 Registration process																
47	7.1.2 Return, payments and accounts management																
48	7.1.3 Refunds Management																
49	7.1.4 Arrears and Non Filing Enforcement																
50	7.1.5 Taxpayer Services																
51	7.1.6 Field Advisory Visits																

### Bangladesh VAT Implementation Plan December 2012

ID	Task Name	2012		2013				2014				2015				2016	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
52	7.1.7 Audit phase 1																
53	7.1.8 Audit phase 2																
54	7.1.9 investigations																
55	7.1.10 Appeals																
56	7.1.11 Customs																
57	<b>7.2 Forms Design</b>																
58	7.2.1 Registration application form																
59	7.2.2 Notification of registration notice																
60	7.2.3 Return form																
61	7.2.4 Special application forms																
62	<b>8 Training Course Development and Process Manuals</b>																
63	8.1 Develop overall training and learning support strategy and approach																
64	8.2 General VAT familiarisation training package																
65	8.3 Processing training package & manual - registration																
66	8.4 Processing training package & manual - returns and payments processing																
67	8.5 Collection and non filing enforcement training package and manual																
68	8.6 Advisory activity training package and manual																
69	8.7 Taxpayer Service training package and manual																
70	8.8 Contact Centre staff training package and manual																
71	8.9 Audit Phase 1 training package and manual																
72	8.10 Audit Phase 2 training package and manual																
73	8.11 Appeals training package and manual																
74	8.12 Investigations training package and manual																
75	8.13 Turnover tax staff familiarization training package																
76	8.14 Customs training package and manual																
77	<b>9 Staffing</b>																
78	9.1 Develop staffing plan																
79	9.2 Allocate new VAT recruits to existing structure																
80	<b>10 Staff training</b>																
81	10.1 Initial VAT staff familiarization training																
82	10.2 Audit & Enforcement staff - initial advisory activities																
83	10.3 Processing Centre staff - registration job training																
84	10.4 Taxpayer Contact Centre staff training VAT law and processes																
85	10.5 Taxpayer Services staff - counter and outreach services training																
86	10.6 Processing Centre staff - returns and payment processing training																
87	10.7 Enforcement staff - collection and non filling job training																
88	10.8 Audit staff - phase 1 audit training																
89	10.9 Investigations staff - investigations training																
90	10.10 All turnover tax staff - familiarization training																
91	10.11 Customs staff - basic familiarization																
92	10.12 Audit staff - phase 2 audit training																
93	<b>11 IT systems development</b>																
94	11.1 Prepare a comprehensive IT development plan																
95	<b>11.2 IT Procurement Support</b>																
96	11.2.1 Obtain IT procurement specialist support																

### Bangladesh VAT Implementation Plan December 2012

ID	Task Name	2012		2013				2014				2015				2016	
		Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2
97	<b>11.3 VAT Tax Administration Software</b>																
98	11.3.1 Develop functional specifications for VAT tax administration software																
99	11.3.2 Prepare and issue RFT for VAT tax administration software																
100	11.3.3 Tender selection process																
101	11.3.4 Contract signed for development of IT system																
102	11.3.5 Vendor customise/configure system																
103	11.3.6 Develop data migration strategy																
104	11.3.7 System test phase registration module																
105	11.3.8 Implement registration module																
106	11.3.9 System test phase returns, payment and refund processing, taxpayer and revenue accounts																
107	11.3.10 Implement returns, payment and refund processing, taxpayer and revenue accounts modules																
108	11.3.11 System test phase arrears and non filling enforcement modules																
109	11.3.12 Implement arrears and non filling enforcement modules																
110	11.3.13 System test phase audit module																
111	11.3.14 Implement audit module																
112	<b>11.4 Data Center</b>																
113	11.4.1 Develop functional specifications for Data Center																
114	11.4.2 Prepare and issue RFT for VAT Data Center																
115	11.4.3 Tender selection process																
116	11.4.4 Implement Data Center																
117	11.4.5 Data Center Operational																
118	<b>11.5 Voice and Data Network</b>																
119	11.5.1 Develop functional specifications for voice and data network																
120	11.5.2 Prepare and issue RFT for voice and data network																
121	11.5.3 Tender selection process																
122	11.5.4 Install voice and data network																
123	11.5.5 Voice and data network operational																
124	<b>11.6 Desktop hardware and software</b>																
125	11.6.1 Develop functional specifications for desktop hardware and software																
126	11.6.2 Prepare and issue RFT for desktop hardware and software																
127	11.6.3 Tender selection process																
128	11.6.4 Install desktop hardware and software																
129	11.6.5 Desktop hardware and software operational																
130	<b>12 Establish Processing Center</b>																
131	12.1 Develop Processing Center functional specifications																
132	12.2 Prepare and issue Processing Center Request for Tender																
133	12.3 Tender selection process																
134	12.4 Establish Processing Center																
135	12.5 Center begins to process registration forms																
136	<b>13 Establish Taxpayer Contact Center</b>																
137	13.1 Develop Taxpayer Contact Center functional specifications																
138	13.2 Prepare and issue Taxpayer Contact Center Request for Tender																
139	13.3 Tender selection process																

### Bangladesh VAT Implementation Plan December 2012

ID	Task Name	2012		2013				2014				2015				2016	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
140	13.4 Establish Taxpayer Contact Center																
141	13.5 Center begins to receive taxpayer contact																
142	<b>14 Business Registration</b>																
143	14.1 Commence registration, enlistment process for new VAT Act																
144	14.2 Contact all existing VAT and turnover taxpayers and ask to re register																
145	14.3 Cancel all old BIN numbers																
146	<b>15 Issue and Receive First VAT returns</b>																
147	15.1 Issue first VAT returns																
148	15.2 Receive first VAT returns and payments																
149	<b>16 Consultation and Taxpayer Education</b>																
150	<b>16.1 Public Information Campaign</b>																
151	16.1.1 Presentations to business and community																
152	16.1.2 Government TV and other media adverts																
153	<b>16.2 Explanatory material</b>																
154	16.2.1 Draft registration Guide																
155	16.2.2 Draft full VAT Guide																
156	16.2.3 Draft General consumer explanatory material																
157	16.2.4 Draft industry specific pamphlets																
158	<b>16.3 Taxpayer education</b>																
159	<b>16.3.1 Registration</b>																
160	16.3.1.1 Advertise requirement to register for VAT																
161	16.3.1.2 Issue registration packs (Guide and form) to expected registrants																
162	<b>16.3.2 Return filing and payment</b>																
163	16.3.2.1 Advertise new VAT law filing and payment obligations																
164	16.3.2.2 Provide advisory service to initial registrants																
165	16.3.2.3 Issue full VAT guide to registered taxpayers																
166	<b>17 Transitional Issues</b>																
167	17.1 Decide operational wind down of "old VAT"																
168	17.2 Finalize outstanding audits																
169	17.3 Identify current dispute cases																
170	17.4 Crystallize current debt																
171	17.5 Resolve approach to outstanding returns under "old VAT"																

### Appendix X. Preliminary Schedule of Technical Assistance Requirements

Implementation Tasks	Type of Technical Assistance	Duration of Technical Assistance	Period
Rules and legislative guidelines	IMF legal advisor	Two 2-week visits	February 2013 to July 2013
Organizational Design	IMF VAT Advisor Short-term expert	Long-term assignment Three 2-week visits	February 2013 to February 2014 April 2013 to February 2014
Information Technology: Design including functional specifications	Information Tech. Expert IMF VAT Advisor	Long-term assignment Long-term assignment	March 2013 to March 2014 February 2013 to February 2014
Information Technology: Procurement	Short Term Expert	Four 3-week visits Plus a further 9 weeks work at home	March 2013 to March 2014
Contact Center: Design and Procurement	Short Term expert	Four 3-week visits Plus a further 2 weeks work at home	June 2013 to June 2014
Operational Processes: Registration	IMF VAT Advisor Short Term Expert	Long-term assignment Four 3-week visits Plus a further 2 weeks work at home	February 2013 to February 2014 June 2013 to June 2014
Operational Processes: Return and Payment Processing	IMF VAT Advisor Short Term Expert	Long-term assignment Four 3-week visits Plus a further 2 weeks work at home	February 2013 to February 2014 October 2013 to October 2014
Operational Processes: Refund Management	IMF VAT Advisor Short Term Expert	Long-term assignment Four 3-week visits Plus a further 2 weeks work at home.	February 2013 to February 2014 October 2013 to October 2014
Operational Processes : Collection Enforcement	IMF VAT Advisor Short Term Expert	Long-term assignment Four 3-week visits Plus a further 2 weeks work at home	February 2013 to February 2014 January 2014 to January 2015
Operational Processes: Audit and Investigation	IMF VAT Advisor Short Term Expert	Long-term assignment Four 3-week visits Plus a further 3 weeks work at home	February 2013 to February 2014 October 2014 to October 2015
Staff training: overall strategy	IMF Resident Advisor Short Term Expert	Long-term assignment Three 3-week visits	February 2013 to February 2014 May 2013 to December 2014
Staff training: design of specific training modules	IMF Resident Advisor Short Term Expert	Long-term assignment Three 3-week visits Plus a further 3 weeks work at home	February 2013 to February 2014 August 2013 to February 2014
External communication and advertising	IMF Resident Advisor Short Term Expert	Long-term assignment Three 3-week visits	February 2013 to February 2014 July 2013 to February 2104
Internal staff communication and engagement	IMF VAT Advisor	Long-term assignment	February 2013 to February 2014